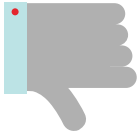


Triple Threat **Pension Debt**

THE PROBLEM. At more than \$50 billion in debt¹, our pension plans for state and school workers are among the worst funded in the country.² Without reform, Pennsylvanians face cuts to services, teacher layoffs, higher property taxes, and even seeing cities go bankrupt. These dire threats make pension reform urgent.



WORST

- 50. Illinois [40% funded]
- 49. Kentucky [43% funded]
- 48. Connecticut [49% funded]
- 33. Pennsylvania [64% funded]**



BEST

- 4. South Dakota [93% Funded]
- 2. Washington/North Carolina [95% funded]
- 1. Wisconsin [100% funded]



THREAT #1—TEACHER LAYOFFS

The projected increase in school pension costs equals the salary of 33,000 Pennsylvania teachers. That is, nearly 1 in 3 teachers would have to be laid off to make these payments. In terms of taxes, these pension costs would result in an increase of \$900 annually per family of four.³



THREAT #2—PENSIONS CROWDING OUT ESSENTIAL GOVERNMENT SERVICES

Just four years ago, pension costs were less than 3% of the state's general fund budget. By 2018, they will consume nearly 10% of the budget,⁴ squeezing out education funding, public safety, transportation, and other services.

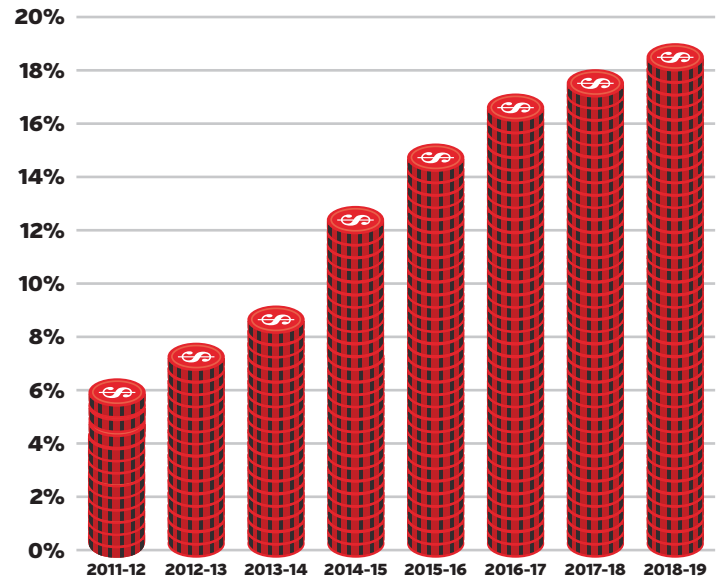


THREAT #3—INCREASINGLY VULNERABLE PENSIONS

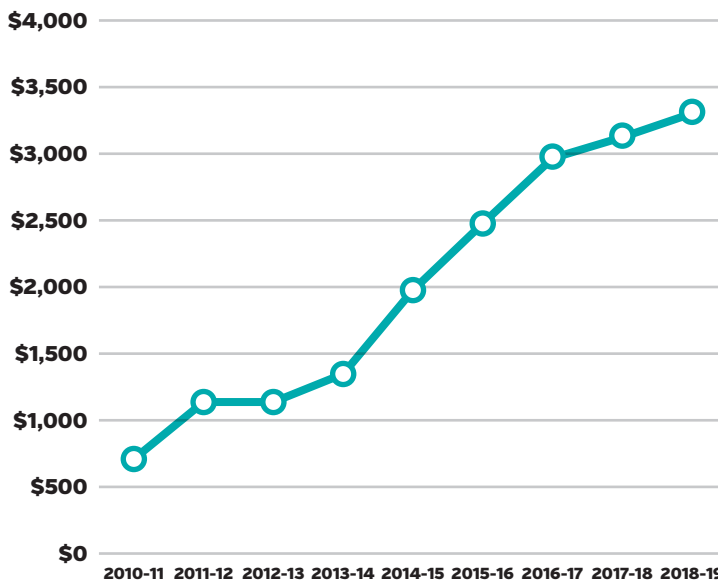
After filing for bankruptcy, Detroit recently took the unprecedented measure of cutting pension benefits for retirees. Some retirees will see a 4.5% cut in benefits. Pensions were previously considered untouchable, but federal courts ruled the cuts were allowed under bankruptcy.⁵



PENSION CONTRIBUTIONS AS A % of the STATE EDUCATION BUDGET



STATE PENSION CONTRIBUTIONS *(millions)*



¹Public School Employees Retirement Board, "Pennsylvania School Employees Retirement System Budget Report, Fiscal Year 2014-2015," Public School Employees Retirement System, February 7, 2014, <http://www.psers.state.pa.us/content/publications/budget/1415budget.pdf>; State Employees Retirement Board, State Employee Retirement System Testimony, State Employees Retirement System, February 6, 2014, <http://www.pabudget.com/Display/SiteFiles/154/Documents/HearingTestimony/2014-15/SERS%20Submitted%20Testimony.pdf>.

²The PEW Charitable Trusts, "The Fiscal Health of State Pension Plans: Funding Gap Continues to Grow," March 2014, http://www.pewstates.org/uploadedFiles/PCS/Content-Level_Pages/Fact_Sheets/Pew-States-Widening-Gap-Factsheet.pdf.

³Nathan Benefield, "Reform State Pensions Now or Pay More Taxes Later," Commonwealth Foundation, November 3, 2013, <http://www.commonwealthfoundation.org/issues/detail/reform-state-pension-plans-now-or-pay-more-taxes-later>.

⁴Pennsylvania Independent Fiscal Office, "Pennsylvania's Economic and Budget Outlook, Fiscal Years 2013-2014 to 2018-2019," November 14, 2013, <http://www.ifo.state.pa.us/download.cfm?file=/resources/PDF/Five-Year-Economic-and-Budget-Outlook-Nov-2013.pdf>.

⁵Nathan Bomey, "Detroit Bankruptcy Deal: Civilian retiree group agrees to support cuts," Detroit Free Press, May 2, 2014, <http://www.freep.com/article/20140502/NEWS01/305020121>.