



# House Bill 1581

*Rep. Seth Grove's legislation:  
Affordable and fair municipal pension reform for  
taxpayers and uniformed unions.*

## TOO MANY GROSSLY UNDERFUNDED MUNICIPAL PENSION PLANS

Increasing numbers of fire and police pension plans in cities, townships and boroughs are grossly underfunded.

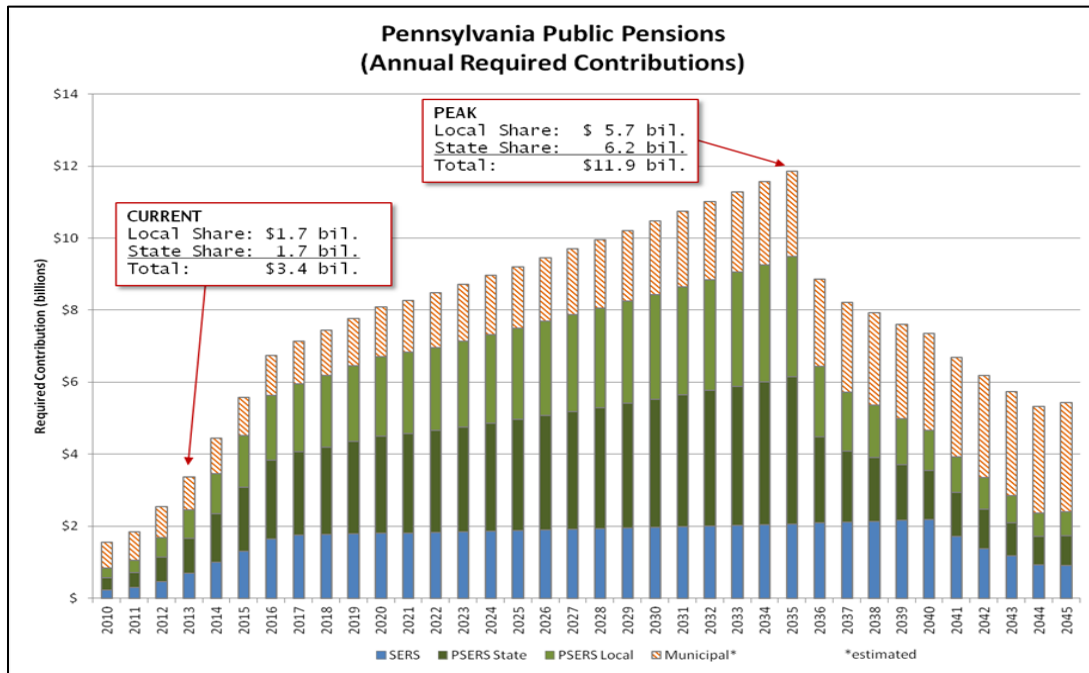
Unfunded accrued liabilities (2009):

- 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.

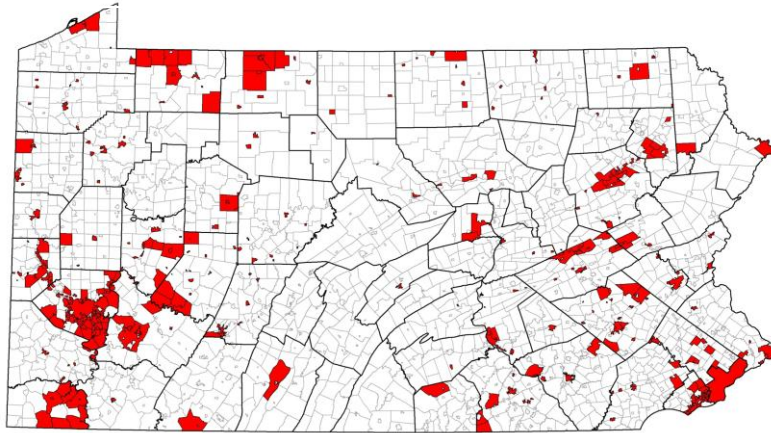


\* Official municipal projections unavailable; PELSW estimated 5% annual increase

## 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 (HB 1581): 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;
- Requires pensions to be calculated on base pay and a small percentage of overtime. This will curb the practice of “spiking” or increasing final average salary with excessive overtime 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.

## COALITION MEMBERS

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