COMMONWEALTH OF PENNSYLVANIA

LEGISLATIVE JOURNAL

THURSDAY, JUNE 8, 2017

SESSION OF 2017 201ST OF THE GENERAL ASSEMBLY No. 30

HOUSE OF REPRESENTATIVES

The House convened at 9 a.m., e.d.t.

THE SPEAKER (MIKE TURZAI) PRESIDING

PRAYER

HON. WILL TALLMAN, member of the House of Representatives, offered the following prayer:

Thank you, Mr. Speaker.

This is just a little bit different than my normal short prayers. I know several of you want me to be the full-time chaplain. But we did something significant yesterday and I am wearing my Israeli-U.S. flag pin today honoring the 50th anniversary of Jerusalem becoming the capital of Israel.

So I am going to read from Psalm 122: "I was glad when they said unto me, 'Let us go into the house of the Lord.' Our feet shall stand within thy gates, O Jerusalem. Jerusalem is builded as a city that is compact together: Whither thy tribes go up, the tribes of the Lord, unto the testimony of Israel, to give thanks unto the name of the Lord. For there are set thrones of judgment, the thrones of the house of David." This is a key verse, verse 6: "Pray for the peace of Jerusalem." So we are commanded to pray for the peace of Jerusalem. "They shall prosper that love thee." So those of us that support Jerusalem/Israel, we shall prosper. "Peace be within thy walls, and prosperity within thy palaces. For my brethren and companions' sakes, I will now say, 'Peace be within thee.' Because of the house of the Lord our God I will seek thy good."

So let us pray.

Lord, we just come before You now and I am thinking specifically of Israel and Jerusalem, a troubled part of this world. Lord, I am going to pray for Your peace to be upon that part of the world, even today. Lord, I just ask You to undertake and give us wisdom and discernment on what we do today, and we thank You for the privilege of bringing our requests directly to You, through Your son, Jesus. Amen.

PLEDGE OF ALLEGIANCE

(The Pledge of Allegiance was recited by members and visitors.)

JOURNAL APPROVAL POSTPONED

The SPEAKER. Without objection, the approval of the Journal for Wednesday, June 7, 2017, will be postponed until printed.

LEAVES OF ABSENCE

The SPEAKER. Are there any requests for leaves of absence?

Representative Greg ROTHMAN of Cumberland County requests a leave of absence for the day. Without objection, that will be granted.

MASTER ROLL CALL

The SPEAKER. Members, please proceed to vote on the master roll.

(Members proceeded to vote.)

LEAVES OF ABSENCE

The SPEAKER. Representative SAMUELSON has requested to be placed on leave. Without objection, that will be granted.

Representative HAGGERTY has requested to be placed on leave. Without objection, that will be granted.Representative GERGELY has requested to be placed on leave. Without objection, that will be granted.

MASTER ROLL CALL CONTINUED

The following roll call was recorded:

PRESENT–195

Baker	Ellis	Knowles	Rapp
Barbin	Emrick	Kortz	Ravenstahl
Barrar	English	Krueger	Readshaw
Benninghoff	Evankovich	Kulik	Reed
Bernstine	Evans	Lewis	Reese
Bizzarro	Everett	Longietti	Roae
Bloom	Fabrizio	Mackenzie	Roe
Boback	Farry	Madden	Roebuck
Boyle	Fee	Maher	Rozzi
Bradford	Fitzgerald	Mako	Ryan
Briggs	Flynn	Maloney	Saccone

Brown, R.	Frankel	Markosek	Sainato
Brown, V.	Freeman	Marshall	Sankey
Bullock	Fritz	Marsico	Santora
Burns	Gabler	Masser	Saylor
Caltagirone	Gainey	Matzie	Schemel
Carroll	Galloway	McCarter	Schlossberg
Causer	Gillen	McClinton	Schweyer
Cephas	Gillespie	McGinnis	Simmons
Charlton	Godshall	McNeill	Sims
Christiana	Goodman	Mehaffie	Snyder
Comitta	Greiner	Mentzer	Solomon
Conklin	Grove	Metcalfe	Sonney
Cook	Hahn	Metzgar	Staats
Corbin	Hanna	Miccarelli	Stephens
Corr	Harkins	Millard	Sturla
Costa, D.	Harper	Miller, B.	Tallman
Costa, P.	Harris, A.	Miller, D.	Taylor
Cox	Harris, J.	Moul	Thomas
Cruz	Heffley	Mullery	Tobash
Culver	Helm	Mustio	Toepel
Cutler	Hennessey	Neilson	Toohil
Daley	Hickernell	Nelson	Topper
Davidson	Hill	Nesbit	Vazquez
Davis	Irvin	Neuman	Vitali
Dawkins	James	O'Brien	Walsh
Day	Jozwiak	O'Neill	Ward
Dean	Kampf	Oberlander	Warner
Deasy	Kaufer	Ortitay	Warren
DeLissio	Kauffman	Pashinski	Watson
Delozier	Kavulich	Peifer	Wentling
DeLuca	Keefer	Petrarca	Wheatley
Dermody	Keller, F.	Petri	Wheeland
Diamond	Keller, M.K.	Pickett	White
DiGirolamo	Keller, W.	Pyle	Youngblood
Donatucci	Kim	Quinn, C.	Zimmerman
Dowling	Kinsey	Quinn, M.	
Driscoll	Kirkland	Rabb	Turzai,
Dunbar	Klunk	Rader	Speaker
Dush			

ADDITIONS–0

NOT VOTING–0

EXCUSED–8

Gergely	Lawrence	Murt	Rothman
Haggerty	Milne	Quigley	Samuelson

LEAVES CANCELED–1

Samuelson

The SPEAKER. There are 195 members voting on the master roll, so there is a quorum.

UNCONTESTED SUPPLEMENTAL CALENDAR A

RESOLUTION PURSUANT TO RULE 35

Ms. BOBACK called up **HR 386, PN 1949,** entitled:

A Resolution designating June 15, 2017, as "Elder Abuse Awareness Day" in Pennsylvania.

On the question,
Will the House adopt the resolution?

The following roll call was recorded:

YEAS–195

Baker	Ellis	Knowles	Rapp
Barbin	Emrick	Kortz	Ravenstahl
Barrar	English	Krueger	Readshaw
Benninghoff	Evankovich	Kulik	Reed
Bernstine	Evans	Lewis	Reese
Bizzarro	Everett	Longietti	Roae
Bloom	Fabrizio	Mackenzie	Roe
Boback	Farry	Madden	Roebuck
Boyle	Fee	Maher	Rozzi
Bradford	Fitzgerald	Mako	Ryan
Briggs	Flynn	Maloney	Saccone
Brown, R.	Frankel	Markosek	Sainato
Brown, V.	Freeman	Marshall	Sankey
Bullock	Fritz	Marsico	Santora
Burns	Gabler	Masser	Saylor
Caltagirone	Gainey	Matzie	Schemel
Carroll	Galloway	McCarter	Schlossberg
Causer	Gillen	McClinton	Schweyer
Cephas	Gillespie	McGinnis	Simmons
Charlton	Godshall	McNeill	Sims
Christiana	Goodman	Mehaffie	Snyder
Comitta	Greiner	Mentzer	Solomon
Conklin	Grove	Metcalfe	Sonney
Cook	Hahn	Metzgar	Staats
Corbin	Hanna	Miccarelli	Stephens
Corr	Harkins	Millard	Sturla
Costa, D.	Harper	Miller, B.	Tallman
Costa, P.	Harris, A.	Miller, D.	Taylor
Cox	Harris, J.	Moul	Thomas
Cruz	Heffley	Mullery	Tobash
Culver	Helm	Mustio	Toepel
Cutler	Hennessey	Neilson	Toohil
Daley	Hickernell	Nelson	Topper
Davidson	Hill	Nesbit	Vazquez
Davis	Irvin	Neuman	Vitali
Dawkins	James	O'Brien	Walsh
Day	Jozwiak	O'Neill	Ward
Dean	Kampf	Oberlander	Warner
Deasy	Kaufer	Ortitay	Warren
DeLissio	Kauffman	Pashinski	Watson
Delozier	Kavulich	Peifer	Wentling
DeLuca	Keefer	Petrarca	Wheatley
Dermody	Keller, F.	Petri	Wheeland
Diamond	Keller, M.K.	Pickett	White
DiGirolamo	Keller, W.	Pyle	Youngblood
Donatucci	Kim	Quinn, C.	Zimmerman
Dowling	Kinsey	Quinn, M.	
Driscoll	Kirkland	Rabb	Turzai,
Dunbar	Klunk	Rader	Speaker
Dush			

NAYS–0

NOT VOTING–0

EXCUSED–8

Gergely	Lawrence	Murt	Rothman
Haggerty	Milne	Quigley	Samuelson

The majority having voted in the affirmative, the question was determined in the affirmative and the resolution was adopted.

GUESTS INTRODUCED

The SPEAKER. Lydia Tamayo, we welcome you. She graduated from Central Dauphin High School yesterday and will be attending Robert Morris University in the fall. She is seated there with her mother, Patty, who works with Representative Bryan Barbin. Thank you so much for being with us today and congratulations. Good luck at RMU.

To the left of the rostrum, we welcome a good friend's daughter, our majority whip's daughter, Representative Cutler. He has his daughter, Drew, here with us today. Drew, please stand. It is so great to have you with us today, dear.

CALENDAR

BILLS ON THIRD CONSIDERATION

The House proceeded to third consideration of **HB 1490, PN 1909,** entitled:

An Act amending Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes, providing for water and sewer authorities in cities of the second class.

On the question,
Will the House agree to the bill on third consideration?
Bill was agreed to.

(Bill analysis was read.)

The SPEAKER. This bill has been considered on three different days and agreed to and is now on final passage.

The question is, shall the bill pass finally?

Agreeable to the provisions of the Constitution, the yeas and nays will now be taken.

The following roll call was recorded:

YEAS–195

Baker	Ellis	Knowles	Rapp
Barbin	Emrick	Kortz	Ravenstahl
Barrar	English	Krueger	Readshaw
Benninghoff	Evankovich	Kulik	Reed
Bernstine	Evans	Lewis	Reese
Bizzarro	Everett	Longietti	Roae
Bloom	Fabrizio	Mackenzie	Roe
Boback	Farry	Madden	Roebuck
Boyle	Fee	Maher	Rozzi
Bradford	Fitzgerald	Mako	Ryan
Briggs	Flynn	Maloney	Saccone
Brown, R.	Frankel	Markosek	Sainato
Brown, V.	Freeman	Marshall	Sankey
Bullock	Fritz	Marsico	Santora
Burns	Gabler	Masser	Saylor
Caltagirone	Gainey	Matzie	Schemel
Carroll	Galloway	McCarter	Schlossberg
Causer	Gillen	McClinton	Schweyer
Cephas	Gillespie	McGinnis	Simmons
Charlton	Godshall	McNeill	Sims
Christiana	Goodman	Mehaffie	Snyder
Comitta	Greiner	Mentzer	Solomon
Conklin	Grove	Metcalfe	Sonney
Cook	Hahn	Metzgar	Staats
Corbin	Hanna	Miccarelli	Stephens
Corr	Harkins	Millard	Sturla
Costa, D.	Harper	Miller, B.	Tallman
Costa, P.	Harris, A.	Miller, D.	Taylor
Cox	Harris, J.	Moul	Thomas
Cruz	Heffley	Mullery	Tobash
Culver	Helm	Mustio	Toepel
Cutler	Hennessey	Neilson	Toohil
Daley	Hickernell	Nelson	Topper
Davidson	Hill	Nesbit	Vazquez
Davis	Irvin	Neuman	Vitali
Dawkins	James	O'Brien	Walsh
Day	Jozwiak	O'Neill	Ward
Dean	Kampf	Oberlander	Warner
Deasy	Kaufer	Ortitay	Warren
DeLissio	Kauffman	Pashinski	Watson
Delozier	Kavulich	Peifer	Wentling
DeLuca	Keefer	Petrarca	Wheatley
Dermody	Keller, F.	Petri	Wheeland
Diamond	Keller, M.K.	Pickett	White
DiGirolamo	Keller, W.	Pyle	Youngblood
Donatucci	Kim	Quinn, C.	Zimmerman
Dowling	Kinsey	Quinn, M.	
Driscoll	Kirkland	Rabb	Turzai,
Dunbar	Klunk	Rader	Speaker
Dush			

NAYS–0

NOT VOTING–0

EXCUSED–8

Gergely	Lawrence	Murt	Rothman
Haggerty	Milne	Quigley	Samuelson

The majority required by the Constitution having voted in the affirmative, the question was determined in the affirmative and the bill passed finally.

Ordered, That the clerk present the same to the Senate for concurrence.

* * *

The House proceeded to third consideration of **SB 1, PN 902,** entitled:

An Act amending Titles 24 (Education), 51 (Military Affairs) and 71 (State Government) of the Pennsylvania Consolidated Statutes, extensively revising pension provisions as follows: In Title 24: for retirement for school employees, in the areas of preliminary provisions, of membership, contributions and benefits, of school employees' defined contribution plan and of administration and miscellaneous provisions; and for health insurance for retired school employees, in the area of preliminary provisions. In Title 51: for employment preferences and pensions, in the area of military leave of absence. In Title 71: for boards and offices, in the area of Independent Fiscal Office; and for retirement for State employees and officers, in the areas of preliminary provisions, of membership, credited service, classes of service and eligibility for benefits, of contributions, of benefits, of State employees' defined contribution plan and of administration, funds, accounts, general provisions. Providing, as to the revisions: for construction and administration, for applicability, for liability, for member statements and for suspension of provisions of the Public Employee Retirement Study Commission Act.

On the question,
Will the House agree to the bill on third consideration?
Bill was agreed to.

(Bill analysis was read.)

The SPEAKER. This bill has been considered on three different days and agreed to and is now on final passage.

The question is, shall the bill pass finally?

The Chair recognizes Representative John McGinnis.

Mr. McGINNIS. Thank you, Mr. Speaker.

Mr. Speaker, some will say we are passing historic legislation today—

The SPEAKER. Representative, just suspend for a minute and I will make sure we get some order.

Members, please take your seats.

Representative McGinnis, you may proceed.

Mr. McGINNIS. Thank you, Mr. Speaker.

Some will say we are passing historic legislation today, but are we making history or just repeating it? Mr. Speaker, to answer that question, we need to look at the unfunded liabilities of SERS (State Employees' Retirement System) and PSERS (Public School Employees' Retirement System). We know the unfunded liabilities are the only thing that is motivating pension reform. Think about it: would we be running a pension bill if the pensions were fully funded? Of course not. Pension debt is the sole reason for doing pension reform, and yet ironically and bizarrely, the existing unfunded liabilities of SERS and PSERS are the only things not addressed in SB 1, our so-called pension reform product.

Back in 2010, when HB 2497 was under consideration, the same motivation was in play. The $15 billion surplus of 2001 had turned into a $46 billion deficit by 2010. So Act 120 was passed and the only thing it did not address was the unfunded liabilities of SERS and PSERS. When calculated according to the Governmental Accounting Standards Board standards, that $46 billion pension debt in 2010 had increased to $71 billion at the end of fiscal year 2016. Just as in 2010, our approach today in dealing with a massive debt problem is to let it ride and let it get more massive. We are not making history, Mr. Speaker, we are repeating it.

We continue to think that by changing the design of retirement plans for future employees, we are somehow going to see the unfunded liabilities disappear. If anybody is in doubt that we are repeating history, look at the trajectory of the unfunded liabilities of SERS and PSERS in the actuary note. It is decidedly upward well into the future, and that is synonymous for the phenomenon called kicking the can down the road. We are not making history, we are repeating it.

I am reminded of some commercials lately by the LifeLock Company. In one of those commercials some bank robbers storm into a bank threatening all the customers and one of the them asks a security agent to do something. He replies, "Oh, I'm not a security guard, I'm a security monitor. I only let people know if there is a robbery. There's a robbery." In another LifeLock commercial a patient in a dentist's office is told he has a terrible cavity, but when the patient asks what is going to be done, he hears, "Nothing. I'm not a dentist, I'm a dental monitor." And then there is a commercial where a house is being inspected for termites, and after a child falls through the insect-eaten stairs, the inspector announces, "Yep, you have termites. But I'm not an exterminator. I'm only a pest monitor. I only let you know when you have a problem. You have a problem."

Ladies and gentlemen and citizens from around the State, welcome to our hall of unfunded liability monitors. As in 2010, we do not address the unfunded liabilities, we only monitor them. We are not making history, we are repeating it.

The closing line of the LifeLock commercials is, "Why monitor a problem if you don't fix it?" Why, indeed, do we not fix the unfunded liability problem? Is it too embarrassing for us to admit how awful we have messed things up? We should be ashamed, but that is no comfort to taxpayers and that is no excuse for not fixing the problem.

Today we are going to hear and read that we are doing something historic. There is historic risk-sharing in the bill, according to the claim. That same claim was made with Act 120, so we are not making history, we are repeating it.

There is the claim that this is a brilliant, clever, comprehensive proposal with three separate plans for two different systems. I have to say from a human resource perspective this is beyond convoluted. They say that a camel is a horse designed by a committee, but it would take a committee of camels to design something worse than SB 1.

Today, Mr. Speaker, we consider a bill so internally inconsistent it can actually make our situation worse. Give credit where credit is due. When it comes to figuring out how not to do the right thing for taxpayers on pension reform, we have always been pretty clever in this building and history repeats today.

The chief mechanism for the existing problem is a defined benefit component of our public-sector retirement plans. It gives elected officials the opportunity to misbehave for political gain. That is what is called moral hazard in the financial world. This bill perpetuates the defined benefit component for public-sector plans and therefore instantiates moral hazard, continued misbehavior by elected officials, and growing pain without end for taxpayers.

If we look at the analysis of the impact of SB 1 on PSERS in the actuary note, what do we see that is historic? When does the bleeding stop? How is this a first step toward anything except pension insolvency?

When Act 120 was passed, the PSERS contribution rate as a percentage of payroll was expected to top out at 27.75 percent 5 years from now. Well, it is already exceeding 30 percent, and with or without SB 1, the contribution rate is not going to top out, according to the actuary note, until 2035 at 44 percent of payroll. Do you think our assumptions are better today than they were 7 years ago, or will history repeat the lesson of our willful delusion on owning up to the problem?

There are all sorts of new questionable assumptions in this bill. Defined benefit plans are structured on a pool of employees where a significant portion is not expected to vest. When you create a defined contribution option, you create adverse election. By that, I mean those that are unlikely to vest in the DB plan will self-identify and never participate in the hybrid plans. That will lead to higher than expected vesting rates and increased liabilities that are not factored into the analysis. That is what I mean by how clever we are in making taxpayers worse off. With SB 1 we will pay people to go into a defined contribution plan, which will add cost to the defined benefit plan. It is lose-lose for the taxpayers.

Other things we assume with this bill include no benefit changes in the future, proper funding every year without exception, that groups of employees not already carved out will not sue to get carved out, that administrative costs of this cumbersome six-pack of new plans will not have huge startup costs with ongoing costs running into the millions every year, and that the public payroll will grow expansively for the next 30 years, and that is small comfort to taxpayers if it actually happens.

I am not saying that one or two or three of these assumptions might turn out to be wrong. I am saying all of them are wrong or will go wrong and it will exacerbate the unfunded liability problem faced by taxpayers. Perhaps the worst damage will be what happened after Act 120, continued delay and distraction from honest and proper pension reform. Mr. Speaker, we are not making history today, we are repeating it.

Perhaps, Mr. Speaker, we might learn something from history today. Let us take a look at the history of the unfunded liabilities which have been piled up on our taxpayers.

Sixteen years ago, 16 years ago there was a pension surplus of $15 billion. Today there is a deficit of over $71 billion. For 16 years, or 5,478 days, the pensions have been bleeding $15 million a day from taxpayers. Let us ask this question: who did that $15 billion surplus belong to back in 2001—

The SPEAKER. Sir, please hold on for a second.

Members have indicated they are having a difficult time hearing the speaker. Everybody, if you could please take your seats.

Sir, you may proceed.

Mr. McGINNIS. Thank you, Mr. Speaker.

Sixteen years ago there was a pension surplus of $15 billion. Let us ask who that surplus belonged to in 2001. It did not, it did not belong to the public-sector workers and legislators because it was what taxpayers had paid into the pensions in excess of the pension benefits earned by the public-sector workers. As such, the surplus should have been considered the property of taxpayers. Back in 2001 we could have refunded that surplus to taxpayers by writing a check for $2,500 to every taxpayer in the State, or we could have used the surplus on behalf of taxpayers as insurance against underperforming pension assets going forward. Instead of doing those two things, with Act 9 in 2001 and Act 38 in 2002, we took that taxpayer money, we took that as a benefit for public-sector workers and ourselves and left a big fat indemnification responsibility on the shoulders of taxpayers.

Mr. Speaker, with the passage of Act 40 in 2003 and Act 120 in 2010, we managed, with brazen dereliction, to divert taxpayer dollars from funding pensions into other expenses. Thus, we stuck taxpayers and compromised the credit rating of our Commonwealth with the growing, expensive, and what seems to be unstoppable debt. Now today, 7 years since the last piece of pension legislation aimed as a first step toward reform, taxpayers are reeling. First, we stole from them, then we misappropriated their funds, and with this bill today, we will continue to grow the massive debt and the harm it brings to Pennsylvania.

The interest cost is over $5 billion per year right now; $5 billion per year. What problems would we have with the budget if not for that drag? But this is the peculiar part: I have talked with legislators who say that the budget crunch we are facing is the reason we cannot properly address the pension debt. Only in a politician's mind is a budget crunch that is caused by too much debt a reason to grow that oversized debt.

Mr. Speaker, I am going to predict that in the near future we will see additional downgrades for the Commonwealth's credit rating. The credit rating agencies have been pretty clear that what concerns them is proper funding and proper management of liabilities, and there is nothing in SB 1 to stop things from getting worse in Pennsylvania.

The bill's prime sponsor extols the accomplishments of bipartisan compromise to make history happen today. Mr. Speaker, did we not have bipartisan compromise in passing Act 9, Act 38, Act 40, and Act 120? We are not making history, we are repeating it.

Mr. Speaker, we will hear that this bill is making Pennsylvania one of the best of the 50 States in pension reform. I am skeptical, but even if true, being the tallest pygmy in New Guinea is not going to get you onto an NBA (National Basketball Association) all-star team. The real question is, how are we doing in comparison with the private sector? That is the proper benchmark. Why are we lowering the bar for public management and raising the costs shouldered by our private-sector taxpayers? It is as if those in the public sector are lords and those working in the private sector are serfs.

Mr. Speaker, to the taxpayers of Pennsylvania, I apologize. You deserve better, much better than what you are seeing today. You deserve to have more than unfunded liability monitors on this floor. You deserve to have legislation that actually fixes the existing problem, and you and your children and your grandchildren deserve to be free of the massive yoke of debt we continue to grow. I am truly sorry for our malfeasance.

Mr. Speaker, the Romans gave the world a saying, "Asiduus iamdudem defutatis est": The taxpayer has been wronged long enough. We should not add to their burden while insulting their intelligence. We should not repeat history. We should vote "no" on SB 1.

Thank you, Mr. Speaker.

The SPEAKER. Representative Bryan Barbin.

Mr. BARBIN. Thank you, Mr. Speaker.

I rise in opposition to SB 1, and I, too, am not a pension monitor. I would like to point out that the good gentleman from Blair has a good understanding of television commercials. What I would like to point out has been pointed out before, but I would like to put it in layman's language. Number one, there are two questions that are not answered with this bill and I doubt they would be answered if I interrogated. The two questions are this: how much more will the exemptions cost us during this collar period; and secondly, how much more will the unfunded liability be paid down under the terms of this bill? I believe the answers to both of those questions are unknown and there has been no attempt to try to come up with a number, because if we did, this bill would not be voted on today.

The problem with the bill started in 2001. The last speaker did indicate we were at a surplus position. At that moment – everyone is responsible for this. It is not a Republican and Democrat thing. The Governor at the time believed that the pension interest to be paid on a continual basis allowed the Commonwealth not to put in the contributions. The next Democratic Governor did not want to change it, even though there were two stock market declines. In 2001 we were at a surplus. By the time the next administration came in, we were at $40 billion down. Twenty billion dollars was because of the stock market decline. Twenty billion dollars was because we refused to pay $11,000 that we owed into the pension. Nine billion dollars additional was the interest that was compounding on that debt. That took it up to $40 billion.

In Act 120, when I was first elected, the Democrats held the majority in the House; the Senate majority was held by the Republicans. They came in with this collar scheme. The collar scheme did not have any plan for the unfunded liability. It only had a plan to say, "If you believe this, it will be handled with a decreasing pension contribution coming 5 years from today." That did not happen.

Now we are faced with a situation where we are here to tell the taxpayers that this is a good second step, just like we told the taxpayers it was a good first step with Act 120. The problem with this is, we have now got a $75 billion problem because we never addressed the major concern. The major concern in 2010 was the unfunded liability. The major concern today is the unfunded liability. This bill does nothing to deal with the unfunded liability, and until we deal with the unfunded liability, your guess is as good as mine about how much we will owe 5 years from today or 10 years from today.

The bottom line is this: our problem is partially due to the fact that we will not address either of the two major concerns. Major concern number one: taxpayers without a publicly funded pension do not believe that they have a tax obligation to pay a funded obligation for State employees or PSERS. I disagree with that, in part. If you make a promise and you are the government, you have to pay for that. We have no chance to pay for old promises if we pass this bill.

Number two: we are required to do something to make the situation better. This is not going to be made better and here is the reason why: these guys behind us all fought to make sure that the legislature was the instrument of the people. That meant we were supposed to be for the people first and ourselves second or last. What we have done in this bill, because of the process that we agree to, and none of us agreed to it knowingly, was that when we had a pension bill, the only person that could correct a future pension bill would be one of the leaders.

So on Sunday night one of the leaders who had been working on the language of this bill for over 2 weeks, because that is how long it takes to get an actuarial note, posted it to the public, even though he already had a fiscal note planned and ready to go. No one else in this General Assembly, other than those leaders, is allowed to try to correct a bill like this, because there is a provision of the law that says only a leader can ask the IFO (Independent Fiscal Office) for an actuarial note. So the good gentleman from Blair County filed his amendment to say maybe we should take care of the unfunded liability, if we want to really claim that we are doing something about this pension, and I filed an amendment that said we should have a pension guaranty bond to put in so we start compounding interest, we start dealing with the unfunded liability. Both the gentleman from Blair County and my amendments were ruled out of order because they did not have an IFO actuarial note to sign, because, in fact, we can never get a IFO actuarial note, because we never know when the pension bill is going to come out, and once it comes out, it is too late to get an actuarial note.

Now, the people elected all of us to be their servants to make sure that they had an opportunity to right what was wrong, and I am telling you, this pension bill is wrong. There is nothing that has been done to right it. There is nothing that has been done to make us expect any different outcome than what we got in 2010, when we passed Act 120, with the same statements from the manufacturing community. This is a great second step. They have no idea what this is. Neither does the Allegheny Conference. Neither does the Business Roundtable. No one knows and we cannot fix it. The reason we cannot fix it is we have a rule that says you cannot amend these types of bills. That needs to be fixed. Until it is fixed, no one is going to have a chance to do their job for which they were elected to do.

We are required to fix this problem. This problem is not fixed. I will not be voting for this. It fails the Brezhnev Doctrine, and the Brezhnev Doctrine is to say, "Yes, we will trust you, but we will verify." We cannot verify SB 1. I am not voting for it and I do not think you should either.

The SPEAKER. Representative Schemel.

Mr. SCHEMEL. Thank you, Mr. Speaker.

Mr. Speaker, it is not often that I stand on the floor and speak in this body. In fact, this is only the third time that I have done so, and when my constituents ask me why this is, I say, "Because most of what occurs on the floor is political theater," and I would wager to guess that there is not, in the spirit of our vote on gambling last night, I would even put money on that wager perhaps, that there is not an individual in this room today at this moment that does not already know how they are going to vote on this bill, whether we vote on it in a few minutes or a few hours.

However, Mr. Speaker, I rise today to oppose this bill, not because I oppose the movement of our pension system to a 401(k) defined contribution system, but because I fear the opportunity costs that could be lost.

Now, pensions are a very complicated issue and they can be boiled down really to two—

The SPEAKER. Sir, please suspend just for a moment. I do apologize for interrupting. I know you had a flow to your remarks and I apologize.

Members, please take your seats. Any conversations, if we could take them to the antechambers. Representative, again, I apologize.

Mr. SCHEMEL. Thank you, Mr. Speaker.

Pensions can be broken down into two very simple matters. One is the plan design, which is what we are discussing today. But there is nothing fundamentally unsound financially about a pension plan design. It is based upon the amount of money put in and the age of the individual, their expected retirement date, essentially all of the same financial factors that are included in a 401(k)-type plan. The difference is that with a pension program, we, here in this legislature, control the keys to the Treasury, and that is precisely where the problem has been.

Now, the other component to a pension is the liability, and in our case a liability of 60 to 70 or more billion dollars, and that is where we see the failing of the legislature in the past to address this. All this money has been used for good things, but over the years we have failed sometimes to make the commitments that we need to, often for the best of reasons, I am certain, but failures all the same.

So in this plan, as a hybrid, we often hear that, well, it is going to at least divide this in half. Fifty percent will be shifted. We are going to shift some of the risk. However, what is to say that this body will not in future days actually underfund the liability by twice as much, making up for any savings that we might be expected to have.

Now, I know what the vote, I believe, will be on this, and I guess I do not stand here so much to try to convince any of my colleagues. But I do want to ask my colleagues to take into consideration the unfunded liability, the next step that we need to take in this pension journey, and although I disagree with them, I certainly commend the good work of gentlemen I have come to know and respect. Both the gentleman from Chester County and the gentleman from Schuylkill County are leaders and even the Governor, who is certain to make a very difficult vote on this particular bill. So I would hope that we can take that good feeling and channel it into something that is truly positive in dealing with the unfunded liability.

So I stand here today to say to my colleagues and to my constituents that I am prepared to make the difficult decisions that must be made if we are to address the unfunded liability. I ask my leaders, whom we have selected by our votes, if you will stand with me. I ask my colleagues if you will stand with me. If we stand together, we do not stand alone. We can face this problem for the betterment of our Commonwealth. Thank you for the indulgence of your time.

The SPEAKER. Thank you, Representative.

LEAVE OF ABSENCE CANCELED

The SPEAKER. Representative Steve Samuelson is on the House floor and should be placed back on the master roll.

CONSIDERATION OF SB 1 CONTINUED

The SPEAKER. Representative McCarter.

Mr. McCARTER. Thank you, Mr. Speaker.

All of us agree that the bill before us, SB 1, is a crucial piece of legislation, so much so that it has a 100-year history. One hundred years ago, in June of 1917, Republican State Representative Robert Wallace from Sullivan County rose in this chamber and explained to the body the need for the Public School Employee Retirement System. He was one of 172 State Reps who would vote that day for the establishment of the first public servant pension system in Pennsylvania. Wallace said, and I quote, "There is no service in this Commonwealth that is so nerve-racking as teaching in our public schools. You men all know that in every school district…we have noble women who have been following the profession of teaching for many years, and have sacrificed their health in that service for the benefit of your children of mine." He asked, "Are you going to deny these persons who have served the public year after year for forty years and have arrived at the advanced age of sixty-two years, as provided in this bill, are you going to deny them some assistance from the Commonwealth? Are you going to say to them now we are through with you, you are no longer of any value to the state as public servants, shift for yourself, make the best of it! Is that the way we should treat our faithful public servants?"

That was 100 years ago in this chamber. Wallace's words come from another time. The year 1917 was an important year for many reasons. The good women teachers that Wallace referred to had yet to win the right to vote. In fact, the great suffragette Alice Paul was about to be arrested in a few days for protesting outside the White House and would begin her hunger strike that led to President Wilson's support for the 19th Amendment. The nation was in crisis that June of 1917, that year of the PSERS vote, because Congress had just voted to go to war against Germany in World War I. Only one-third of families in the country had telephones in 1917, less than 1 in 5 graduated from high school, and 1 in 25 from college, and yet Rep. Wallace helped develop what would become the "American dream," the belief that those that studied and worked hard and took advantage of the opportunities afforded to them would have a good life and that their children would have a better life than their parents.

POINT OF ORDER

The SPEAKER. Representative Maher. I apologize. For what do you rise?

Mr. MAHER. For a point of order, Mr. Speaker.

The SPEAKER. Yes, sir. You may proceed.

Mr. MAHER. While this history is all very interesting, I am not sure whatever resolution it might pertain to is before us, and I would encourage the gentleman to speak on the subject which is.

The SPEAKER. Representative McCarter, you may proceed.

Mr. McCARTER. Thank you, Mr. Speaker.

And yet Rep. Wallace helped develop that American dream.

Today in 2017 we carry two phones, over 80 percent of us are high school grads, and one-third hold bachelor's degrees. We have been living that American dream, but today 100 years after the passage of PSERS, we will probably vote to help dismantle it. Let us not kid ourselves. This bill is a significant retreat from that dream. For those of us with children and grandchildren about to enter the workforce and public service, they face a world less inviting than our ancestors built 100 years ago. As we reduce benefits in our PA pensions, we have to ask the question: what next, the end of Social Security? This bill retreats from the 50 percent contribution to an employee pension to less than 25 percent in SERS, and 30 percent – I am sorry; 25 percent in PSERS and 30 percent in SERS. The final average salary calculation is reduced by adding 2 more years to the final calculation.

And what about all that money in this bill that we will begin flowing in the 403(b)s and 401(k)s? Who benefits there? The biggest gainers are not the people who will receive the benefits. The biggest gainers are the investment advisers. And I ask you, do you really believe that the vast number of people controlling their own investment of money in 401s and 403(b)s have the time and the knowledge to invest wisely? Why is it that the national average of money in 401 and 403 accounts is $96,000, $96,000 according to Vanguard, and with a median amount of $26,000? Do people really put away enough money for retirement on their own? I think that answer is self-explanatory.

Mr. Speaker, we are not helping the American dream today. Like Robert Wallace of 1917, we all come to this incredible chamber with hopes of doing good things for the people of Pennsylvania. We get elected to make the lives of Pennsylvanians better, not worse. Like Robert Wallace, I still have hope that all Pennsylvanians can have the best schools, great teachers, great State workers, and outstanding pensions, and not just pensions for teachers, for State workers, but good guaranteed pensions that should be there for all who work, whether in the private sector or in public service. Should that not be our ultimate goal?

A majority of the people who enter the teaching profession believe they will only teach for a few years and most, a great percentage, leave before 5 years. I was one of those individuals who joined teaching and thought that I would only be there for 5 years. But teaching can become intoxicating. After 5 years if you love it, you stay and it becomes your life. And do we not want to keep our best teachers in the classroom? Do we want them all to leave after 5 years? For 100 years we have incentivized that notion with a pension system that encourages good educators to remain in teaching. They know that a guaranteed good pension will be there for them when they retire and move on to some less challenging work, like being a State Representative. The changes in SB 1 will not encourage anyone to stay in teaching.

Mr. Speaker, the words of Representative Robert Wallace from 1917 are instructive for all of us. We know of his thoughts, because in our infinite wisdom we record all of our spoken words for the record and place them in our House Journals for others to read now and in the future. I suspect they will do just that in 2117, 100 years from now. Who and what will they quote from? Will a future Representative 100 years from now talk about the end of the American dream in 2017, or will they note in 2017 the Representatives in this august body recommitted themselves to a new direction, striving to achieve greater things, overcoming the challenges of deficits, overcoming the challenges of unfunded liabilities, working together to find solutions to make a brighter day for all Pennsylvanians.

Mr. Speaker, I finish by noting that the Republicans and Democrats of Pennsylvania in 1917, in the midst of entering the most destructive conflict in the history of mankind up to that point, World War I, where tens of thousands of Pennsylvanians were gathering to go to war, they chose the path to a brighter future by improving the conditions of education and State workers, and I ask why, why cannot we do the same in 2017? I would love to be able to read the Journals of 2117 to find the answer.

Thank you, Mr. Speaker.

The SPEAKER. Representative Frank Ryan.

Mr. RYAN. Mr. Speaker, thank you so much.

In the years that we look at some of the different problems that have happened in society, and when you consider the unfunded liabilities that we are facing in the Commonwealth of Pennsylvania, in the world that I live in, which is keeping companies out of bankruptcy, I would tell you we are already insolvent right now. As Representative McGinnis indicated, we are not doing anything to touch the liabilities, be it $74 billion or $110 billion, depending upon what you think. But I remember in my days in the steel industry, when I was in my twenties, and we saw the steel industry facing the same problems, going back to 1975 and 1976, and senior executives in the steel industry ignored the problems that we were facing, and I can assure you at that time no one thought that they were too big to fail, and then shortly after that virtually every steel company in Pennsylvania failed. Allegheny Ludlum failed. Bethlehem Steel failed.

As we sit here and recognize whether or not we are looking at a commercial where we are a bank monitor, if SB 1 is not passed, and I am certainly not happy about it, but if it is not passed, you are still being robbed. As you look at what is happening with the individual citizens in the Commonwealth, they do not have a pension themselves, and yet the good teachers and State workers who have come to rely on that pension have a right to expect that we will fund it, but it also means that we have a right and a responsibility to get our spending under control. If this were corporate America or if this were a family household, we would say this is what we have available to spend. As the good Representative mentioned, there is a constitutional requirement to pay these obligations. If these obligations do not get paid, they are put as a lien on your property taxes by increases. At what point in time do Pennsylvanians just say, "I'm done. While you're monitoring these problems, I, instead, will walk away"?

The Commonwealth of Pennsylvania has some of the best schools in the United States, and yet all we have done is taken our children and created great opportunities for them in other States. We are 49th out of 50 States for job creation for individuals 21 to 31. The children up there deserve better. But I caution you, if we do nothing today and we do not pass SB 1, all that we have acknowledged is that we are going to continue to be robbed.

You know, I have one regret in my life. My regret in my life is that I was too young when I was in the steel industry to make a difference. I am 66 years old. The damages or the issues that we do in this Commonwealth will probably not affect me personally, but it will affect them, and it will affect any Pennsylvanian who is over the age of 50 that is hoping to get a benefit.

As you sit back and consider this bill today, I ask you to just please remember: the problem will not go away. I am going to urge you and encourage you to do a "yes" vote, but that "yes" vote is step one in acknowledging that we have a problem, we are being robbed, but now let us turn to and start working together to solve this problem.

I have been incredibly thankful for Representative Jared Solomon. He and myself and a number of other Representatives are going to work together to develop a fiscal and financial rescue plan for the Commonwealth to solve the problems, but if we do not do that and turn to and start putting the level of effort into it, I can assure you in 2 to 4 years the Commonwealth's solutions will be so draconian that we will not be able to handle and solve the problems.

And let me just finish by saying this: the bond rating agencies that we are worried about downgrading our debt were the same ones that were rating Fannie Mae and Freddie Mac and waited until after they collapsed before they did anything. Please keep in mind we represent every citizen in the Commonwealth, not just State workers, not just teachers, but we represent the collective body.

I am going to ask you to vote for SB 1 to get this process started, but if you even remotely believe this is going to solve the problem, you are dead wrong. We need to get to the order of the people's business and let us restore the Commonwealth of Pennsylvania to the Keystone State that it was when this picture and the painting was done so that we can restore the freedom and opportunities so that every citizen in the Commonwealth can live in prosperity and retire in prosperity with their children and grandchildren.

Mr. Speaker, thank you.

The SPEAKER. Representative Cris Dush.

Mr. DUSH. Thank you, Mr. Speaker.

I will be brief.

I am going to actually be supporting this legislation, but we have got to understand something. This does not even come close to fixing it.

The Representative from Blair County was right and the Representative from Johnstown was right and, most recently, the Representative from Lebanon County. We have got this body, previous Governors, previous legislatures that put us into this, as well as my old unions, they contributed to this as well. So this is something that it goes across the board as far as the responsibility.

You know, there was not a— Nobody contributed more than the public-sector unions, of which I was a member and which I contributed to this through my union dues, but we have to, we have to start addressing this problem. The one thing that this bill does and, believe me, it is the only thing, it does not address the unfunded liabilities, but what it does is it gets— I try and liken this to a big aircraft carrier, turning a big aircraft carrier or a supertanker. We are at least starting to turn the rudder in the right direction.

But Representative Ryan was absolutely correct. Mr. Speaker, we are going to be bankrupt. If you shut down the entire State government, took the $30 billion that we have, that we collect; the extra $60 billion or so that the Feds send our way, you do not plow a road, you do not fix a road, you do not put a trooper on the road, we still cannot pay the entire unfunded liabilities and yet we are not addressing the root of the problem. One of the root causes is the way we are doing the contract negotiations. We got stuck with $900 million just this last year in annual increases in salaries to our State employees. That is $1 billion, Mr. Speaker, $1 billion that we got stuck with the bill for. Now, how does that happen, because we did not have any way of saying no? How that happens is you have got people in the Office of Administration who have AFSCME (American Federation of State, County, and Municipal Employees) employees working for them and they know that if they get a pay raise, then if their employees get a pay raise, then they are going to end up getting one. So in effect, you have got the negotiators for the Commonwealth negotiating against themselves if they are going to try and be fiscally responsible. The body that has to pay the bill should be the body that has the final authorization over what those salaries are going to be. We do not have that right now, and unfortunately, until we address that problem, we are not going to see our liabilities decrease. You cannot expect people to negotiate against themselves.

We do have a constitutional obligation to take care of the contracts that we have entered into. However, when those contracts are being negotiated between two parties that have a self-interest to the exclusion of the people that are paying the bill, that is why we are where we are. While the rest of the nation took a pay cut over the last 15 years, the median family income decreased, in Pennsylvania more than most. In fact, over that 15-year period my district took an $1100 pay cut in median family income, and we are at half the national average, and yet we are shedding people in Pennsylvania. We are going to lose one, possibly two congressional seats because of the migration out. So we have got fewer people earning less money paying 43 percent more for an employee who came in 15 years ago, and to replace somebody going into that position, it is 23 percent more.

The SPEAKER. Representative, please suspend.

I know you are still in the middle of your remarks, but if everybody could please take their seats. Members, please take your seats, and any conversations, please take to the anterooms.

Sir.

Mr. DUSH. Thank you, Mr. Speaker.

I will wrap up with this. The only reason we should be voting for this bill is that it does turn the rudder on that big old supertanker or that big old aircraft carrier in the right direction. We are shifting the risk. But do not have any illusions that we are not going to be back here dealing with those unfunded liabilities, and we are going to have to address the root causes, which this bill nor just simply paying down or paying off the unfunded liability for now are ever going to address, because until you get to the root causes, the day that you actually do end up paying off that debt, if we could magically come up with $100 billion and pay it off, the very next day you are going to be going upside down again.

Again, I would encourage members to vote for this. At least let us get the rudder turned in the right direction, but let us not be under any illusions. Thank you.

The SPEAKER. Thank you.

Representative Warren Kampf.

Mr. KAMPF. Thank you, Mr. Speaker.

Mr. Speaker, just listening to some of the debate, I did want to remind members there was a question raised, what are some of the specifics of this bill that are positives? And there is a pretty long list: the retirement age is increased, the final average salary calculation is broadened from 3 to 5 years, the multiplier on the defined benefit is reduced significantly down to 1 or 1.25, depending on what choice is made. There is a significant risk shift. Of course with every dollar going into the defined contribution plan, that is a 100-percent risk shift for that dollar. The IFO said that after doing an analysis of declines in the stock market, say 1 percent or 2 percent off of the assumed rate of returns the systems use, that this plan is going to improve our liabilities by 53 percent in terms of risk of increased cost for one system, and for the other, 58 percent. That is very significant.

The bill also tells SERS that they have to do what is standard now across the country on calculating the normal cost. Someone said on the floor this does not do anything to the unfunded liability. The IFO differs. They calculate a $4 billion reduction in the unfunded liability as a result of these changes. In addition to that, the plan saves taxpayers $1.5 billion, and there is an increase in the shared-loss component for future hires so that if there is a downturn in the market, there will be more on the employees in that situation. So the bill does a great deal.

I have sort of a couple of concluding remarks, but before I do that, I have worked quite a lot on this with a number of individuals. I would like to start by acknowledging the involvement of our Speaker. He was deeply engaged in this over a number of years with me; the Representative from Chester County who retired, Representative Ross, was very involved; the Representative from Schuylkill County; the chairman of the State Government Committee from Butler; our leader and his staff were deeply involved in this process, especially this time around; the State Government Committee members and their staff; the minority leaders and their staff. Although we did not always agree, there certainly was a great deal of involvement and work on their part; our staff who have worked on this issue for a while, a great deal; the actuaries and the system staff. All of those are a part of the product that is before you for a vote today, up or down, and I would like to personally thank them.

Okay. Pensions generally do not yield great floor speeches, right? I mean, actuarial reports and that sort of thing, you cannot really get soaring rhetoric out of that, but I think probably because I have been so deeply involved in it, I am going to give it a try.

You know, as legislators we come here to make a difference. I got into this issue because I wanted to make positive change for Pennsylvania on this issue. Oftentimes when we do that it is because of a constituent who comes to us or something that we know about in our lives. We try to change the code or the bills and we try to make the law a little bit better for the citizens of Pennsylvania, but we do not do that in a situation of some kind of a tragedy or a terrible crisis. Legislatures, however, do react to crises all over the country. Think about what we have been doing here with respect to the opioid crisis. Several years ago the revelations about what happened at Penn State with Sandusky moved us to very significant action.

Well, I do not think it is too crazy a comparison to those sorts of human tragedies, to the tragedy that we are faced with today with this pension system, and this legislation is a response to that tragedy. It is the legislature and the Governor, if he signs this, responding to a tragedy that all Pennsylvanians are dealing with. That tragedy is reflected in the fact that 10 percent of the State budget this year – and for as far as the eye can see, that is going to be the case – 10 percent of the State budget is going to our annual contribution. That amounts to $3 billion. That is nearly a third of the income tax collections of the State of Pennsylvania, nearly a third of the sales tax collections. That is a tragedy, and by my rough calculations, if the mistakes had not been made with this current system, we would be paying less than a third of that annually. That would mean that we would have 2 billion more dollars this year available to us. I daresay the bill that we worked on yesterday at such great length would not even have been necessary. Some in this chamber would want us to take that $2 billion, if they had their wish, and return it to the taxpayers because it was not needed, or the many, many entities and groups and individuals that have come to us and said, "Please, just hold the line on my budget item or restore those dollars that were taken out in this or that proposal before the House for the appropriations bill," we would be able to say yes to them, but because of the tragedy of this system and the mistakes that have been made with it, we cannot do that. And the people who elect us expect when some kind of serious tragedy occurs, that we will at least change the law so that we attempt to reduce the chances that that will ever happen again. We cannot eliminate those. We are all human beings. But the people of Pennsylvania expect us when we come here to see tragedy and to do whatever we can to reduce it from ever happening again.

This bill creates a defined contribution plan that is mandatory for all future hires. It is historic legislation not only here in Pennsylvania but all across the country. And someday if we build on the foundation that is created by this bill and create a more robust DC plan for our employees, I believe that 20 or 30 or 40 years from now there will be people who say, "Thank goodness that the people back in 2017 in the House and the Senate and in the Governor's Mansion had the sense to respond to what they were going through."

People talk about a risk shift. This is a risk shift. What is the risk? The risk is that the thing that is happening to us and all of the people of Pennsylvania right now will happen in the future, and if we can vote on a bill that reduces the risk that those people will be in the situation we find ourselves, then, my goodness, we ought to do it.

This bill is an opportunity for each and every one of you to say you see the tragedy we are facing and you are willing to respond to it. It is a good benefit for our future employees, unquestionably competitive with everything in the private sector, and it promises to reduce the risk that we will never as a State be in this situation again.

I am thrilled to be able to cast this vote. I am glad to have participated in this process over what is now 7 years, and I think this is excellent work. Please vote for it for our future.

Thank you, Mr. Speaker.

The SPEAKER. Representative Conklin.

Mr. CONKLIN. I want to thank you, Mr. Speaker.

Normally I stand up and I sometimes try to put a little bit of fun within my comments, but today, believe it or not, I am going to try to stay on point and be very poignant, because this is a very interesting issue that we are going through today, and every speaker, I believe, is speaking from the heart today, they are speaking from assumptions, what they believe is going to happen.

You know, as we look through the history of this august body, there were assumptions made. The assumptions were that deregulation would work, but the problem is, deregulation did not take effect that day. It was years down the road and they found that it did not work. The assumption was made when this pension system was passed in 2001, the assumption was very simple, that by paying less money and getting more, it was going to work. Those folks who made that decision then and many on this floor today used assumptions.

Today we are using assumptions what is going to happen, and much like you, I today am going to come up with my belief for what is going to happen, Mr. Speaker. Much like anytime we put something in but we wait 3 or 4 years down the road, the vote we do today and the words we say today will be long forgotten by the year 2019 and they will be even further forgotten by the year 2030 when what we do and what we say goes into effect.

So what I want to do today is just give five quick reasons why I will be voting "no." Mr. Speaker, the reason I think SB 1 is bad for all of Pennsylvania is that there will be a decline in desirable skilled employees in both schools and our State government. Studies have shown that the defined benefit pension plan has a much higher retention than a defined contribution or hybrid plan. They raise employees' commitment and they stay employed in their job.

Number four, SB 1 will cripple our economy in the future. The average pension benefit for a Pennsylvanian is roughly $25,200 per year, or that is $2100 a month. In Pennsylvania the expenditures in 2014 from the State and local pension systems that we now support was 107,761 jobs outside of this pension system for about $5.1 billion paid to other individuals who do not have our pension system in Pennsylvania; a total of $16.2 billion in the economic impact every year from our pensioners put into this State economy; $7.2 billion in Federal, State, and local tax revenues. Taxes are paid by retirees and beneficiaries who are in the pension system to the tune of about $668 million a year.

The bill is not a cost-saving measure as well, and the first steps of dismantling of PSERS and SERS, all that will happen is that Wall Street brokers will flourish from this.

SB 1 is not good for human services. In fact, I believe it will be catastrophic in the future. Studies have shown that older households with lifetime pension incomes are far less likely to experience a shortage in food, shelter, health, hardships and less reliant on public assistance. The data also indicates that pensions are a factor in preventing the middle class from going and slipping into poverty. Gender and race disparities are taken away by pensions. It gives them the ability to stay off public pensions, public assistance, and it also helps them to disparage their local welfare, and more people will be accessing LIHEAP (Low-Income Home Energy Assistance Program) and SNAP (Supplemental Nutrition Assistance Program) in the future.

Mr. Speaker, I know those are just facts. It is not normally my tone to do this, but SB 1 is going to do nothing that Act 120 is not doing. In fact, Act 120, as we all know, begins to turn around next year. Act 120 is going to begin to work next year, even though we did not do our obligations when we were supposed to, Mr. Speaker.

Mr. Speaker, I will tell you what this bill does do – and this may get votes today – what this bill does do, your "yes" vote, for those of you who will vote "yes," what you have to remember is you are now putting a statute into law that the State employees will now have a 401(k). They will no longer have to go through this. All they need to do next is just to eliminate the defined benefit. So your vote today, if you want a 401(k) system, it is good.

The question that I asked was, what happens if they take the option where they use their 401(k) money and they take it out? How does that balance? They told me if more than 5 percent do that, their assumption of saving money is gone, because today, Mr. Speaker, what keeps our pension system alive is people like you and me paying into that system. If we begin to start that system, which has employees taking it out, and if over 5 percent, I believe I was told, take those pensions out, all assumptions of any cost savings go out the window. In fact, the taxpayers, whom we now say we are now defunding, become on the hook for making up that money.

Mr. Speaker, I know it is an assumption and I know we are assuming this is going to work, but, Mr. Speaker, I strongly disagree. I think what we should do in this august body is not look at ways to making our senior citizens 30 years from now have less money. I think what we should do is go outside of these halls. We know what works. We have made it work before. Well, we should look at what worked and make sure that every Pennsylvanian in America who works has a contribution that they can retire on, not an investment in Enron that is going to go out the window, not a stock market crash where they are going to lose everything they have. But what we have to do is to quit doing this and let us look at ways that as leaders within our State that we can make sure every Pennsylvanian when they retire has a defined benefit that they, too, can contribute to society such as our retirees are doing today.

Thank you, Mr. Speaker.

The SPEAKER. Thank you.

Representative Mike Tobash.

Mr. TOBASH. Thank you, Mr. Speaker.

I was first elected in 2010 and that was when Act 120 was going into effect, and in 2010 with Act 120 we were given some lemons. See, we had an immediate problem. We were set on a course with Act 120 that would have us paying down this sixty, fifty, seventy billion dollars of debt. That is more than $5,000 for every man, woman, and child in the State of Pennsylvania.

They say that when you are given lemons, that you should make some lemonade. I do not know if it was lemons. Maybe it was dough. It is certainly a lot of dough, and I guess if you are working with dough, then you should make some bread. And I have to tell you that many people went to work with many ingredients.

How about my colleague and my friend, Warren Kampf? He said that State employees should have a plan like most of their neighbors, a 401(k)-type plan. SB 1 has got a 401(k) full DC option, and it has every new employee in the Commonwealth of Pennsylvania having some defined contribution, a 401(k) plan like their neighbors. I can tell you that the gentleman from Chester County, his work is in SB 1.

How about paying down the debt, paying what we owe? Representative Turzai, our Speaker, he was at the table during tough budgets, and I can tell you that this bill no longer kicks the can down the road. He said that we are not going to avoid or put off our responsibility. We are addressing the debt and we are sticking with the payment schedule that we were set on, and many financial rating bureaus thought that Pennsylvanians could not do that, that this legislature would not be able to do it.

How about the prior administration? I remember one afternoon when I was talking to the Budget Secretary, Charles Zogby, he said, "Mike, we are spending hundreds of millions of dollars in excess fees." SB 1 addresses these costs by compelling our pension systems to sharpen their pencils. We will save billions of dollars in fees through this legislation.

How about drafting attorneys? So many people behind the scenes. I remember Joe Marcucci. He is a drafting attorney for SERS. I remember it was a Sunday evening and it was his birthday and he was drafting pension legislation. People worked tirelessly on this bill and on this effort. I can tell you that our majority leader and his staff have worked very, very hard. Our majority leader in coordinating four caucuses and our members, the man from Indiana County, he has played a major role in this pension legislation. And the minority leader, thank you for bringing your side to the table and making sure that this is a bipartisan effort. I thank you.

And today we are all here and we have a chance to play a major role in the future of Pennsylvania. A nation will see what we do here today. This is groundbreaking legislation. I am humbled to be a part of this process, and I am grateful for a chance to have helped in this endeavor.

So I can tell you that if we are in the bread-baking business, some might say that this is not a full loaf. Some will certainly say that this is not the best thing since sliced bread, but this pension problem that we have got is crushing our schools, it is destroying our budgets. This bill has Pennsylvania focusing on its future. It is forward-thinking. It is proactive. It is a chance, it is our chance here today to address the biggest financial problem that faces this State and to be a part of a better future for Pennsylvania.

Please, I urge you to vote "yes" on SB 1. Thank you, Mr. Speaker.

The SPEAKER. Thank you, Representative Tobash.

Representative and State Government Committee Chair Daryl Metcalfe.

Mr. METCALFE. Thank you, Mr. Speaker.

Mr. Speaker, I stand, of course, today in support of SB 1. We have a historic opportunity today, Mr. Speaker, to pass this legislation and put it on the Governor's desk and move Pennsylvania in a direction that we have needed to move for a long time.

Mr. Speaker, we have a number of organizations out there that have sent supportive statements, and I wanted to read a few of those for the record to let the public know just how this legislation is being assessed outside the halls of this body. I think there are many of us that have been working on pension reform for a long time, and if we only needed one vote to move it in the direction that we have been advocating for, it would certainly be a lot easier, but we have a great accomplishment today in SB 1 in moving us in a much better direction for the people of Pennsylvania and for the pension systems that were created here so many years ago, Mr. Speaker.

Mr. Speaker, the Pew Foundation says that their "…research indicates that this would be one of the most – if not the most – comprehensive and impactful reforms any state has implemented." They say that "…it would build upon previous legislation to achieve full funding of the state's pension system, lower costs and significantly reduce risk for taxpayers, and preserve a path to retirement for skilled public workers," Mr. Speaker.

Mr. Speaker, the Reason Foundation in their letter says that "Creating a side-by-side hybrid defined benefit/defined contribution retirement plan, with an optional full defined contribution plan, would provide retirement security for new public employees while substantially reducing the risk of accruing future pension related liabilities by as much as 60%," Mr. Speaker.

As I said, Mr. Speaker, there are many organizations supporting this bill today. Americans for Prosperity, Mr. Speaker, they sent a supportive letter out in which they say, "S.B. 1 takes a step in the right direction by ending the outdated defined benefit pension model for new employees as well as allowing current employees to transfer plans. Instead employees will be offered three different pension plans – two hybrids and one defined contribution – from which to choose," Mr. Speaker.

Mr. Speaker, my personal objective, as we have been working on pension reform now for many years, my personal objective, on behalf of my constituents, has been to move us in the direction of which the private sector moved many years ago, Mr. Speaker. Many years ago when I had started with DuPont back in the 1980s, we had a defined benefit plan, Mr. Speaker, but they moved us through the years that I had worked at DuPont into a cash balance plan and a 401(k) plan, Mr. Speaker, to a defined contribution plan. The private sector had moved in that direction many years ago because defined benefit plans just are not sustainable. And our defined benefit plan here in Pennsylvania, both the State System and the school employee system, has not been, is not sustainable for the individuals that are receiving it, nor for the individuals, the taxpayers, Mr. Speaker, that are paying for it. So my two objectives have been to move us in that private-sector direction and to reduce the risk to Pennsylvania's taxpayers, Mr. Speaker. SB 1 achieves both of those objectives. We move in the direction of the private-sector model by creating a hybrid along with a new defined contribution plan that new employees will be moving into or to the hybrid and that employees, current employees, could choose to go into if they decided to, Mr. Speaker.

So, Mr. Speaker, we are achieving historic changes here today, as noted by outside organizations, and when we stack this up against the other States and the reforms, as was noted, that this is significant reform taking place here in Pennsylvania that makes us a leader in pension reform. There will be more work to be done in the future, but this vote today is historic and is a victory for Pennsylvania's taxpayers and ultimately for the legislature in achieving a very good objective today on behalf of their constituency. Thank you, Mr. Speaker.

The SPEAKER. Thank you, sir.

The Democratic leader, Frank Dermody.

Mr. DERMODY. Thank you, Mr. Speaker.

Mr. Speaker, this is not the bill we and the Democratic Caucus would have written by ourselves and it is not the bill Republicans would have written by themselves. This bill is a compromise reached between people of considerably different points of view working together in good faith to get something done.

Mr. Speaker, this process of compromise and consensus-building is something we have not seen a lot of in Harrisburg in recent years, but after 4 years of fruitless efforts and stark partisan battles on this pension issue, we are finally close to sending a finished product to the Governor's desk.

Mr. Speaker, the bill before us contains measured and reasonable pension changes for future public employees. I believe that reaching this compromise is key to moving forward, for us moving forward, both on this issue and on other very important issues yet to come.

As I said, there are elements of the bill that I would not have put in the bill, but it contains the basic things which we needed to see in the bill to ensure that fair retirement benefits are preserved for future workers while also protecting taxpayers' interests. The bill keeps our promises to current employees. It keeps our promises to retired public employees who are receiving their benefits now, their earned pension benefits on which they depend. The bill also maintains the same repayment schedule and we will continue to pay our debt.

Mr. Speaker, this was a long process. It was not easy. It took years. But the fact that we are here today about to vote on this bill demonstrates the success of a different approach, a different approach to things in Harrisburg like listening and talking to each other. Most people in the State, I believe, think it is just simple common sense to talk through our differences. That has been a rare event, a rare thing to see in Harrisburg lately, a genuine conversation. Because it happened this time, we were able to move away from proposals that would have been devastating to working families and costly to taxpayers. We were able to produce legislation that aligns with sensible and time-tested pension principles. We are able to get to this vote. Doing this now in a fair way that treats the people we serve with respect and dignity is going to let us devote more time and energy to many other important questions that still remain before us. We need to find lasting ways to finally solve our budget deficit. We need to pass a responsible budget.

Mr. Speaker, I think everybody in this room realizes and understands that the people of Pennsylvania do not hold politicians or the political process in high esteem. After watching all the political partisanship and years of bickering, they have grown skeptical that we would ever be able to tackle the really tough issues. Bringing this one bill across the finish line in early June is just one step to help rebuild some trust with the people of Pennsylvania. I hope, I really hope that it will not be the last big thing we get done this month. We have many more steps to be taken this month, but this is a very important first step.

I want to thank the Democratic and Republican members and staff who worked so hard to put this together. I want to thank Governor Wolf, because without his encouragement and his engagement, we would not be here today.

And, Mr. Speaker, I intend to support this bill. Thank you, Mr. Speaker.

The SPEAKER. Thank you.

Members, please take your seats. Members, please take your seats.

Our last speaker on the legislation, the majority leader, the Republican majority leader, Dave Reed, and then we will be taking the vote. So I ask all members to please take their seats. After the members come in, let us close the doors of the House, the Sergeants at Arms, please.

Leader Reed, the floor is yours.

Mr. REED. Thank you very much, Mr. Speaker.

Today we sit here in the beginning of June with the opportunity of completing the work of many of our colleagues, both past and present. Seven years in the making folks have bantered about throughout this Commonwealth, from school districts and school board members to legislators and Governors, about the need to reshape and reinvent and restructure our pension system in this State. We recognize that our pension obligations are the number one cost driver for local school districts, driving up property taxes; the number one cost driver for our State budget, driving out expenditures within parks and recreation, public safety, transportation, and education. We recognize that we have a commitment to keep to our retirees and to our current employees but also that we have a duty to restructure this system to ensure that future employees will have a retirement that will actually be there for them when they seek to collect from it.

This legislation is an accumulation of thoughts and ideas of hundreds if not thousands of citizens across this Commonwealth. As many speakers alluded to, it is not my definition of "perfect," but we do not live in a dictatorship where one person gets to decide policy for 13 million citizens. Instead, we live in a democracy where give-and-take is expected, it is demanded, it is needed to formulate policy that makes sense for a very diverse set of citizens that we collectively represent in this Commonwealth. This legislation represents the most significant step forward to meeting our goals, of keeping our commitment to our retirees, our current employees, and creating that system I talked about for future State and school district employees across this Commonwealth.

The unfunded liabilities within our system are not small and they are growing by the day, but this legislation allows us the opportunity with a singular vote, at a singular moment in time, to reduce the cost to taxpayers by $5 billion. It is amazing that when you think of that very fact – and in the hall of this House, some look at the opportunity to reduce cost by $5 billion as a pittance – think about the life you came from before you came to this building and negotiated $32 billion budgets, would you ever think that you would have that opportunity to save the people of this Commonwealth $5 billion? Today that opportunity is before us.

We also have the opportunity to rebalance the risk, to create a more sustainable system by rebalancing that risk between our employees and our employers, the taxpayers of this State. We created the first-ever defined contribution option in the history of the Commonwealth, and by implementing the shared-risk provisions of this bill, we safeguard future generations against the investment return reductions that we faced in 2008, a provision itself that could save the taxpayers five to twenty additional billion dollars, depending on market conditions in the future.

Pension reform is not about immediate gratification, it is not about an immediate budget solution. Unfortunately, too many generations of legislators felt that was the goal of pension reform, and we are left to deal with the consequences of those decisions. No, pension reform is about making a decision today so that the decisions that will come after us by our children and our grandchildren and those who follow in our footsteps in the hall of this House will not be fixed with the same difficulties that we struggle with year after year after year because of the pension obligations within our budget. Today we get to give a gift to our children and to their children by ensuring that they do not look back on the decisions we make and wish they had done something differently.

As the Pew Foundation, a leading national expert in pension reform, said in their letter in support of this proposal, and I think it summarizes it pretty well, "…this would be one of the most – if not the most – comprehensive and impactful reforms any state has implemented." This legislation would take us from 49th in the country in fulfilling our pension obligations to the top tier. Think about the last time we actually were ahead of the curve in this State. Think about the last time we were a leader in the nation in making fiscal and policy decisions geared towards the future and not focused on the past. Today we have that opportunity, and we have it not just because of the people in the hall of this House today or the Senate or the Governor, but because many people have worked many years to get us to this point. Many of our members and staff and staff from all four caucuses and the administration have led to this moment, where we get to send this bill to the Governor's desk, which he has committed to sign.

The first leg of a long journey is about to end, and we are going to end that leg together as Republicans and Democrats showing that government can function for the people and by the people.

Thank you, Mr. Speaker. I encourage the members to support SB 1.

The SPEAKER. The Sergeants at Arms will open the doors of the House.

On the question recurring,

Shall the bill pass finally?

The SPEAKER. Agreeable to the provisions of the Constitution, the yeas and nays will now be taken.

The following roll call was recorded:

YEAS–143

Baker	English	Klunk	Readshaw
Barrar	Evankovich	Knowles	Reed
Benninghoff	Everett	Kortz	Reese
Bernstine	Fabrizio	Kulik	Roae
Bizzarro	Fee	Lewis	Roe

Bloom	Frankel	Mackenzie	Ryan
Boback	Fritz	Mako	Saccone
Bradford	Gabler	Maloney	Sankey
Briggs	Galloway	Marshall	Santora
Brown, R.	Gillen	Marsico	Saylor
Caltagirone	Gillespie	Masser	Schlossberg
Carroll	Godshall	Matzie	Schweyer
Causer	Goodman	Mehaffie	Simmons
Charlton	Greiner	Mentzer	Snyder
Christiana	Grove	Metcalfe	Sonney
Comitta	Hahn	Metzgar	Staats
Cook	Hanna	Miccarelli	Stephens
Corbin	Harper	Millard	Tallman
Corr	Harris, A.	Miller, B.	Taylor
Costa, D.	Heffley	Moul	Tobash
Costa, P.	Helm	Mullery	Toepel
Cox	Hennessey	Mustio	Toohil
Cruz	Hickernell	Nelson	Topper
Culver	Hill	Nesbit	Vazquez
Cutler	Irvin	O'Neill	Walsh
Davis	James	Oberlander	Ward
Day	Jozwiak	Ortitay	Warner
Delozier	Kampf	Peifer	Warren
DeLuca	Kaufer	Petrarca	Watson
Dermody	Kauffman	Petri	Wentling
Diamond	Kavulich	Pickett	Wheeland
DiGirolamo	Keefer	Pyle	White
Dowling	Keller, F.	Quinn, C.	Zimmerman
Dunbar	Keller, M.K.	Quinn, M.	
Dush	Keller, W.	Rader	Turzai,
Ellis	Kim	Rapp	Speaker
Emrick			

NAYS–53

Barbin	Driscoll	Madden	Ravenstahl
Boyle	Evans	Maher	Roebuck
Brown, V.	Farry	Markosek	Rozzi
Bullock	Fitzgerald	McCarter	Sainato
Burns	Flynn	McClinton	Samuelson
Cephas	Freeman	McGinnis	Schemel
Conklin	Gainey	McNeill	Sims
Daley	Harkins	Miller, D.	Solomon
Davidson	Harris, J.	Neilson	Sturla
Dawkins	Kinsey	Neuman	Thomas
Dean	Kirkland	O'Brien	Vitali
Deasy	Krueger	Pashinski	Wheatley
DeLissio	Longietti	Rabb	Youngblood
Donatucci			

NOT VOTING–0

EXCUSED–7

Gergely	Lawrence	Murt	Rothman
Haggerty	Milne	Quigley	

The majority required by the Constitution having voted in the affirmative, the question was determined in the affirmative and the bill passed finally.

Ordered, That the clerk return the same to the Senate with the information that the House has passed the same without amendment.

BILL SIGNED BY SPEAKER

Bill numbered and entitled as follows having been prepared for presentation to the Governor, and the same being correct, the title was publicly read as follows:

SB 1, PN 902

An Act amending Titles 24 (Education), 51 (Military Affairs) and 71 (State Government) of the Pennsylvania Consolidated Statutes, extensively revising pension provisions as follows: In Title 24: for retirement for school employees, in the areas of preliminary provisions, of membership, contributions and benefits, of school employees' defined contribution plan and of administration and miscellaneous provisions; and for health insurance for retired school employees, in the area of preliminary provisions. In Title 51: for employment preferences and pensions, in the area of military leave of absence. In Title 71: for boards and offices, in the area of Independent Fiscal Office; and for retirement for State employees and officers, in the areas of preliminary provisions, of membership, credited service, classes of service and eligibility for benefits, of contributions, of benefits, of State employees' defined contribution plan and of administration, funds, accounts, general provisions. Providing, as to the revisions: for construction and administration, for applicability, for liability, for member statements and for suspension of provisions of the Public Employee Retirement Study Commission Act.

Whereupon, the Speaker, in the presence of the House, signed the same.

ANNOUNCEMENT BY MR. MAHER

The SPEAKER. Representative John Maher is recognized for an announcement.

Mr. MAHER. Thank you, Mr. Speaker.

I had intended to announce an ERE (Environmental Resources and Energy) Committee meeting for next week, but that will not be necessary. Thank you.

VOTE CORRECTION

The SPEAKER. Representative Jordan Harris is recognized.

Mr. J. HARRIS. Thank you, Mr. Speaker.

I would like to correct the record. Yesterday my button did not register me on HB 271. Please vote me in the affirmative. Thank you.

The SPEAKER. Yes, sir. So Representative Jordan Harris is in the affirmative on HB 271, concurrence, that was voted upon yesterday.

RESOLUTIONS PURSUANT TO RULE 35 REREFERRED

The SPEAKER. At this time HR 304 and HR 305 and HR 306 are referred to the uncontested House calendar.

BILLS REMOVED FROM TABLE

The SPEAKER. The Chair recognizes the majority leader, who moves that SB 8 and SB 560 be removed from the tabled calendar and placed on the active calendar.

On the question,
Will the House agree to the motion?
Motion was agreed to.

BILLS AND RESOLUTIONS PASSED OVER

The SPEAKER. Without objection, all remaining bills and resolutions on today's calendar will be passed over. The Chair hears no objection.

ADJOURNMENT

The SPEAKER. Representative Rob Matzie moves that we be adjourned until Monday, June 12, 2017, at 1 p.m., e.d.t., unless sooner recalled by the Speaker.

On the question,
Will the House agree to the motion?
Motion was agreed to, and at 10:47 a.m., e.d.t., the House adjourned.