



House Bill 316 (Greiner, Grove)

Affordable and fair municipal pension reform for taxpayers and uniformed unions.

TOO MANY GROSSLY UNDERFUNDED MUNICIPAL PENSION PLANS

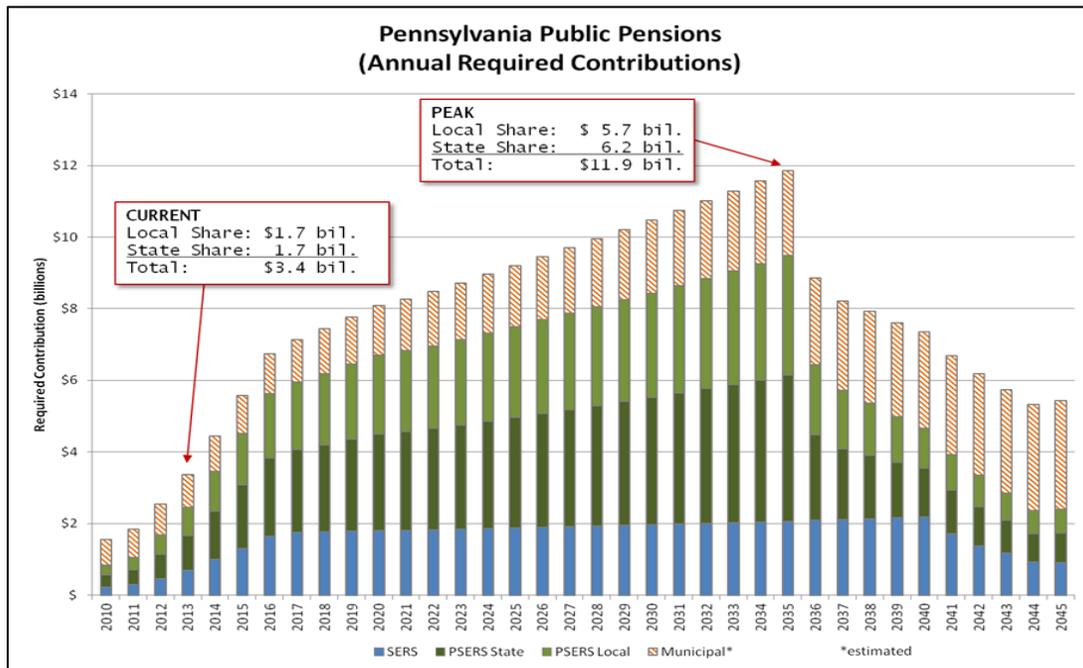
Increasing numbers of fire and police pension plans in cities, townships and boroughs are grossly underfunded.

On January 14th, Auditor General Eugene DePasquale released a report updating the commonwealth on the crisis in our municipal pension system. In his report, the Auditor General detailed a statewide increase in the unfunded liability of \$1 billion in our municipal pensions over the last two years. Across Pennsylvania, the unfunded liability is now a staggering \$7.7 billion. In a separate report, the Auditor General highlighted the dire situation facing the City of Scranton, which has less than 4 years until pension funds are bankrupt.

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.

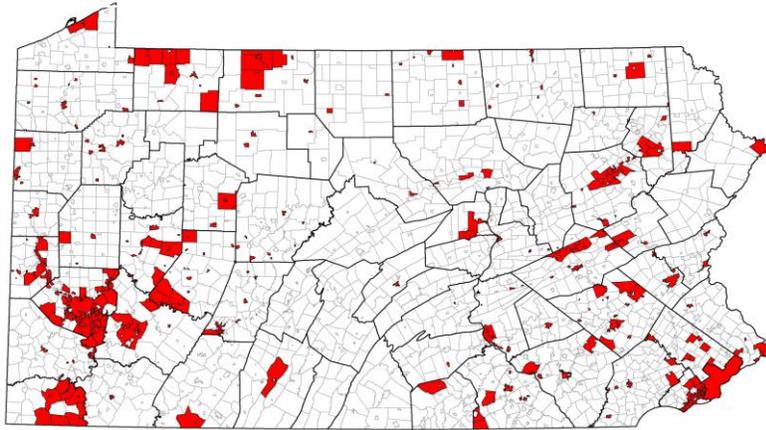


* Official municipal projections unavailable; PELSW estimated 5% annual increase

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.



GREINER/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;
- Requires pensions to be calculated on base pay and a small percent 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.

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