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EBAP/90/95  
Supplement 1

CONFIDENTIAL

April 19, 1990

To: Members of the Executive Board

From: The Secretary

Subject: Decision Adopting Modifications in the Staff Retirement Plan

At its meeting on April 16, the Executive Board accepted the modifications in the Staff Retirement Plan proposed by the management. It was agreed that a formal decision giving effect to these modifications should be circulated for adoption as soon as the outcome of a similar discussion by Executive Directors of the Bank was known, unless the Bank's decision suggested a need for the Executive Board of the Fund to revisit the subject. It was further agreed that the effective date of the modifications should be May 1, 1990.

On April 18, the Executive Board of the Bank agreed to modifications in the Bank's Staff Retirement Plan that were substantially the same as those already approved by the Fund. Accordingly, the attached decision is now circulated for adoption on a lapse of time basis. This decision follows the draft already circulated to the Board in EBAP/90/95 (4/11/90), except that some minor technical corrections have been made in the text.

Unless an Executive Director calls for further discussion of this subject before the close of business tomorrow, Friday, April 20, 1990, the decision will be deemed to be adopted on that date and it will be so recorded in the minutes of the next meeting thereafter. The resulting modifications in the Plan will come into effect as of May 1, 1990.

Att: (1)

Other Distribution:  
Department Heads

Executive Board Decision

On the effective date as hereinafter defined, the Staff Retirement Plan, the Supplemental Retirement Benefit Plan, and Pension Parity Adjustment System shall be modified to the extent necessary to give effect to this Decision.

I. Definitions

The following words and phrases as used herein have the following meanings unless a different meaning is plainly required by the context.

"Plan" means collectively the provisions of the Staff Retirement Plan, the Supplemental Retirement Benefit Plan, and Pension Parity Adjustment System.

"SRP" means the provisions of the Staff Regulation entitled "Staff Retirement Plan" as amended prior to the effective date.

"old Plan" means the provisions of the Plan in effect on the day before the effective date, as defined herein.

"new Plan" means the provisions of the Plan as modified by Section II of this Decision.

"old gross remuneration" means the annual rate of gross remuneration of a participant calculated in accordance with the provisions of the old Plan.

"new gross remuneration" means the annual rate of gross remuneration of a participant calculated in accordance with the provisions of the new Plan.

"effective date" means the date specified in paragraph V.1 of this Decision on which the modifications to the Plan set forth in this Decision come into effect.

"current participant" means a participant whose participating service begins before the effective date and who ceases to be a participant on or after the effective date.

II. Modifications to the Plan

Subject to the provisions set forth in Section III of this Decision (Transitional Arrangements Applicable to Current Participants), the Plan is modified from the effective date as follows.

1. New gross remuneration

The formula for determining the annual rate of gross remuneration of a full-time participant that is set out in Schedule A of the SRP shall be replaced by the following new grossing-up formula.

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If a participant's annual rate of <u>net remuneration is:</u>	The participant's annual rate of <u>gross remuneration is:</u>
At least \$6,000 but not over \$20,000	(1.38 x net remuneration) - \$ 2,100
Over \$20,000 but not over \$30,000	(1.61 x net remuneration) - \$ 6,700
Over \$30,000 but not over \$50,000	(1.72 x net remuneration) - \$10,000
Over \$50,000 but not over \$80,000	(1.68 x net remuneration) - \$ 8,000
Over \$80,000	(1.86 x net remuneration) - \$22,400

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2. Contributions of participants

The contributions of participants shall be determined on the basis of the new gross remuneration set forth in paragraph II.1 above. The present 7 percent rate of participants' contributions specified in Section 6.1 of the SRP shall remain unchanged.

3. New accrual rate--normal retirement pension

The new accrual rate and normal pension based on it in accordance with Section 4.1(b) of the SRP shall be determined as the sum of (a) an accrual rate of 2.2 percent of a participant's highest average gross remuneration multiplied by years of eligible service up to 25 years, and (b) an accrual rate of 1.8 percent multiplied by additional years of eligible service beyond 25, provided that in no case shall a normal pension exceed 73 percent of highest average new gross remuneration.

4. Normal SRP retirement age (NRA)

The normal retirement date specified for purposes of the Plan in Section 1.1(k) of the SRP shall be the first day of the calendar month following the sixty-second anniversary of a participant's date of birth, or the date of such anniversary if it falls on the first day of a calendar month.

5. Early retirement factors (NRA of 62 and Rule of 85)

Any early retirement pension becoming effective before a participant's normal retirement date on the basis of Section 4.2(b) of the SRP as modified by paragraph II.4 of this Decision shall be the larger of: (a) an amount equal to the deferred pension that would otherwise become effective

on the normal retirement date, decreased by one-fourth of 1 percent of such deferred pension for each month between the date the participant's pension becomes effective and the normal retirement date; or (b) an amount equal to the deferred pension that would otherwise become effective on the participant's normal retirement date, decreased by one-eighth of 1 percent of such deferred pension for each full month remaining after subtracting from 1,020 months the sum of the participant's age in full months and eligible service in months.

6. Cost-of-living adjustments on deferred pensions (Rule of 50)

The commencement date for cost-of-living adjustments on deferred pensions, which is specified in Section 4.11(f) of the SRP, shall be the date when the sum of a participant's age in full months and service in months reaches at least 600 months.

7. Payment of deferred pensions before age 55 (Rule of 75)

At the option of a participant who is entitled to a deferred pension, payment of the deferred pension may commence after the participant has reached 50 years of age, provided that the sum of his age in full months and service in months total 900 or more months. Such pensions shall be an amount equal to the deferred pension that would otherwise become payable upon the participant's retirement at fifty-five years of age, reduced by five-twelfths of 1 percent for each month between the date the pension becomes effective and the date on which the pension would have become effective had the participant retired at age fifty-five.

8. Withdrawal benefits

A participant who withdraws from the Plan in accordance with Sections 4.5(a) and 4.5(c) of the SRP shall be entitled to receive an amount equal to the sum of (a) 1 percent of highest average new gross remuneration multiplied by months of eligible service up to 60 months, and (b) five-sixths of 1 percent of highest average new gross remuneration multiplied by additional months of eligible service beyond 60, provided that the total amount shall in no case exceed 200 percent of highest average new gross remuneration.

9. Pension to a surviving spouse

A pension to a surviving spouse otherwise entitled to a pension upon the death of a retired participant or a participant not in contributory service shall be paid without regard to the age and eligible service provisions currently set forth in Sections 4.9(c)(i) through 4.9(c)(iv) of the SRP, which shall be deleted from the new Plan. Section 4.9(c) shall be further modified so that such pensions shall be paid when the participant is survived by (a) a spouse who was married to the participant or retired participant on the last day of his contributory service, or, (b) at the election of the participant, a spouse who was married to the

participant or retired participant after the last day of his contributory service. In the case of (b), the election must be made at least twelve months in advance of the date of death, except as may be authorized otherwise by the Administration Committee of the Plan, and the pension of the participant making this election shall be subject to actuarial reduction in accordance with the current provisions of Section 4.6 of the SRP.

#### 10. Children's benefits

Children's benefits shall be payable without regard to the age and eligible service provisions set forth in Section 4.10(a) of the SRP, which shall be deleted from the Plan. Section 4.10(c) shall be further modified to extend entitlement to children's benefits to any otherwise eligible children existing at the date of the death of a participant or a retired participant and to children who are born within ten months thereafter.

#### 11. Currency of payment of pensions

The provisions of the Pension Parity Adjustment System as specified in EBM/73/53, May 30, 1973, shall be modified as follows: A person entitled to receive a pension may, prior to the ninetieth day following the date his pension becomes effective, elect under the Pension Parity Adjustment System to have his pension denominated and paid in part in U.S. dollars and in part in the currency of the country in which he has established permanent residence. This initial apportionment of the pension between currencies may subsequently be altered by the participant on no more than three occasions and only to decrease the amount of the pension denominated and paid in U.S. dollars, provided that in no circumstance may the proportion payable in either of the two currencies be less than 25 percent of the total pension. In addition, paragraph 4 of the Pension Parity Adjustment System is modified to authorize the Administration Committee, in a case of hardship demonstrated to its satisfaction, and after taking due account of the entire record of pension payments, to permit a change from local currency to the U.S. dollar.

### III. Transitional Provisions Applicable to Current Participants

In the case of a current participant, the modifications to the Plan set forth in Section II of this Decision shall be applied subject to the following special provisions.

#### General

##### 1. Normal retirement pensions under transition

Normal pensions which become payable to current participants on or after the normal retirement date specified in paragraph II.4 of this

Decision shall be calculated on the basis of the old Plan and the new Plan provisions, pro-rated in accordance with the proportion of the participant's total eligible service that is completed under each Plan. Accordingly, the participant's normal pension shall be determined as follows:

- (a) The participant's highest average old gross remuneration shall be multiplied by 2 percent and by the participant's total years of eligible service. The resulting amount shall be adjusted for service prior to May 1, 1974 in accordance with Section 4.1(b)(ii) of the SRP and, as adjusted, it shall not exceed 70 percent of highest average old gross remuneration.
  - (b) The participant's highest average new gross remuneration shall be multiplied by the accrual rates specified in paragraph II.3 of this Decision and by the participant's total years of eligible service. The resulting amount shall not exceed 73 percent of highest average new gross remuneration.
  - (c) The participant's normal pension shall be the sum of (i) the amount in (a) multiplied by years of eligible service before the effective date and divided by total years of eligible service, and (ii) the amount in (b) multiplied by years of eligible service on or after the effective date divided by total years of eligible service.
2. Early retirement pensions commencing at 55 years of age or later under transition

Early retirement pensions for current participants shall be calculated on the basis of the normal pensions described in paragraph III.1, the modified normal retirement age determined in accordance with paragraph II.4, and the modified early retirement factors (Rule of 85 and NRA of 62) set forth in paragraph II.5. Accordingly, a participant's early retirement pension shall be the larger of:

- (a) an amount equal to the deferred pension under transition that would otherwise become effective on the participant's normal retirement date, decreased by one-fourth of 1 percent of such deferred pension for each month between the date the participant's pension becomes effective and his normal retirement date; or
- (b) an amount equal to the deferred pension under transition that would otherwise become effective on the participant's normal retirement date, decreased by one-eighth of 1 percent of such deferred pension for each full month remaining after subtracting from 1,020 months the sum of the participant's age and eligible service in months.

3. Death benefits, disability benefits, pensions to a surviving spouse, and children's benefits under transition

The amount of death and disability benefits, pensions to a surviving spouse, and children's benefits are currently determined under the Plan as a dollar amount, as a percentage of the pension otherwise payable to a participant, or as a percentage of the participant's gross remuneration or highest average gross remuneration. As of the effective date, any benefits becoming payable to or on behalf of a current participant that are determined as percentages shall be calculated in the following manner:

- (a) When any such benefit is determined on the basis of the participant's normal or early retirement pension, the amount of such pension shall be calculated in accordance with Section III.1 or Section III.2 of this Decision, except that in determining these benefits, the normal retirement date shall remain at sixty-five years of age.
- (b) When any such benefit is determined on the basis of the participant's gross remuneration or highest average gross remuneration, the amount shall be calculated as the sum of
  - (i) old gross remuneration or highest average old gross remuneration as the case may be, multiplied by years of eligible service prior to the effective date, divided by total years of eligible service; and
  - (ii) new gross remuneration or highest average new gross remuneration as the case may be, multiplied by years of eligible service on or after the effective date, divided by total years of eligible service.

Assurances regarding minimum benefits

4. Pension, death, disability and survivor benefits

In no event shall the amount of any benefit of a current participant determined in accordance with paragraphs III.1, III.2, and III.3 of this Decision be less than the amount of the corresponding benefit that would have become effective under the provisions of the old Plan had the participant's net salary remained unchanged from his net salary on the day prior to the effective date.

5. Withdrawal benefits

In no event shall the amount of any withdrawal benefit of a current participant determined in accordance with paragraph II.8 of this Decision be less than the amount that would have been payable if it were calculated under the old Plan provisions on the basis of Section 4.5(a) or

Section 4.5(c) of the SRP and of the participant's actual contributions made throughout eligible service.

Grandfathering option

6. Basic provisions

A participant who as of the day prior to the effective date has completed 20 or more years of eligible service or whose age plus years of eligible service totals 70 or more years may elect to continue to contribute to the SRP at the rate of 7 percent of old gross remuneration. All benefits payable under the Plan to or on behalf of a participant making this election shall be the larger amount of (a) the benefit determined solely on the basis of the old Plan provisions, or (b) the benefit determined solely in accordance with paragraph II.8 (withdrawal benefits) and the transitional provisions set forth in paragraphs III.1, III.2, III.3, III.4 and III.5 of this Decision. A participant making this election shall be eligible for the benefits and arrangements set forth in paragraphs II.9, II.10, and II.11 of this Decision.

7. Procedures

An election exercising the grandfathering option set out in paragraph III.6 shall be made by notice in writing transmitted to the Administration Committee within ninety days after the effective date and in advance of the date on which a participant's contributing service ends. Unless and until such election is duly made, the contributions and benefits of participants eligible for this option shall be determined and paid on the basis of the new Plan provisions, as modified by the transitional provisions set forth in this Section. The election of this option shall be retroactive to the effective date, with adjustments made as necessary to prior payments made after the effective date. In the event that an eligible participant dies before exercising this option, the benefits payable on his behalf shall be determined as if the election specified in paragraph III.6 had been made.

8. Revocation of election

A participant who has made the election as set forth in paragraph III.6 may, while still in contributing service, subsequently revoke the election by notice in writing to the Administration Committee. As from the date determined by the Administration Committee, the participant's contributions and benefits for subsequent periods of eligible service shall be determined and paid on the basis of the new Plan provisions as modified by the transitional provisions set forth in paragraphs III.1, III.2, III.3, III.4, and III.5 of this Decision.



#### IV. Arrangements Applicable to Retirees

This Section establishes the applicability of the new Plan provisions set out in Section II of this Decision to participants whose contributing service ended before the effective date.

Retired participants, deferred pensioners, and benefits  
payable on behalf of deceased participants

##### 1. Continued applicability of old Plan provisions

Except as provided in this Section, pensions and other amounts effective or in payment before the effective date shall continue to be calculated solely on the basis of the old Plan provisions.

##### 2. Applicability of certain new Plan provisions

Any person who, as of the effective date, is a retired participant or was entitled to receive a benefit in respect of a deceased participant or deceased retired participant shall be eligible for the following new Plan provisions, provided that he is otherwise entitled to the benefit:

- (a) Payment of a deferred pension before age 55 (Rule of 75): A participant retired on a deferred pension whose age is fifty or more years may, at his option, receive a reduced pension calculated in accordance with paragraph II.7 of this Decision, beginning on or after the date on which the sum of his age and eligible service total 900 months.
- (b) Spouse and children's benefits: Eligibility for benefits payable to the surviving spouse and children of any retired participant or deferred pensioner who dies on or after the effective date shall be determined in accordance with paragraphs II.9 and II.10 of this Decision.
- (c) Currency of payment: The options specified in paragraph II.11 of this Decision regarding the currency in which pensions are denominated and paid shall be available to all eligible recipients of pensions and other benefits under the Plan.

##### 3. Procedures

In order to avail of the provisions of paragraph IV.2, persons shall apply in writing to the Administration Committee. In all cases, any adjustments to benefits shall be effective prospectively from the date determined by the Administration Committee.

4. Restoration to service

If a former participant shall again become a participant, his total eligible service shall be restored and his subsequent benefits and any amounts of previously paid benefits to be refunded shall be determined on a proportional basis in accordance with the separate periods of eligible service completed before and after the effective date.

V. Implementing Arrangements

1. Effective date

The modifications to the Plan set forth in this Decision shall be effective on May 1, 1990.

2. Amendments to the Plan

The Pension Committee is directed to prepare as expeditiously as possible the amendments necessary to incorporate in the text of the SRP and the Pension Parity Adjustment System the modifications made by this Decision.

3. Administration

The Pension Committee and Administration Committee shall have the responsibilities and authority, as set out in Article 7 of the SRP, for interpreting and carrying out the provisions of the Plan as modified by this Decision.

