Pensions Under Attack

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A recent report from The Commonwealth Foundation compares Pennsylvania's state pension funds to a ship heading toward an iceberg. The Foundation fails to mention that the ship recently coasted through a hurricane without a scratch -- and came out with plenty of reserve fuel.

I serve on the board of SERS (the State Employees' Retirement System) and am the Executive Director of Council 13 of AFSCME (the American Federation of State, County, and Municipal Employees), which represents more than 65,000 public employees of the state and in counties, townships, boroughs, cities, school districts, and health care facilities across the Commonwealth.

The Foundation's report fails to acknowledge that pension funds typically generate greater earnings than most 401(k)-style retirement accounts, for good reason: Pension funds pool all of the contributors' assets into a large pool managed by investment specialists. Retirement accounts create separate accounts for thousands of individual participants, who are left to figure out the investments for themselves.

With no administrative costs to the state's General Fund, SERS serves more than 200,000 active and retired participants, and has scored three straight years of outstanding returns -- 14.9 percent in 2005 (double the national median for similar funds); 15.1 percent in 2004; and 24.3 percent in 2003. SERS' excellent financial stewardship has saved Pennsylvania more than $2 billion in the past decade, placing us in the top 5 percent of pension funds in the nation and earning us prestigious national awards for investment management.

Three years ago, when the Commonwealth faced a $2.5 billion budget deficit, the Budget Office and the Legislature crafted Act 40, legislation that delayed the state's contributions until it regained its financial footing. Since Act 40 was signed into law, the state contributed nothing for one year, 1 percent the next year, 2 percent the following year, and 3 percent this fiscal year. All the while, state employees have continued to pay an average of 6.25 percent of their earnings. In fact, the state's contributions will remain low until 2012.

In short, the Commonwealth Foundation has cherry-picked data and predicted the "worst-case scenario" for every possible variable, twisting the data to further its agenda of attacking public service workers and gutting government. The Commonwealth and SERS are already tackling this issue: Pennsylvanians should rest assured that Pennsylvania is not the Titanic, and there are no icebergs in our pension fund's future.

Sincerely,

David R. Fillman
Executive Director
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