

December 16, 2015

Dear Governor Wolf and Honorable Members of the Pennsylvania Legislature:

The Allegheny Conference on Community Development, the Greater Philadelphia Chamber of Commerce and the Pennsylvania Business Council thank members of the General Assembly and the Wolf Administration for keeping pension reform legislation on the state agenda as they continue to finalize meaningful reform as part of the FY 2015-2016 budget framework.

Our organizations strongly encourage the legislature and the governor to move forward with a comprehensive pension reform bill that enables the Commonwealth to move to a fiscally sound system able to ensure continuing appropriate retirement benefits to the Commonwealth's state employees and teachers. We believe a "hybrid" approach using both defined benefits, with no higher than a 1% multiplier, and defined contributions can achieve this aim. For several years, our organizations have advocated for meaningful state pension reform. This is a top legislative priority for all of our organizations.

The state's two public pension funds — Public School Employees Retirement System and the State Employees Retirement System representing more than 800,000 workers, are facing a \$53 billion shortfall.

Mandated employer contributions for state employee and school employee pensions are consuming a growing share of General Fund appropriations. Currently, more than 60 cents of every new dollar in revenue goes towards the state's pension payments. The state's Independent Fiscal Office projects that pension payments will grow from \$1.69 billion this year, or 6 percent of appropriations, to \$3.34 billion in 2019-20, or nearly 10 percent of appropriations.

Without legislative action soon, Pennsylvania's pension obligations will continue to consume larger portions of the state budget and further strain the ability of the state and school districts to maintain, let alone improve, basic services. The continual decline of revenues and the continual increase in pension costs further jeopardizes the fiscal stability of the Commonwealth. Pension reform legislation should provide cost-sharing and predictability as well as adequate retirement security for both state employees and the Commonwealth.

Again, the Allegheny Conference on Community Development, the Greater Philadelphia Chamber of Commerce and the Pennsylvania Business Council applaud the Wolf Administration and General Assembly for their hard work as they seek to come to a bipartisan agreement on a FY 2015-2016 budget package that includes meaningful pension reform and benefits all the citizens of the Commonwealth of Pennsylvania.

Sincerely,



Dennis Yablonsky
CEO, Allegheny Conference on Community Development



Rob Wonderling
President & CEO, Greater Philadelphia Chamber of Commerce



David Patti
President & CEO, Pennsylvania Business Council