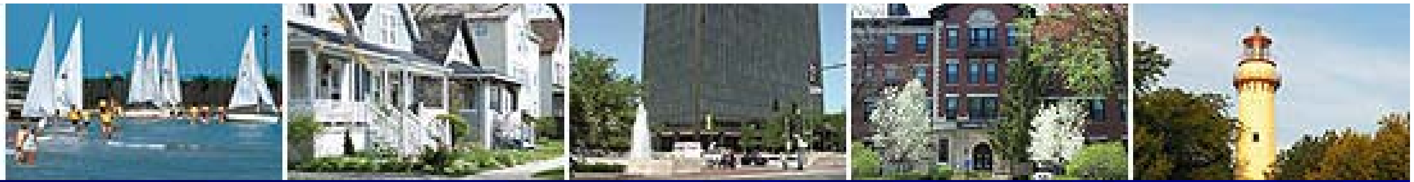
City of Evanston



IMRF EARLY RETIREMENT INCENTIVE (ERI)

January 20, 2007

Benefits of an ERI to the City

- Allows the City to save fringe benefits and payroll costs by providing long term employees an incentive to retire

Creates additional opportunities for reorganizations, service consolidations and process re-engineering

- Replacement salaries and benefits (i.e., vacation) are lower
- Not all positions are replaced
- Some positions re-engineered resulting in lower salary ranges
- Vacation accruals are lower for newly-hired employees, adding additional productive work weeks
- Terminating pay liability is reduced through employees retiring early

IMRF Pension Benefits

- Regular pension: age 60
- Reduced pension: age 55 – 59
- Maximum pension: 40 years of service = 75% of final earnings rate (highest consecutive 48 months of salary within last 10 years)

IMRF Pension Benefits

- ERI allows employee to purchase up to 5 years of age/service credit
  - 50 year old employee purchases 5 years of age/service, becomes eligible for reduced pension benefits
  - 55 year old employee purchases 5 years of age/service, becomes eligible for regular pension benefits
  - 60 year old employee with 20 years of service purchases 5 years of age/service, becomes eligible for pension based on 25 years of service

Early Retirement Incentive Program

- Eligible Employees
  - 50 years old
  - 20 years of IMRF service credit
    - 104 current employees eligible (70 already at least 55 years old & 20+ years of service; 34 newly eligible under ERI) in every department except Fire
  - ONE YEAR WINDOW FROM PROGRAM EFFECTIVE DATE
  - Employee may file "Letter of Intent" at any time during that window period
  - City may determine timing of retirements (30 day notice)
  - Proposed window: July 1, 2007 – June 30, 2008

Results of Employee Informational Meetings

- 51 of 104 eligible employees submitted confidential non-binding indications of interest
  - 35 already pension eligible, 16 would be newly eligible under ERI
  - 14 management, 37 field/professional/administrative

Costs of ERI

- Employee pays 4.5% of highest 12 consecutive months of salary for each year of service credit purchased

- City pays increased pension costs for larger pension benefits
  - Costs are individualized actuarial projections, based on employee's age, salary and years of service
  - Additional liability amortized over 10 years
  - First additional costs added to City's IMRF contribution rate second calendar year after first retirements (2009)

Ten Year Cost Analysis and Results

- Factors Used in Cost Analysis
  - Based on 51 interested employees
  - ERI cost
  - Salary Savings
    - 17% of positions could be eliminated
    - 14% of positions could be reduced in salary range
    - 69% of positions could be replaced at lower salary
  - Benefit Savings
    - Social Security, Medicare, IMRF costs lower with lower payroll
    - Health insurance costs eliminated for eliminated positions
  - Vacation Savings
    - Replacement employees earn less vacation than more senior employees

Ten Year Costs/Savings

ERI Costs:	$6,893,517
Salary Savings:	($9,553,968)
Tax, IMRF Savings:	($1,492,330)
Insurance Savings:	($1,274,994)
Net Savings:	**$5,427,775**
Net Savings Per Year:	**$ 542,777**

Funding

- Terminating Payouts Projected at $850,000
  - Payable during FY07-08 and FY 08-09
  - Will be paid from available cash balance in General Fund

- ERI costs payable beginning January 2009
  - Savings begin in 2007
  - Savings will be captured for transfer to IMRF Fund for payment beginning in 2009
  - IMRF Fund has $2.5 million reserve to be used for payments while additional savings accrue

Implementation Plan

- Authorizing resolution to be adopted by City Council

- Notice to all eligible employees in February – March
- 60 day binding notice of retirement by employees
- 120 day binding notice of retirement by senior management staff
  - Allows review and possible date changes with 30 day notice to employee
  - Provides for advance transition planning, recruitment and hiring of replacements