

THE GENERAL ASSEMBLY OF PENNSYLVANIA

# HOUSE RESOLUTION

No. 602 Session of 2012

INTRODUCED BY MILNE, AUMENT, BARRAR, CLYMER, CREIGHTON, CUTLER, DALEY, FARRY, GABLER, GEIST, GINGRICH, GRELL, GROVE, HENNESSEY, HESS, LAWRENCE, MAJOR, MILLER, O'NEILL, PRESTON, PYLE, ROSS, SANTARSIERO, SONNEY, STEVENSON, SWANGER, TALLMAN, TAYLOR, VULAKOVICH AND WATSON, MARCH 12, 2012

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MARCH 12, 2012

A RESOLUTION

1 Directing the Public Employee Retirement Commission, in  
2 conjunction with the Public School Employees' Retirement  
3 System and the State Employees' Retirement System, to conduct  
4 a comprehensive study of the respective State-sponsored  
5 pension systems.

6 WHEREAS, The Public School Employees' Retirement System  
7 (PSERS) and the State Employees' Retirement System (SERS) are  
8 responsible for administering pensions for current and retired  
9 public school employees and State employees; and

10 WHEREAS, Reports from PSERS and SERS indicate that while the  
11 actions taken by the General Assembly in recent years have  
12 decreased obligations for future employees, PSERS and SERS have  
13 a combined \$29.4 billion in debt; and

14 WHEREAS, The unfunded liability within PSERS is expected to  
15 reach 25% of total employer costs within the next 10 to 15  
16 years; and

17 WHEREAS, SERS expects its unfunded liability to grow to  
18 \$10.79 billion within the next 10 to 15 years; and

1 WHEREAS, PSERS and SERS attribute this debt to employer-based  
2 contributions that do not meet normal costs, investment losses,  
3 benefit increases without increased funding streams and funding  
4 changes to extend time to pay down liabilities; and

5 WHEREAS, As a result of this debt, employer contributions,  
6 which are made by the Commonwealth and its school districts, are  
7 expected to dramatically increase in the coming years; and

8 WHEREAS, The PSERS employer contribution rate is expected to  
9 reach 27% in 10 years; and

10 WHEREAS, The SERS employer contribution rate is expected to  
11 reach 16% in the next five years; and

12 WHEREAS, The respective contribution rates for PSERS for  
13 Fiscal Year 2011-2012 is 8.65% and SERS is 8%; therefore be it

14 RESOLVED, That the House of Representatives direct the Public  
15 Employee Retirement Commission (PERC), in conjunction with the  
16 Public School Employees' Retirement System (PSERS) and the State  
17 Employees' Retirement System (SERS), to conduct a comprehensive  
18 study of the respective State-sponsored pension systems; and be  
19 it further

20 RESOLVED, That the study detail the impact a switch to a  
21 defined contribution plan, hybrid plan or cash balance plan  
22 would have on PSERS and SERS for future State and public school  
23 employees; and be it further

24 RESOLVED, That PERC examine legislative action in other  
25 states that addresses pension-funding issues and determine the  
26 feasibility and impact these measures would have in this  
27 Commonwealth; and be it further

28 RESOLVED, That PERC examine the average pension disbursal to  
29 both State and public school retirees and compare it to average  
30 retirement compensation private-sector employees typically

1 received; and be it further

2 RESOLVED, That PERC identify strategies that provide for the  
3 transition of at least some portion or all of the current State  
4 and public school employees to a defined contribution plan,  
5 hybrid plan and cash balance plan; and be it further

6 RESOLVED, That PERC include any legal ramifications a change  
7 impacting the retirement compensation of current employees might  
8 have on this Commonwealth; and be it further

9 RESOLVED, That PERC, in conjunction with PSERS and SERS,  
10 provide recommendations necessary or desirable to decrease the  
11 unfunded liabilities within PSERS and SERS and lessening  
12 necessary employer contribution rates; and be it further

13 RESOLVED, That PERC report to the House of Representatives  
14 the result of its studies and recommendations and file the  
15 report with the Chief Clerk of the House of Representatives not  
16 later than June 30, 2012.