**IMMEDIATE ATTENTION**

EBAP/10/120

December 22, 2010

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Proposed Amendments to the Staff Retirement Plan**

Attached for consideration by the Executive Directors is a memorandum from the Acting Chairman of the Pension Committee proposing amendments to the Staff Retirement Plan that include a new set of grossing-up formulas and several other amendments. The proposed amendments were endorsed by the Pension Committee at its meeting held on December 14, 2010.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Thursday, December 30, 2010.** In the absence of such a request, the proposed decision on page 10 and the proposed amendments as set out in Annex I on pages 11 to 18 of the attached paper will be deemed approved by the Executive Board, and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Rodlauer (ext. 38789) and Mr. Clarke (ext. 34086) in HRD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads
Members of the Pension Committee
Members of the Investment Committee

# *Office Memorandum*

To: Members of the Executive Board — December 22, 2010

From: Murilo Portugal, Acting Chairman of the Pension Committee

Subject: **Proposed Amendments to the Staff Retirement Plan**

1. At its meeting on December 14, 2010, the Pension Committee endorsed proposed amendments to the Staff Retirement Plan (SRP). The proposed amendments include a new set of grossing-up formulas and several other amendments to the Staff Retirement Plan. The amendments would implement the reforms endorsed by the Pension Committee and approved by the Executive Board in April 2010.

2. As noted in the paper presented to the Pension Committee (RP/CP/10/9, 11/23/10), the proposed amendments to the Staff Retirement Plan set out in Annex I of the attached report would be effective as of the date of the Board's approval of the proposed decision with respect to the amendments in paragraphs 6, 7, 8 and 9 of Annex I, and effective as of May 1, 2011 with respect to the other amendments in Annex I.

3. Accordingly, the Pension Committee is now forwarding the proposed amendments to the Executive Board for approval on a lapse of time basis.

cc: Members of the Pension Committee

INTERNATIONAL MONETARY FUND

**Proposed Amendments to the Staff Retirement Plan**

Prepared by the Human Resources Department

In consultation with the Legal Department

Approved by Shirley Siegel

December 22, 2010

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## EXECUTIVE SUMMARY

**This paper proposes a new set of grossing-up formulas and several amendments to the Staff Retirement Plan,** implementing the reforms endorsed by the Pension Committee and approved by the Executive Board in April 2010. The proposed amendments are submitted for the Pension Committee's endorsement, and subsequent approval by the Executive Board; they cover the following reforms:

- improved withdrawal benefit formula and alignment with the Rule of Age 50;
- updated commutation (lump sum) factors based on the 2007 United Nations Mortality Table; and
- revised grossing-up formulas, with transition provisions.

**A few amendments of a technical nature are also proposed.** They would not have any impact on the Fund's contribution rate, and include:

- updates to factor tables used in the computation of optional pension payment forms;
- allowing eligible staff hired after age 62 to enroll in the SRP;
- permitting staff to remain in the SRP if their staff appointment type changes; and
- clarification of the death benefit payable upon the death of a deferred pensioner.

**Work on other approved reforms is progressing.** Work has reached an advanced stage on a model pension transfer agreement for use with other international organizations; work on agreements with national schemes will follow. Work is also progressing on a voluntary savings plan for staff with Plan administration and investments outsourced to a third-party vendor. It is expected that a paper will be issued to the Board in early 2011 outlining the design and governance structure for the voluntary savings plan.

**The SRP maintains a strong financial position.** Recent projections indicate that the Fund's contribution will remain at the budgetary rate of 14 percent through FY 2031, significantly longer than envisaged in early 2010, reflecting the strong asset performance during the past year (see Staff Retirement Plan—Actuarial Assumptions and Methods, 11/23/10).

## I. BACKGROUND

1. **The Executive Board approved reforms to the SRP in April 2010, including changes to the provisions for withdrawal benefits, commutation and gross pensionable remuneration.**[1] The approved changes to gross pensionable remuneration require the development of new grossing-up formulas, incorporating an average reduction of 7 percent from the current formulas. Amendments to the text of the SRP are needed to give effect to these reforms.

2. **A few additional plan changes are proposed, mainly for clarification and consistency with the above reforms.** These changes will: (1) update other plan factors where mortality assumptions are relevant by using the same mortality tables approved for the commutation factors; (2) add flexibility to the plan's eligibility requirements to cover a small number of situations where staff are (or were) hired on or after attaining age 62, or have an appointment type change to a non-covered type; and (3) clarify the pension amount, under the Rule of Age 50, payable to the surviving spouse/domestic partner of a deferred pensioner who dies prior to age 55.

3. **The proposed changes to the SRP's eligibility requirements and the clarification of the death benefit amount under the Rule of Age 50 would apply immediately and the other proposed changes would apply to all active participants as of May 1, 2011 and those hired thereafter.**[2] SRP benefits payable to staff separating under the Fund's downsizing exercise are not impacted by the proposed changes.[3]

## II. SRP REFORMS

### Withdrawal benefit

4. **The withdrawal benefit provisions reflect the two Board-approved reforms.** First, the formula has been changed to 20 percent of Highest Average Gross Remuneration

[1] *Reforms to the IMF's Retirement Benefits Program* (EBAP/10/27, 3/30/10).

[2] The applicability to Executive Directors and Alternates of the changes (i) to allow SRP eligibility on or after age 62, (ii) to clarify the surviving spouse/domestic partner benefit and (iii) to the factor tables is subject to review by the Joint Committee on Remuneration (JCR), and, if so decided by the JCR, approval of the Board of Governors. If approved, the SRP eligibility on or after age 62 would be effective for Executive Directors and Alternates as of July 1, 2011 or such other date as may be determined by the JCR or the Board of Governors, and the other changes would be effective as from the date they are effective for staff. The applicability to Executive Directors and Alternates of the changes to withdrawal benefit, commutation and gross pensionable remuneration have been approved in principle by the Board of Governors (see Board of Governors Resolution No. 65-3, July 30 2010) and will be effective May 1, 2011.

[3] 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 through FY2011 largely due to the outsourcing/off shoring of functions.

(HAGR) per year of service, with a maximum of 200 percent of HAGR. Second, the eligibility for a withdrawal benefit has been 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.

**Commutation factors**

5. **The commutation factors reflect the 2007 United Nations Mortality Tables.** This is a key variable for retiring participants who elect to receive up to one-third of the value of their pension in a lump sum payment. The newer mortality table increases the commutation factors at all ages, providing higher commutation payments to those electing this option.

**Grossing-up formulas**

6. **The Executive Board approved the development of new grossing-up formulas, reflecting updated salary ranges and a reduction of 7 percent (on average) from the current formulas.** SRP benefits and contributions are based on gross 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 formulas specified in the Plan. Table 1 shows the current formulas:

**Table 1. Gross Pensionable Remuneration Formulas**

| Net Salary Range | Gross Pensionable Remuneration |
|---|---|
| Up to $20,000 | (1.38 x net salary) - $2,100 |
| $20,000–$29,999 | (1.61 x net salary) - $6,700 |
| $30,000–$49,999 | (1.72 x net salary) - $10,000 |
| $50,000–$79,999 | (1.68 x net salary) - $8,000 |
| $80,000 or more | (1.86 x net salary) - $22,400 |

7. **The current formulas overstate gross pay, by varying amounts depending on the salary level.** Table 2 indicates that the current formulas overstate gross pay (based on tax rates) by 14 percent on average.[4] However, the overstatement varies by salary: the largest overstatement, 15.0 percent, is at a net salary of $120,000 to $130,000, while the smallest overstatement is 8.7 percent at a net salary of $30,000; the overstatement is 12.3 percent at the highest net salary levels.[5]

[4] See Table 13 in *Reforms to the IMF's Retirement Benefits Program* (EBAP/10/27, 3/30/10).

[5] The lowest net salary of current participants is above $30,000.

**Table 2. 1990–2009 Change in SRP Gross Remuneration**
(in U.S. Dollars)

| Net Salary | Gross Remuneration | | | Tax and Exchange Rate Combined (ER) | | ER Only Effect | | Tax Only Effect | |
|---|---|---|---|---|---|---|---|---|---|
| | 1990 1/ | 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%** |

1/ The gross salaries shown are based on 1990 tax data. The current formulas produce somewhat higher gross pays for net salaries up to $80,000, in order to make up for the lack of national social security retirement benefits for the majority of Fund staff (which typically provide higher replacement income at these pay levels). The current formulas were used for net salaries of $160,000 and higher, as 1990 tax information was not available at these salaries.

8. **The Actuary developed two alternative sets of formulas meeting the Executive Board's criteria—**a "Uniform Adjustment" Formula and a "Proportional Adjustment" Formula**.** The Actuary's letter, included in Annex 2, provides information about the analysis and alternative formulas.

**Table 3. Uniform Adjustment Formula**

| Net Salary | Gross Pay |
|---|---|
| Under $30,000 | (1.50 x net salary) - $6,300 |
| $30,000–$89,999 | (1.60 x net salary) - $9,300 |
| $90,000 or more | (1.73 x net salary) - $21,000 |

**Table 4. Proportional Adjustment Formula**

| Net Salary | Gross Pay |
|---|---|
| Under $60,000 | (1.61 x net salary) - $7,300 |
| $60,000–$89,999 | (1.45 x net salary) + $2,300 |
| $90,000–$169,999 | (1.75 x net salary) - $24,700 |
| $170,000–$259,999 | (1.78 x net salary) - $29,800 |
| $260,000 or more | (1.75 x net salary) - $22,000 |

9. **The Uniform Adjustment Formula reduces gross remuneration by about 7 percent at all pay levels.** This set of formulas retains the current gap structure, as a percent of gross pay, between the gross pay determined under the current formulas and the actual gross pay based on tax rates (see Exhibit 1 of Annex 2).

10. **The Proportional Adjustment Formula reduces gross remuneration by different amounts so as to broadly equalize the gap at each pay level.** Under this set of formulas, gross pay is reduced by more at pay levels that have a larger gap between gross pay under the current formulas and gross pay based on tax rates and by less at pay levels with a smaller gap—with an overall average reduction of 7 percent from the current formulas. The Proportional Adjustment Formula, therefore, smoothes the gap across pay levels, and the decrease from the current formulas is smallest (2.3–3.4 percent) at the lower net salary levels, highest at the mid-salary levels (7.5–8.3 percent), and slightly less (6.1 percent) at the highest salary levels (see Exhibit 3 of Annex 2).

11. **The Proportional Adjustment Formula is recommended for reasons of equity and effectiveness.** It smoothes the differences across pay levels (and therefore staff) between gross pay calculated under the current formulas and gross pay based on current tax rates. This approach recognizes the much larger current distance from comparator gross pay at the middle pay ranges, providing a larger reduction from the current formulas at these pay grades (see Exhibit 2 of Annex 2), consistent with the objective of the grossing-up formula.

12. **The proposed plan amendments reflect the transition arrangements approved by the Executive Board with respect to the new grossing-up formulas:**

- The current and revised formulas are applied on a prorated basis for service earned before and after May 1, 2011, respectively.[6]

- Participants will contribute 7 percent of gross remuneration based on the new formulas beginning May 1, 2011. 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 U.S. dollar terms.

- A minimum benefit guarantee provides a benefit "floor," based on service through separation date and assuming the gross remuneration in effect as of April 30, 2011 remains level in future years. This provision protects shorter-service staff close to retirement from a potentially significant drop in their pension benefit as a result of the change.

## III. Additional Proposed Plan Changes

13. **Four additional plan changes are proposed.** These are updates to plan factors, an extension of the plan's eligibility rules (for staff hired on or after attaining age 62, or changes in appointment type to a non-covered type while enrolled in the plan), and a clarification of the pension amount, under the Rule of Age 50, payable upon the death of a deferred pensioner prior to age 55.

14. **The actuarial assumptions used to determine the annuity payments referred to in Section 4.4 of the SRP and the survivor benefits under Section 4.6 would be updated to reflect the 2007 United Nations Mortality Tables.** As part of the SRP reforms, the Board approved an update to the mortality tables used for determining commutation payments under the Plan. It is proposed that the same mortality tables be used to determine the factors in paragraphs 1 and 2 of Schedule D of the SRP for converting the lump sum death benefit into an annuity and determining the elective reduced pension with survivor benefit, respectively. The interest and inflation rates specified in paragraph 2 of Schedule D would also be updated to reflect the assumptions proposed for the SRP funding valuations.[7]

15. **Eligibility would be extended to allow staff members hired on or after age 62 to join the SRP.** The tax laws of the United States allow governmental defined benefit plans

[6] The highest average gross remuneration based on the *current* formulas, 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* formulas would apply to service earned after the date of the change. This prorating approach, which was also used in the 1990 change of the formulas, would result in a gradual decrease in benefits.

[7] See Staff Retirement Plan—Actuarial Assumptions and Methods, (11/23/10). While paragraph 1 of Schedule D also references an interest rate, this rate has historically been aligned with the rate used for paying lump sums rather than the interest rate used for plan funding.

like the SRP to impose age limits for Plan entry.[8] Prior to 1990, the SRP's normal retirement age was 65, and all eligible staff hired prior to attaining age 65 could join the plan. However, the 1990 plan changes lowered the SRP's normal retirement age to 62, and the eligibility provision remained aligned with the normal retirement age. It is proposed that the age limit for Plan entry be removed. This increases the flexibility with respect to Plan entry for the few situations where this would arise (the Fund's employment policy permits hiring staff up to age 65, with hiring staff beyond age 65 requiring approval by the Managing Director). This plan change will also allow currently active staff who were hired at age 62 or later to join the SRP on a prospective basis; they will be given a 3-month period to elect Plan participation similar to the election period available to younger eligible staff.[9]

16. **Participants would be permitted to remain in the SRP if there is a change in their appointment type to a limited-term appointment of less than two years, which currently makes them ineligible to continue their participation.** There have been a few recent cases where, due to budgetary constraints or the need to extend an appointment for a relatively short period, staff members have been offered a limited-term appointment of less than two years, making them ineligible to continue participating in the SRP. It is proposed that in such cases the individuals be allowed to remain active SRP participants.

17. **Section 4.9(c) would be amended to clarify the determination of the death benefit, under the Rule of Age 50, payable to the eligible spouse or domestic partner of a deferred pensioner.** If a deferred pensioner dies before age 55, the eligible spouse or domestic partner immediately receives 50 percent of the benefit that would have been paid at age 55.[10] The benefit payable at age 55 is the accrued pension at separation reduced by the applicable Rule of Age 50 early reduction factor at age 55 (i.e., an early reduction factor of 10.5 percent). The wording in Section 4.9(c) was not modified when the Rule of Age 50 was adopted and an amendment is proposed to specify that the spouse's benefit is calculated on the basis of the participant's age 55 pension, regardless of whether the participant could have elected to retire as early as age 50.

## IV. Financial Update

18. **The SRP is projected to remain in a healthy financial position, with Fund contributions continuing at the normalized rate of 14 percent of gross remuneration through FY 2031.** The staff paper proposing the pension reforms in early 2010 included projections of the SRP contribution rates based on the proposed Plan changes, the April 30, 2009 actuarial valuation results, and the August 31, 2009 assets. These projections showed that the Fund's contribution rate would remain at the 14 percent level through

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[8] Private sector plans are prohibited from limiting plan eligibility based on age.

[9] If the revised eligibility provision is approved for Executive Directors and Alternates, a 3-month period would begin upon such approval allowing Board members to join the SRP on a prospective basis.

[10] Subject to a floor of 30 percent of highest average gross remuneration or the disability pension.

FY 2020. The Actuary has provided an update to these projections based on the April 30, 2010 actuarial valuation results and plan assets. The asset recovery during the period August 2009 to April 2010 significantly improved the SRP's financial outlook, extending the period of projected contributions at the 14 percent level from FY 2020 to FY 2033. The proposed assumption changes that would be used in the actuarial valuations beginning May 1, 2011 would advance by two years the point at which the Fund's contribution rate would rise above 14 percent, from 2033 to 2031 (see Staff Retirement Plan—Actuarial Assumptions and Methods, 11/23/10).

19. There is no impact on the Fund's contribution rate attributable to the additional proposed plan changes described in Section III of this paper, as stated in the Actuary's letter (see Annex 3).

## V. PROPOSED DECISION

Based on the foregoing, it is recommended that the Executive Board approve the following decision:

> The Executive Board approves the amendments to the Staff Retirement Plan set forth in Annex I to EBAP/10/120, effective as of the date of this decision with respect to the amendments in paragraphs 6, 7, 8 and 9 of Annex I, and effective as of May 1, 2011 with respect to the other amendments in Annex I.

## ANNEX I

This Annex I to EBAP/10/120 sets forth the amendments to the language of the Staff Retirement Plan to implement the changes described in the body of the paper. Amended text is shown as underlined.

1. **Withdrawal benefits.** In order to align the eligibility for withdrawal benefits with the Rule of Age 50 (see paragraph 4 of EBAP/10/120), a conforming change is required in Section 4.5(c).

   Section 4.5(c) is amended to read as follows:

   > "(c) Except as provided in Schedule B of the Plan, (i) any participant retired, or eligible to be retired, on a deferred pension at any time before the fiftieth anniversary of his birth, or if he shall have had less than five years of eligible service, at any time before his pension becomes effective, or (ii) any participant eligible to be retired on a normal retirement pension who shall have had less than five years of eligible service, upon ceasing to be a participant, and, in the case of (i) or (ii), pursuant to the following has elected to withdraw from the Plan as of that date, may surrender all his rights in and to such pension and any other benefits that might become payable to him or on his account under the Plan, and cease to be a retired participant or participant, as the case may be, by executing and filing with the Administration Committee the form provided by the Committee for that purpose. In lieu of such pension and all other benefits that might become payable to him or on his account under the Plan, he shall be entitled to receive within six months thereafter an amount equal to 1 and 2/3 percent of his highest average gross remuneration multiplied by the number of months of eligible service up to and including 120. Such surrender shall be effective upon such filing."

2. **New commutation factors.** The commutation factors in Paragraph 4 of Schedule D are replaced by new commutation factors which reflect the 2007 United Nations Mortality Tables (see paragraph 5 of EBAP/10/120).

   Paragraph 4 of Schedule D is amended by substituting, for the commutation factors listed in the table, the following commutation factors:

| *"Age* | *Commutation Factor* |
|---|---|
| 50 | 14.595 |
| 51 | 14.471 |
| 52 | 14.341 |
| 53 | 14.203 |
| 54 | 14.058 |
| 55 | 13.904 |
| 56 | 13.742 |
| 57 | 13.570 |
| 58 | 13.387 |
| 59 | 13.193 |
| 60 | 12.986 |
| 61 | 12.767 |
| 62 | 12.539 |
| 63 | 12.300 |
| 64 | 12.052 |
| 65 | 11.796 |
| 66 | 11.531 |
| 67 | 11.259 |
| 68 | 10.980 |
| 69 | 10.696 |
| 70 | 10.408 |
| 71 | 10.116 |
| 72 | 9.819 |
| 73 | 9.516 |
| 74 | 9.208 |
| 75 | 8.895" |

3. **Other factor table changes.** The actuarial assumptions used to determine the amounts of the annuities referred to in Section 4.4 and the amount of the reduced pension in Section 4.6 are updated to reflect the 2007 United Nations Mortality Table (see paragraph 14 of EBAP/10/120).

   A. Paragraph 1 of Schedule D is amended by substituting the following for subparagraph (b):

| | |
|---|---|
| "(b) Mortality rates | 2007 United Nations Mortality Table. Unisex mortality rate at each age equals 70 percent of male rate plus 30 percent of female rate." |

B. Paragraph 2 of Schedule D is amended by substituting the following for subparagraphs (a) through (c):

| | |
|---|---|
| "(a) Interest rate | 6.5 percent compounded annually |
| (b) Inflation rate | 3.0 percent per annum |
| (c) Mortality rates | 2007 United Nations Mortality Table. Unisex mortality rate at each age equals 70 percent of male rate plus 30 percent of female rate." |

4. **New gross remuneration**. In order to give effect to the adjustment of the grossing-up formulas (see paragraphs 6 through 12 of EBAP/10/120), the table for determining gross remuneration in Schedule A is updated. A conforming change is required as regards calculation of gross remuneration for participants on leave without pay in the interest of the Fund.

Paragraph 1 of Schedule A is amended by deleting the final sentence and by substituting, for the table following the second sentence, the following:

| *"If participant's annual rate of net remuneration is:* | *Participant's annual rate of gross remuneration is:* |
|---|---|
| Less than $60,000: | (1.61 x net remuneration) minus $7,300 |
| $60,000 or over, but less than $90,000: | (1.45 x net remuneration) plus $2,300 |
| $90,000 or over, but less than $170,000: | (1.75 x net remuneration) minus $24,700 |
| $170,000 or over, but less than $260,000: | (1.78 x net remuneration) minus $29,800 |
| $260,000 or over: | (1.75 x net remuneration) minus $22,000" |

Paragraph 4 of Schedule A is amended to read as follows:

"**4. Approved Leave Without Pay**

The gross remuneration of a participant on leave without pay that constitutes contributory service shall be the rate of gross remuneration applicable as of the date his leave commences, plus the gross equivalent of any general salary adjustments authorized during the period of leave by the Employer for such employees pursuant to rules that are uniformly applicable. When such leave commences before and continues on or after May 1, 2011, the participant's gross remuneration on leave shall be the gross equivalent of the participant's net salary as of the date his leave commences and any such general salary adjustments during the period of leave, determined as follows:

(a) for the period of such leave prior to May 1, 2011, determined in accordance with Schedule A and Schedule B of the Plan as it existed on April 30, 2011; and

(b) for the period of such leave after April 30, 2011, determined in accordance with Schedule A of the Plan effective May 1, 2011."

5. **Transitional provisions for withdrawal benefits, for gross remuneration and for commutation factors.** With regard to the changes to the withdrawal benefits, the formula for determining gross remuneration and the commutation factors, the following transitional provisions are provided for participants with service before and after May 1, 2011.

Paragraph (b) of section 5.1 of the Plan is amended to read as follows:

> "If a former participant shall again become a participant on or after May 1, 1990, or on or after May 1, 2011, periods of eligible service credited to such participant as provided below in respect of eligible service before May 1, 1990 shall be treated as eligible service under the Plan before May 1, 1990, and periods of eligible service credited to such participant as provided below in respect of eligible service after April 30, 1990 and before May 1, 2011 shall be treated as eligible service under the Plan after April 30, 1990 and before May 1, 2011."

New paragraphs 19, 20, 21, 22 and 23 are added to Schedule B, as follows and the existing paragraph 19 is redesignated as paragraph 26:

**"19. Transition Provisions for Participants with Service Both Before and on or After May 1, 2011**

Pensions payable to participants with service both before and on or after May 1, 2011 shall consist of the sum of:

(a) the pension payable under the Plan as it existed on April 30, 2011, calculated for the entire period of service and then prorated according to the proportion of service that occurs before May 1, 2011; and

(b) the pension payable under the Plan effective May 1, 2011, calculated for the entire period of service and then prorated according to the proportion of service that occurs after April 30, 2011.

**20.** Except for any benefit payable under Section 4.5 (a) and (c), whenever a pension or benefit payable under the Plan is expressed as or limited to a percentage of gross or highest average gross remuneration, the percentage shall be applied to the sum of:

(a) gross or highest average gross remuneration determined in accordance with Schedule A and Schedule B of the Plan as it existed on April 30, 2011, and prorated according to the proportion of service that occurs before May 1, 2011; and

(b) gross or highest average gross remuneration determined in accordance with Schedule A of the Plan effective May 1, 2011, and prorated according to the proportion of service that occurs after April 30, 2011.

**21.** No participant to whom either paragraph 19 or 20 applies and no spouse or domestic partner or other beneficiary of such a participant shall (a) receive a pension or benefit payable under the Plan that is less than would have been payable under the Plan as it existed on April 30, 2011, had the participant's gross remuneration as of April 30, 2011 remained unchanged, or (b) receive a withdrawal benefit under Section 4.5 that is less than the amount required to be paid under section 13.1 of the Plan.

**22.** For participants with service both before and on or after May 1, 1990, the calculations required under paragraphs 19 through 21 shall be determined, for service before May 1, 1990, in accordance with the terms of Schedule A as it existed on April 30, 1990, which are set out in paragraph 18 of Schedule B, and shall be determined, for service on or after May 1, 1990 and before May 1, 2011, in accordance with the terms of paragraph 1 of Schedule A as it existed on April 30, 2011, which are as follows:

The annual rate of gross remuneration of a full-time participant corresponding to his annual rate of net remuneration shall be determined in accordance with the following table. The gross remuneration of a participant shall be computed in accordance with Section 1.1(q) of the Plan on the basis of his annual rate of gross remuneration and the portion of a year for which he is remunerated.

| *If participant's annual rate of net remuneration is:* | *Participant's annual rate of gross remuneration is:* |
|---|---|
| Not over $20,000: | (1.38 x net remuneration) minus $2,100 |
| Between $20,000 and $30,000: | (1.61 x net remuneration) minus $6,700 |
| Between $30,000 and $50,000: | (1.72 x net remuneration) minus $10,000 |
| Between $50,000 and $80,000: | (1.68 x net remuneration) minus $8,000 |
| Over $80,000: | (1.86 x net remuneration) minus $22,400 |

However, the annual rate of gross remuneration of any eligible participant who made an election in accordance with Schedule E and did not rescind such election shall be determined in accordance with Schedule A as it existed on April 30, 1990 (which is set out in paragraph 18 of Schedule B).

**23. Termination of Service in Restructuring after May 1, 2008**

For any participant or retired participant who is informed after May 1, 2008 and before May 1, 2011 that his service will terminate pursuant to the Employer's restructuring program for financial years 2009-2011, described in EBAP/08/20 (March 20, 2008), and as further detailed in Employer's Staff Bulletin 08/03 (February 29, 2008), the annual rate of gross remuneration shall be determined, for service before May 1, 1990, in accordance with the terms of Schedule A as it existed on April 30, 1990, and for service on or after May 1, 1990, in accordance with the terms of Schedule A as it existed on April 30, 2011, and any benefit that is calculated under Section 4.5(c) or using the factors in paragraphs 1, 2 or 4 of Schedule D shall be calculated in accordance with Section 4.5(c) or paragraph 4 of Schedule D as they existed on April 30, 2011."

6. **Clarification of the calculation of pension to surviving spouse or surviving domestic partner.** An amendment to section 4.9 clarifies the effect of the Rule of Age 50 on the calculation of death benefits payable to the eligible spouse or domestic partner of a deferred pensioner. (See paragraph 17 of EBAP/10/120.)

Section 4.9(c) is amended to read as follows:

"(c) **Death After Retirement or While not in Contributory Service**. Upon the death of a participant not in contributory service, or of a retired participant, who leaves a surviving spouse entitled to a pension who was married to the participant or retired participant on the last day of his contributory service, or a surviving domestic partner who was the domestic partner of the participant or retired participant on the last day of his contributory service, there shall be paid to such surviving spouse or surviving domestic partner a pension equal to 50 percent of (1) the pension and (2) the pension supplement added pursuant to Section 4.11 that the participant or retired participant was receiving, or would have received but for the application of Section 4.12, or would on the date of his death have been entitled to receive, or would have been entitled to receive pursuant to Section 4.2(a) if the participant or retired participant had reached the age of 55 on the date of his death, without election of any optional benefit under Section 4.6 or Section 15.1, and not including any supplementary pension payable under paragraph 7 of Schedule B, provided that the pension of a surviving spouse or of a surviving domestic partner of a participant retired on a disability pension shall not be less than 30 percent of the retired participant's highest average gross remuneration or the amount of such disability pension, whichever is smaller."

7. **Eligibility to join the SRP after reaching age 62.** The participation rules are revised in order to allow personnel hired on or after the normal retirement age (age 62) to join the SRP, and to provide a transitional opportunity for current personnel hired at age 62 or over to join the SRP (see paragraph 15 of EBAP/10/120).

Section 2.1 is amended to delete subsection (b) and to redesignate subsection (a) so that the "(a)" is removed.

New paragraph 24 is added to Schedule B as follows:

**"24. Transition Provision for New Participants Age 62 or Older**

Any person in service who was not eligible to become a participant as of the first day of his service because of his age and the provisions of Section 2.1 of the Plan as it existed on [day before date of decision], and who would be eligible to become a participant under the Plan effective [date of decision] if that date were the first day of his service may, within three months thereafter, elect to become a participant by filing written notice with the Administration Committee."

8. **Eligibility to remain in the SRP upon change in appointment type.** The participation rules are revised in order to allow participants to continue participation in the Plan if their appointment type is changed to a limited-term appointment of less than two years.

Section 2.3 is amended to read as follows:

"2.3 A participant shall cease to be a participant on the earlier of the following: (i) upon termination of his service in any of the types of appointment referred to in Section 2.1 or Section 2.2, provided that a change without break in service among such types of appointment shall not be a termination of service for this purpose, even if the latter appointment shall be for a period less than the minimum required originally to be eligible for participation; or (ii) as of the date on which he shall die."

New paragraph 25 is added to Schedule B as follows:

**"25. Transition Provision for Change in Appointment Type**

Any person in service whose participation ceased upon a change in the type of appointment because of the provisions of Section 2.3 of the Plan as it existed on [day before date of decision], and whose participation would not have ceased under the Plan effective [date of decision] may, within three months thereafter, elect to become a participant by filing written notice with the Administration Committee."

9. **Clarification of eligible employment categories.** The enumeration of the employment categories eligible for participation in the SRP is amended to clarify that limited-term appointments are included.

Section 1.1(g) is amended to read as follows:

"(g) "Staff member" means any person employed by the Employer on a staff appointment (as opposed to a Contractual Employee, temporary, consultant, or trainee appointment) who receives a regular stated compensation from the Employer, other than a pension, severance pay, retainer or fee under contract, and any assistant to an Executive Director who has elected to become a participant in accordance with Section 2.2(a). It includes the Managing Director and any assistant to the Managing Director whose appointment does not extend beyond the term of the Managing Director and who has elected to become a participant in accordance with Section 2.2(b). It includes any Executive Director, Alternate Executive Director, the Director, Independent Evaluation Office, every employee in the Independent Evaluation Office on a fixed- or limited term appointment for a period of two years or longer and any staff member on a fixed- or limited-term appointment for a period of two years or longer, who has elected to become a participant in accordance with Section 2.2(c). It includes staff members as defined above employed on a full- or part-time basis. In all cases of doubt, the Administration Committee shall determine whether any person is a staff member as herein defined."

Section 2.2(c) is amended to read as follows:

"(c) Every Executive Director, Alternate Executive Director, the Director, Independent Evaluation Office, every employee in the Independent Evaluation Office on a fixed- or limited term appointment for a period of two years or longer, and every staff member on a fixed- or limited- term appointment for a period of two years or longer, who is devoting to his work not less than one fourth of the Employer's normal business hours and is receiving remuneration therefore, may within three months after he shall first satisfy the requirements of this subsection (c), elect to become a participant by filing written notice with the Administration Committee."

Annex 2

buckconsultants A Xerox Company

November 2, 2010

Ms. Debbi 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

Re: Gross Pensionable Remuneration Formula

Dear Debbi:

In April 2010, the Executive Board approved a reduction in gross pensionable remuneration under the SRP by an average of 7%. This change is effective May 1, 2011. In order to implement this change, the Fund asked Buck Consultants to develop alternative formulas that would produce the required 7% gross remuneration reduction. This letter provides the results of Buck's development of two alternative formulas for the Fund's consideration.

Background

SRP benefits and contributions are based on gross pensionable remuneration, which is an estimate of the gross, pre-tax equivalent of net remuneration paid by the Fund. The current formula for converting net remuneration to gross pensionable remuneration in the SRP is as follows:

| Net Remuneration | Gross Pensionable Remuneration |
| --- | --- |
| Up to $20,000 | (1.38 x net remuneration) - $ 2,100 |
| $20,000 - $29,999 | (1.61 x net remuneration) - $ 6,700 |
| $30,000 - $49,999 | (1.72 x net remuneration) - $ 10,000 |
| $50,000 - $79,999 | (1.68 x net remuneration) - $ 8,000 |
| $80,000 or more | (1.86 x net remuneration) - $ 22,400 |

Based on a study prepared by the Fund, the current formula overstates a participant's actual gross remuneration (based on tax rates of the comparator countries of the U.S., Germany and France) by an average of 14%. However, the actual percentage gap between gross pensionable remuneration and gross remuneration based on tax rates varies from the 14% average based on a participant's net pay level. The actual gap ranges from 8.7% at the lower pay ranges, to 15.0% at the mid-level pay ranges and to 12.3% at the highest net remuneration levels.

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202.296.7264 • 202.223.8716 fax

Proposed Alternative Formulas for Fund Consideration

Buck Consultants developed several alternative formulas that met the criteria of reducing the gross pensionable remuneration of the SRP by an average of 7%. After consultation with HRD, it was determined that two of the alternatives would be proposed for the Executive Board's approval. The proposed alternatives are as follows:

**Alternative 1 – Uniform Adjustment Formula**

Under the Uniform Adjustment approach, the objective was to decrease current gross pensionable remuneration by about 7% at all net remuneration levels. This approach would essentially retain the current percentage gap between gross pensionable remuneration determined under the current SRP formula and gross pay determined using the tax rates of the comparator countries. The Uniform Adjustment Formula is as follows:

| Net Remuneration | Gross Pensionable Remuneration |
|---|---|
| Up to $30,000 | (1.50 x net remuneration) - $ 6,300 |
| $30,000 - $89,999 | (1.60 x net remuneration) - $ 9,300 |
| $90,000 or more | (1.73 x net remuneration) - $ 21,000 |

The enclosed Exhibit 1 shows a graphic representation of the Uniform Adjustment Formula compared against the current SRP Gross Remuneration Formula.

**Alternative 2 – Proportional Adjustment Formula**

Under the Proportional Adjustment approach, the gap between the current gross remuneration formula and gross remuneration based on the tax rates of the comparator countries is reduced in proportion to the size of the gap at each net remuneration level. The overall average reduction in gross pensionable remuneration under this approach is also 7%.

The Proportional Adjustment Formula is as follows:

| Net Remuneration | Gross Pensionable Remuneration |
|---|---|
| Under $60,000 | (1.61 x net salary) - $ 7,300 |
| $60,000 - $89,999 | (1.45 x net salary) + $ 2,300 |
| $90,000 - $169,999 | (1.75 x net salary) - $ 24,700 |
| $170,000 - $259,999 | (1.78 x net salary) - $ 29,800 |
| $260,000 or more | (1.75 x net salary) - $ 22,000 |

The enclosed Exhibit 2 shows a graphic representation of the Proportional Adjustment Formula against the current SRP Gross Remuneration Formula.

The enclosed Exhibits 3 and 4 show a numerical comparison of the current, Uniform Adjustment and Proportional Adjustment gross remuneration formulas using the SRP active participant population from the April 30, 2010 actuarial valuation. Exhibit 3 shows the percentage reduction in gross remuneration at the different net remuneration levels and also demonstrates that the average reduction in gross remuneration for the SRP as a whole under each alternative is 7%. Exhibit 4 shows the gap, as a percentage of revised gross remuneration based on the alternative formulas, at the different net remuneration levels.

Summary

In developing these proposed Alternatives, preliminary net remuneration bendpoints were established based on SRP data and linear regression analysis was used to develop the preliminary formulas based on the approach under consideration (Uniform versus Proportional). After the development of the initial formulas, any adjustments necessary to eliminate potential discontinuities in gross pensionable remuneration that could occur at the net remuneration bendpoints were made and salary data from the April 30, 2010 actuarial valuation were used to confirm that the overall decrease in gross remuneration met the 7% criteria.

The proposed alternative gross remuneration formulas represent two of several ways to meet the approved recommendation of an average decrease in the SRP gross remuneration by 7%. Based on our conversations with HRD, the two Alternatives under consideration best reflected the most desirable approaches to meeting the change approved by the Executive Board.

If you have any questions on our analysis, or need any additional information, please let us know.

Very truly yours,

David C. Nearpass

David C. Nearpass, FSA, EA, MAAA
Principal and Consulting Actuary

DCN/c

Enclosures

cc: Mary Ann Dunleavy (w/enclosures)
Kelly Conlin (w/enclosures)

## Exhibit 1
## Uniform Adjustment Formula Compared to Current Formula

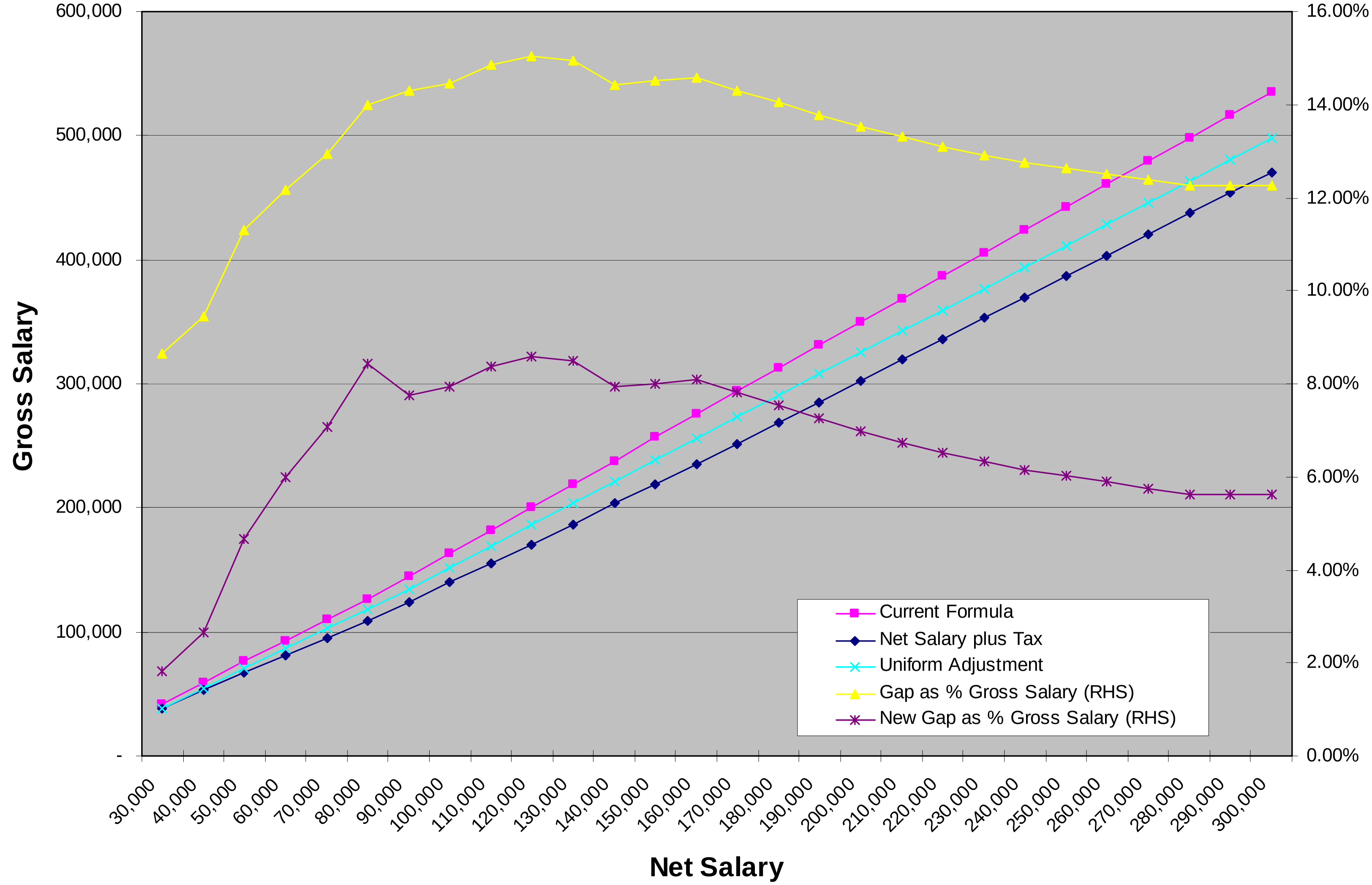
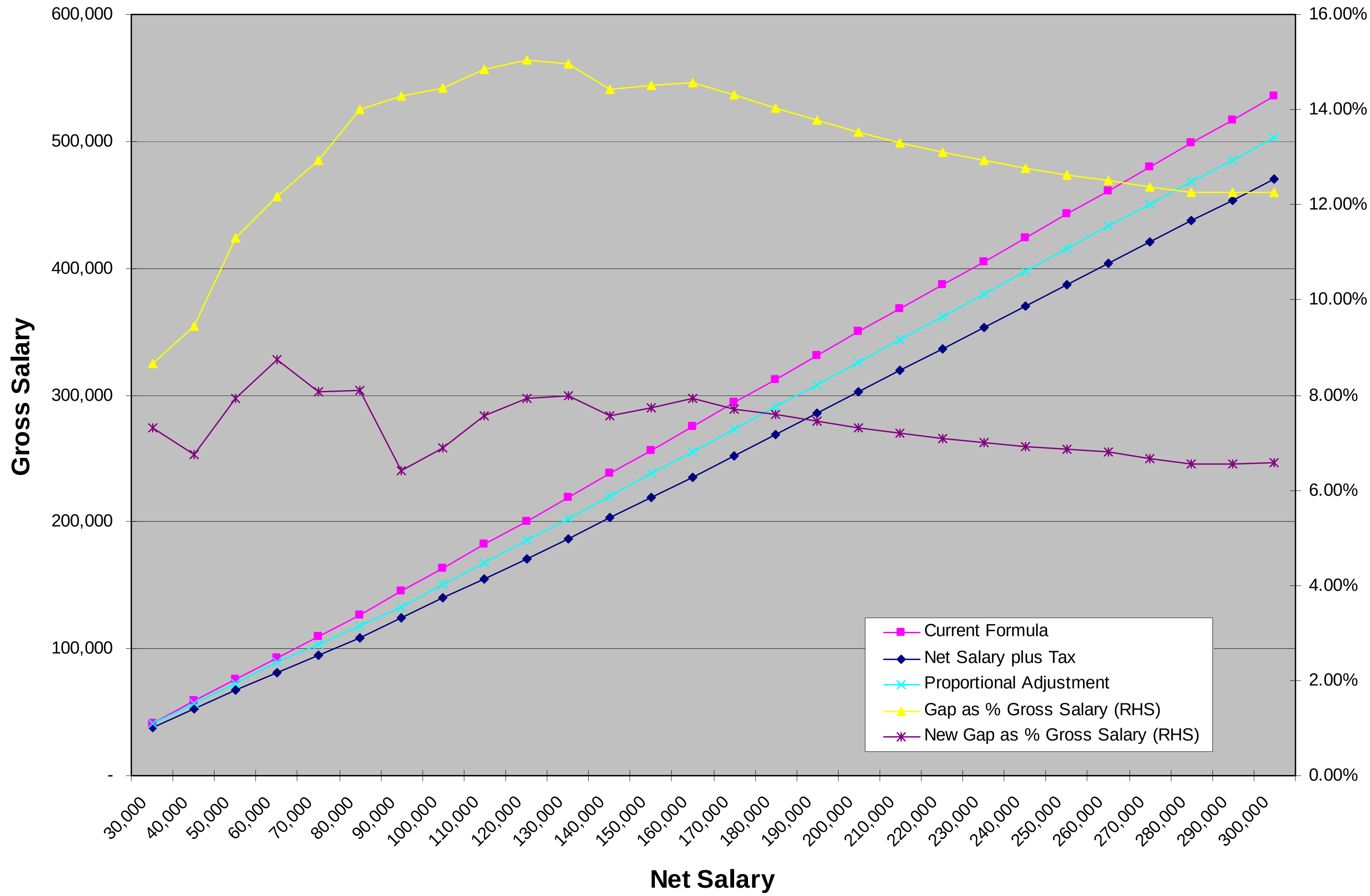


**Exhibit 2**
**Proportional Adjustment Formula Compared to Current Formula**



## Exhibit 3
## Comparison of Gross Remuneration Formulas

| | | | Uniform Adjustment | | | Proportional Adjustment | | |
|---|---|---|---|---|---|---|---|---|
| Net Salary | Number of Employees | Total Gross Pay from Current Plan | Total Gross Pay from Uniform Adjustment | $ Reduction from Current Gross-up | % Reduction from Current Gross-up | Total Gross Pay from Proportional Adjustment | $ Reduction from Current Gross-up | % Reduction from Current Gross-up |
| 30K-40K | 4 | 200,946 | 186,936 | (14,010) | -7.0% | 196,337 | (4,609) | -2.3% |
| 40K-50K | 34 | 2,362,182 | 2,197,458 | (164,724) | -7.0% | 2,281,168 | (81,014) | -3.4% |
| 50K-60K | 160 | 13,678,602 | 12,758,288 | (920,314) | -6.7% | 13,167,327 | (511,275) | -3.7% |
| 60K-70K | 178 | 18,108,606 | 16,947,082 | (1,161,524) | -6.4% | 17,267,899 | (840,707) | -4.6% |
| 70K-80K | 173 | 20,370,001 | 19,109,196 | (1,260,805) | -6.2% | 19,173,675 | (1,196,326) | -5.9% |
| 80K-90K | 142 | 19,198,274 | 17,930,216 | (1,268,058) | -6.6% | 17,772,652 | (1,425,622) | -7.4% |
| 90K-100K | 152 | 23,442,851 | 21,779,202 | (1,663,649) | -7.1% | 21,505,487 | (1,937,364) | -8.3% |
| 100K-110K | 173 | 29,857,741 | 27,742,263 | (2,115,479) | -7.1% | 27,464,883 | (2,392,859) | -8.0% |
| 110K-120K | 188 | 35,970,585 | 33,425,380 | (2,545,204) | -7.1% | 33,161,843 | (2,808,742) | -7.8% |
| 120K-130K | 188 | 39,412,643 | 36,626,865 | (2,785,778) | -7.1% | 36,400,338 | (3,012,305) | -7.6% |
| 130K-140K | 184 | 42,212,170 | 39,231,388 | (2,980,782) | -7.1% | 39,048,801 | (3,163,369) | -7.5% |
| 140K-150K | 191 | 47,103,099 | 43,779,319 | (3,323,780) | -7.1% | 43,625,109 | (3,477,991) | -7.4% |
| 150K-160K | 204 | 53,962,956 | 50,157,571 | (3,805,385) | -7.1% | 50,032,153 | (3,930,803) | -7.3% |
| 160K-170K | 180 | 51,312,595 | 47,689,560 | (3,623,035) | -7.1% | 47,618,584 | (3,694,011) | -7.2% |
| 170K-180K | 129 | 38,879,460 | 36,140,717 | (2,738,743) | -7.0% | 36,128,342 | (2,751,119) | -7.1% |
| 180K-190K | 99 | 31,738,608 | 29,503,925 | (2,234,683) | -7.0% | 29,545,526 | (2,193,082) | -6.9% |
| 190K-200K | 90 | 30,846,052 | 28,675,242 | (2,170,810) | -7.0% | 28,766,631 | (2,079,422) | -6.7% |
| 200K-210K | 62 | 22,222,468 | 20,659,018 | (1,563,450) | -7.0% | 20,748,129 | (1,474,338) | -6.6% |
| 210K-220K | 33 | 12,399,840 | 11,527,720 | (872,120) | -7.0% | 11,590,520 | (809,320) | -6.5% |
| 220K-230K | 27 | 10,684,265 | 9,933,045 | (751,221) | -7.0% | 9,998,914 | (685,351) | -6.4% |
| 230K-240K | 46 | 18,918,639 | 17,588,752 | (1,329,888) | -7.0% | 17,720,216 | (1,198,423) | -6.3% |
| 240K-250K | 25 | 10,782,819 | 10,025,042 | (757,778) | -7.0% | 10,109,956 | (672,863) | -6.2% |
| 250K-260K | 14 | 6,316,091 | 5,872,326 | (443,766) | -7.0% | 5,927,343 | (388,748) | -6.2% |
| 260K-270K | 15 | 7,088,934 | 6,590,987 | (497,947) | -7.0% | 6,655,825 | (433,109) | -6.1% |
| 270K-280K | 7 | 3,415,144 | 3,175,292 | (239,852) | -7.0% | 3,206,700 | (208,444) | -6.1% |
| 280K-290K | 7 | 3,564,037 | 3,313,779 | (250,259) | -7.0% | 3,346,788 | (217,250) | -6.1% |
| 290K-300K | 9 | 4,732,738 | 4,400,465 | (332,273) | -7.0% | 4,444,523 | (288,216) | -6.1% |
| 300K+ | 14 | 8,452,617 | 7,859,525 | (593,093) | -7.0% | 7,939,785 | (512,832) | -6.1% |
| **Total** | **2,728** | **607,234,965** | **564,826,557** | **(42,408,408)** | **-7.0%** | **564,845,451** | **(42,389,514)** | **-7.0%** |

# Exhibit 4
## Comparison of Gross Remuneration Formulas

| Net Salary | Number of Employees | Total Gross Pay from Current Plan | Uniform Adjustment: Total Gross Pay from Uniform Adjustment | Uniform Adjustment: $ Gap from Net Salary Plus Tax | Uniform Adjustment: Actual Gap as % of Uniform Gross Pay | Proportional Adjustment: Total Gross Pay from Proportional Adjustment | Proportional Adjustment: $ Gap from Net Salary Plus Tax | Proportional Adjustment: Actual Gap as % of Proportional Gross Pay |
|---|---|---|---|---|---|---|---|---|
| 30K-40K | 4 | 200,946 | 186,936 | 3,383 | 1.8% | 196,337 | 12,784 | 6.5% |
| 40K-50K | 34 | 2,362,182 | 2,197,458 | 58,641 | 2.7% | 2,281,168 | 142,352 | 6.2% |
| 50K-60K | 160 | 13,678,602 | 12,758,288 | 626,540 | 4.9% | 13,167,327 | 1,035,579 | 7.9% |
| 60K-70K | 178 | 18,108,606 | 16,947,082 | 1,043,836 | 6.2% | 17,267,899 | 1,364,653 | 7.9% |
| 70K-80K | 173 | 20,370,001 | 19,109,196 | 1,373,128 | 7.2% | 19,173,675 | 1,437,607 | 7.5% |
| 80K-90K | 142 | 19,198,274 | 17,930,216 | 1,419,477 | 7.9% | 17,772,652 | 1,261,913 | 7.1% |
| 90K-100K | 152 | 23,442,851 | 21,779,202 | 1,687,293 | 7.7% | 21,505,487 | 1,413,577 | 6.6% |
| 100K-110K | 173 | 29,857,741 | 27,742,263 | 2,199,488 | 7.9% | 27,464,883 | 1,922,107 | 7.0% |
| 110K-120K | 188 | 35,970,585 | 33,425,380 | 2,799,898 | 8.4% | 33,161,843 | 2,536,360 | 7.6% |
| 120K-130K | 188 | 39,412,643 | 36,626,865 | 3,142,809 | 8.6% | 36,400,338 | 2,916,283 | 8.0% |
| 130K-140K | 184 | 42,212,170 | 39,231,388 | 3,332,000 | 8.5% | 39,048,801 | 3,149,413 | 8.1% |
| 140K-150K | 191 | 47,103,099 | 43,779,319 | 3,473,381 | 7.9% | 43,625,109 | 3,319,170 | 7.6% |
| 150K-160K | 204 | 53,962,956 | 50,157,571 | 4,020,591 | 8.0% | 50,032,153 | 3,895,173 | 7.8% |
| 160K-170K | 180 | 51,312,595 | 47,689,560 | 3,861,855 | 8.1% | 47,618,584 | 3,790,879 | 8.0% |
| 170K-180K | 129 | 38,879,460 | 36,140,717 | 2,824,857 | 7.8% | 36,128,342 | 2,812,481 | 7.8% |
| 180K-190K | 99 | 31,738,608 | 29,503,925 | 2,223,058 | 7.5% | 29,545,526 | 2,264,659 | 7.7% |
| 190K-200K | 90 | 30,846,052 | 28,675,242 | 2,079,677 | 7.3% | 28,766,631 | 2,171,065 | 7.5% |
| 200K-210K | 62 | 22,222,468 | 20,659,018 | 1,439,742 | 7.0% | 20,748,129 | 1,528,854 | 7.4% |
| 210K-220K | 33 | 12,399,840 | 11,527,720 | 777,646 | 6.7% | 11,590,520 | 840,446 | 7.3% |
| 220K-230K | 27 | 10,684,265 | 9,933,045 | 647,910 | 6.5% | 9,998,914 | 713,780 | 7.1% |
| 230K-240K | 46 | 18,918,639 | 17,588,752 | 1,115,276 | 6.3% | 17,720,216 | 1,246,741 | 7.0% |
| 240K-250K | 25 | 10,782,819 | 10,025,042 | 617,456 | 6.2% | 10,109,956 | 702,370 | 6.9% |
| 250K-260K | 14 | 6,316,091 | 5,872,326 | 353,744 | 6.0% | 5,927,343 | 408,762 | 6.9% |
| 260K-270K | 15 | 7,088,934 | 6,590,987 | 388,122 | 5.9% | 6,655,825 | 452,960 | 6.8% |
| 270K-280K | 7 | 3,415,144 | 3,175,292 | 182,747 | 5.8% | 3,206,700 | 214,155 | 6.7% |
| 280K-290K | 7 | 3,564,037 | 3,313,779 | 186,310 | 5.6% | 3,346,788 | 219,319 | 6.6% |
| 290K-300K | 9 | 4,732,738 | 4,400,465 | 247,625 | 5.6% | 4,444,523 | 291,682 | 6.6% |
| 300K+ | 14 | 8,452,617 | 7,859,525 | 442,911 | 5.6% | 7,939,785 | 523,172 | 6.6% |
| **Total** | **2,728** | **607,234,965** | **564,826,557** | **42,569,401** | **7.5%** | **564,845,451** | **42,588,295** | **7.5%** |

Annex 3

buckconsultants                                                                                    A Xerox Company

November 8, 2010

Ms. Debbi 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

Re: Cost Impact of Additional Proposed Changes to the Staff Retirement Plan

Dear Debbi:

As requested, we are writing to provide you with our assessment of the cost impact of certain additional proposed changes to the Staff Retirement Plan (SRP). These changes being proposed by HRD are in addition to those changes to the SRP being made as part of the pension reform approved by the Executive Board in April 2010. The proposed changes, which are technical in nature, are designed to align certain other plan provisions and factors with the changes made by the pension reform and to also provide additional flexibility in hiring and employment status situations.

Proposed Plan Changes

The additional plan changes being proposed by HRD are as follows:

- Revise the actuarial assumptions used to calculate annuity payments under Section 4.4 to reflect the 2007 United Nations Mortality Tables. This change would update the mortality tables to the same basis as approved by the Executive Board to calculate commutation factors under the SRP.

- Revise the actuarial assumptions used to calculate survivor benefits under Section 4.6 to reflect the 2007 United Nations Mortality Tables and update the interest rate to 6.5% and the inflation rate to 3.0%. We note that the update to the interest and inflation rates implies a continuation of the real rate used for discounting of approximately 3.4%. These changes would update the mortality tables to the same basis as approved by the Executive Board to calculate commutation factors under the SRP and update the discount assumptions to reflect the results of the recent experience study of the SRP.

- Revise SRP eligibility to allow staff members hired on or after age 62 to become plan participants.

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202.296.7264 • 202.223.8716 fax

Ms. Debbi Marzouk
November 8, 2010
Page 2

- Allow continued participation in the SRP by participants who have a change in appointment type that would make them otherwise ineligible to remain covered. Note, this change would not allow those changed to a contractual appointment to continue to participate in the SRP.

- Amend Section 4.9(c) to clarify the death benefits payable to the eligible spouse or domestic partner of a deferred pensioner. This amendment is intended to specify that the death benefit will continue to be based on the age 55 pension even though the participant could have elected to retire at age 50 under the Rule of Age 50.

Cost Impact of Proposed Changes

While we did not perform any calculations to specifically determine the cost impact of the proposed changes, we are of the opinion that there will be no cost to the SRP. This opinion is based on our assessment that the changes are either actuarial equivalent (in the case of the mortality assumptions being updated to reflect the more modern mortality tables), a continuation of the prior assumption (in the case of the change in the discount and inflation rate, which results in a real discount rate that is approximately the same as before the assumption change) and therefore cost neutral, or will affect so few participants (as in the case of the other proposed changes) that any additional liability will be minimal and will not change the recommended contribution rate.

If you have any questions on our analysis, or need any additional information, please let us know.

Very truly yours,

David C. Nearpass

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cc: Mary Ann Dunleavy
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