OAK PARK TOWNSHIP ILLINOIS
SERVICE • COMMUNITY • CARING
SERVING OAK PARK AND RIVER FOREST RESIDENTS

Early Retirement Incentive (ERI) Staff Recommendation

RECOMMENDATION

Gavin Morgan		Date Recommended	02/11/2020
Recommendation	Staff recommends not implementing an Early Retirement Incentive program at this time.		
Approved by		Approved?	☐ Yes ☐ No

BACKGROUND

The Board directed staff to investigate the potential to implement the IMRF Early Retirement Incentive (ERI) program in 2020. From the IMRF website:

> IMRF's Early Retirement Incentive (ERI) is an employer option that allows eligible members to purchase up to five years of service credit at retirement. For each month and/or year of service credit a member purchases, the member's retirement age is increased accordingly.
>
> The ERI is a tool eligible IMRF employers can use, if and when they need it, to save fringe benefits and payroll costs by providing an incentive for long-term members to retire. Employers are encouraged to either:
>
> - Replace no more than 80% of members electing to retire under the program, or
> - Reduce replacement staff salaries to no more than 80% of current salary levels.

IMRF provided a study of the costs for an ERI with a July 1, 2020 to July 1, 2021 window. This is the first step to implement an ERI. The additional liability created by the ERI would be approximately $970,000, which can be spread out over ten years with interest. The first year cost for a ten year payment plan would be $122,000. In order to break even in the first year, the Township would need to immediately save at least $122,000 due to the elimination of positions or through reduced salaries.

RATIONALE

1) The ERI would not result in sufficient salary savings.

Currently, there are no opportunities for restructuring that would result in the overall reduction of positions at the Township. The second option, reduced replacement salaries, would require a reduction to 70% of current salaries for the positions held by eligible, non-elected employees in order to break even in year one. The two eligible elected officials are excluded from that calculation because those salaries are set every four years by Board action and are independent of the person holding the position. In order to reduce the salaries to 70% of their current amount, all but one of the positions would have to be reduced to an amount that is below the salary range for the position. Additionally, the ten year repayment plan would result in over $300,000 of interest payments. Over time, payments would go up and savings would go down, resulting in a net cost.

2) Replacement costs and disruption to operations are not justified by savings.
There are costs associated with replacing long-term staff including the recruiting process and getting new employees up to speed. Losing a number of long-term staff within a year would also be disruptive to Township operations.

PROJECT PLANNING

Potential Return	Anticipated Cost
• Staff interested in taking advantage of an Early Retirement Incentive would have that opportunity	• Additional liability created by the ERI, plus interest payments would result in a net cost • Advertising, interviewing, screening, and hiring staff replacements • Onboarding new staff; including training and management time