



Rep. Seth Grove (R-York): Pennsylvania Municipal Pension Reform Proposal

TOO MANY GROSSLY UNDERFUNDED MUNICIPAL PENSION PLANS

Pennsylvania has over 3,200 separate local government pension plans, 25 percent of all such plans in the nation. Two-thirds of the plans have ten or fewer active members, and many are grossly underfunded.

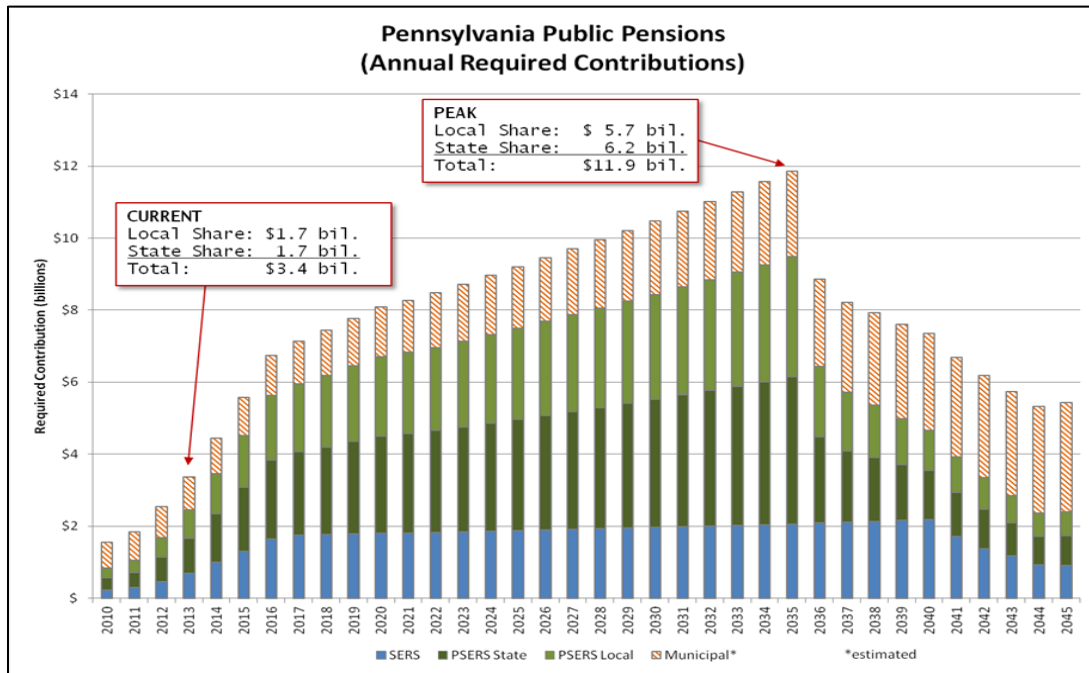
Unfunded accrued liabilities (2009):

- Philadelphia – \$4.8 billion
- Pittsburgh – \$0.4 billion
- Balance of PA – \$1.4 billion
- **PA Total – \$6.6 billion**

THE PENSION PROBLEM IS WIDESPREAD AND GROWING

The pension problem is not just a city problem – pension stress can be found in boroughs and townships in rural, suburban and urban areas. Sixty-six of Pennsylvania’s 67 counties have at least one municipality with a pension plan that is under a high level of financial stress. Around one-third of Pennsylvanians live in a municipality with a distressed pension plan.

It’s also not just a municipal problem. The State Employees Retirement System (SERS) and Public School Employees Retirement System (PSERS) will have unfunded liabilities of \$65 billion by 2021. By 2035, local school district pension costs will be 14 times higher than today.

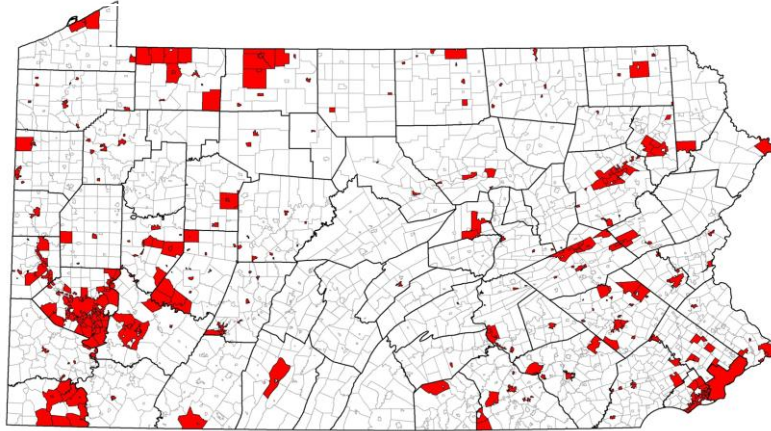


* Official municipal projections unavailable; PELSW estimated 5% annual increase

EVERYONE SUFFERS...UNIFORMLY

- **Businesses and residents** – pension distress leads to higher taxes and/or reduced services.
- **Municipal governments** – increasing shares of budgets are devoted to legacy costs.
- **Police and Fire** – financially stressed pension plans threaten retirement and employment security.

According to a 2011 Pennsylvania Economy League Southwest study, municipal financial stress of all types is widespread and increasing.



GROVE REFORM: BRINGS COMMONSENSE REALITY TO OUR PENSION PRACTICES

- All current employees are held harmless and retain existing rights and benefits at current levels;
- For new hires only, shifts to a cash balance hybrid plan – a balanced and financially sustainable approach that includes aspects of both a defined benefit and a defined contribution plan. A hybrid plan, as designed here, also allows existing pension liabilities to be paid down over time and without the need for new revenue;
- Authorizes an optional 457 plan as an additional employee retirement tool;
- Require pensions to be calculated on base pay only, eliminating the unaffordable practice of “spiking” (which occurs when final base pay average includes overtime hours and unused sick/vacation days);
- Removes pension benefits from the collective bargaining process;
- Establishes pension plan portability options for new hires; and
- Improves job and pension security for uniformed unions.

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