

## **Testimony of Art Martynuska, President, Pennsylvania Professional Fire Fighters Association**

### **Before Pennsylvania House Local and Senate Local Government Committees**

#### **January 22, 2018 – Municipal Pension Reform**

Good morning. My name is Art Martynuska, and I am proud to serve as President of the Pennsylvania Professional Fire Fighters Association, which represents 10,000 active and retired professional fire fighters and emergency responders throughout the Commonwealth of Pennsylvania. I am equally proud to have served as a Firefighter in the City of Johnstown, from which I retired as an Assistant Fire Chief in 2010.

I would like to thank the respective Committees for convening this hearing on the critically important matter of maintaining fair and reasonable retirement benefits for firefighters and other public safety workers in Pennsylvania.

For the past few years we have listened to pundits and special interest groups bemoan the fate of public pensions. "It's a crisis," they say, so often in fact that it seems as if there is always some sort of pension crisis, facts be damned. I suppose if you say something often enough people will start to believe it. So I want to thank the Committee members for scheduling this hearing so that we can present some actual facts.

#### **Fact 1 - There Aren't Many Firefighter Pension Plans, and They are in Good Shape**

By now most people know that Pennsylvania has an extraordinarily high number of public pension plans, about 3,000 according to state numbers. One thing that most people do not know, however, is that only very few of those plans cover firefighters, and that those few firefighter plans are very well funded. For example, only 2-3% of Pennsylvania's pension plans cover firefighters. And of those 80 plans, the average firefighter pension plan is 83 percent funded, which is above to 80% threshold used by experts for a plan to be considered "fully funded". In fact, almost 25% of firefighter pension plans are funded at levels well over 100%, with the average funding ratio of that group being 148%. So on the issue of municipal pensions, there aren't that many firefighter pension plans, and our plans tend to be very well funded. That's why we are particularly suspicious of so-called reform efforts that seek to cut firefighter pensions. Firefighters aren't the problem. In fact, I'm not sure there is a problem at all.

#### **Fact 2 - Act 44 of 2009 Worked - We Should Build on That Success**

The last successful municipal pension reform effort in Pennsylvania resulted in Act 44 of 2009. Act 44 gave us a new pension stress-test system (with revised distress tiers and remedies), beefed up management regulations and preserved local bargaining over pensions. The results have been very positive - municipal pensions are better funded today, and fewer plans are in distress. By any measure, Act 44 has worked well for taxpayers and public workers, so any reform effort should be guided by the approach taken in that law.

Perhaps the most successful approach taken in Act 44 was to focus on funding levels. Act 44 applied to every municipality in Pennsylvania, regardless of classification, form of government, location or size. It applied equally to the biggest cities and the smallest boroughs, based on the funding levels of their pension plans and no other considerations. Act 44 also did not focus on any particular employee group. It applied to all municipal pension plans based on their funding levels, regardless of whether the plans covered firefighters, police officers or civilians. That's the fairest approach, and it has worked.

The proposed "reform" bill that was distributed to stakeholders in advance of this hearing for some reason abandons the "funding-first" approach that worked well in Act 44. For example, the proposal not only excludes all of Philadelphia's pension plans, it also excludes every civilian

pension plans in the Commonwealth. This makes no sense, especially when most of Pennsylvania's municipal pension liability is in Philadelphia and Pittsburgh (including 75% of all firefighter pension liability), and when most municipal pension plans are civilian plans (with the most liability, too). The proposal instead focuses on a small number of better-funded police and fire plans, which for the most part are doing far better than Philadelphia or any civilian pension plan. Why are we punishing the successful plans? We should continue to take the Act 44 approach.

Another critical aspect of Act 44 that the current proposal ignores is the importance of collective bargaining to achieve pension reform. Act 44 preserved bargaining over pensions, so that municipalities and firefighters could decide on a case-by-case basis whether pension changes were warranted, and if so, how best to modify the plan. Since 2009 we have seen a number of negotiated and awarded pension modification for new hires in municipalities with struggling pension plans, and those bargained-for changes have helped to improve the funding of the system statewide. In other words, bargaining worked.

By contrast, the proposed bill would eliminate bargaining over pensions completely. Again, this makes no sense. I was an active firefighter and now I am a pensioner. I understand the importance of maintaining a sound pension plan, and I also understand that employer money going towards the pension plan might otherwise be used to other economic improvements or staffing/safety protections, or to keep tax levels competitive. Firefighters aren't ignorant - we understand how pensions work, and we understand that we must balance benefit levels with costs in order to secure our retirements. We weigh all of these issues at the local level in bargaining, and I think Pennsylvania's record of very well-funded firefighter pension plans shows that we have done this successfully. The PPFPA will oppose any pension proposal that eliminates bargaining over pensions.

As for the remainder of the current pension proposal, it should not surprise you that there are certain aspects we can support and others that we oppose. The disability provisions are particularly offensive, given the nature of our work and the sacrifices we make for the public. We also oppose rolling back any of Act 44's management reforms, which the proposal seeks to do. But we can support some of the proposed new management reforms that will protect against unrealistic actuarial assumptions, and we also support the proposal's abandonment of defined-contribution pensions for firefighters.

We understand proposed bill as exactly what it is - a starting point in a discussion on municipal pensions. We welcome the opportunity to continue our involvement as stakeholders on possible reform legislation, and look forward to working with our partners in order to determine whether any changes are needed, and if so, to develop a reform bill that builds on the successes of Act 44.

Thank you for your continued support for Pennsylvania's heroes.