

**July 2015**

**Tax & Regulatory Committee**

Letter from the Committee

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**Pension Reform Bill passes PA Senate**

Earlier this year, PA Senate Republican leadership essentially deemed pensions the most pressing fiscal issue in the Commonwealth. On May 13, the PA Senate voted 28-19 in favor of the adoption of SB 1 which pertains to the Public School Employees Retirement System (PSERS) and the State Employees Retirement System (SERS). The state pension system is currently a \$50 billion unfunded liability. The bill seeks to address the pension crisis on a prospective basis (e.g., it does not address the liability from the past) in a number of ways:

- Does NOT address past debt
- Establishes a 401K Style plan for new hires - State Workers, Teachers and Members of the General Assembly
- Makes no changes to benefits for current retirees
- Allows employees to maintain 2001 (2.5 multiplier) pension formula if they opt to contribute more; if they elect not to their pensions will be calculated at the 2000 rate (2.0 multiplier)
- Establishes a Public Pension Management and Investment Review Commission which will report to the General Assembly and Governor
- Provides for the percentage of employee deduction to decrease if investments exceed necessary returns

In Summary, SB 1 is significant legislation that would create a new pension system and replace the current way Pennsylvania allocates its pension funds, saving the Commonwealth \$18.3 billion over 30 years.

As Michael Woodland mentioned last month in this column, The Chamber's Pension Sub-Committee has worked for several months to develop a statement of The Chamber's policy on pension reform. The policy is being reviewed and assessed through the Chamber's policy process and we look forward to sharing it with you and using it in encouraging legislators to find a solution to this problem.