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## **FOR IMMEDIATE RELEASE**

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Read the Pension Primers & More: <http://keystoneresearch.org/issues-guides/pensions>

*Steve Herzenberg, executive director of the Keystone Research Center and author of the pension primers, is available to speak with journalists on pension-related news stories and editorials.*

# **2010 Pension Reform Achieved Significant Long-Term Savings**

*Keystone Research Center releases third in a series of pension primers*

HARRISBURG, PA (March 5, 2013) – Pennsylvania policymakers made good progress on reducing the cost of state pensions with a 2010 law that cut the benefits of future employees, enacted new employee “risk sharing” to protect taxpayers in future economic downturns, and maintained public employee contribution levels that are higher than in most other states.

In the third of its “Pension Primer” series, the Keystone Research Center reviewed the details of the Pension Reform Act, also known as Act 120 of 2010. The first two primers, released on February 26, examined how Governor Tom Corbett’s plan to shift future employees into a new 401(k)-like plan would actually drive up costs for the state, school districts, and ultimately taxpayers.

Read all Keystone Pension Primers at <http://keystoneresearch.org/issues-guides/pensions>. The easy-to-read primers are good background for reporters and lawmakers preparing for legislative hearings on pension issues.

“The Pension Reform Act is estimated to save more than \$30 billion over the next three decades,” said Dr. Stephen Herzenberg, executive director and author of the Keystone Pension Primers. “Much of this progress would be undone by the governor’s pension plan, with taxpayers on the hook for the higher costs.”

The Pension Reform Act lowered pension costs by reducing benefits for new employees by more than one-fifth, capping the maximum pension benefit an employee can receive, and increasing the time it takes for a pension to vest from 5 to 10 years. The law also increased the age and years of service an employee needs to retire with full benefits, and did away with an employee option to withdraw individual contributions at the start of retirement.

Over the next 30 years, the savings from these changes are estimated at \$24.7 billion in the Public School Employee Retirement System (PSERS) and another \$8.3 billion in the State Employee Retirement System (SERS).

The law also made Pennsylvania one of the first states in the nation to require employees hired in 2011 or later to pay an additional “risk sharing” contribution of up to 2% if an economic downturn reduces public pension investment returns. The state and school districts can only require these higher employee contributions if they make corresponding increases in employer contributions.

“This feature will give the state and school districts a disincentive to shortchange pension plans during future economic downturns,” Dr. Herzenberg said. “It makes it very unlikely that Pennsylvania will ever again accumulate large unfunded liabilities like it did over the last decade.”

Finally, the law continues to ask public employees in Pennsylvania to pay a larger share of their salaries toward pensions than public employees in most other states. In fact, over the past decade, employees contributed almost twice as much toward public pensions as state and school employers.

The Keystone Research Center will release additional pension primers in the weeks ahead to help demystify the often complex details at the heart of the pension debate. You can find all of the pension briefs and more resources at <http://keystoneresearch.org/issues-guides/pensions>.

*The Keystone Research Center is a nonprofit, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania economy. Learn more: [www.keystoneresearch.org](http://www.keystoneresearch.org).*