City of Evanston

Interdepartmental Memorandum

To: Julia Carroll, City Manager
From: Matthew A. Grady, III, Director of Finance
Subject: Budget Memo # 39: Clarification of Insurance Fund Claim Liabilities in FY 2002/03
Date: January 29, 2007

Question:

From the chart showing short and long-term claim liabilities in the Insurance Fund, what is the breakdown for the $22.9 million in total short and long-term liabilities in FY 2002/03? How much was expended in pending law suits verses worker's compensation?

Response:

Detailed below are both the short and long-term claim liabilities expenditures broken out by Worker's Compensation and General Liability for FY 2002/03 cases. Short-term claim liabilities are defined as those that are to be paid within the next twelve months. Long-term liabilities are to be paid more than twelve months from the date of the statement.

Insurance Fund Liabilities FY 2002-03

Liabilities	FY 2002-03 Total Claim Liabilities	General Liability	Worker's Compensation
Short-Term	$21,176,213	$20,761,500	$ 414,713
Long-Term	$ 1,763,498	$ 481,500	$1,281,998
TOTAL	$22,939,711	$21,243,000	$1,696,711

Total Payouts To Date

	FY 2002-03 Total Claims	Settled Claims	Open Cases	Savings from Claims Settled
General Liability	$21,243,000	$13,632,500	$111,500	$7,499,000
Workers Comp.	$ 1,696,711	$537,015	$215,902	$ 943,794
TOTAL	$22,939,711	$14,169,515	$327,402	$8,442,794

City of Evanston

Interdepartmental
Memorandum

To: Julia Carroll, City Manager

From: Judith R. Witt, Director of Human Resources

Subject: **Budget Memo # 40: Early Retirement Incentive Program - Implementation**

Date: January 29, 2007

The following steps are necessary to implement the Early Retirement Incentive (ERI) program:

1. A resolution adopting the ERI, including a copy of the cost estimate provided by IMRF, must be approved by the City Council. The IMRF suggested resolution is attached, as is the cost estimate. Please note that the cost estimate is based on all 104 eligible employees retiring. It also shows the cost/year, based on the amortization period of 5 – 10 years. Another ERI cannot be offered by the City until the costs of this ERI are fully paid. The amortization period cannot be longer than 10 years, but can be less; the decision to amortize the costs over a less than ten year period can be made within 6 months of the beginning of the window, i.e., January 2008.
   - The presentation on January 20 included a projected ERI cost of $6,893,517. That number is the total cost of the 51 employees who indicated interest in the program. The actual cost will depend on how many employees actually choose to retire under the ERI.
   - The resolution can be prepared for the meeting of February 12, or the meeting of February 26 when other budget-related ordinances and resolutions will be on the agenda for consideration.

2. Formal notice to all eligible employees would be given as soon as Council approves the resolution. That notice would include the following:
   - ERI period of July 1, 2007 – June 30, 2008.
   - Binding notice of intent to retire must be submitted to Human Resources at least 60 days in advance, except for senior management staff who must give at least 120 days notice. This means that notices of intent to retire could be submitted as early as March 1, 2007, through April 30, 2008.
   - To assist planning, an incentive (e.g., $500 payment) to give notice by May 1, 2007 of intent to retire at any time during the window period.

3. Staff will then review submitted notices and retirement dates to determine if any retirement dates need to be changed. For example, if a number of employees in the same department or division choose to retire July 1, the City can, with 30 days' notice, inform the employee that the retirement date is being changed to a later date.
   - Retiring employees will meet with Human Resources to complete the necessary paperwork both for IMRF and the City.
   - Any employee whose retirement date is being changed will be met with to discuss the change.

4. As retirement dates are finalized, a plan will be developed by the Human Resources Department and the City Manager's Office, with input from the operating departments, to determine position eliminations, position restructuring, and those positions to be replaced.

- A work plan for filling vacancies for approved positions will be developed, with the goal of filling positions prior to the retirement date of the leaving employee, especially for strategically critical positions.
- Those plans will be coordinated with other studies being done such as restructuring, analysis of outsourcing possibilities and other budget plans.

5. First retirements would take place July 1, 2007.

6. Funding timeline:

- Terminating payouts beginning July 1, 2007; payable from available cash in the General Fund (or other Fund if employee is paid from that fund).
- First payments to IMRF for ERI costs due beginning in January 2009. ERI costs are included in the City's total IMRF contribution rate for calendar 2009, received by the City in November 2008. The 2009 rate would be used in calculating the IMRF Fund for FY2009-10.
- The first savings would be realized during FY2007-08, based on retirements occurring or planned between July 1, 2007 and February 29, 2008. Further savings would accrue for retirements between March 1 and June 30, 2008.
- Savings would be used to fund increased IMRF payments in 2009; additionally, there is a $2.5 million reserve in the IMRF Fund which can be used while savings accrue.
- For non-General Fund positions, the costs will be paid by those funds (i.e., Water, Sewer).

SUGGESTED FORM OF RESOLUTION TO ADOPT IMRF EARLY RETIREMENT INCENTIVE

IMRF Form 6.77 (8/2005) **See notes on back regarding ERI Cost Estimates and Dissolutions**

PLEASE ENTER
Employer IMRF I.D. Number

RESOLUTION
Number ________________

WHEREAS, Section 7-141.1 of the Illinois Pension Code provides that a participating employer may elect to adopt an early retirement incentive program offered by the Illinois Municipal Retirement Fund by adopting a resolution or ordinance; and

WHEREAS, the goal of adopting an early retirement program is to realize a substantial savings in personnel costs by offering early retirement incentives to employees who have accumulated many years of service credit; and

WHEREAS, IMRF has prepared an actuarial estimate of the cost of an early retirement incentive program for ______________________________ (EMPLOYER NAME); and

WHEREAS, the ______________________ (BOARD, COUNCIL, ETC.) has reviewed the cost estimate and determined that the adoption of an early retirement incentive is in the best interests of the ______________________ (EMPLOYER NAME); therefore be it

RESOLVED by the ______________________ (BOARD, COUNCIL, ETC.) of ______________________ (EMPLOYER NAME) that:

(1) The ______________________ (EMPLOYER NAME) does hereby adopt the Illinois Municipal Retirement Fund early retirement incentive program as provided in Section 7-141.1 of the Illinois Pension Code. The early retirement incentive program shall take effect on ______________ (DATE).

(2) In order to help achieve a true cost savings, an employee who retires under the early retirement incentive program shall lose those incentives if he or she later accepts employment with any IMRF employer in any position. (**Exception**: employee can hold an elected position if he/she chooses to not participate in IMRF *and* the pension is not based on any service earned in that position during any term of office.)

(3) In order to utilize an early retirement incentive as a budgeting tool, the ______________________ (EMPLOYER NAME) will use its best efforts either to limit the number of retiring employees replaced or to limit the salaries paid to the replacement employees.

(4) The effective date of each employee's retirement under this early retirement incentive program shall be set by ______________________ (EMPLOYER NAME) and shall be no earlier than the effective date of the program and no later than one year after that effective date; except that the employee may require that the retirement date set by the employer be no later than the June 30 next occurring after the effective date of the program and no earlier than the date upon which the employee qualifies for retirement.

(5) To be eligible for the early retirement incentive under this Section, the employee must have attained age 50 and have at least 20 years of creditable service by his or her retirement date; and

(6) As of the date of the adoption of this Resolution, the ______________________ (BOARD, COUNCIL, ETC) is ( ) is not ( ) aware of the pending dissolution of ______________________ (EMPLOYER NAME).

(Note: Failure to disclose a potential dissolution shall void this Resolution. If the Board, Council, etc. is aware of the pending dissolution of the IMRF employer, then the successor unit(s) of local government must approve the adoption of the early retirement incentive in order for this Resolution to be effective. If there is no successor, submit your resolution for approval from the IMRF Board of Trustees.)

(7) The ______________________ (CLERK OR SECRETARY) shall promptly file a certified copy of this resolution (ordinance) with the Board of Trustees of the Illinois Municipal Retirement Fund.

CERTIFICATION

I, ______________________ (NAME) the ______________________ (CLERK OR SECRETARY) of the ______________________ (EMPLOYER NAME) of the County of ______________ (COUNTY), State of Illinois, do hereby certify that I am the keeper of the books and records of the ______________________ (EMPLOYER NAME) and that the foregoing is a true and correct copy of a resolution (ordinance) ______________________ (ORDINANCE) duly adopted by the ______________________ (BOARD, COUNCIL, ETC.) at a meeting duly convened and held on the ____ day of ____________, 20_____.

If applicable, I further certify that this Resolution has been submitted to the successor unit(s) of local government and that said unit(s) of local government has/have adopted a resolution approving the adoption of the early retirement incentive for ______________________ (EMPLOYER NAME).

A copy of the approval resolution is attached hereto.

SEAL

____
CLERK OR SECRETARY OF THE BOARD

Illinois Municipal Retirement Fund
Suite 500, 2211 York Road, Oak Brook Illinois 60523-2337
Service Representatives 1-800-ASK-IMRF
www.imrf.org

IMRF Retirement Incentive 5-Year Window Program

Actuarial Analysis for

03349 - CITY OF EVANSTON

(Regular Members)

Summary of Valuation Results

Window Period: 07/01/2007 Through 07/01/2008

IMRF COSTS						
1. Additional Liability Created by Window	$13,434,581					
2. Schedule of Increase in Employer Contribution to IMRF based on indicated amortization of liability increase			Amortization Years			
	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
First Year	$2,972,581	$2,517,253	$2,192,363	$1,948,990	$1,759,973	$1,609,009
Second Year	$3,091,516	$2,617,914	$2,280,043	$2,026,955	$1,830,381	$1,673,377
Third Year	$3,215,172	$2,722,658	$2,371,218	$2,108,020	$1,903,602	$1,740,320
Fourth Year	$3,343,778	$2,831,560	$2,466,092	$2,192,316	$1,979,733	$1,809,938
Fifth Year	$3,477,577	$2,944,822	$2,564,732	$2,280,032	$2,058,899	$1,882,324
Sixth Year		$3,062,658	$2,667,320	$2,371,230	$2,141,277	$1,957,594
Seventh Year			$2,774,052	$2,466,078	$2,226,925	$2,035,919
Eighth Year				$2,564,757	$2,316,001	$2,117,353
Ninth Year					$2,408,674	$2,202,046
Tenth Year						$2,290,160