

[setting priorities]

DesignLogic[®]

Structure and Clarity in Decision Making

buck

[Main Menu](#)

MAIN MENU

State of Montana SAVA Retirement Plan Design Project

Consider

Inputs

Start Value
Rating Session

Start Risk
Rating Session

Input Value
Scores for Plan
Alternatives

Input Risk
Scores for Plan
Alternatives

Decide

Graphical Outputs

View Value
Weights

View Risk
Weights

View Value
Scores for Plan
Alternatives

View Risk
Scores for Plan
Alternatives

View Value - Risk Quadrant Chart



First Screen

Set Up

State of Montana SAVA

Retirement Program Alternatives

Item	Descriptions	Abbreviation
1	Traditional DB	DB
2	Revised DB	Revised DB
3	Money Purchase DB Plan	MPP
4	Combination Reduced DB and Money Purchase Plan	DB MPP Combo
5	Defined Contribution Plan	DC
6	Pension Equity Plan	PEP
7	Floor Plan (DB DC)	Floor Plan
8	Inverse Floor Plan	Inverse Floor Plan
9	DB DC Choice	DB DC Choice
10	DB Money Purchase Plan Choice	DB MPP Choice

Set-Up Main

State of Montana SAVA Retirement Plan Design Project Retirement Program Alternatives

Traditional DB	Benefits are calculated as a percentage (typically 1.5% to 2.5%) of final average pay (final 3 years) times years of service payable as a life annuity at a fixed age (65 or 60 with minimum service) or at any age with certain service amount (25 or 30). Automatic COLA (1.5% to 3.0%) often included. Earlier (subsidized) benefits are available. Member contributions are fixed and employer typically funds any additional requirement. Assets are professionally managed.
Revised DB	Traditional DB with lower benefit percentage, longer final average pay period, later retirement ages or more severe early retirement reductions, lower (or eliminated) COLA. Member contributions may be higher to limit employer's funding requirement volatility.
Money Purchase DB Plan	Also know as a Cash Balance Plan, member and employer contributions are fixed and credited to the member's theoretical account with a defined rate of interest credit (fixed or variable). Retirement benefits are based on an actuarial equivalent conversion of the account to an annuity (may include a COLA). Assets are professionally managed. Typically reduces employer's funding requirement volatility.
Combination Reduced DB and Money Purchase Plan	Employer contribution funds a modest percentage (typically 1.0%) of final average pay at retirement age. Member contribution funds a Money Purchase DB Plan (as above). Retirement ages, early retirement reduction, COLA and interest crediting rate can be fixed conservatively to reduce employer's funding requirement volatility. Assets are professionally managed.
Defined Contribution Plan	Member and employer contributions are deposited in an individual account which is typically invested based on the member's selection from a number of investment alternatives. However, some plans allow some or all of a member's balance to be professionally managed. Retirement benefits are either paid in a lump sum or converted to an annuity (which could include a COLA). Employer contributions are fixed and members bear investment and longevity risk.

State of Montana SAVA Retirement Plan Design Project Retirement Program Alternatives

Pension Equity Plan	Retirement benefits are calculated as a number of credits (example – 10) times years of service at retirement (example – 40) to calculate the percentage (example – 400%) of final average salary that is paid as a lump sum at retirement. Retirement benefit can be converted to an annuity. Thought to be easier to communicate. Assets professionally managed. Employer contribution volatility may remain.
Floor Plan	Also known as a Floor Offset Plan. A minimum benefit level is defined in a DB plan, but the actual benefit paid by the DB plan is the minimum benefit level less the benefit provided by a DC plan. DC assets can be professionally managed and the DC offset is based on actual balances or DC assets can be individually managed and the DC offset is based on theoretical balances.
Inverse Floor Plan	A portion of contributions fund a DB plan guarantee and the majority of contributions fund a DC plan. If DC balances are sufficient to provide a benefit in excess of the guaranteed level, the DB portion of the plan pays nothing. DC assets are typically invested individually and the employer bears the contribution volatility risk only for the safety net.
DB DC Choice	Members can choose (typically a one-time or limited-time election) between a DB plan and a DC plan.
DB Money Purchase Plan Choice	Members can choose (typically a one-time or limited-time election) between a DB plan and a Money Purchase Plan.

State of Montana SAVA

Retirement Program Goals (Employee Based)

	Descriptions	Abbreviation	Rating
1	Retain experienced employees	Employee retention	9.75
2	Provide disability and death protection	Death & disability benefit	8.5
3	Professional investment management	Professional investment management	7.25
4	Lifetime income security	Lifetime income security	7.25
5	Adequate income replacement at retirement age	Adequate income replacement	7.25
6	Maintain adequate income throughout retirement	Maintain adequate income	6
7	Retirement plan provides tool to manage HR needs	HR management tool	6
8	Attract skilled and experienced employees	Employee attraction	4.75
9	Attract entry level employees	Attract entry level employees	3.5
10	Reward career employees	Reward career employees	1

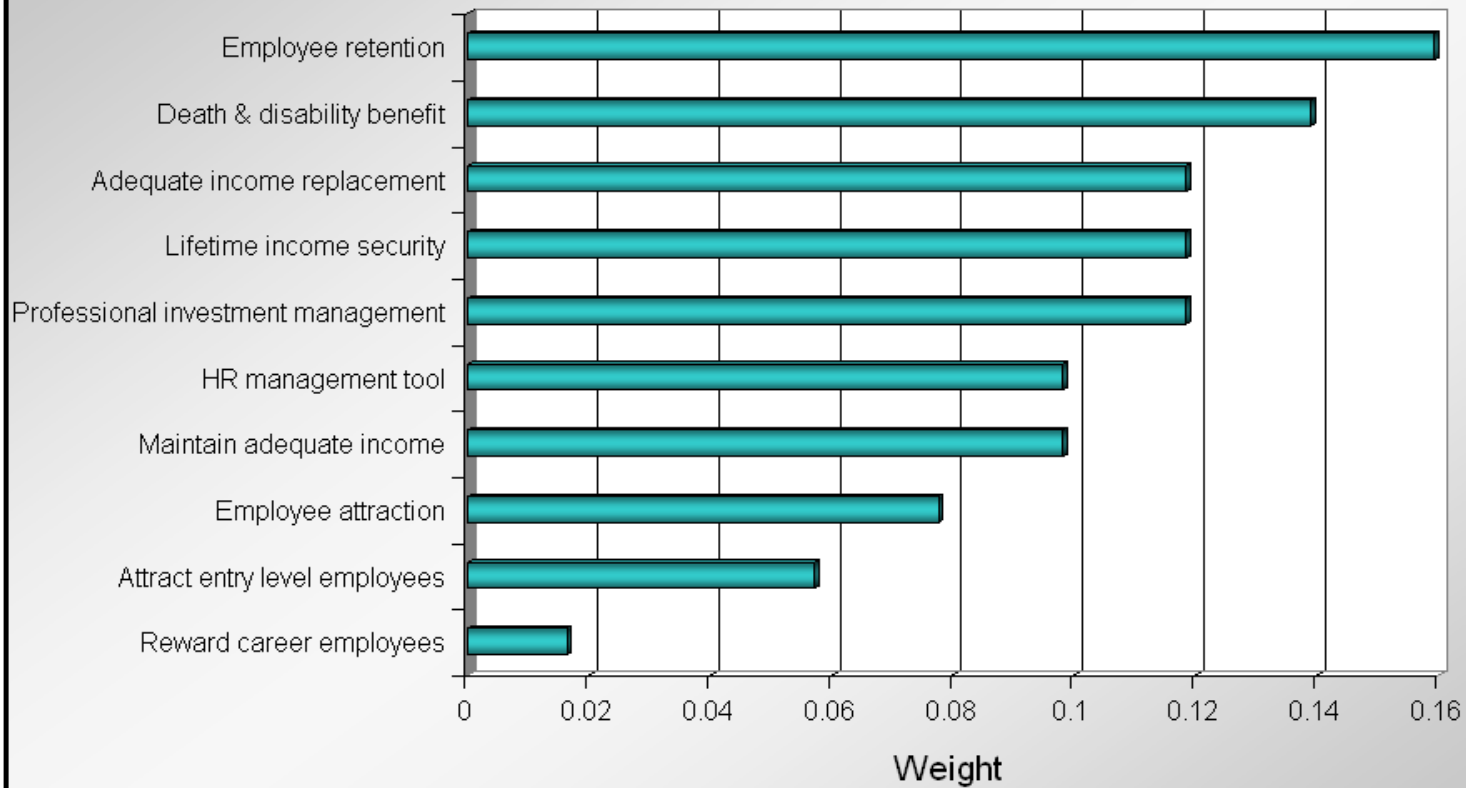
Please rate the importance of the items on a scale of 1 to 10 (fractions are allowed).

[Main Menu](#)

[Calculate Result](#)

State of Montana SAVA

Retirement Program Goals (Employee Based) Importance Rating



State of Montana SAVA

Retirement Program Goals (Employee Based)

Importance Rating



State of Montana SAVA

Retirement Program Goals (Employee Based)

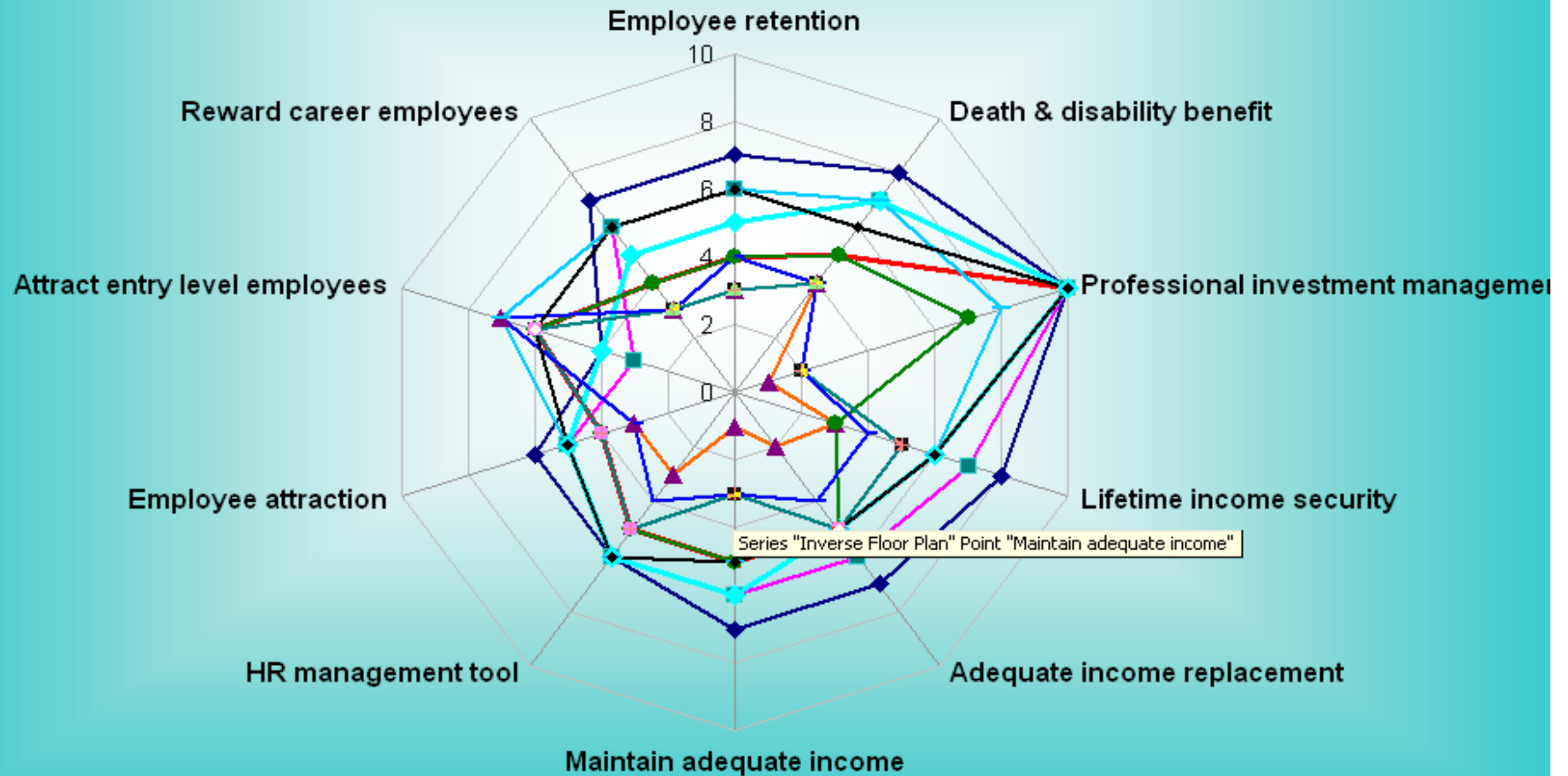
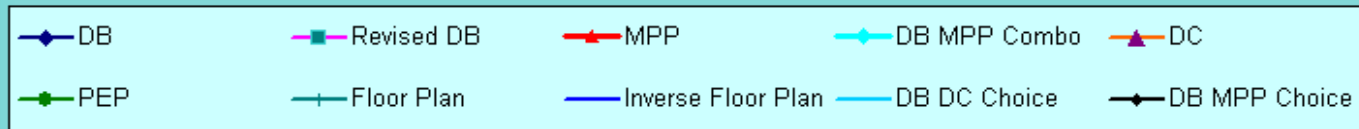
Alternatives >>>	Value Scores for Plan Alternatives									
	DB	Revised DB	MPP	DB MPP Combo	DC	PEP	Floor Plan	Inverse Floor Plan	DB DC Choice	DB MPP Choice
Employee retention	7	6	4	5	3	4	3	4	6	6
Death & disability benefit	8	7	5	7	4	5	4	4	7	6
Professional investment management	10	10	10	10	1	7	2	2	8	10
Lifetime income security	8	7	6	6	3	3	5	4	6	6
Adequate income replacement	7	6	5	5	2	5	5	4	5	5
Maintain adequate income	7	6	5	6	1	5	3	3	5	5
HR management tool	6	6	5	6	3	5	5	4	6	6
Employee attraction	6	5	4	5	3	4	4	3	5	5
Attract entry level employees	4	3	6	4	7	6	6	7	7	6
Reward career employees	7	6	4	5	3	4	3	3	6	6

Input Scores

State of Montana SAVA

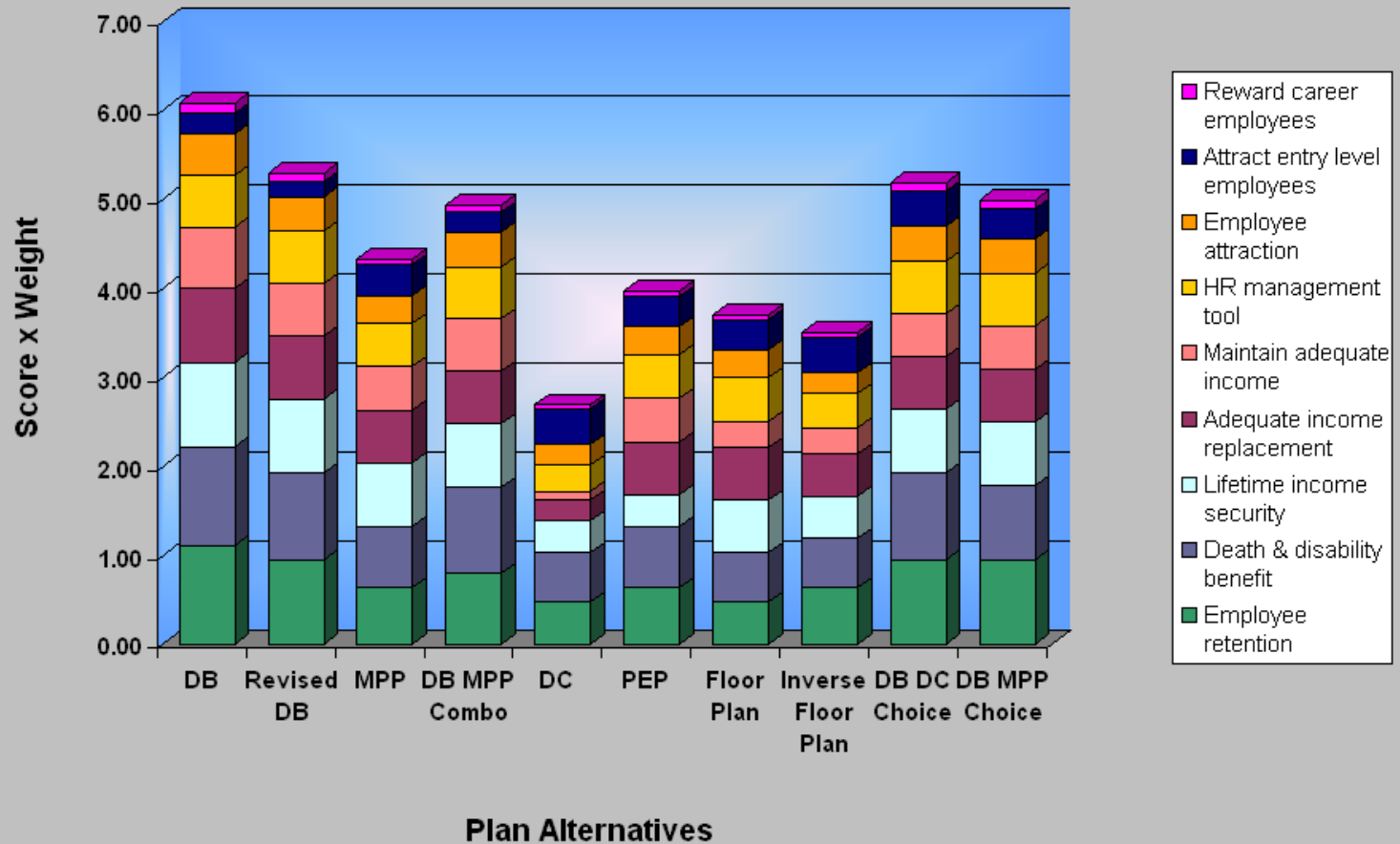
Weighted Scores

Value Scores for Plan Alternatives



State of Montana SAVA

Value Scores - Weighted for Importance



State of Montana SAVA

Retirement Program Risks (Financial Based)

	Descriptions	Abbreviation	Rating
1	Retirement patterns motivated by plan design increase other (payroll, health, fringe) costs	Increase to other costs	8.5
2	Inefficient utilization of contributions to provide retirement benefits	Low bang for buck	8.5
3	Contribution rate volatility	Contribution rate volatility	6
4	High administrative and investment management costs	High administrative costs	2.25
5	Higher contribution level than other similar public employers	High cont. vs. public sector	1
6	Higher contribution level than other similar employers competing for the same employees	High cont. vs. competing employers	1
7	Negative impact to bond ratings	Hit to bond ratings	1
8	Costs not supported by tax revenue	Cost / tax revenue mismatch	9

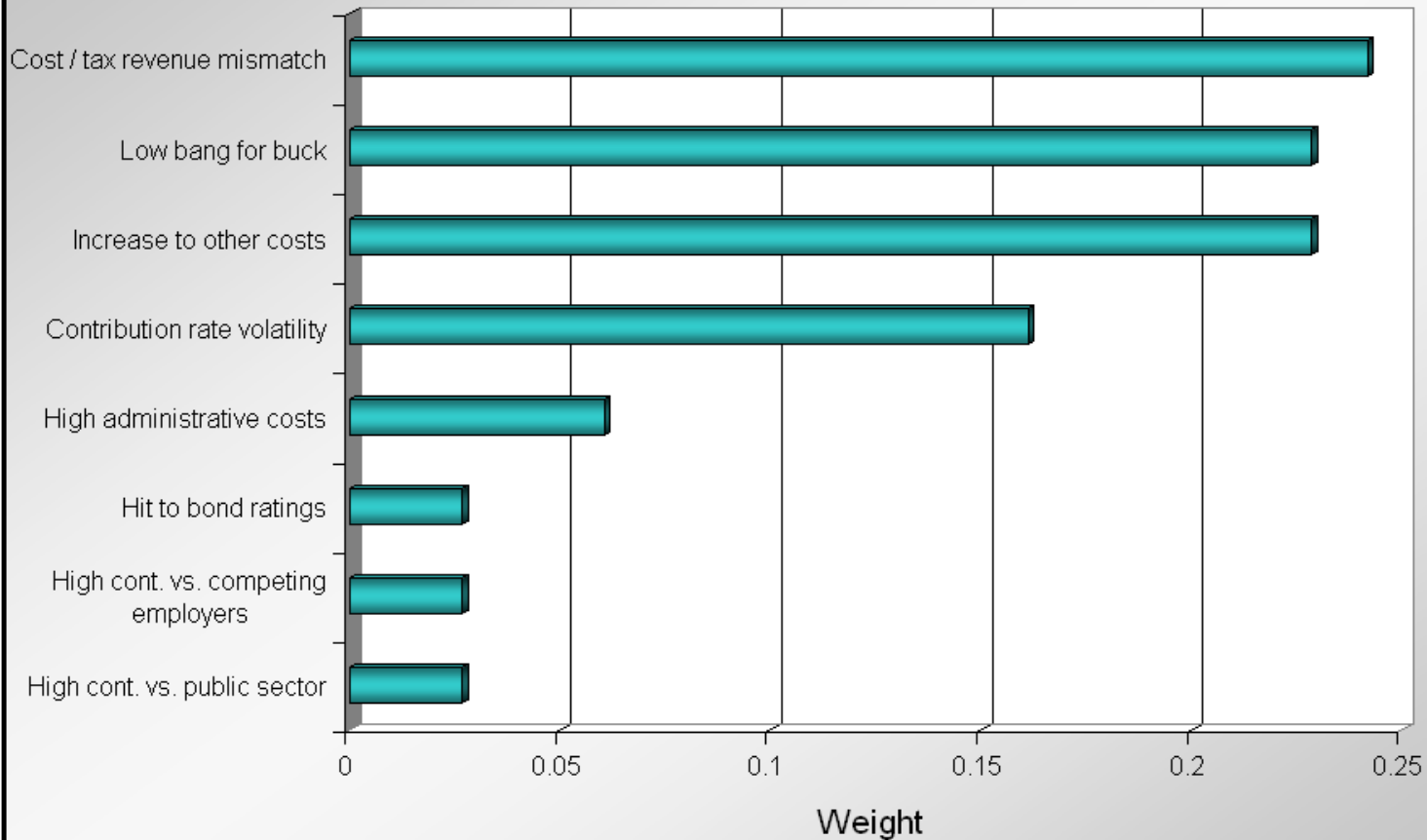
Please rate the importance of the items on a scale of 1 to 10 (fractions are allowed).

[Main Menu](#)
[Calculate Result](#)

State of Montana SAVA

Retirement Program Risks (Financial Based)

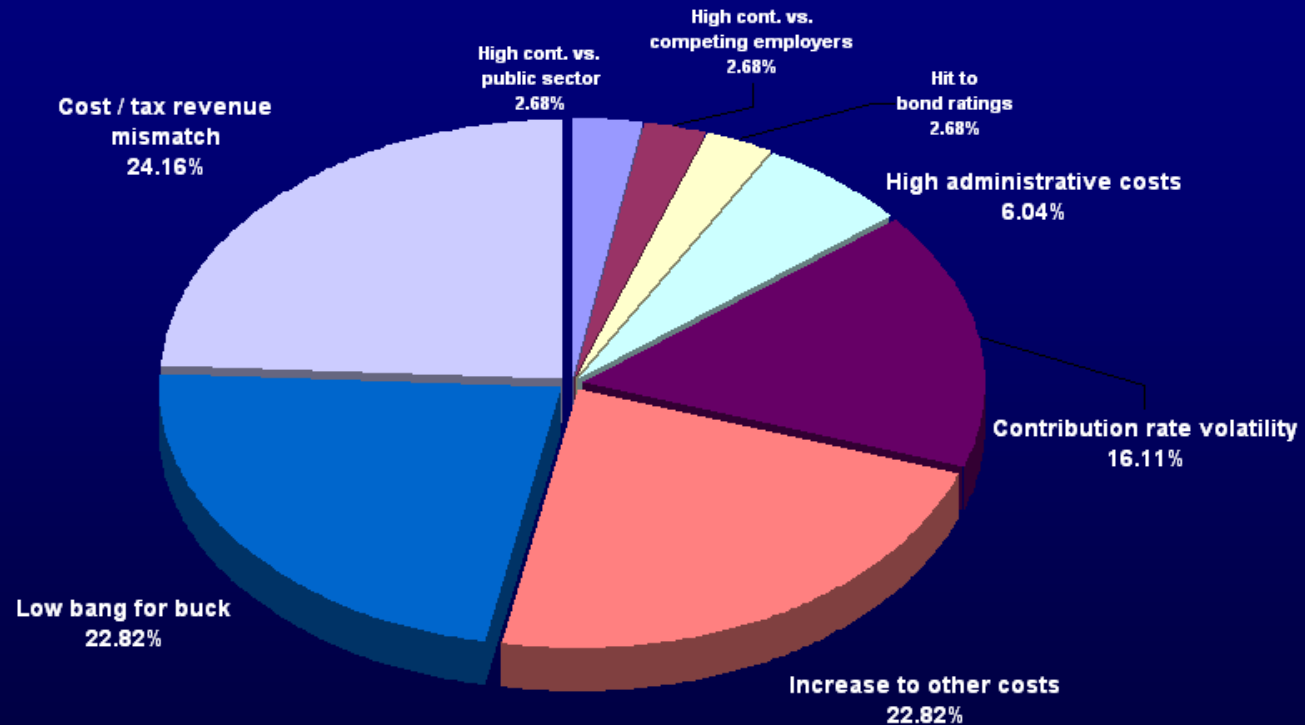
Importance Rating



State of Montana SAVA

Retirement Program Risks (Financial Based)

Importance Rating



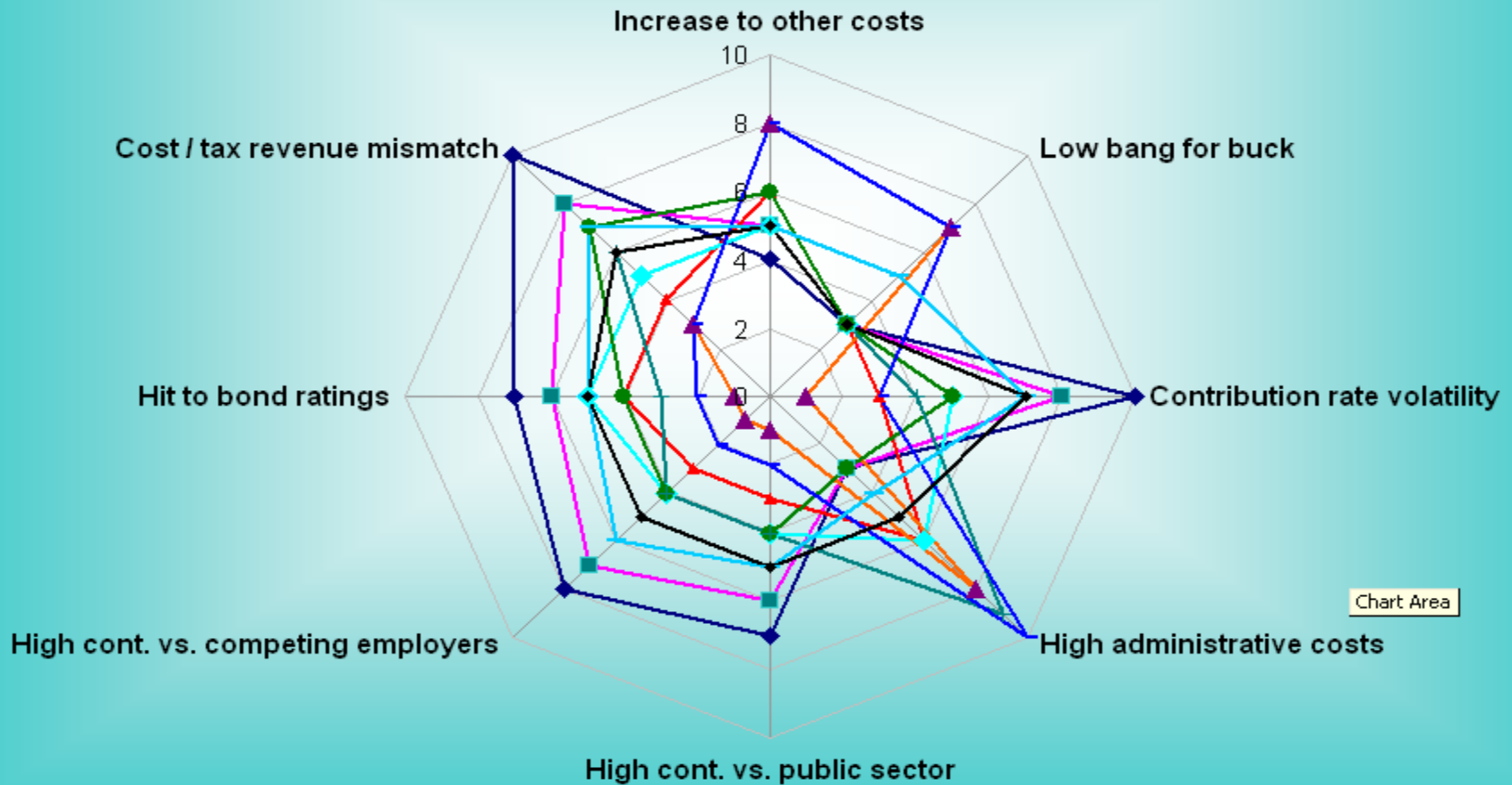
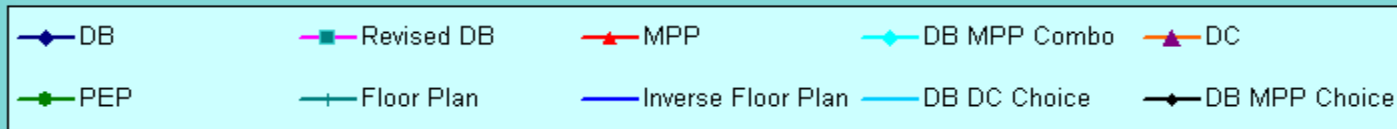
State of Montana SAVA

Retirement Program Risks (Financial Based)

Alternatives >>>	Risk Scores for Plan Alternatives									
	DB	Revised DB	MPP	DB MPP Combo	DC	PEP	Floor Plan	Inverse Floor Plan	DB DC Choice	DB MPP Choice
Increase to other costs	4	5	6	5	8	6	5	8	5	5
Low bang for buck	3	3	3	3	7	3	3	7	5	3
Contribution rate volatility	10	8	3	5	1	5	4	3	7	7
High administrative costs	3	3	6	6	8	3	9	10	4	5
High cont. vs. public sector	7	6	3	4	1	4	4	2	5	5
High cont. vs. competing employers	8	7	3	4	1	4	4	2	6	5
Hit to bond ratings	7	6	4	5	1	4	3	2	5	5
Cost / tax revenue mismatch	10	8	4	5	3	7	6	3	7	6

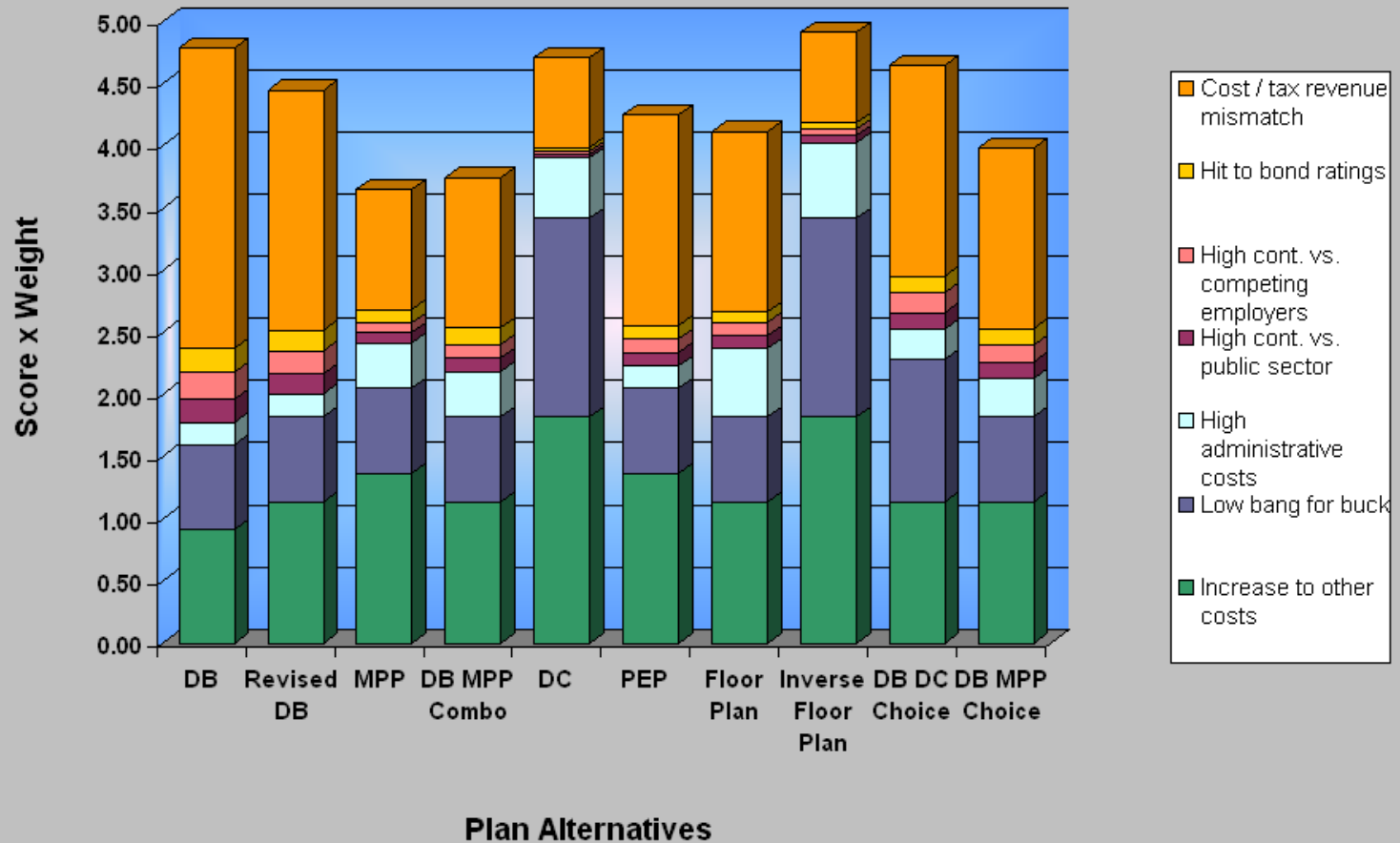
State of Montana SAVA

Risk Scores for Plan Alternatives



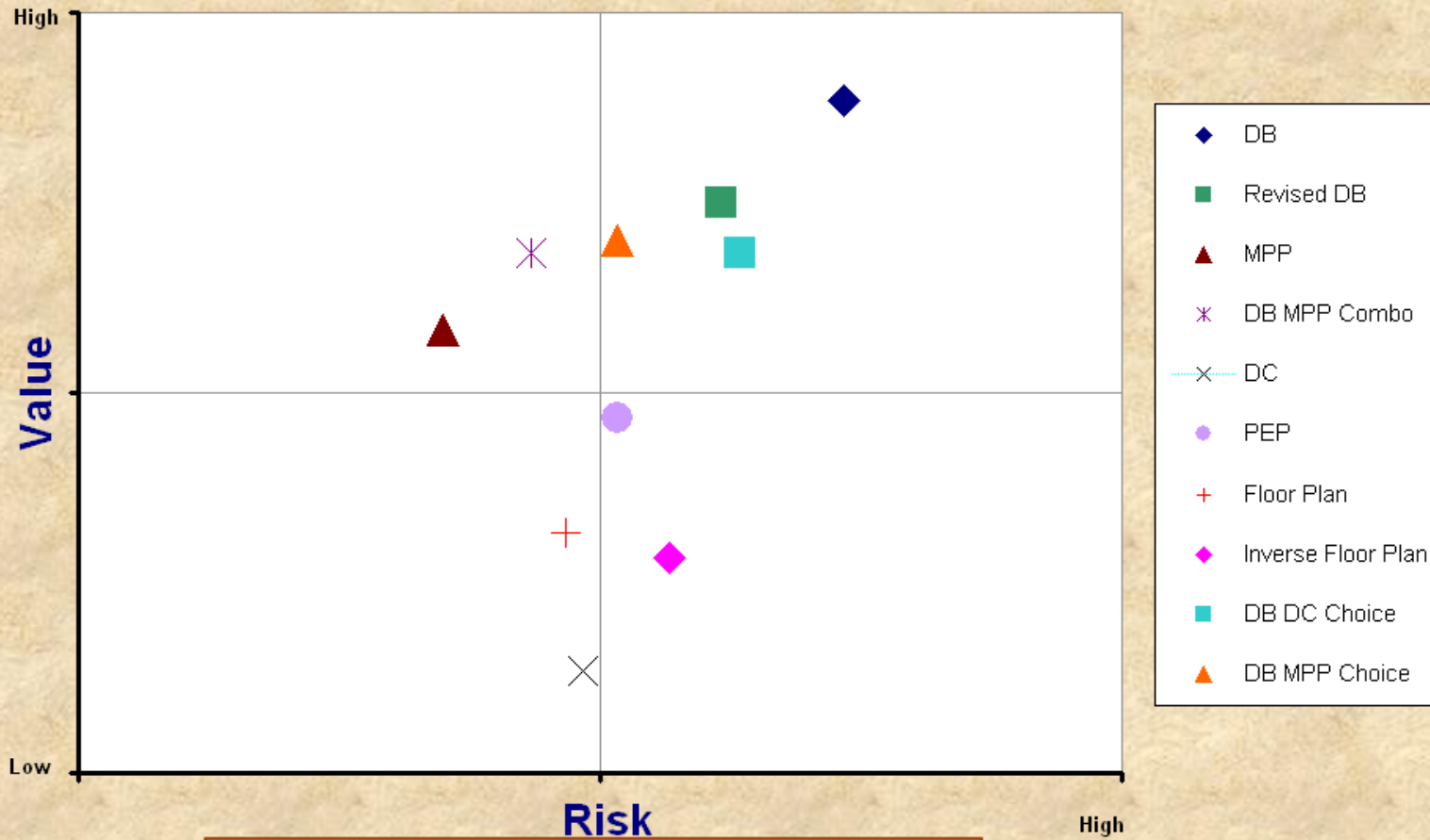
State of Montana SAVA

Risk Scores - Weighted for Importance



State of Montana SAVA

Value / Risk Quadrant Chart



Zoom

Out < [Slider] > In