

June 1, 2017

The Honorable Mike Turzai
Speaker of the House
Pennsylvania House of Representatives
139 Main Capitol
PO Box 202028
Harrisburg, PA 17120-2028



Dear Speaker Turzai:

The Pension Integrity Project at Reason Foundation offers pro-bono consulting to public officials and other stakeholders to help them design and implement pension reforms that improve plan solvency and promote retirement security. In that capacity, we have been encouraged by the recent developments on this issue in Harrisburg and hope the General Assembly ultimately sees comprehensive pension reform through to completion.

Pennsylvania's Public School Employees' Retirement System (PSERS) and State Employees' Retirement System (SERS) are struggling with significant unfunded liabilities around \$70 billion. Without significant reforms to both PSERS and SERS – reforms contained in the current Senate Bill 1 – we are not confident that the Commonwealth will be able to meet its commitments to current employees and retirees without severely impacting government services in both the near-term and long-term.

Creating a side-by-side hybrid defined benefit/defined contribution retirement plan, with an optional full defined contribution plan, would provide retirement security for new public employees while substantially reducing the risk of accruing future pension related liabilities by as much as 60%. This new structure would represent a significant improvement over the current PSERS and SERS retirement programs.

In addition, it would also eliminate the pension collaring system that has allowed the Assembly to chronically underfund its pension commitments over the past several years, and maintain the Commonwealth's commitment to full funding established in Act 120. Eliminating these collars while maintaining the commitment for full funding will help ensure that current employees and retirees will receive their promised pensions.

Pension reform would not only provide significant risk mitigation mechanisms for taxpayers and retirees, it will likely directly save hundreds of millions in fees paid to outside money managers — which in turn will help improve the funded status of PSERS and SERS.

Thank you for your leadership on this important issue. It's long past time for comprehensive pension reform in Pennsylvania that will put PSERS and SERS on the path to solvency, reduce taxpayers' exposure to uncontrolled costs and risks, and—most importantly—ensure that the state is able to offer retirement security to its past, current and future employees on a sustainable basis moving forward.

Sincerely,



Dr. Adrian Moore,
Vice President, Policy



Leonard Gilroy
Senior Managing Director, Pension Integrity Project



Anthony Randazzo
Managing Director, Pension Integrity Project

cc: Representative Dave Reed, Majority Leader
Representative Bryan Cutler, Majority Whip
Representative Marcy Toepel, Majority Caucus Chair
Representative Donna Oberlander, Majority Caucus Secretary
Representative Stan Saylor, Majority Appropriations Committee Chair
Representative Kurt A. Masser, Majority Caucus Administrator
Representative Kerry A. Benninghoff, Majority Policy Committee Chair
Representative Daryl Metcalfe, Majority State Government Committee Chair