## Thrift Plan Vesting Schedule

We have analyzed the cost of a potential change to the vesting schedule for the City of Rockville's Thrift Plan. In our analysis, we assumed that the current vesting schedule would be replaced with a schedule that vests 100% of City contributions at three years of service, as well as a schedule that vests 100% of City contributions after five years of service. The current schedule vests 20% of City contributions at year three, with an additional 20% vesting each year until 100% vesting is reached at year seven.

Our method of determining the cost of the change on the existing active workforce was to analyze the expected forfeitures under all schedules. Terminations were assumed to follow the same pattern as assumed in the annual valuation report for the select period after hire.

Since none of the schedules vest any contributions until year three, the estimated forfeitures for the initial period are identical. The difference in the vesting schedules in years three through six is projected to result in a reduction of $14,000 in forfeitures under a five year cliff schedule that would have otherwise been available to offset other costs. That reduction is $41,000 under a three year cliff. Both scenarios result in an additional projected $6,000 reduction in year seven.

**Estimated Forfeitures Under Vesting Schedules**

| Vesting Schedule | 7-Year Graded | 5-Year Cliff | 3-Year Cliff |
|---|---|---|---|
| Years 1 through 2 | $ 30,000 | $ 30,000 | $ 30,000 |
| Years 3 through 6 | 41,000 | 27,000 | 0 |
| Year 7 | 6,000 | 0 | 0 |
| Total | $ 77,000 | $ 57,000 | $ 30,000 |