

August 2015

Tax & Regulatory Committee

Letter from the Committee

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On June 22, The Chamber's Board of Governors voted unanimously to accept the State Pension Reform Statement written by a subcommittee of the Tax & Regulatory Committee. With an unfunded pension liability of \$50 billion, Pennsylvania has the second most underfunded pension system in the country. Covering this shortfall could involve raising taxes, cutting government services, or putting the burden on current employees.

The Chamber supports solutions that would have the following features:

- Protect taxpayers from tax increases to meet the state's obligations to public employees
- Do no harm to current retirees
- Respect current employees
- Incorporate best practices from other states

Specifically, The Chamber supports proposals that would:

- Put new employees, including newly elected and re-elected legislators into a defined contribution plan
- Seek voluntary concessions from unions
- Consider all the benefits retirees receive (e.g., health insurance)
- Raise the retirement age and offer reduced pensions for employees who voluntarily retire early
- Require school districts and related entities to set aside reserves to prepare for known rate spikes
- Consider all options to mitigate and reduce future liabilities, including, but not limited to, reducing the rate multiplier for all new hires
- Provide flexibility for changing market conditions and actuarial assumptions
- Coordinate benefits of multiple pensions
- Place restrictions on lump sum pension distributions when the plan is underfunded.
- Create a Commission to provide oversight, make recommendations and evaluate ROI, management fees and performance

The statement is intended as a living document to be amended as needed. We implore the legislature to act quickly on this issue and to consider these features as it works to resolve the crisis.

Many thanks to the subcommittee members for crafting such a thoughtful statement. Full text is available at LehighValleyChamber.org.