AFT Pennsylvania
A Union of Professionals

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TO: Members, House State Government Committee

FROM: Ted Kirsch
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On June 2, and June 4, the House State Government Committee is scheduled to hear testimony on SB 1, a bill which seeks to make sweeping changes to the PSERS and SERS benefits of current and new employees. AFTPA asks you to oppose this legislation.

According to the PERC note adopted on May 12, SB 1 requires current employees to pay more of their salary for the same pension benefit—3% more for employees in PSERS, and 2.5% more for employees in SERS. Changing the contractual terms of current employees' benefits is constitutionally questionable. Furthermore, the Commonwealth requiring workers to pay more of their salary for the same benefit is a cost-shift, thereby burdening workers with paying for the Commonwealth's years of not paying their portion of PSERS and SERS benefits.

SB 1's proposals for new employees are further troubling. Defined contribution and cash balance plans are not the answer to providing the state pension systems with stable funding, nor are they the answer to providing public employees with secure retirement income:

- Defined contribution plans further undermine the health of the entire pension system, thereby affecting all employees.
- Defined contribution and cash balance plans do not offer financial security in retirement.
- Defined contribution and cash balance plans for new hires do nothing to solve the current pension liability faced by PSERS and SERS.
- Cash balance accounts do not offer workers a reasonable benefit since the interest credited to these individual accounts is capped at 4%, with interest above the cap being credited back to the systems.

Act 120 of 2010 put PSERS and SERS on the right track to a better funded status. The costs associated with employer contributions are owed to PSERS and SERS. It is the responsibility of the state and school districts to pay those costs. Changing the benefit structure for current and

new employees so that the state and school districts no longer have those obligations is not the answer.

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.

For these reasons, we ask you to oppose SB 1 or any measure which would change the current PSERS or SERS defined benefit plan for future state and school district employees. We further ask you to oppose any measure seeking to shift the cost of funding the Commonwealth's obligations onto workers.