PSBA Special Report: Senate Moving Pension Reform on Fast Track More Info
May 12, 2015

The Senate is moving quickly to advance **Senate Bill 1**, pension reform legislation that was introduced last week by Senate Majority Leader Jake Corman (R-Centre). Yesterday, the Senate Finance Committee reported the bill out and this morning the Public Employee Retirement Commission (PERC) issued an actuarial analysis of the bill. The Appropriations Committee quickly reported the bill out this afternoon, setting the stage for the final vote on the Senate floor as early as this afternoon or tomorrow (Wednesday, May 13).

The impending passage of Senate Bill 1 will then move the pension debate to the House of Representatives, where negotiations will be renewed to seek a compromise reform plan.

What Senate Bill 1 Does
Generally, the plan would generate both short-term and long-term savings by creating a new defined contribution plan that would be mandatory for all new employees and makes changes to future contributions for current employees in order to maintain current benefit levels.

The PERC analysis of Senate Bill 1 shows a preliminary projected savings under the proposed hybrid plan in comparison to existing law. According to the consulting actuary for PSERS, the total cost savings is potentially estimated to reach $16.2 billion through 2048.

Click here to read PSBA's initial review of Senate Bill 1.

Click here to read the Actuarial Note of the Public Employee Retirement Commission. Page 20 of the note includes table of preliminary cash flow savings and projected contribution rates.

PSBA's Position
As PSBA continues to review the 405-page bill and the 67-page PERC note, the association has not taken a position on the specifics of the bill. However, PSBA has expressed it support of efforts in the Senate to move the conversation forward through the introduction of Senate Bill 1. PSBA has been active in discussions in the Senate this week and will remain active as the bill moves to the House.

PSBA believes that allowing Act 120 to play out without further refinement is not a tenable solution. The system is unsustainable and must be fixed now. Without action, the state and school districts will be accountable for billions of dollars in retirement contribution costs that ultimately will have to come from the pockets of taxpayers. Pension obligations are the highest increasing mandated costs in school district budgets, and the number one reason for local tax hikes.

Rapidly climbing pension costs take a greater and greater share of available revenues, and leave less funding available for true basic education costs directed toward student learning. It is becoming impossible for most districts to cut enough to pay for the increase and maintain high quality education programs. This means less money every year for direct classroom instruction and extra help for students, music, arts, sports, facilities and maintenance of our school buildings. Class sizes will continue to increase and some services decrease as more schools are forced to reduce staff.

PSBA will continue to update members on the progress of pension reform efforts in the General Assembly.