
Savings Under TPS/EPS Redesign

**Presentation to the Public Employees' and
Retirees' Benefit Sustainability Commission**

**Department of Legislative Services
Office of Policy Analysis
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Plan Design Options

	Member Contribution	Benefit Multiplier	COLA	Vesting
Current	5%	1.8% as of July 1998	CPI-U, capped at 3.0%	5 years
Cash Balance	5%	10% pay credit, annual return of 5%	NA	5 years
Stable Benefit	8%	1.8% as of July 1998	CPI-U, capped at 3.0%	10 years
Stable Contribution	5%	1.6% as of July 2011	CPI-U, capped at 1.5%	10 years
Basic Savings	3%	1.4% as of July 2011	None	10 years

Methodology

- Calculate the net present value of future benefits for each current member of TPS and EPS under each of the four plan designs, using all relevant actuarial assumptions
- Determine which plan design yields the highest net present value for each member
- Assume that each current member selects the plan design that yields the highest net present value
- Repeat the above steps with contingent COLAs in the two defined benefit plans with annual COLAs

Plan “Selections”

	TPS		EPS	
	<u>Full COLAs</u>	<u>Contingent COLAs</u>	<u>Full COLAs</u>	<u>Contingent COLAs</u>
Cash Balance	34%	54%	53%	71%
Stable Benefit	42%	8%	30%	6%
Stable Contribution	23%	35%	16%	21%
Basic Savings	1%	3%	1%	3%

Plan Design Savings

	FY 2013 Savings	FY 2018 Savings	July 1, 2022 Funded Ratio*
Current Plans	NA	NA	72.4%
Full COLAs	\$222 million	\$303 million	72.4%
Contingent COLAs	\$353 million	\$440 million	72.4%

*Before additional contributions are made to reach 80% funded ratio