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WOLF CALLS FOR MUNICIPAL PENSION REFORM IN BUDGET ADDRESS

HARRISBURG, PA– At least one item in Governor Wolf’s first budget address, recognition of the growing municipal pension crisis, was met with immediate bipartisan support from Republican lawmakers and municipal officials, including a number of Democratic Mayors who were in the state capitol.

HB 316, soon to be introduced by Representatives Keith Greiner (R-Lancaster) and Seth Grove (R-York), enjoys strong support from municipal and business leaders from across the state, all members of the Coalition for Sustainable Communities. Among the Democratic municipal officials on hand to endorse the legislation were York Mayor Kim Bracey, Lancaster Mayor Rick Gray and Allentown Mayor Ed Pawlowski.

HB 316 is designed to give communities the tools needed to rein in the spiraling costs of municipal pensions. Under the plan, current and retired employees retain all of their existing rights and benefits. Future employees are shifted to a more affordable cash balance defined benefit plan and will no longer be permitted to spike their final average salary. The costs of the cash balance pensions will be much more predictable, and the risk of underfunding is much less likely because the contributions to the plan are mandated and the guaranteed rate of investment return is tied to a market index.

“I am pleased that the Governor has recognized the need to deal with municipal pension distress in our state,” Greiner said. “Underfunded municipal pensions are a statewide problem. And it’s not only an urban issue. While the state’s two major cities account for the bulk of this liability due to sheer size, the remaining pension liability across the state is equally split between cities on one side and townships and boroughs on the other.”

Lancaster Mayor Rick Gray explained the financial drain pension costs have had on his city’s budget. “Pension costs in the City of Lancaster have hurt our budget and forced cuts to services including public safety. Current police and fire personnel costs account for nearly 60% of the city’s total budget. Without key reforms, such as HB 316, local governments and taxpayers are strapped with crushing financial burdens.”



“As lawmakers deal with state-level pension reform this year, we cannot leave our municipal governments behind,” added Grove. “Ignoring these problems got us into this situation in the first place. There is no quick fix to the current municipal pension crisis without a huge influx of revenue, but even then the underlying structural problem is not solved and that’s what we address in HB 316.”

York Mayor Kim Bracey thanked Greiner and Grove for their continued support of municipal governments and public safety: “Public safety costs now account for more than 70% of York’s operating budget. The ever-growing strain of funding legacy pensions is not only a threat to basic municipal services, but to the pension funds themselves. This story is playing out across the country as pensions for current and retired public safety employees are now in jeopardy.”

Allentown Mayor Ed Pawlowski added, "Like many challenges municipal leaders deal with, this issue transcends politics. The futility of funding public pensions the same old way, based on obsolete models and decades-old formulas, is one municipal leaders and taxpayers agree on. Now we need Members of the Pennsylvania General Assembly to join us in the spirit of cooperation and bipartisanship."

Highlights of HB 316:

- All current employees are held harmless and retain existing rights and benefits at current levels;
- For new hires only, shifts to a cash balance hybrid plan – a balanced and financially sustainable approach that includes aspects of both a defined benefit and a defined contribution plan. A hybrid plan, as designed here, also allows existing pension liabilities to be paid down over time and without the need for new revenue;
- Authorizes an optional 457 plan as an additional employee retirement tool;
- Requires pensions to be calculated on base pay and a small percent of overtime. This will curb the practice of “spiking” or increasing final average salary with excessive overtime and unused sick/vacation days;
- Removes pension benefits from the collective bargaining process;
- Establishes pension plan portability options for new hires; and
- Improves job and pension security for uniformed unions.

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The Coalition for Sustainable Communities (CSC) is a growing alliance of over 40 organizations, including chambers of commerce, professional and community development groups, the Pennsylvania Municipal League, the Pennsylvania State Association of Township Commissioners, the Pennsylvania State Association of Township Supervisors and the County Commissioners Association of Pennsylvania. The CSC was formed in 2011 to help the Commonwealth’s urban, suburban and rural communities address growing economic and budgetary challenges.

Online at www.coalitionforsustainablecommunities.org.