
2011 Pension and Retiree Health Reform

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

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

Pensions – New Members

Average Final Compensation

	Current Law	Commission Recommendation	Pension Reform
EPS/TPS	3 consecutive years with highest average	None	5 consecutive years with highest average
Other Systems	3 years with highest average	None	5 years with highest average

Pensions – New Members

Eligibility

	Current Law	Commission Recommendation	Pension Reform
Vesting	5 years	10 years	10 years
EPS/TPS Normal Retirement	Age 62 with 5 years or 30 years	Age 62 with 10 years or Rule of 92	Age 65 with 10 years or Rule of 90
EPS/TPS Early Retirement	Age 55 with 15 years	Age 57 with 20 years	Age 60 with 15 years
State Police Normal Retirement	Age 50 or 22 years	None	Age 50 or 25 years

Other Pension Provisions Based on Commission Recommendations

- A goal of achieving 80% funded status in 10 years was established in statute.
 - Portion of savings generated by the benefit redesign is reinvested in the pension fund, subject to a \$300 million cap beginning in fiscal 2014.
- Cost of living increases linked to investment performance.
 - Applies only to service credit earned after June 30, 2011.
 - Cap is 2.5% if investment target is reached; 1.0% if it is not.
- All new DROP accounts opened after July 1, 2011 will earn 4% compounded annual interest (instead of 6% compounded monthly interest).
- Benefits for judges and legislators referred for further study.

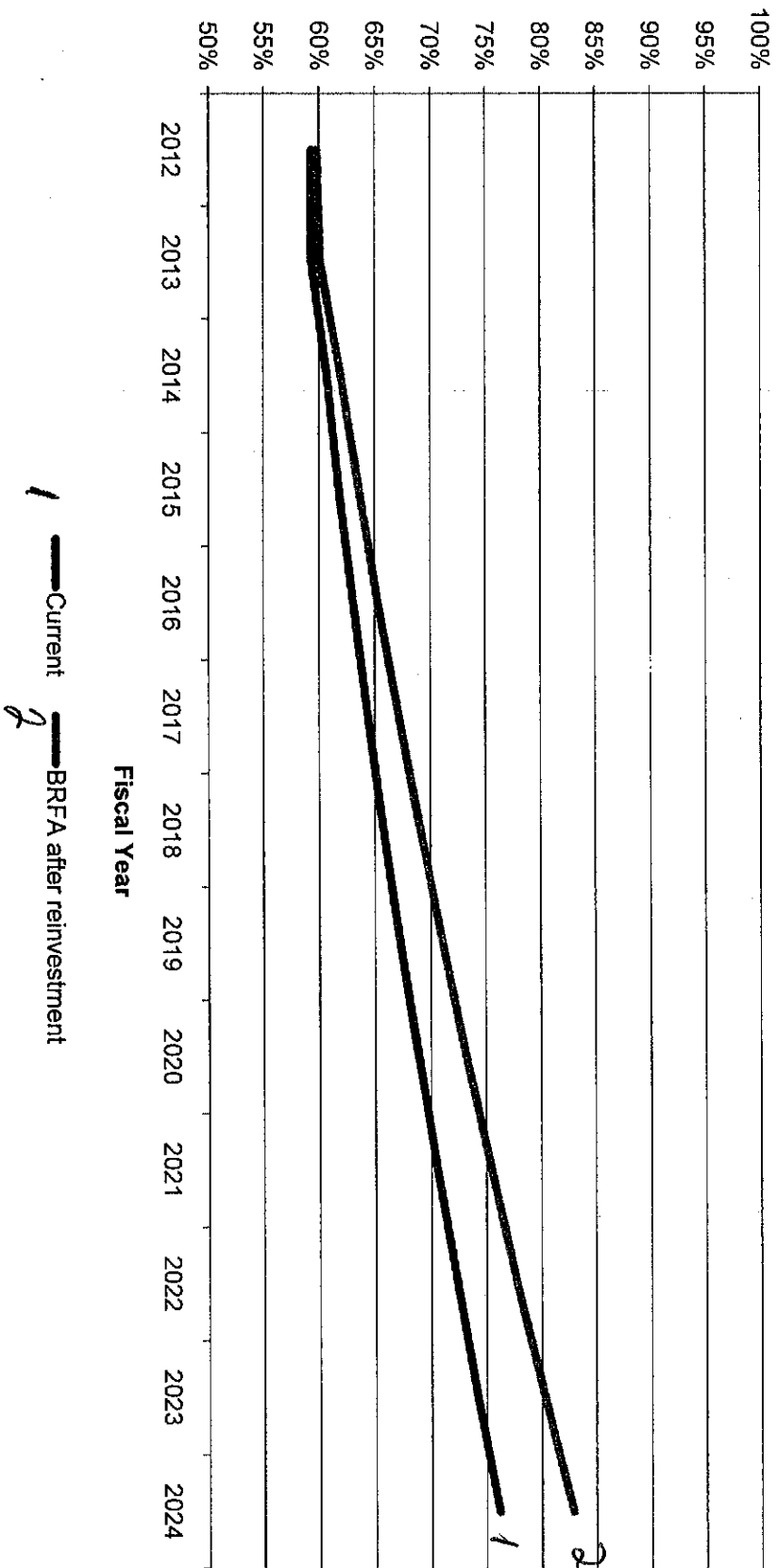
Retiree Health Eligibility Criteria

	Current Law	Commission Recommendation	Health Benefit Reform
Benefit Eligibility	5 years	15 years	10 years
Full Subsidy	16 years	25 years	25 years
Prescription drugs	State Plan	Medicare Part D in 2020	Medicare Part D in 2020

- Eligibility changes (except for Part D) apply only to new State employees hired after June 30, 2011.
- Commission had recommended changes for current employees with less than 15 years of service credit.

Pension Reform Fiscal Effects

Exhibit 2
Projected SRPS Funded Status



Teacher Pension Cost Sharing

- Commission Recommendation: Share pension costs
 - Begin cost-sharing in fiscal 2012.
 - Phase up to a 50/50 split of combined pension and Social Security costs.
 - Wealth-equalize. *if adopted would have saved \$230 million to state - shift to Board of Ed*
- BRFA: Share administrative costs of the State Retirement Agency (SRA)
 - Board Ed*
 - Board costs allocated based on share of employees in systems *costs* (approximately \$163 per employee in fiscal 2012).
 - State savings total \$16.6 million.
 - State agencies will likewise pay their share of administrative costs beginning in fiscal 2013.