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Viewpoint

Matt Smith: Pension reform action a significant achievement for Pa.

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Over the years, one issue has risen to become the top public policy priority of the Allegheny Conference on Community Development and Greater Pittsburgh Chamber of Commerce – the need to reform the state’s public pension systems for state and public school employees. The reason for this is clear. The State Employees’ Retirement System (SERS) and the Public School Employees’ Retirement System (PSERS), which includes more than 800,000 retirees and current employees, face a massive unfunded liability of more than \$60 billion — a number that’s growing.

The consequences of this shortfall are numerous. But the bottom line is this: whether you’re a taxpayer, a state or public school employee, a public school student, or anyone who benefits from state programs or services, the rising costs of pensions are negatively affecting you in big ways. Pension costs are crowding out much needed investments in schools, infrastructure, public safety and other areas that state government is responsible for funding. At the same time, taxes rise to meet the state’s ever increasing pension obligation.



Matt Smith

Because of this, the pension crisis has become the most pressing matter for the economic health of the state. The three major credit agencies have put Pennsylvania on notice. Without action taken on this issue, the agencies have threatened to reduce the state’s credit rating, which would result in taxpayers having to pay a higher interest rate on future bond sales.

A legislative solution to the pension crisis has been elusive in recent years. That is, until now.

On June 8, bipartisan legislation supported by leaders from all four caucuses to reform SERS and PSERS passed the Pennsylvania Senate by a 40-9 vote and the House by a 143-53 vote and was signed into law by Gov. Tom Wolf a few days later. This landmark achievement will provide new workers with a choice of retirement plan options, including a partial – or hybrid – defined contribution plan as well as a full defined contribution option structured like 401(k) style plans implemented in the private sector.

This law meets the key principles that our organizations have for years been advocating for in a meaningful state pension reform solution. It addresses the ever increasing unfunded pension liability, provides for cost sharing and risk predictability between state employees and taxpayers, increases the overall funding certainty of the retirement systems, and provides adequate retirement security for beneficiaries of the plans.

But don't just take it from us. In an analysis conducted before the bill's passage, The Pew Charitable Trusts, a nationally respected voice on this issue, said that the legislation "would be one of the most – if not the most – comprehensive and impactful reforms any state has implemented." The analysis goes on to say, "Not only does this place Pennsylvania on a path to move from 49th in making pension contributions to the top half of states, it also is the biggest turnaround in contribution adequacy nationwide."

The passage of comprehensive state pension reform legislation would not have been possible without the leadership of a bipartisan group of public-sector partners including Wolf, Pennsylvania Senate President Pro Tempore Joe Scarnati, Pennsylvania Senate Majority Leader Jake Corman, Pennsylvania House Speaker Mike Turzai and Pennsylvania House Majority Leader Dave Reed.

Many meetings, discussions and compromise between these leaders produced this policy win.

In addition, many of our regional and statewide partner organizations including the Chamber of Commerce for Greater Philadelphia and the Pennsylvania Chamber of Business and Industry have made pension reform a major advocacy issue over the years, and this achievement was heavily supported by these strategic relationships and our collaborative work together.

As we reflect on the critical passage of statewide pension reform, it's important to remember that real progress, while sometimes slow to fruition, is possible. It just takes the persistent leadership of many partners dedicated to a common goal.

The values that have defined our region over the generations led to this victory. We must be mindful of this as we look toward the future, work to address the remaining challenges facing the region and fully maximize our opportunities.