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TALKING POINTS – CORBETT-TOBASH PENSION PLAN[1]

Governor Corbett supports Rep. Mike Tobash's pension plan and also favors reducing employer pension contributions in the next five state budgets. The Corbett-Tobash pension proposal:

- ***Doesn't solve PA's pension underfunding problem***. Any savings come years down the road and even Governor Corbett says they are not large.

- ***Cuts retirement benefits deeply***. Tobash would cut benefits 40% or more for many younger employees, on top of cuts of more than 20% in 2010. The pension consultant ("actuary") for the Public Employee Retirement Commission (PERC) says: "For new employees, the loss of retirement security is greater than the value of the cost savings for the Commonwealth." Younger employees would have among the smallest public pensions in the country.

- ***Increases pension costs in ways that could outweigh savings, growing pension debt and taxpayer costs***.
  - Using on paper future savings under Corbett-Tobash to reduce near-term pension contributions, as the Governor favors, is like running up charges on a credit card – it increases pension debt and adds interest charges until the debt is paid off down the road.
  - The Corbett-Tobash plan risks a "transition cost" by moving younger employees partly out of existing pensions – similar to the $40 billion transition cost projected if new employees go completely into 401(k)-type savings plans.
  - Long-term, the taxpayer cost for the Corbett-Tobash school retirement plan would be higher than current school pensions (because 401(k)-style plans have high costs and low returns).
  - The Corbett-Tobash plan imposes an additional hidden cost as a result of future wage increases that will be necessary to compensate for deep benefit cuts.

- ***Undercuts the quality of public schools and services***. Cutting pensions and weakening the incentive to remain in public service after 25 years will lead more of the best mid-career teachers and mission-driven state workers to leave public service for higher-paid private jobs.

- ***Is not the best way to address PA's pension debt***. Rep. Grell, Senate Democrats, and Keystone Research Center offer better ways to build on Act 120 (of 2010) that are fair to taxpayers and retirees. Part of the solution should be asking big corporations to pay their fair share of taxes, bringing in revenue to fund education, other essential services, and pensions.

More and more money in Pennsylvania flows to the richest one percent while middle-class Pennsylvanians lose ground. State officials should focus on getting middle-class paychecks growing again instead of slashing the pensions of nurses, teachers, and public servants.

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[1] For more details and complete references, see *Moving Backwards on Pension Reform: Tobash Plan Does Little to Reduce Pension Debt But Will Erode Quality of Public Schools and Services, Hurt Retirement Security*, online at http://keystoneresearch.org/media-center/press-releases/report-new-pension-plan-step-backwards