Budget Framework Pension Deal Undercuts Retirement Security Without Saving Money for Taxpayers

Budget negotiators in Harrisburg have been advancing a state budget framework (http://pennbpc.org/tentbudframeworkanalysis) that does not include a drilling tax and several other elements needed for a budget that reinvests in education and puts the state’s fiscal house in order. The budget framework also includes a state pension proposal that undermines retirement security (http://keystoneresearch.org/pensionprimer15) for teachers, nurses and other public sector employees.

- The budget pension deal would cut the guaranteed pensions of young, new public employees by over 50% and cut total retirement benefits (including from new 401(k)-style savings accounts) by up to 20% or more.

- As a result of 2010 benefit cuts, Pennsylvania’s pension benefits for new school and state employees are already among the lowest of all public sector workers in the nation. Making Pennsylvania’s pensions the bottom of the barrel would threaten schools’ and the state’s ability to attract and retain great new teachers, foresters, social workers and other staff.

- The proposed new pension design would provide a guaranteed benefit more than 20% lower than the federal government pension put forward as a model and significantly inferior to many of the existing state pensions that include both a smaller traditional pension and individual defined contribution savings accounts.

- The new pension plan design would not reduce the state’s unfunded pension liability and could increase it.

- The new pension delivers little or no savings for this year’s budget. Any small savings would amount to another delay in state pension payments – putting more money on the state’s credit card – and increase pension costs down the road.

- Courts are likely to reject as unconstitutional the only potential savings from the new pension proposal, which would result from cuts to benefits for current workers. (These cuts may or may not be part of the final bill.)