AFT Pennsylvania
A Union of Professionals

Testimony from Ted Kirsch, President
AFT Pennsylvania

House State Government Committee Hearing on Pension Reform
March 24, 2015

Today, the House State Government committee will hear discussion on proposed changes to the pension benefits offered by the State Employees' Retirement System (SERS) and the Public School Employees' Retirement System (PSERS). AFT Pennsylvania would like to provide you with information to help inform that discussion.

AFT Pennsylvania supports the defined-benefit pensions provided through PSERS and SERS for current retirees, current school and state employees and future employees. Defined-benefit pension plans are the most cost-effective way to provide retirees with stable, secure retirement income. As you listen to the debate regarding the state of pension plans for public employees in Pennsylvania, please keep the following in mind:

- The average PSERS employee pension is under $25,000 a year (2014 CAFR), with SERS at $25,700 (2013 CAFR).
- Public pensions keep retirees out of poverty. A 2012 study shows that moving from a defined-benefit plan like PSERS and SERS to a defined-contribution plan (like a 401K) increases poverty among seniors by 30 percent.
- Public pensions help sustain local and state economies. For every $1 invested in public pensions by public employers, $8.30 is generated in consumer spending, according to the National Institute for Retirement Security (NIRS).
- Some proposals to "fix" the system exacerbate the current funding difficulties. If new contributions into PSERS and SERS end, taxpayers would be responsible for the entire unfunded liability for existing PSERS/SERS members. Under a defined-contribution plan, new teachers, college faculty and state and school employees would have to save substantially more during their careers to achieve the same level of retirement security. (NIRS)
- Allow Act 120, the 2010 pension reform bill, to work. Act 120 put the state on a path to healthy pension funding. It passed with bipartisan support and will close the funding gap, with employers and employees sharing the responsibility.
- 401k-type plans are 46% more expensive than defined benefit plans, not including significant transitional costs. (Pension Rights Center)

Defined benefit plans work as long as both the employee and the employer contribute the necessary amount to sustain the pension plan's viability. While poor market performance in the recent past has contributed to the current underfunded status of PSERS and SERS, the simple fact that public employers have not contributed enough money to the system to cover the normal cost of employee benefits has made the underfunded status of the systems even more critical.

AFT Pennsylvania supports Governor Wolf's proposals to pay down pension debt and institute cost-savings measures within PSERS and SERS, measures which do not jeopardize the retirement security of thousands of tax-paying Pennsylvanians. His proposal is the first step in providing a real solution to Pennsylvania's pension problem—managing the debt and making the appropriate employer contributions.

Every Pennsylvanian deserves secure, stable retirement income. Instead of eliminating defined-benefit pensions for public employees, we should work together to ensure that every working Pennsylvanian can retire with economic security and dignity. On behalf of the 36,000 school district, college, university and state employees who are members of AFT Pennsylvania, I urge you to oppose any efforts to convert PSERS and SERS benefits to defined-contribution or to drastically change plan design for new hires.