
Decision Document

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

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

December 20, 2010

Commission Goal Summary

- **Health Insurance:**

- Align the State's benefit with those of peer States, lowering pay-go expenditures and long-term liabilities

- **Retiree Health Insurance:**

- Reduce retiree health liability by 50%
- Fully fund the annual required contribution within 10 years

- **Pensions:**

- Retain defined benefit and/or hybrid pension plan as a retention tool
- Raise the funded status of the State Retirement and Pension System to 80% within the next 10 years
- Achieve full funding within 30 years to conform to recognized accounting standards

- **Local Teachers:**

- Begin cost-sharing arrangement that is fair to all parties and harmonizes personnel decisions with their true costs

Health Care Decisions

Question	Options	Commission Decision
Does the commission recommend that the State reduce costs to align Maryland's benefits with peer states?	<ul style="list-style-type: none"> a) Reduce by 10% b) No change c) Other 	
Having reviewed the mechanisms by which State costs can be reduced, how does the commission recommend changes are implemented?	<ul style="list-style-type: none"> a) State premium subsidy b) Plan design elements c) Combination of a & b d) Defer to collective bargaining e) Other 	
The commission discussed data showing that approximately 10,000 employees earn less than \$40,000 per year and are medium or high users of the health program. The commission recommends:	<ul style="list-style-type: none"> a) Equal application of changes to all employees b) Limits (such as out-of-pocket caps) for employees earning less than \$40,000 c) Other 	

Retiree Health Decisions

Question	Options	Commission Decision
Should the State continue to provide its retirees with access to the State health plan and a blended premium?	a) Yes, for all retirees b) Yes, with a contingency plan to restrict access only to Medicare-eligible retirees if liability growth exceeds a specified level c) No	
Should the State continue to provide the same maximum premium subsidy to retirees that is provided to active employees, prorated based on years of service?	a) Yes b) Yes, but subsidy levels for retiree spouse and dependent coverage may be lower c) No	

Retiree Health Decisions (Cont.)

Question	Options	Commission Decision
Should the State increase the eligibility requirement for retiree participation in the State health plan?	a) Yes, from 5 to 15 years b) Yes, by some other amount c) No	
Should the State increase the years of active service required to earn the maximum premium subsidy in retirement?	a) Yes, from 16 to 25 years b) Yes, by some other amount c) No	

Retiree Health Decisions (Cont.)

Question	Options	Commission Decision
Should the State restrict eligibility for participation in the State health plan only to those employees who retire directly from the State?	a) Yes, for all current and future deferred vested individuals b) Yes, but only for future deferred vested individuals c) No	
Should the State require that only service credit earned through employment with the State count toward eligibility for retiree participation in the State health plan?	a) Yes b) No	

Retiree Health Decisions (Cont.)

Question	Options	Commission Decision
Should the State require all Medicare-eligible retirees to join Medicare Part D for all prescription drug benefits in the year 2020?	<ul style="list-style-type: none">a) Yes, with no access to State prescription drug benefitsb) Yes, with a State contingency plan to provide supplemental coverage through an Employer Group Waiver Plan or similar mechanismc) No	

Pension Decisions

Question	Options	Commission Decision
Should the State redesign pension benefits for teachers and regular State employees to reduce future liabilities?	<ul style="list-style-type: none">a) Yes, only for new employeesb) Yes, for new and current employees who are not eligible for retirementc) Otherd) No	
How should benefits be redesigned?	<ul style="list-style-type: none">a) Close current defined benefit plans and transfer all members to a defined contribution planb) Institute a hybrid/cash balance planc) Keep a defined benefit plan but reduce benefits going forwardd) Provide members with a menu of options that include (b) and c)e) Other	

Pension Decisions (Cont.)

Question	Options	Commission Decision
Should annual cost-of-living-adjustments for future retirees be contingent on investment returns for the pension trust fund meeting or exceeding the actuarial target (currently 7.75%)?	a) Yes b) No	
How should the State achieve the commission's goal of 80% funding in 10 years?	a) Reserve savings from benefit redesign to pay down unfunded liability b) Same as (a), with a cap c) Other	

Pension Decisions (Cont.)

Question	Options	Commission Decision
Should the State change vesting and retirement eligibility requirements?	a) Yes, increase vesting from 5 to 10 years for all plans b) Yes, adopt a rule of 95 for TPS/EPS c) Both of the above d) Other e) No	
Should the State modify the public safety plans?	a) Yes, increase retirement eligibility in line with changes to other plans b) Yes, modify the DROP benefit c) Yes, end the DROP benefit d) No	

Local Teachers Decisions

Question	Options	Commission Decision
Should some of the costs be shifted to local boards?	<ul style="list-style-type: none"> a) Yes b) No 	
If so, which model should be used to determine amount shifted?	<ul style="list-style-type: none"> a) 50/50 pension split b) 50/50 total cost split c) 60/40 total cost split d) Other 	
Should the cost shift be implemented immediately in fiscal 2012 or be phased in over multiple years?	<ul style="list-style-type: none"> a) Immediately implemented b) Phased in over 3 years c) Other 	
Should the cost shift for local boards of education be wealth equalized?	<ul style="list-style-type: none"> a) Yes b) No 	