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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# SENATE RESOLUTION

No. 286      Session of  
2002

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INTRODUCED BY MOWERY, GERLACH, TOMLINSON, COSTA, KUKOVICH,  
ROBBINS, WENGER, M. WHITE, ORIE, BOSCOLA, EARLL, ERICKSON,  
KITCHEN, LEMMOND, D. WHITE, CONTI AND SCHWARTZ,  
OCTOBER 24, 2002

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REFERRED TO FINANCE, OCTOBER 24, 2002

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A RESOLUTION

1 Directing the Joint State Government Commission to study and  
2 recommend potential changes to the current funding and  
3 benefits structure of the Commonwealth's two mandatory  
4 governmental pension plans, including the need, design and  
5 funding of any future cost-of-living adjustments.

6 WHEREAS, The Commonwealth of Pennsylvania maintains two  
7 governmental defined benefit Statewide pension plans: the Public  
8 School Employees' Retirement System (PSERS) and the State  
9 Employees' Retirement System (SERS); and

10 WHEREAS, Nearly all full-time and part-time public school  
11 employees are required to join PSERS, and most full-time and  
12 part-time State employees are required to join SERS; and

13 WHEREAS, Both systems are financed through separate employer  
14 and employee contributions and investment earnings, with each  
15 system's employer contribution rates being variable, based upon  
16 actuarial experience, and the investment returns of each system  
17 and their respective employee contribution rates being fixed by  
18 statute; and

1       WHEREAS, The employer contribution rate for PSERS is funded  
2 in part by the taxpayers of this Commonwealth, with the  
3 remainder being funded by local taxpayers through either  
4 property or earned income taxes levied by school taxing  
5 authorities; and

6       WHEREAS, The employer contribution rate for SERS is funded by  
7 the taxpayers of this Commonwealth; and

8       WHEREAS, Because of excellent investment returns prior to  
9 year 2000, the PSERS employer contribution rate decreased from  
10 20.04% of payroll in fiscal year 1985-1986 to 1.15% in fiscal  
11 year 2002-2003, and the SERS employer contribution rate  
12 decreased from 18.09% of payroll in fiscal year 1983-1984 to  
13 0.00% in fiscal year 2002-2003; and

14       WHEREAS, These substantial decreases in the respective  
15 employer contribution rates for both systems have resulted in  
16 hundreds of millions of dollars in savings to both State and  
17 local taxpayers; and

18       WHEREAS, Both systems' employer contribution rates are well  
19 below their current actuarial valuations employer normal costs  
20 of 7.20% of payroll for PSERS and 8.64% of payroll for SERS; and

21       WHEREAS, Both PSERS and SERS, as of their last actuarial  
22 valuation dates, have assets in excess of their actuarial  
23 accrued liabilities in the amount of 114.4% and 116.3%  
24 respectively and thus both systems are financially sound and  
25 have secured the pension benefits payable to their members; and

26       WHEREAS, In addition to the current financial strength of the  
27 systems, the pension benefits payable to the members of both  
28 systems are fully guaranteed by the Commonwealth of  
29 Pennsylvania; and

30       WHEREAS, Because of the current downturn in the financial

1 markets, both systems have recently experienced investment  
2 returns less than their current actuarial investment earnings  
3 assumption of 8.5%; and

4 WHEREAS, Consistent with the design of a defined benefit  
5 plan, the risk of this investment underperformance is borne by  
6 the employers of both systems and ultimately the State and local  
7 taxpayers who fund them; and

8 WHEREAS, The recent investment underperformance incurred by  
9 both systems will result in increases to the respective employer  
10 contribution rates of each system from their current record  
11 lows; and

12 WHEREAS, Concerns have been expressed about the impact these  
13 pending employer contribution rate increases will have on the  
14 employers of each system and ultimately the State and local  
15 taxpayers who fund them; and

16 WHEREAS, Concerns have also been expressed about the impact  
17 these pending employer contribution rate increases will have on  
18 the ability of the General Assembly to either enhance the  
19 existing benefits of the members of both systems or grant new  
20 benefits, including the need, design and funding of any future  
21 cost-of-living adjustments; therefore be it

22 RESOLVED, That, due to the importance and complexity of the  
23 issues surrounding the pension benefits for State and public  
24 school employees and to maintain the current financial strength  
25 of both the Public School Employees' Retirement System and the  
26 State Employees' Retirement System, the Senate direct the Joint  
27 State Government Commission to study and make any  
28 recommendations concerning the current funding and benefits  
29 structure of the Public School Employees' Retirement System and  
30 the State Employees' Retirement System, including the need,

1 design and funding of any future cost-of-living adjustments; and  
2 be it further

3       RESOLVED, That upon the Joint State Government Commission's  
4 request, the Public School Employees' Retirement System, the  
5 State Employees' Retirement System and the Public Employee  
6 Retirement Commission are directed to provide all relevant  
7 information and staff assistance to the Joint State Government  
8 Commission in response to the issues studied under this  
9 resolution; and be it further

10       RESOLVED, That the Joint State Government Commission report  
11 its findings and any recommendations concerning the funding and  
12 benefits structure of the Public School Employees' Retirement  
13 System, and the State Employees' Retirement System to the  
14 General Assembly by December 31, 2003.