

## MEMORANDUM

TO: ALL MEMBERS

FROM: REP. PETER J. DALEY, DEMOCRATIC CHAIRMAN  
HOUSE COMMERCE COMMITTEE

SUBJECT: SAVING PERSONNEL COSTS WITHOUT LAYOFFS:  
"PAY AS YOU GO" EARLY RETIREMENT

DATE: MARCH 3, 2011

In the near future, I plan to reintroduce legislation that would provide incentives for early retirement for public school teachers and state employees at no net cost to the pension funds or General Fund.

Once again this year, we will have to consider a variety of revenue and expenditure options to balance a state budget, while addressing a \$4 billion to \$5 billion budget deficit. I don't believe that any of us wants to see further layoffs, taxes raised or valuable programs cut.

One realistic cost-savings solution that has been proven by private industry time and again are early retirements – funded with the net savings generated – that produce long-term cost reductions at the bottom line.

This approach will create as many as **10,000 new jobs for young teachers, and up to 4,000 new entry-level state jobs**. And, as we know, most retirees in Pennsylvania stay in the state, and spend their retirement pensions here.

We can do the same. For example:

Replacing a teacher at the top of the pay scale with an entry level teacher saves \$20,000 to \$30,000 per year, a saving that continues for a number of years. Additionally, all benefits that are calculated on salary (Unemployment, Social Security, etc) are reduced as well.

Past early retirements have left that entire net savings on the table for school districts. By recapturing 60% of those net savings – and leaving 40% on the table for school districts – we can return those savings to the pension funds to pay for the cost of an early retirement. The second bill would be the similar approach for state employees.

I am aware of the current financial difficulties of our two pension funds. This places no additional burden on them.

Private industry can do this. **We can do it!** – without cutting programs, without suspending contractual raises, without furloughs.

Both bills will define eligibility as either 30 years' service, or age plus service equal to 80. The recapture of savings lasts for five years, the time of both greatest cost and greatest cost savings. The "window" will be limited to this coming spring, for retirements effective July 1, 2011 – and require declarations to be made by June 1, 2011 -- to achieve the greatest savings for the 2011-2012 budget year.

**Previous co-sponsors on H.B. 30** (amends Title 24, Education): Reps. Thomas, Scavello, Belfanti, Buxton, Carroll, Cohen, Donatucci, George, Gibbons, Goodman, Grucela, Harhai, Hornaman, Kotik, Mann, Melio, Murt, Myers, Pashinski, Preston, Readshaw, Roae, Siptroth, McIlvaine Smith, K. Smith, Solobay, Wansacz, White, Youngblood, Deasy, Kula, Staback, Mahoney and Matzie.

**Previous co-sponsors on H.B. 31** (amends Title 71, State Government): Reps. Thomas, Scavello, Buxton, Carroll, George, Gibbons, Goodman, Harhai, Hornaman, Kotik, Mann, Murt, Myers, Pashinski, Preston, Readshaw, Roae, K. Smith, White, Youngblood, Deasy, Gergely, Conklin, Kula, Staback, Matzie and Hutchinson.

Please call Jamie Macon at 783-9333 (or e-mail, [jmacon@pahouse.net](mailto:jmacon@pahouse.net) ) if you would like to cosponsor these two bills: the first for early retirement for teachers and school employees; and the second for early retirement for state employees.