

Retirement Plan Design Study

As submitted by the Hay Group; Adam Reese consulting actuary

Scope of Work A

Prepare projections for the cost of the current Defined Benefit Plan continuing unchanged and compare to the costs of freezing the plan and providing a defined contribution plan only for future accruals. In addition, prepare illustrative income replacements at retirement for up to five typical employees retiring at three retirement ages.

Deliverables: 20-year cost projection under DB only and frozen DB plus DC only for future accruals
Income replacement ratios for five sample employees retiring at three different retirement ages.

Cost: \$17,500

Scope of Work B

Prepare projections for the cost of the current Defined Benefit Plan continuing unchanged and compare to the costs of (a) closing the plan to new hires, with new hires receiving a Defined Contribution plan only, or (b) freezing the plan and providing a defined contribution plan only for future accruals. In addition, prepare illustrative income replacements at retirement for up to five typical employees retiring at three retirement ages.

Deliverables: 20-year cost projection under open DB only, closed DB with DC for new hires, and frozen DB plus DC only for all future accruals
Income replacement ratios for five sample employees retiring at three different retirement ages.

Cost: \$22,500

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Scope of Work C

Prevalence report on plan designs offered to new hires by a representative survey of governmental employers. Prepare projections for the cost of the current Defined Benefit Plan continuing unchanged and compare to the costs of (a) hybrid plan for future accruals, (b) closing the plan to new hires, with new hires receiving a Defined Contribution plan only, and (c) freezing the plan and providing a defined contribution plan only for future accruals. In addition, prepare illustrative income replacements at retirement for up to five typical employees retiring at three retirement ages.

Deliverables: Prevalence report

20-year cost projection under open DB only, hybrid DB plan, closed DB with DC for new hires, and frozen DB plus DC only for all future accruals

Income replacement ratios for five sample employees retiring at three different retirement ages.

Cost: \$27,500

In addition, we can model hypothetical winners and losers at 10 year intervals for both age and service. This will show the impact of the change. This additional winners and losers analysis is most often used to determine whether there is a need to grandfather certain groups (e.g. those over 55 with 10 or more years of service). We can then design a grandfathering provision and model the cost of the grandfathering. We can also model DC plans with age/service weightings to mitigate the change from DB to DC for older longer service employees. The cost for the additional winners / losers / grandfathering analysis will be about \$5,000.