

From: Anna McCauslin <amccauslin@afphq.org>
Date: June 5, 2017 at 4:12:13 PM EDT
Cc: Beth Anne Mumford <bmumford@afphq.org>
Subject: Senate Bill 1 Letter of Support

Dear Members of the Pennsylvania House of Representatives:

On behalf of Americans for Prosperity, the largest advocate for taxpayers in America, with over 200,000 activists in Pennsylvania, I urge you to support Senate Bill 1, which would be a strong first step toward dealing with Pennsylvania's massive unfunded pension liabilities.

Like many states around the nation, Pennsylvania is on the verge of a full-blown pension crisis. Less than twenty years ago, there was a pension surplus. Today, we have some of the highest unfunded liabilities in the nation. According to Pew Research Center, both the teacher and state employee pension plans having funding ratios of less than 60 percent with liabilities totaling over \$130 billion.

This precarious fiscal situation has been brought about by an unsustainable and outdated defined benefit pension model, and a failure by the state government to make annual required contribution payments.

With the current pension model failing, the state pension fund has chased higher and higher investment returns to fill the gap. Not only has the 10-year rate of return fallen below the assumed rate of return, but Pennsylvania also pays some of the highest fees as a portion of investment returns in the state to do so.

The time for reform is now.

S.B. 1 takes a step in the right direction by ending the outdated defined benefit pension model for new employees as well as allowing current employees to transfer plans. Instead employees will be offered three different pension plans – two hybrids and one defined contribution – from which to choose.

This will immediately stop the bleeding by preventing any more employees from joining the fiscally disastrous defined benefit only pension plan.

These new plans will be appropriately funded from both the employer and employee side, which will limit, if not eliminate, future unfunded liabilities. Additionally, it will require the state to change its current investment model to reduce fees and balance the plan in a fiscally responsible manner.

Although this bill is not perfect in a number of respects, and doesn't go far enough to address the coming catastrophe that is the Pennsylvania pension system, it does provide a step in the right direction toward ending the biggest driver of unfunded liabilities in the state.

We encourage you to support S.B. 1 as well as any further efforts to protect taxpayers by reforming Pennsylvania's broken – and broke – pension system.

Best,

Anna McCauslin | Deputy State Director | Americans for Prosperity - Pennsylvania |
m: 267.858.2491 | e: AMcCauslin@afphq.org | @AnnaMcCauslin @AFPPennsylvania