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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.)