COUNCIL WORKSHOP ITEM

ITEM: **EARLY RETIREMENT INITIATIVE FOR IMRF EMPLOYEES**
DATE: **May, 2001**
PREPARED BY: **Martin Lyons, Director of Financial Services**
PURPOSE: **This report provides a financial analysis for offering an early retirement option to IMRF employees meeting certain requirements. This Early Retirement Incentive (ERI) would be used along with other tools to continue our ongoing efforts to reorganize Village operations to increase services to the community.**

DISCUSSION:

The Illinois Municipal Retirement Fund (IMRF) covers all full-time and part-time personnel working more than 1,000 hours a year who are not categorized as sworn police and fire personnel. In 1996, IMRF developed an early retirement plan, commonly know as the Early Retirement Incentive or the ERI 5 + 5. In order to understand how the program will/will not save in personnel costs, a description of the program is in order.

The ERI/5 + 5 is named as such, because the program allows for early retirement by offering an employee an additional five years of service plus an additional five years of age. Hence, the name 5 + 5. To be eligible for retirement under the ERI/5+5, an employee must be 50 years of age and have 20 years of service contributions to the fund. Our IMRF retirement plan is a defined benefit plan, and as such, provides a specific monthly retirement benefit/payment based on an employee's years of service, and his/her age. Both time of service and age are integral in calculating the monthly benefit amount. The ERI/5 + 5 therefore allows for the enhancement of both the years of service and age categories. The best way to further explain this is through the use of some examples:

Employee A: Has worked for the Village (or other Illinois municipalities) for 20 years, is 60 years of age, and is making $4,000 a month as his/her IMRF determined ending salary. The table below shows how Employee A's pension is effected by the ERI/5 + 5 program.

Retirement without ERI:
15 years of Service X 1.667% = 25% X $4,000 = $1,000
5 years of Service X 2.0% = 10% X $4,000 = $ 400

20 years = 35% X $4,000 = $1,400/month pension.

Retirement with ERI:
15 years of Service X 1.667% = 25% X $4,000 = $1,000
10 years of Service X 2.0% = 20% X $4,000 = $ 800

25 years = 45% X $4,000 = $1,800/month pension.

In this example, the employee is only using the 5 years of added service, and does not need the five year s of age because he/she is 60 already. The five years of service credit adds 10% of their ending salary to their pension.

Employee B: Has worked for the Village (or other Illinois municipalities) for 20 years, is 55 years of age, and is making $4,000 a month as his/her IMRF determined ending salary.

Retirement without ERI:
15 years of Service X 1.667% = 25% X $4,000 = $1,000
5 years of Service X 2.0% = 10% X $4,000 = $ 400

20 years = 35% X $4,000 = $1,400/month pension.

LESS:* 3.0% PER YEAR UNDER AGE 60
5 years of age X 3.0% =15% X $4,000 = $ 600 (negative)
**According to statute, an employee's pension is reduced 1/4% for every month that their age is below 60 at retirement. For example a person who retires at age 59 would face a 12 months X 1/4% or 3.0% penalty.*

NET PENSION IS $800/Month.

Retirement with ERI:
15 years of Service X 1.667% = 25% X $4,000 = $1,000
10 years of Service X 2.0% = 20% X $4,000 = $ 800

25 years = 45% X $4,000 = $1,800/month pension.

NO AGE PENALTY BECAUSE FIVE YEARS AGE ADDED UNDER ERI.

Employee B's age is increased to age 60 with the program, and therefore the pension would be $1,800 instead of $800 without the 5 + 5. Employee B would get a 20% pension because of the age reduction provision. Without this reduction, the pension is the same as Employee A's at $1,800.

Employee C: Has worked for the Village (or other Illinois municipalities) for 20 years, is 50 years of age, and is making $4,000 a month as his/her IMRF determined ending salary.

Retirement without ERI: Without ERI, this employee would not be eligible for benefits until he/she turned age 55.

Retirement with ERI:
15 years of Service X 1.667% = 25% X $4,000 = $1,000
10 years of Service X 2.0% = 20% X $4,000 = $ 800

25 years = 45% X $4,000 = $1,800/month pension.

LESS: 3.0% PER YEAR UNDER AGE 60

5 years of age X 3.0% =15% X $4,000 = $ 600 (negative)

NET PENSION IS $1,200/Month.

As you can see from these three examples, there are definite benefit increases associated with this program. The IMRF fund collects money to fund pensions through three sources, Employee Contributions, Employer Contributions, and Investment Income on fund reserves. Because Investment income is determined by interest rates and investment balances, the increase in benefits must be funded through Employee and Employer Contribution increases. Employees that participate in the program must pay 4.5% of their annual salary for each year of service accorded to them under the program. In our above example the employee that receives five years of service would owe:

5 years X $4,000/month X 12 months X 4.5% = $10,800.

The Village/employer pays its contribution through a percentage rate established by IMRF. Our current rate is 7.42% of all IMRF salaries and is based on total contributions needed to fund our total pension liability. If we adopt the ERI program, this percentage amount will increase to pay for the new benefit costs that resulted from the program. A detailed analysis of our costs is provided below.

Cost Analysis:

In CY 2000 the Village spent $875,000 for IMRF pension payments based on total IMRF salary costs of $11.05 million. Based on the eligibility requirements for the ERI/5 + 5 we have 14 Village employees and 7 Library

employees that could participate in the plan. This number assumes that the eligibility window for the plan (the window is defined as a one year period, within which participants must be determined to be eligible by having 20 years of service and by being 50 years of age) will be May 1, 2001 through April 30, 2002. The Library is included because the Village is the only recognized agent by IMRF, however after speaking with the Library Director it appears that no Library employees are interested in the program at this time. When the ERI/5 + 5 was offered in 1997, we employed the services of our Police/Fire pension fund actuary, Timothy Sharpe to confirm estimates provided by IMRF. Because this analysis is o similar size to that done in 1997 we felt it was important to again have two different opinions on the total cost of this program.

To determine the cost of this program, the key calculation is that of the increased pension liability created by the ERI/5+5 program. Using slightly different analytical methods IMRF and Timothy Sharpe came up with fairly similar numbers regarding the increased pension liability created. In asking for an analysis from both of these sources, we were required to make a few assumptions regarding the participation levels of our eligible staff, and our actions to replace/not replace staff that did take the ERI/5 + 5 option and retire.

- In our analysis we considered the impact of the program if 75% of the Village employees participated.
- We also assumed that for each employee that did participate, that a 2 month vacancy period would exist before hiring a replacement.
- We finally assumed that all replacements would be hired at a salary not to exceed 90% of the retiring employee.

These assumptions help present a highest cost scenario. By presenting the data this way, we can outline the steps that will be necessary to make our participation in the program a zero cost to the taxpayer.

IMRF Analysis.

The IMRF analysis centers around current costs, and does not focus as heavily on future costs of the program. Their analysis focuses on the current increase in benefit costs compared to the decrease in salary costs only. The table on the next page summarizes this analysis:

IMRF COSTS (data provided by IMRF)	
Additional Unfunded Liability created by program	$1,260,398
Annual IMRF payments to amortize liability over 5 years	$277,590
Annual IMRF payments to amortize liability over 10 years	$149,427
SAVINGS	
First year salary savings, including 2 month vacancy period*	$300,079
Net savings/(costs) using five year amortization(First year only)	$22,489
Net savings/(costs) using five year amortization(remaining 4 years)**	($767,480)
Total Net Costs using five year amortization schedule	($744,991)
Net savings/(costs) using ten year amortization(First year only)	$150,652
Net savings/(costs) using ten year amortization(remaining 9 years)**	($787,663)
Total Net Costs using ten year amortization schedule	($637,011)

**Salary savings are defined as costs saved by rehiring staff at a maximum of 90% of previous salary, and costs saved by having a two month vacancy in each position before a rehire is made.*

***These costs are incurred due to the difference in lower salary savings versus the IMRF payment due each year to pay off the program.*

The shaded areas above are not actually a part of the IMRF analysis, and are our additions to the analysis. IMRF does not provide an annual savings estimate for the remaining years due to the fact that changes in salary are totally under our control, and projections of salary savings become difficult. In making the above estimates of costs, I have used a 10% salary savings in the first 5 years, and only a 5% salary savings in the next five years to arrive at total cost estimates. This reduction in savings over time is due to a replacement employee's progression in salary raises when moving through their position's salary range, until they reach the maximum salary for the position. In year's two through five we don't have "vacancy" savings, so our savings are less. In looking at the 10 year amortization schedule we can see that we will actually pay more for the program, due to interest, but we will also have a longer period in which to count salary savings, making the net cost of the program less.

Actuarial Analysis: Timothy Sharpe

Our actuary, Tim Sharpe has prepared an analysis which looks at the lifetime costs of the increased benefits for the ERI/5 + 5 program. Although the reports are different in format, we have summarized comparable data to that shown in the IMRF report to give an "apples to apples" comparison. The table on the next page shows Mr. Sharpe's analysis:

IMRF COSTS (data provided by Sharpe - Actuarial)	
Additional Unfunded Liability created by program	$1,241,722
Annual IMRF payments to amortize liability over 5 years	$273,971
Annual IMRF payments to amortize liability over 10 years	$148,295
SAVINGS	
First year salary savings, including 2 month vacancy period*	$300,079
Net savings/(costs) using five year amortization(First year only)	$26,108
Net savings/(costs) using five year amortization(remaining 4 years)**	($753,004)
Total Net Costs using five year amortization schedule	($726,896)
Net savings/(costs) using ten year amortization(First year only)	$150,652
Net savings/(costs) using ten year amortization(remaining 9 years)**	($777,475)
Total Net Costs using ten year amortization schedule	($626,823)

Again, the first year savings of $26,108 on a five year amortization schedule includes the one-time savings of the vacancy period of two months. This savings can be estimated from the total annual salaries in the actuarial analysis (based on 2000-01 actual salaries) of $857,214, prorated for two months, or $142,869. In years two through five, these savings are not present, making the net cost for these years approximately $188,250 per year. This would bring the total cost of the program, if it were paid off in five years, to approximately $777,475. Again, employees that replace retiring staff will get merit raises that will eventually reduce the 10% salary savings experienced in year 1. Using a 10 year amortization schedule, and the same method of reducing the salary savings over time as was used with the IMRF figures, we come up with a net cost of the program at $626,823.

Using our estimates of future year costs combined with both IMRF and our Actuary's calculations produces fairly similar cost estimates that have less than a 2.5% variance between the two methods. Based on the number of participants, these estimates represent worst case scenarios on costs.

A final component of offering this program concerns the payment of accrued sick leave to all participants. All potential candidates for the ERI/5+5 were hired prior to December 1993 and as such qualify to have up to 960 hours of sick time paid out upon separation or retirement. We will experience these costs regardless of whether we offer the ERI/5+5 program or not. This being said, offering ERI/5+5 may cause a higher than average occurrence of payouts during the retirement window of 2001-02. I have estimated the current value of this accrued leave at $364,400. Since these costs continue to increase each year, as the salary of the employee increases, removing this future liability from our long term debt schedules is not necessarily a bad situation.

Funding Analysis

As stated above, one method of funding this program is the restriction of replacement salaries to no more than 90% of the retiring employee. Without this caveat being observed our actual costs would be much higher than the costs described above.

The ERI/5 + 5 is a tool that can be used to help growing organizations that wish to reorganize, or help organizations with dwindling revenue sources to downsize and control their future costs. For Villages such as Downers Grove, that are still growing, downsizing in the face of growing constituencies and service demands is not always optimal in providing high levels of services. Our job is truly to "right size" our organization to meet the needs of our residents in an environment of changing demands, changing technologies, and higher levels of scrutiny on each tax dollar spent. As outlined in the Annual Unobligated Fund Balance Report, and in our more recent budget review, we are on a good path of controlling costs, and keeping our reserves constant.

Our largest organizational cost area, by far centers around personnel. The ERI/5 + 5 program is very similar to a private sector "buyout" program. When large corporations have right sized, they have done so through a combination of layoffs, and buyouts. These layoffs and/or buyouts usually involved all levels of personnel that were at the top of their pay scale with the given company. When a company makes a decision to pursue different missions, quite often highly qualified personnel no longer fit with the organization's goals. These employees may be top notch, but are still no longer critical to the success of the company. Because of this, the given company offers an early retirement plan to maintain good-will, yet still meet its future goals. In other words, the company develops a win-win situation.

In order for the Village to make this a win-win program, we need to find approximately $150,000 per year in savings in our personnel area if as projected, 75% of the eligible employees take the ERI/5+5 offer using and we use a 5 year amortization schedule. If we choose a 10 year amortization schedule, then we need only look for approximately $80,000 in personnel cost reductions. Under theses scenarios, the ERI/5 + 5 program is approximately a zero cost initiative. The table below shows two possible funding scenario for the five and ten year amortization time periods. Because the Village will also not begin to incur costs until the January following the close of the ERI/5+5 retirement window, our IMRF rate will not increase until January 2003. If we are able to hold open a position currently, we could also start pre-funding this program. The table below shows a funding analysis for both a five and a ten year amortization schedule.

	5 YEAR AMORTIZATION			10 YEAR AMORTIZATION		
YEAR	ANNUAL COSTS	ANNUAL FUNDING	NET COSTS	ANNUAL COSTS	ANNUAL FUNDING	NET COSTS
1	Prefund	$ 121,400	$ (121,400)	Prefund	$ 68,740	$ (68,740)
2	$ 277,590	$ 300,079	$ (22,489)	$ 149,427	$ 300,079	$ (150,652)
3	$ 277,590	$ 216,440	$ 61,150	$ 149,427	$ 161,411	$ (11,984)
4	$ 277,590	$ 226,180	$ 51,410	$ 149,427	$ 168,674	$ (19,247)
5	$ 277,590	$ 236,358	$ 41,232	$ 149,427	$ 176,265	$ (26,838)
6	$ 277,590	$ 246,994	$ 30,596	$ 149,427	$ 184,196	$ (34,769)
7		$ 139,074	$ (139,074)	$ 149,427	$ 139,074	$ 10,353
8				$ 149,427	$ 145,332	$ 4,095
9				$ 149,427	$ 151,872	$ (2,445)
10				$ 149,427		$ 149,427
11				$ 149,427		$ 149,427
TOTAL	**$1,387,950**	**$ 1,486,526**	**$ (98,576)**	**$1,494,270**	**$ 1,495,643**	**$ (1,373)**

We propose the temporary reduction in staff based on the total number of staff that take advantage of the ERI/5+5 program. This assumes that 75% of the eligible Village staff take advantage of this program (from a list of 14 Village staff members – a list is shown in Attachments A and B). If we choose a five year amortization time table two positions would need to be eliminated for a period of six years. If we choose a ten year amortization schedule we can eliminate only one position, for a period of eight years to completely fund the program.

ATTACHMENT:
Attachment A. IMRF analysis report
Attachment B. Timothy Sharpe analysis report

RECOMMENDATION:

We recommend the adoption of a resolution enabling the Village to implement the ERI/5+5 program during FY 2001-02. In January of 2003 we will receive notification of final costs from IMRF. At that time we can determine the future level of staff reductions needed to fund the program. Until that date, we recommend the reduction of two full time staff positions to help pre-fund the program and to keep our options open as to which amortization schedule we would prefer. If you have questions regarding this report please contact me at mlyons@vil.downers-grove.il.us, or at 434-5528.

IMRF Field Representative
Rt. 1
Newark, IL 60541

Fax: 815-736-6978

facsimile transmittal

To: Marty Lyons Fax: 630-434-5493

From: Tecya Anderson Date: 3/26/01

Re: ERI Pages: 8

CC:

☐ Urgent ☒ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Marty - I've "ignored" the library people whom we've already discussed.

In generating this study, we had 10 newly eligible individuals. I used 80% utilization for them instead of 75% as our software doesn't have the capability of splitting a person in half (we'd either have to go with 70% or 80% to get a whole number.)

Tecya

Actuarial Analysis of

The Potential Effect of

IMRF's Early Retirement Incentive Program

For

03095 - VILLAGE OF DOWNERS GROVE

(Regular Members)

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1 Year Window Beginning

05/01/2001

IMRF Early Retirement Incentive Program

Introduction

The accompanying report illustrates the potential effects of the IMRF Early Retirement Incentive (ERI) Program on your unit of government. The enclosed statement is an **estimate.** This report is designed to assist you in evaluating the ERI in terms of increased IMRF employer costs against offsetting payroll and fringe benefit savings. Participation in the ERI by any unit of government is voluntary and at the discretion of the governing body.

The effect of the ERI on any particular unit of local government depends on the number of eligible members, the number electing to retire under the ERI, re-staffing plans, and salary and fringe benefit costs for replacement employees. Because of differing demographics and other local conditions, not all employers will be able to save money under the ERI program. (Please refer to the Summary of Provisions below.)

The analysis was based upon December 31, 1999, data (our most current). Data was adjusted to the extent possible for members who have already retired or who are expected to retire before the beginning of the ERI. To the extent possible, records for your unit of local government were adjusted to reflect reciprocal service.

Timing of Costs and Savings

Increased retirement costs will be reflected in your IMRF employer contribution rate. Your rate will be adjusted in the second calendar year following adoption of the program. For example, if you adopt ERI in 2000, the effect will start to show in your 2002 employer rate. Your rate will be based on actual experience. This report reflects **estimated** effects of the ERI.

This report was created by a personal computer software developed by independent actuaries Gabriel, Roeder, Smith and Company. Input variables that were selected for this valuation were provided by your unit of government. If they are not reflective of actual practice when the program is adopted, the results may vary considerably.

Payroll and fringe benefit savings may occur if restaffing of vacant positions and replacement salaries for those positions are kept within the guidelines of the legislation. Those guidelines are provided below under "Program Objective."

Summary of Provisions

Program Objective

The objective of the program is to provide participating employers with a tool to reduce overall payroll costs. With that end in mind, employers are encouraged to either (i) replace no more than 80% of members electing to retire under the program, or (ii) reduce replacement staff salaries to no more than 80% of current levels.

Eligible Members

Members who will reach age 50 or older and have 20 or more years of IMRF service credit by their date of retirement are eligible to retire under ERI. The 20 years can include service credit earned with another IMRF employer and/or reciprocal service credit. These requirements apply to regular IMRF members, Sheriff's Law Enforcement Personnel (SLEP) members and Elected County Officials (ECO).

Eligible members include IMRF members who were actively participating in IMRF on the effective date of their employer's ERI program. A member is considered active if he or she is on layoff status with right of re-employment, on IMRF Benefit Protection Leave of Absence, or receiving IMRF disability benefits for less than two years.

Retirement Incentives

Eligible members may purchase up to five years of IMRF service credit. The member's age at retirement will be increased by the amount of service credit purchased. For example, if a 54-year-old member purchases 18 months of service credit, his or her age will be increased by the same number of months to 55 years and six months for the purpose of determining IMRF retirement benefits.

Member Cost

For each year of service credit the member purchases, he or she will pay 4.5 percent (6.5 percent for SLEP, 7.5% for ECO) of the member's highest 12 consecutive months of salary within the final rate of earnings period. Please refer to the employee ERI packet for more information.

Retirement Dates

The ERI legislation provides flexibility for employers by allowing the employer to determine the timing of member terminations. A member may terminate up to one year from the effective date of the employer's ERI program. However, a member must file his or her Notice of Intent to Retire Under ERI (IMRF Form 5.21) with the retirement application (IMRF Form 5.20).

An employer cannot adopt later ERI programs **until the cost of the previous ERI is paid in full.**

Example:

Board meeting adopting program:	September 15, 2000	Member files Notice of Intent by:	November 30, 2000
Effective date of ERI program:	September 30, 2000	Last Termination date can be:	September 30, 2001*

*If a member requests to retire on or before June 30 so he or she will be eligible to receive the following year's Supplemental Benefit Payment ("13th check"), the employer is required by law to allow the member to do so.

Employers are to give a member at least 30 days notice of his or her designated termination date. The 30-day notice may be waived by the member.

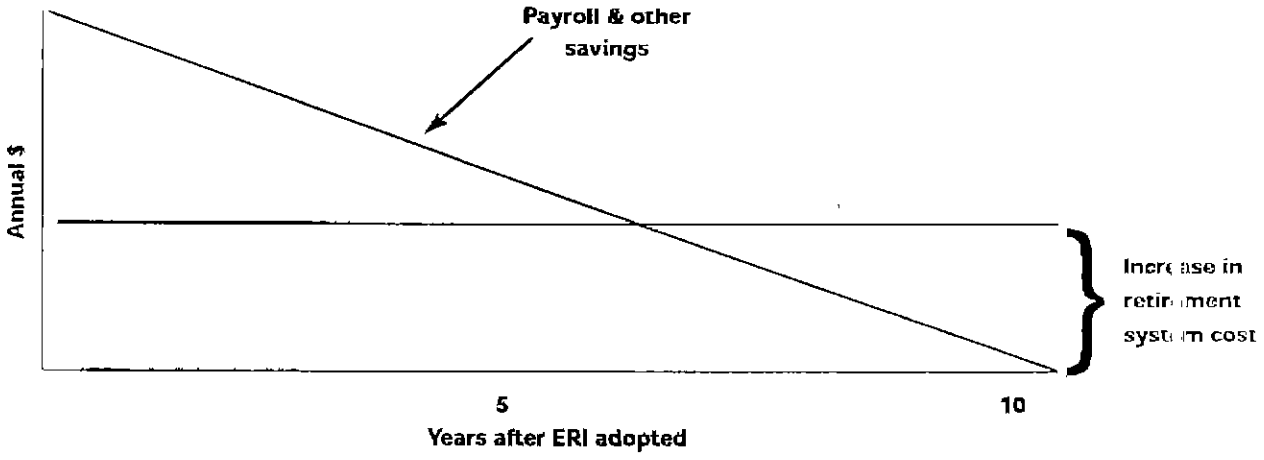
Illustration of the Relationship Between Increases in Retirement Plan Costs and Net Payroll Savings Resulting from an Early Retirement Program

Amortization of ERI Employer Cost

An employer offering retirement enhancements will generally incur additional retirement costs. These are often offset by a combination of

(1) a reduction in the number of active members
(2) lower pay levels for replacement employees
(3) the average length of time a position remains vacant.

Members availing themselves of the ERI would have eventually retired anyway. Therefore, payroll savings will decline over the amortization period you select as illustrated below. The graph illustrates the declining nature of payroll savings.



(This graph is for illustrative purposes only. Your experience will vary.)

A general rule of thumb is that if net first-year savings (page 4, line 5) is more than twice IMRF costs based on a 10-year amortization period (page 4, line 2f), and other valuation assumptions are realized, there is likely to be a cumulative net savings for the employer over the decade following adoption of the ERI.

IMRF Retirement Incentive Window Program

Actuarial Analysis for

03095 - VILLAGE OF DOWNERS GROVE

(Regular Members)

Summary of Valuation Data and Input Variables

Window Period: 05/01/2001 Through 05/01/2002

EMPLOYEES AFFECTED BY WINDOW *	
1. Presently eligible to retire with full or reduced benefits	
a. Number	4
b. Annual payroll	$203,406
2. Number newly eligible to retire	
a. Number	10
b. Annual payroll	$653,808
INPUT VARIABLES	
3. Employees presently eligible to retire, who:	
a. Would have retired without this window	0
b. Are induced to retire during this window	3
4. Employees newly eligible to retire who are induced to retire during window period	8
5. Total number assumed to retire during window period: (3a) + (3b) + (4)	11
6. Replacement pay of vacated positions as a % of current pay	90 %
7. Fraction of vacated positions that will not be re-staffed within 5 years	12 %
8. Average vacancy period for positions that are going to be re-staffed	2.0 months
9. Average employer-paid retiree health premium	$0.00
10. Across-the-board pay increase since 12/31/99	0.00 %

* Persons covered by Elected County Official benefit provisions with this employer were not included in this study.

IMRF Retirement Incentive Window Program
Actuarial Analysis for
03095 - VILLAGE OF DOWNERS GROVE
(Regular Members)
Summary of Valuation Results
Window Period: 05/01/2001 Through 05/01/2002

IMRF COSTS	
1. Additional Liability Created By Window	$ 1,260,39
2. First Year Increase in Employer Contribution to IMRF based on indicated amortization of liability increase	
a. 5 years	$ 277,590
b. 6 years	$ 234,803
c. 7 years	$ 204,269
d. 8 years	$ 181,391
e. 9 years	$ 163,622
f. 10 years	$ 149,427
FIRST YEAR PAYROLL/FRINGE BENEFIT SAVINGS	
3. Number induced to retire	11
4. Portion of each $1 of payroll and fringe benefits eliminated by retirements that is replaced by new hires and promotions	79 %
5. First year payroll/fringe benefit savings	$ 300,079
6. Increase in retiree health insurance premiums	$ 0
7. Net first year cash savings (expense) based on alternate amortization schedules	
a. 5 years	*$ 22,489*
b. 6 years	*$ 65,276*
c. 7 years	*$ 95,810*
d. 8 years	*$ 118,688*
e. 9 years	*$ 136,457*
f. 10 years	*$ 150,652*

Timothy W. Sharpe, Actuary, 1923 Allen Drive, Geneva, IL 60134 (630) 262-0600

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INTRODUCTION

The purpose of this report is to measure the financial impact to the Village of Downers Grove of offering the "5+5" early retirement program to the Village's IMRF employees. This report addresses three items, first, the increase in the accrued liability (which will be used to determine the increase in the Village's IMRF contribution rate), secondly, the cost to provide the additional "5+5" benefits, and thirdly, the net cost which reflects the cost of the additional benefits and the anticipated salary savings.

The "5+5" Program

On June 27, 1997, the Governor signed House Bill 313. The Bill entitles cities, villages, and incorporated towns to establish an early retirement incentive program for its employees.

To be eligible, an employee must have attained age 50 and have at least 20 years of creditable service. An eligible employee may establish up to an additional 5 years of creditable service and have his or her age enhanced by an equivalent period (e.g., "5+5"). For each additional year of creditable service, the employee must pay 4.5% of their highest salary.

The additional amount of unfunded liability accruing as a result of the adoption of this program shall be amortized over a period of 1 to 10 years.

Actuarial Assumptions

The results reported herein are based on the same actuarial assumptions used by the IMRF, except as noted otherwise. The primary economic assumptions include an interest rate of 7.50%, and annual salary increases of 4.00%.

Respectfully submitted,

Timothy W. Sharpe, EA, MAAA
Enrolled Actuary No. 99-4384

_____
Date

ACCRUED LIABILITY

The increase in accrued liability as a result of this program will be assessed to the Village by the IMRF and will be reflected in the Village's IMRF contribution rate. The IMRF will likely determine the increase in liability one year following the expiration of the program. The result reported below is to be used as a preliminary measure and to be compared with the IMRF's ultimate figure for reasonableness.

The expected increase in accrued liability as a result of the 5+5 program is $1,241,722. The expected increase in the Village's IMRF contribution rates (assuming a 1-year, 5-year, or 10-year amortization) are not reported here due to the Village's annual IMRF payroll has not been provided. The increase in the Village's IMRF contribution rates will be reported upon receipt of the payroll figure.

The expected increase of $1,241,722 is equal to the cost of the additional benefits, less the required contributions from the employees, multiplied by the probability that the eligible employees will elect the program.

ADDITIONAL BENEFITS

The expected increase in annual benefits is $92,318.

NET COST

The expected net cost to the Village for the program is $876,385. The net cost reflects the cost of the additional benefits, less the expected future salary savings. The future salary savings was determined by assuming each employee would have continued working until age 60.