

Pennsylvania Pension System Reform

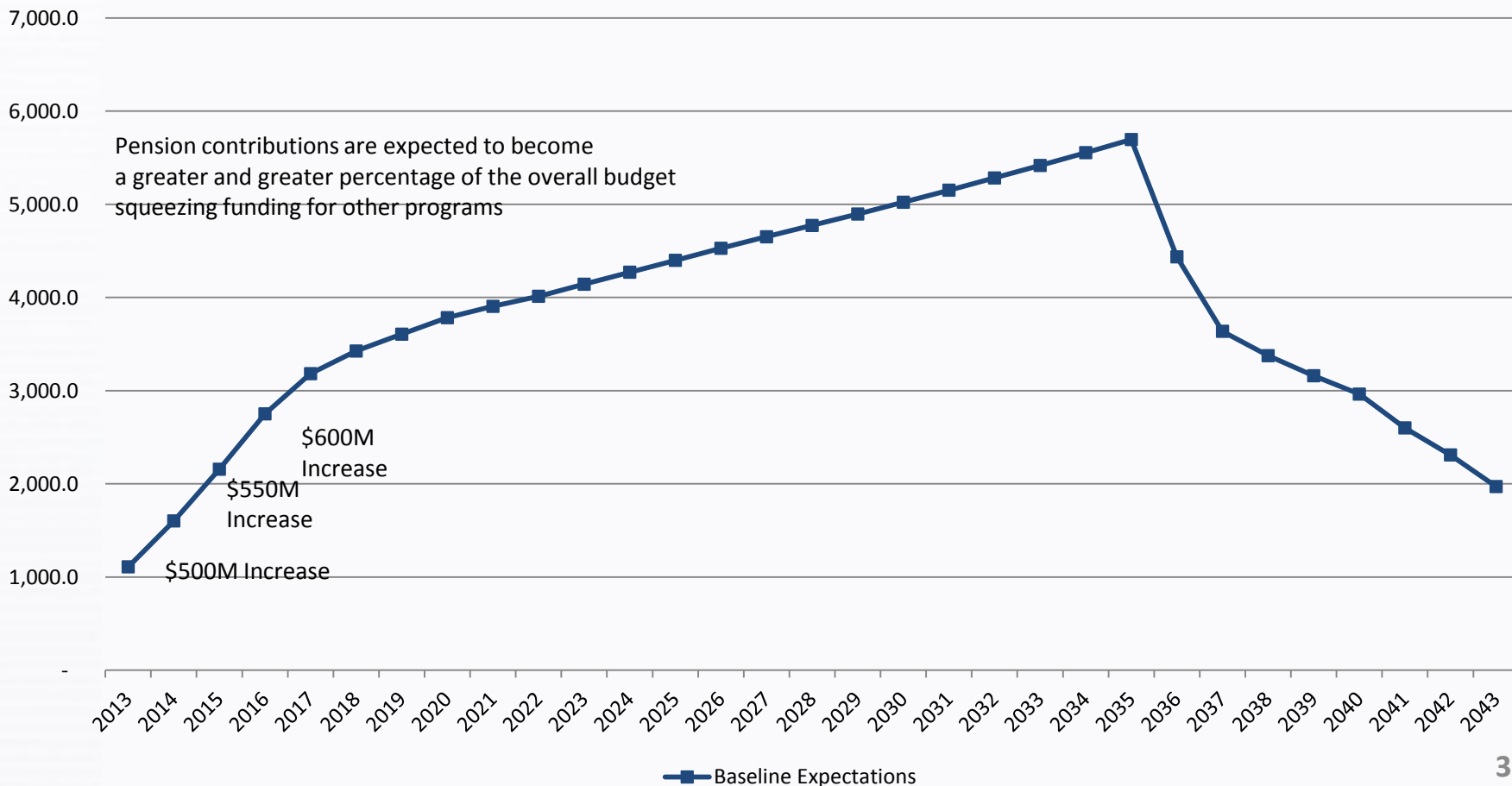
March 12, 2013

Impact of Reform:

*General Fund Contributions, Contribution Rates,
and Unfunded Liability*

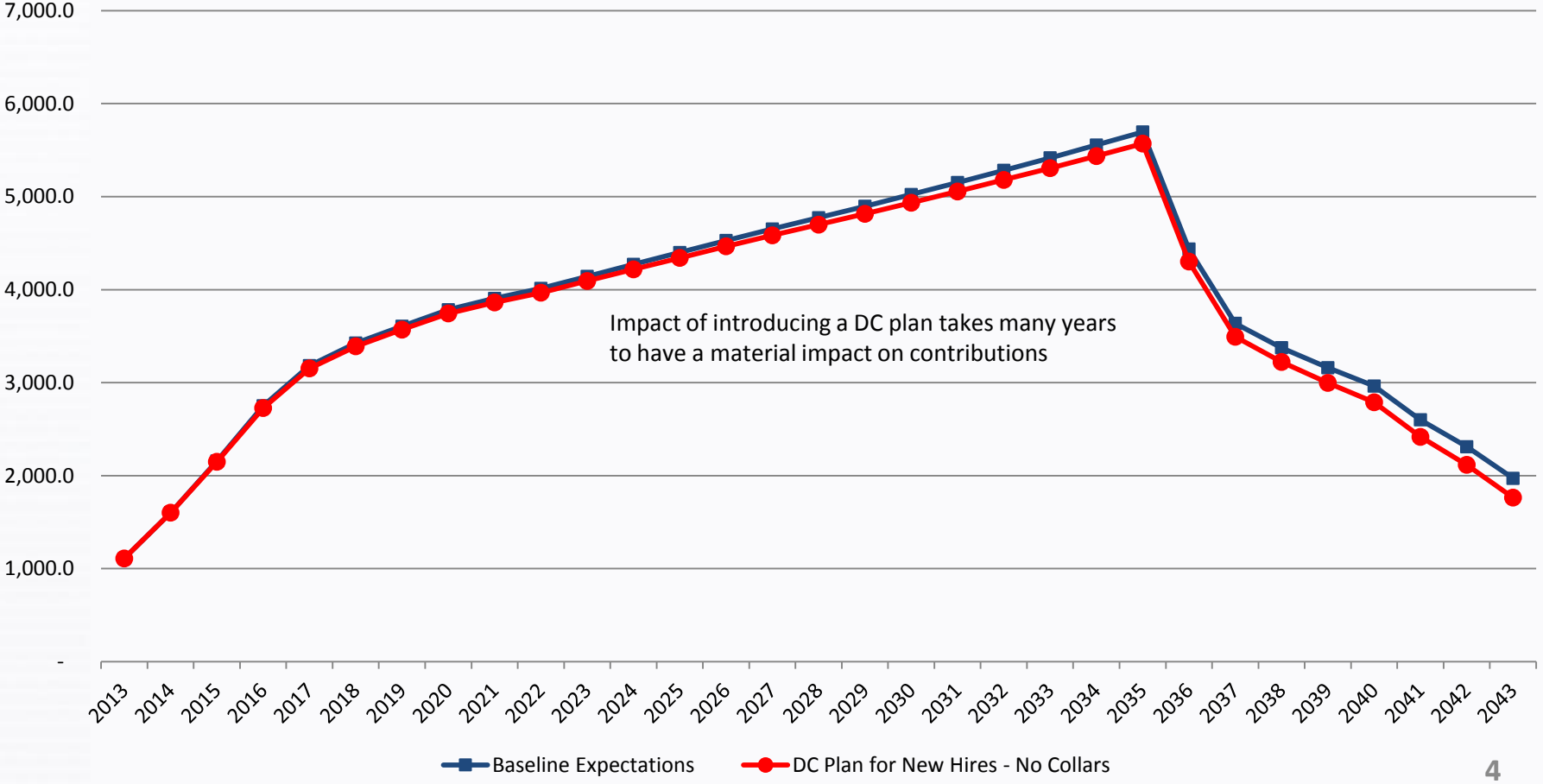
General Fund Contributions

SERS+PSERS: Projected Contribution Dollars Payable From General Fund
(41.4% of SERS contributions and nearly 60% of PSERS)
(Amounts in Millions)



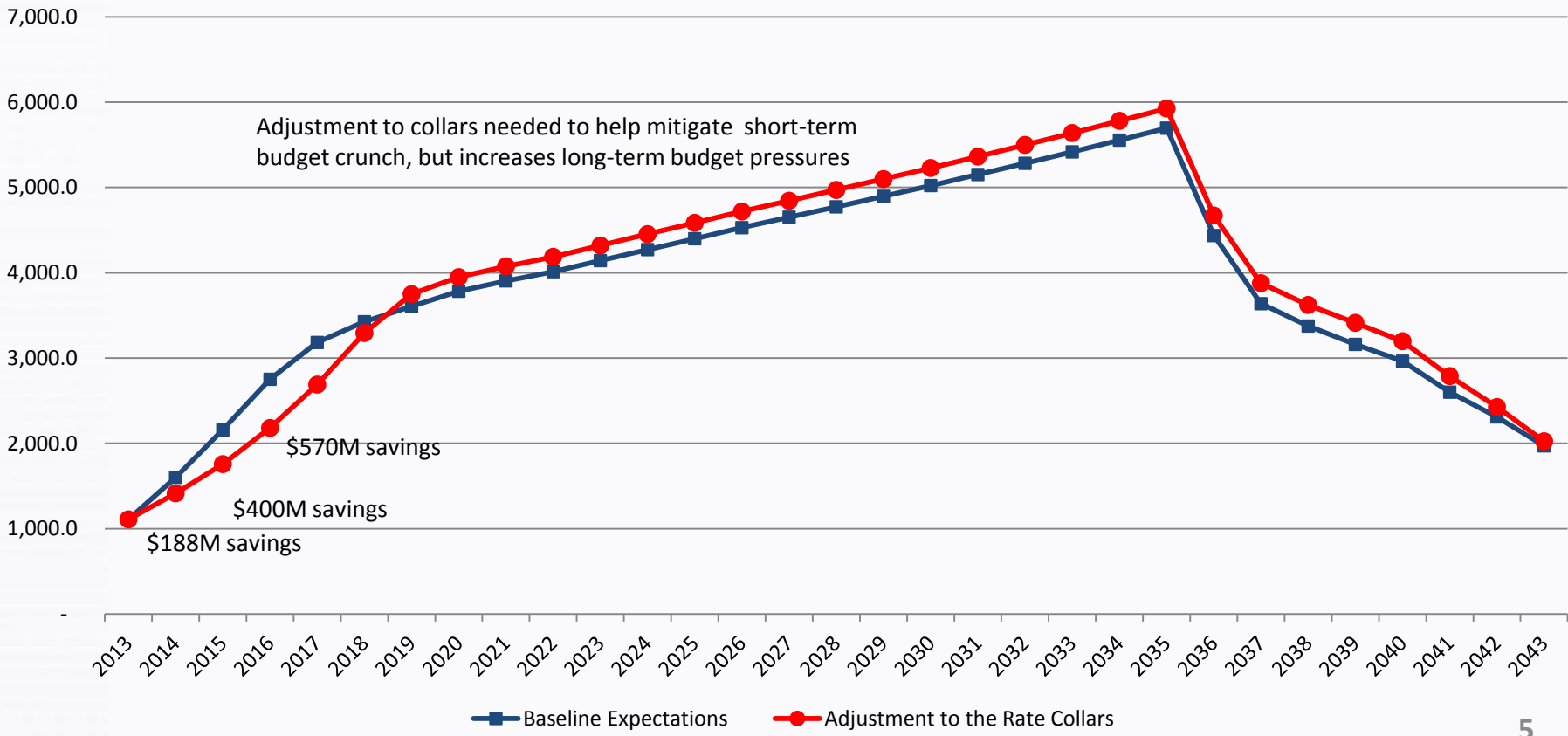
General Fund Contributions with DC Plan Only

SERS+PSERS: Projected Contribution Dollars Payable From General Fund
(41.4% of SERS contributions and nearly 60% of PSERS)
(Amounts in Millions)



Collar Adjustment Only

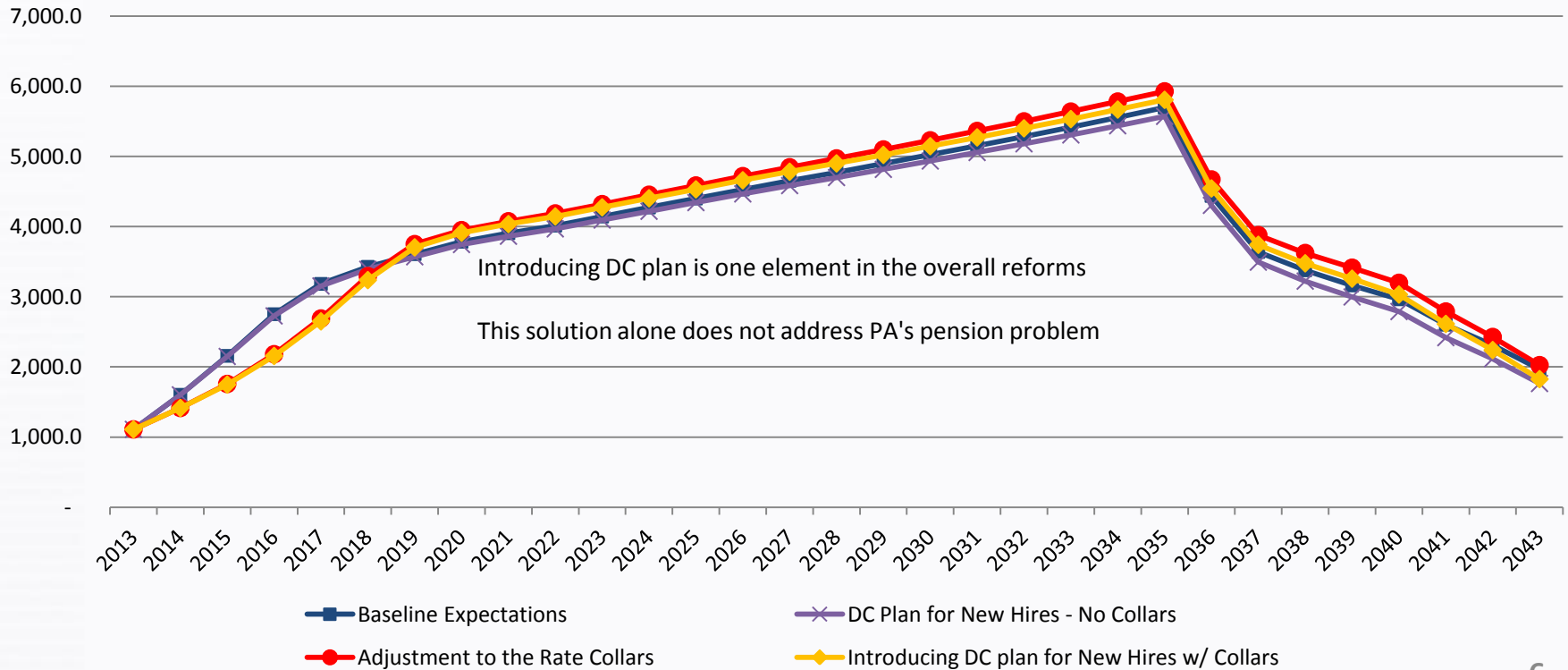
SERS+PSERS: Projected Contribution Dollars Payable From General Fund
 (41.4% of SERS contributions and nearly 60% of PSERS)
 (Amounts in Millions)



Collar Adjustment Plus DC Plan for New Employees

SERS+PSERS: Projected Contribution Dollars Payable From General Fund

(41.4% of SERS contributions and nearly 60% of PSERS)
(Amounts in Millions)



Collar Adjustment Plus Changes to New and Current Employees

SERS+PSERS: Projected Contribution Dollars Payable From General Fund (41.4% of SERS contributions and nearly 60% of PSERS) (Amounts in Millions)

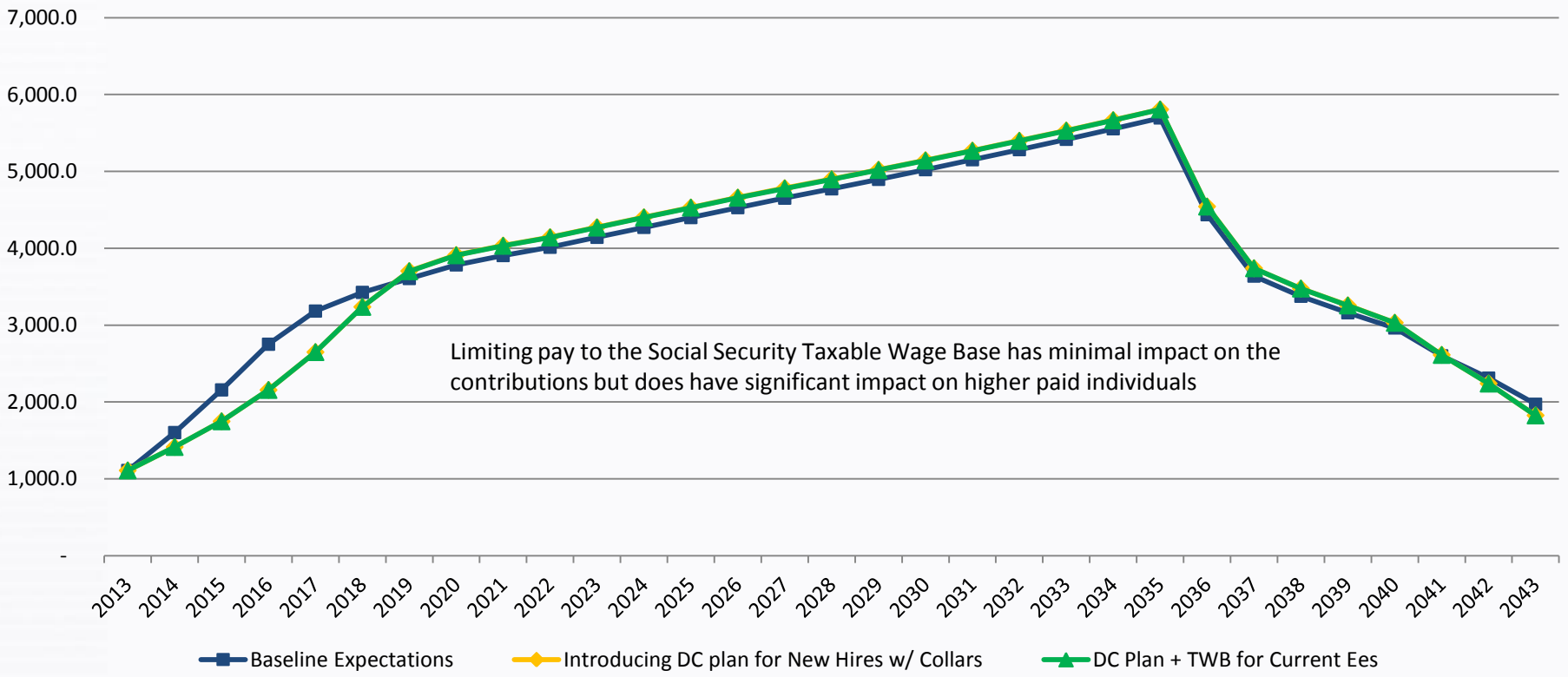


By including reforms for current employees, the hill is significantly reduced making the burden on future taxpayers somewhat more manageable

But it is still going to be difficult

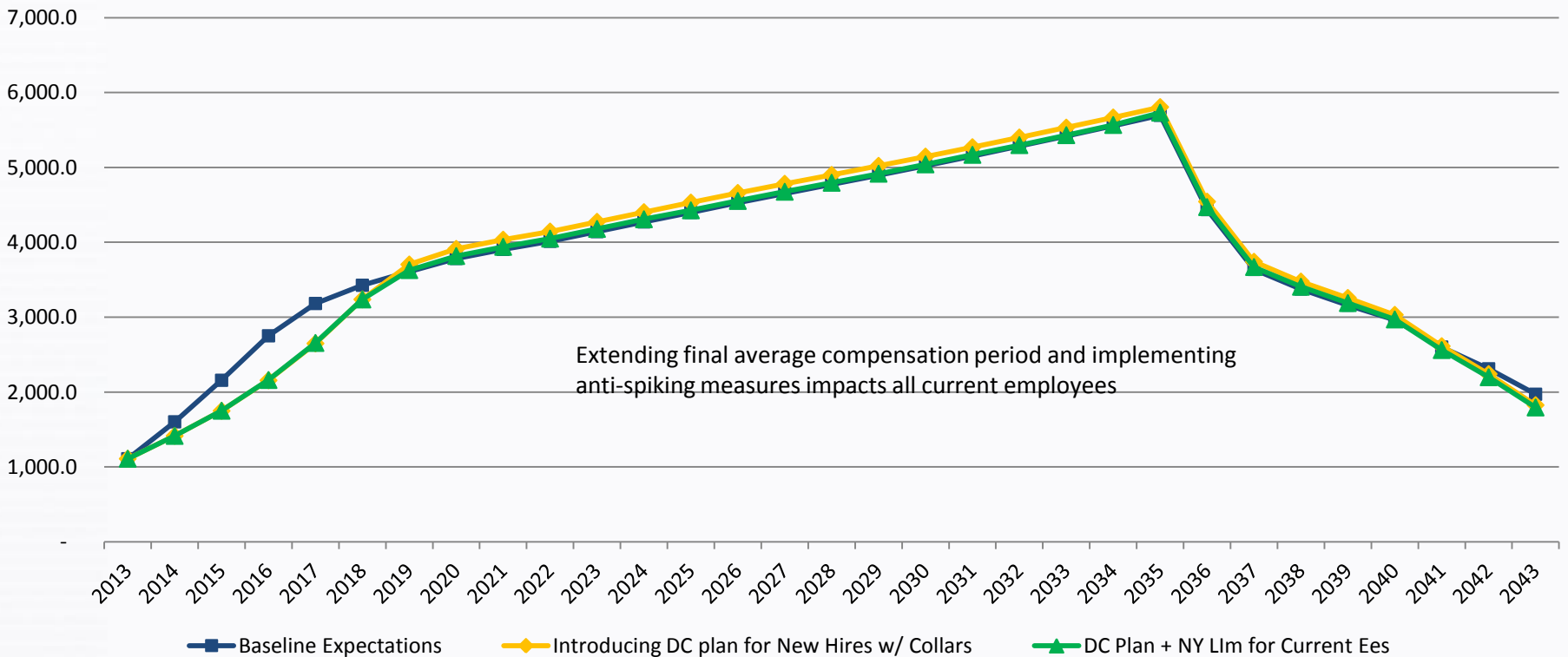
Collar Adjustment Plus DC Plan for New Employees and TWB for Current Employees

SERS+PSERS: Projected Contribution Dollars Payable From General Fund
 (41.4% of SERS contributions and nearly 60% of PSERS)
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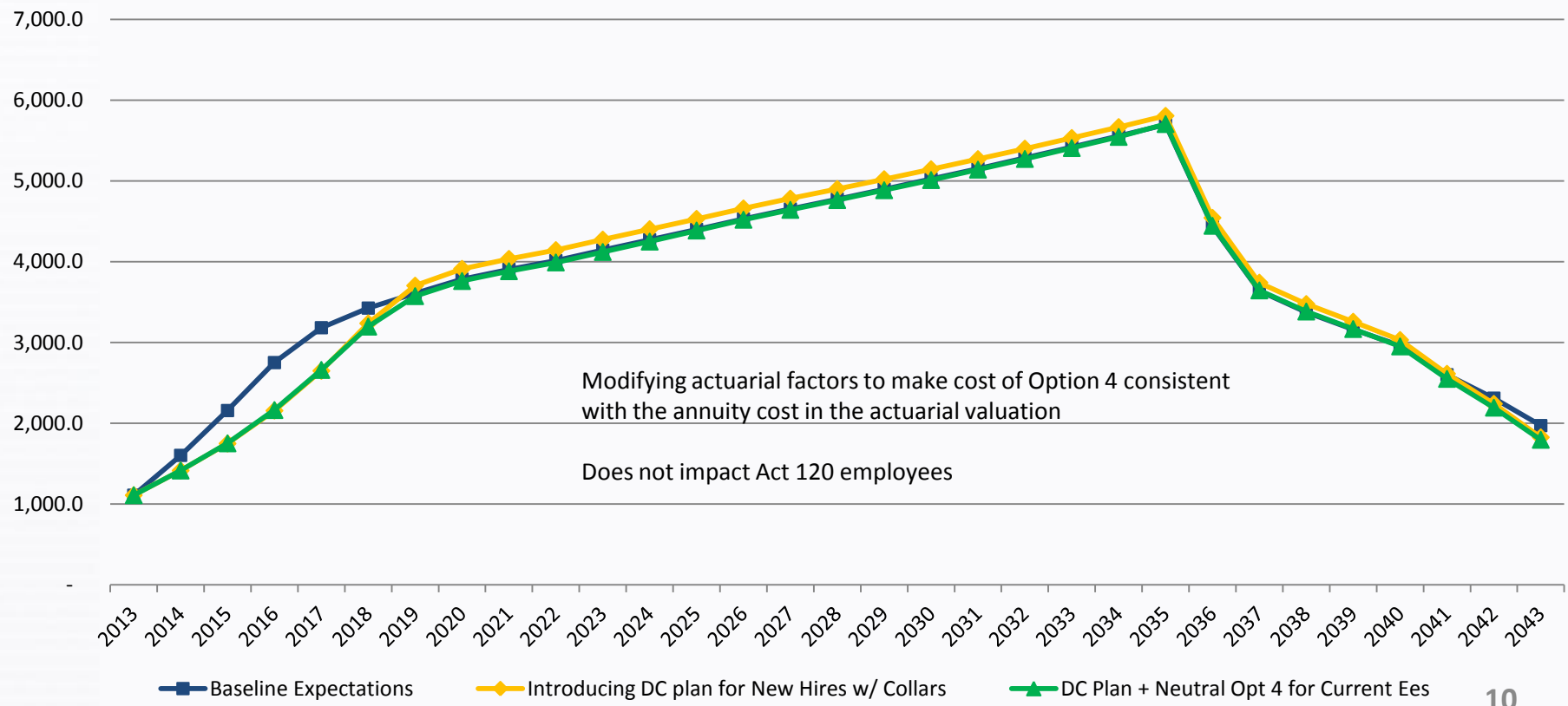
Collar Adjustment Plus DC Plan for New Employees and NY Style Limit for Current Employees

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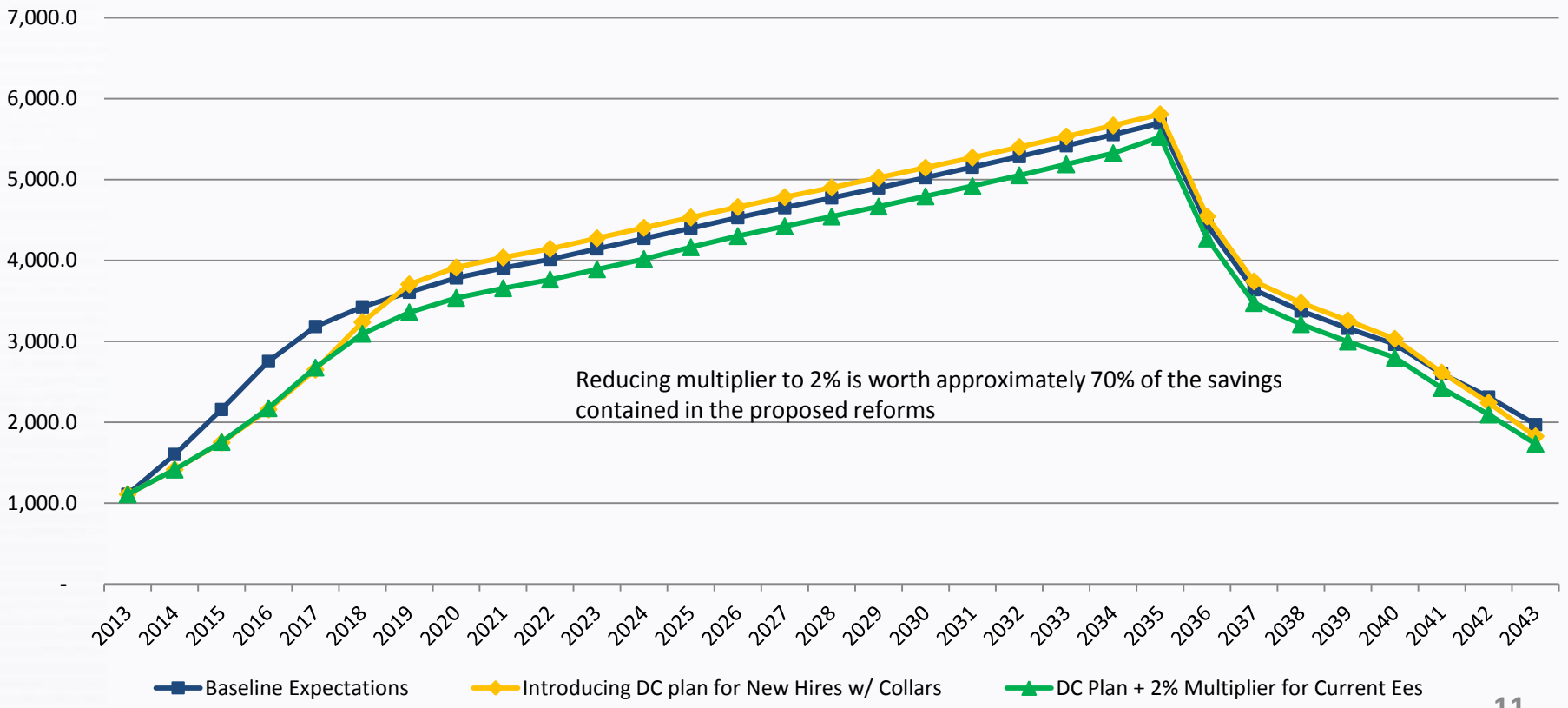
Collar Adjustment Plus DC Plan for New Employees and Neutral Option 4 for Current Employees

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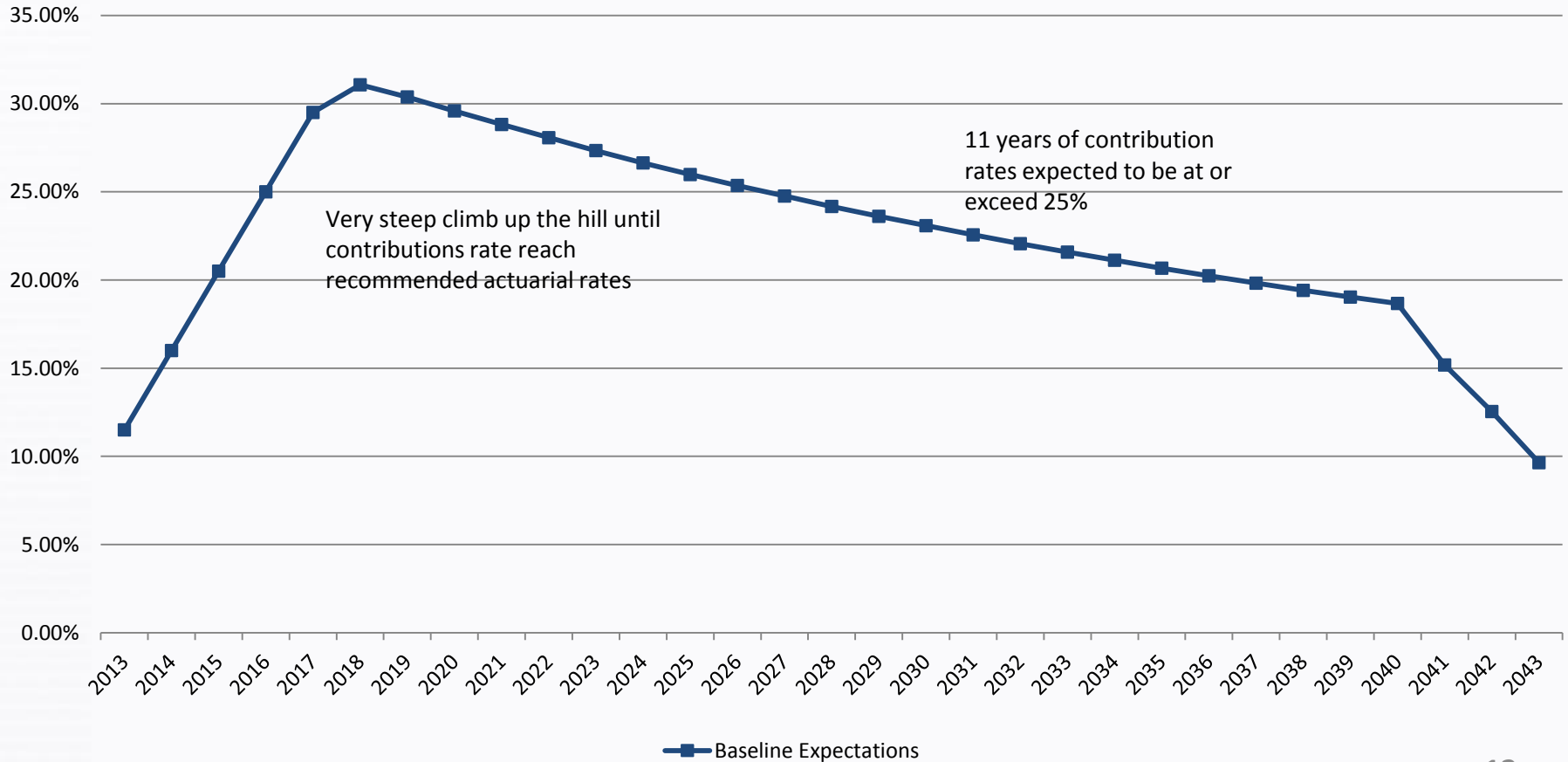
Collar Adjustment Plus DC Plan for New Employees and Multiplier Change for Current Employees

SERS+PSERS: Projected Contribution Dollars Payable From General Fund
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 (Amounts in Millions)



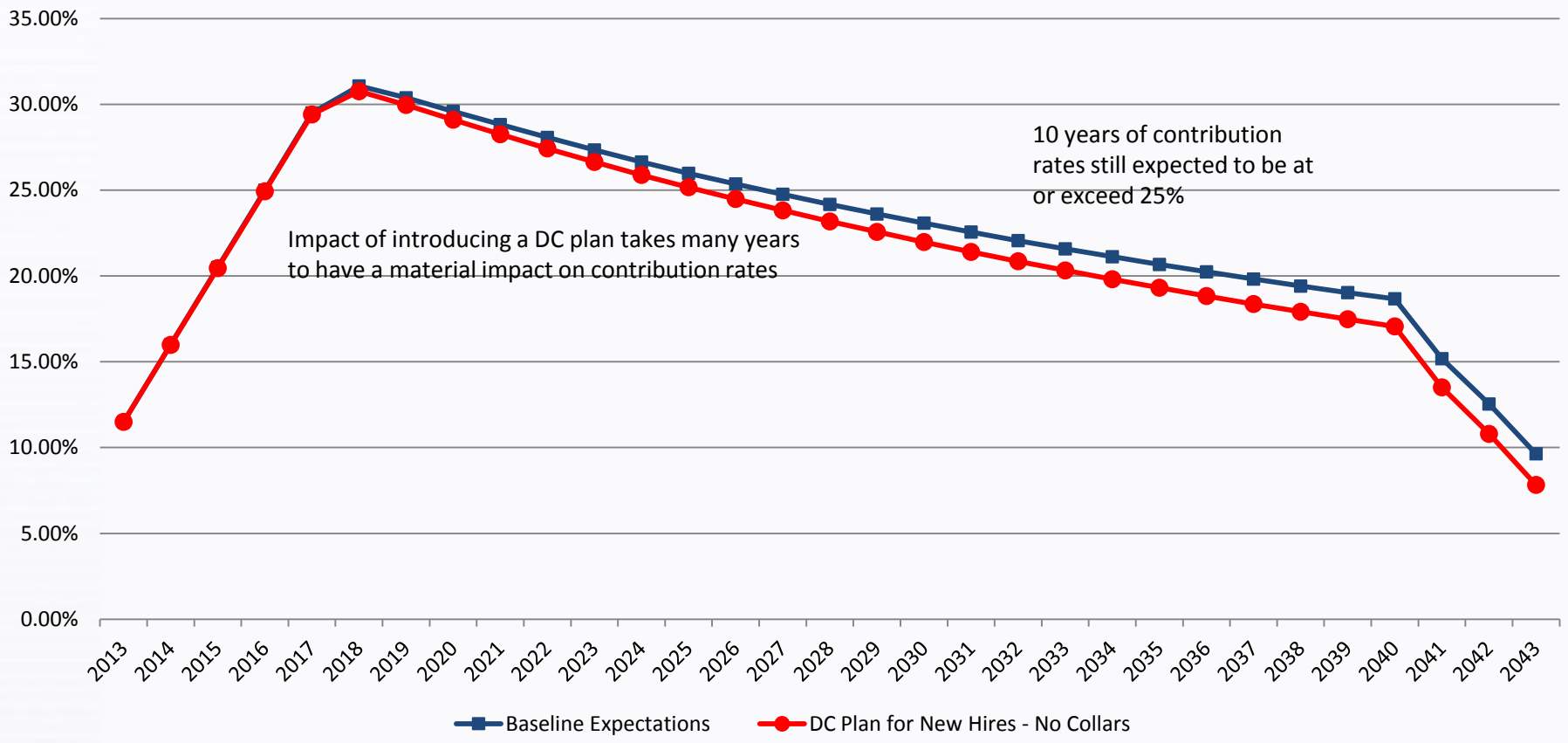
Contribution Rates SERS

SERS: Blended Contribution Rates as Percent of Payroll



Contribution Rates SERS-DC Plan Only

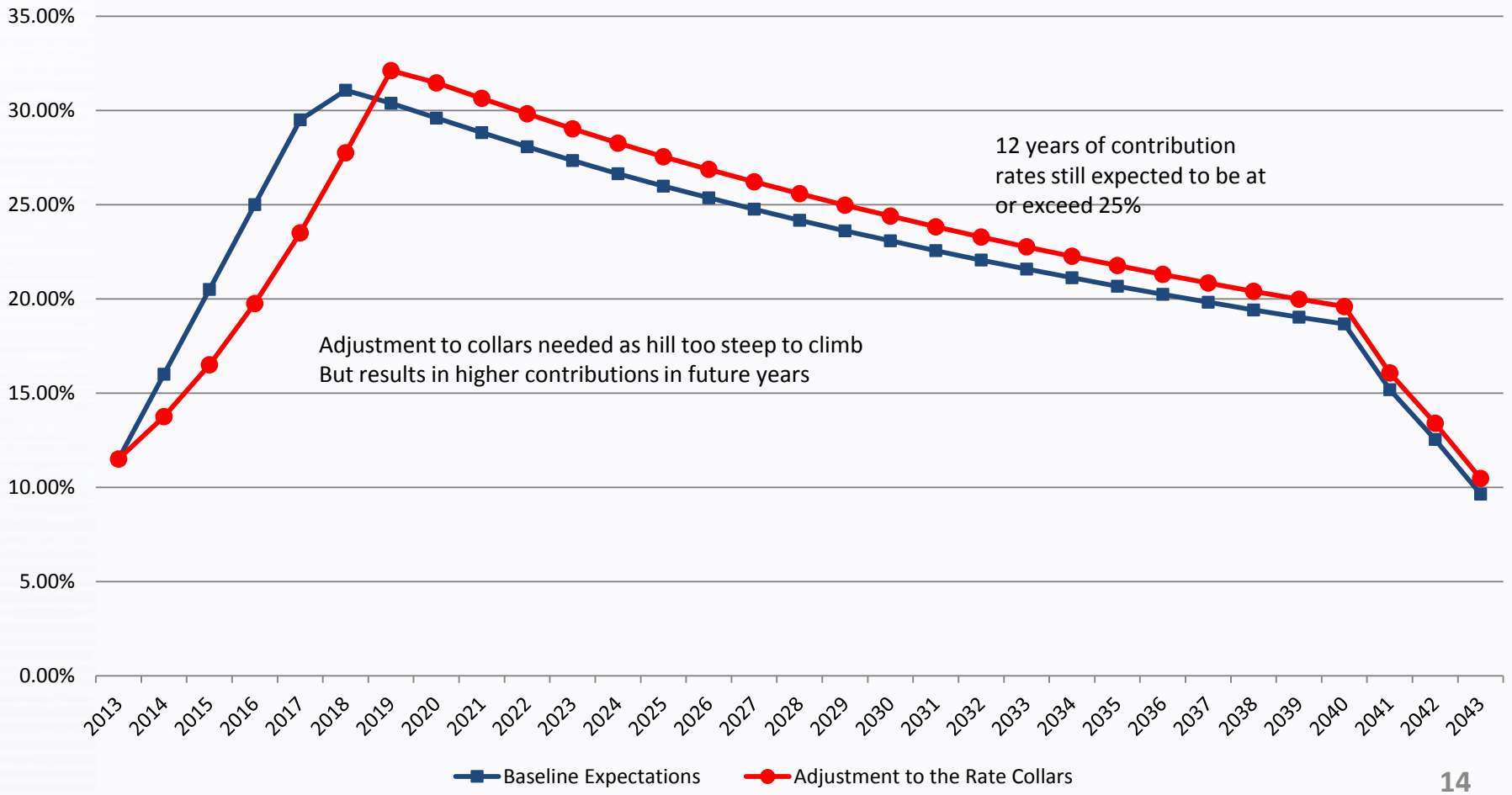
SERS: Blended Contribution Rates as Percent of Payroll



Contribution Rates SERS with Collars and DC

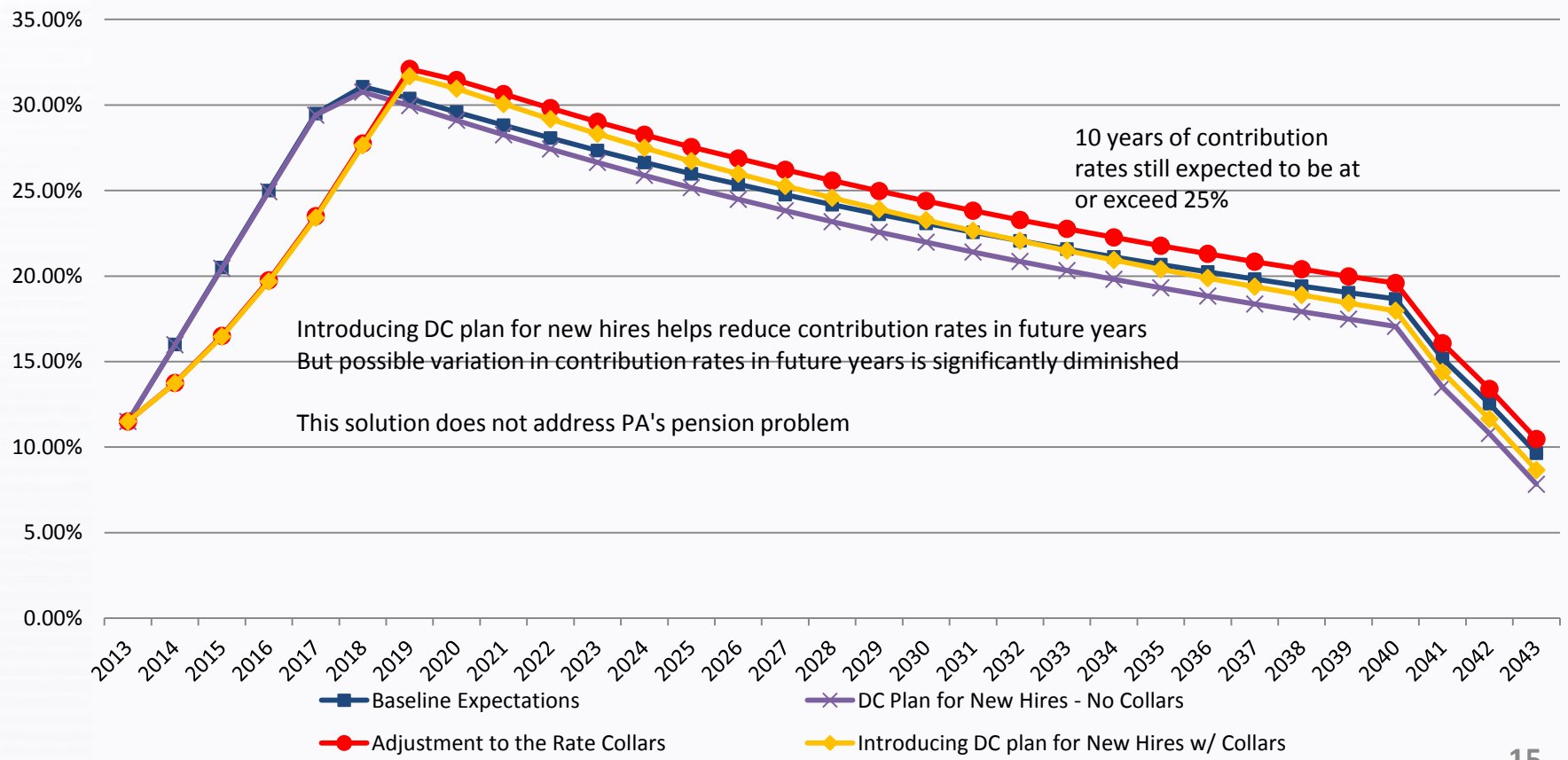
Plan for New Employees

SERS: Blended Contribution Rates as Percent of Payroll



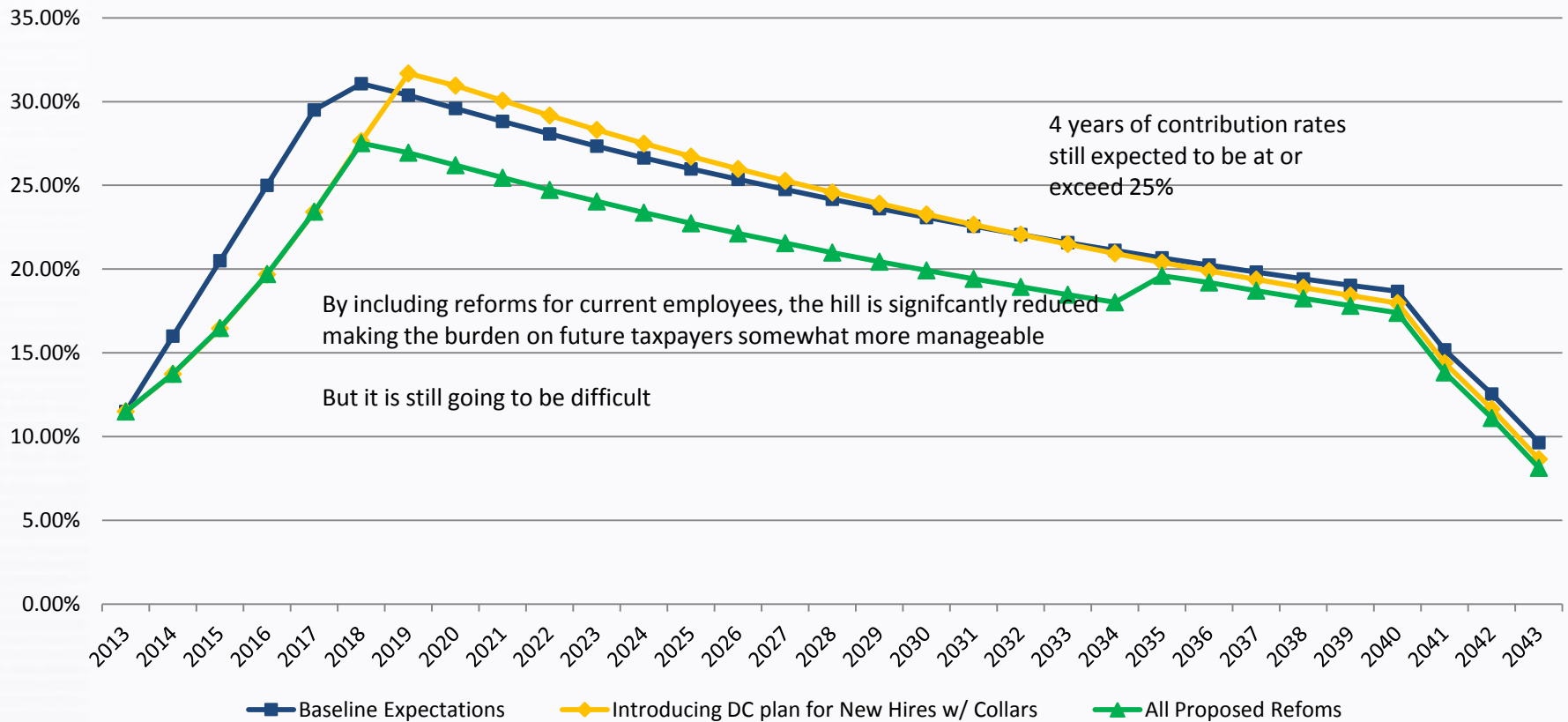
Contribution Rates SERS Collar Comparison-DC Plan for New Employees

SERS: Blended Contribution Rates as Percent of Payroll



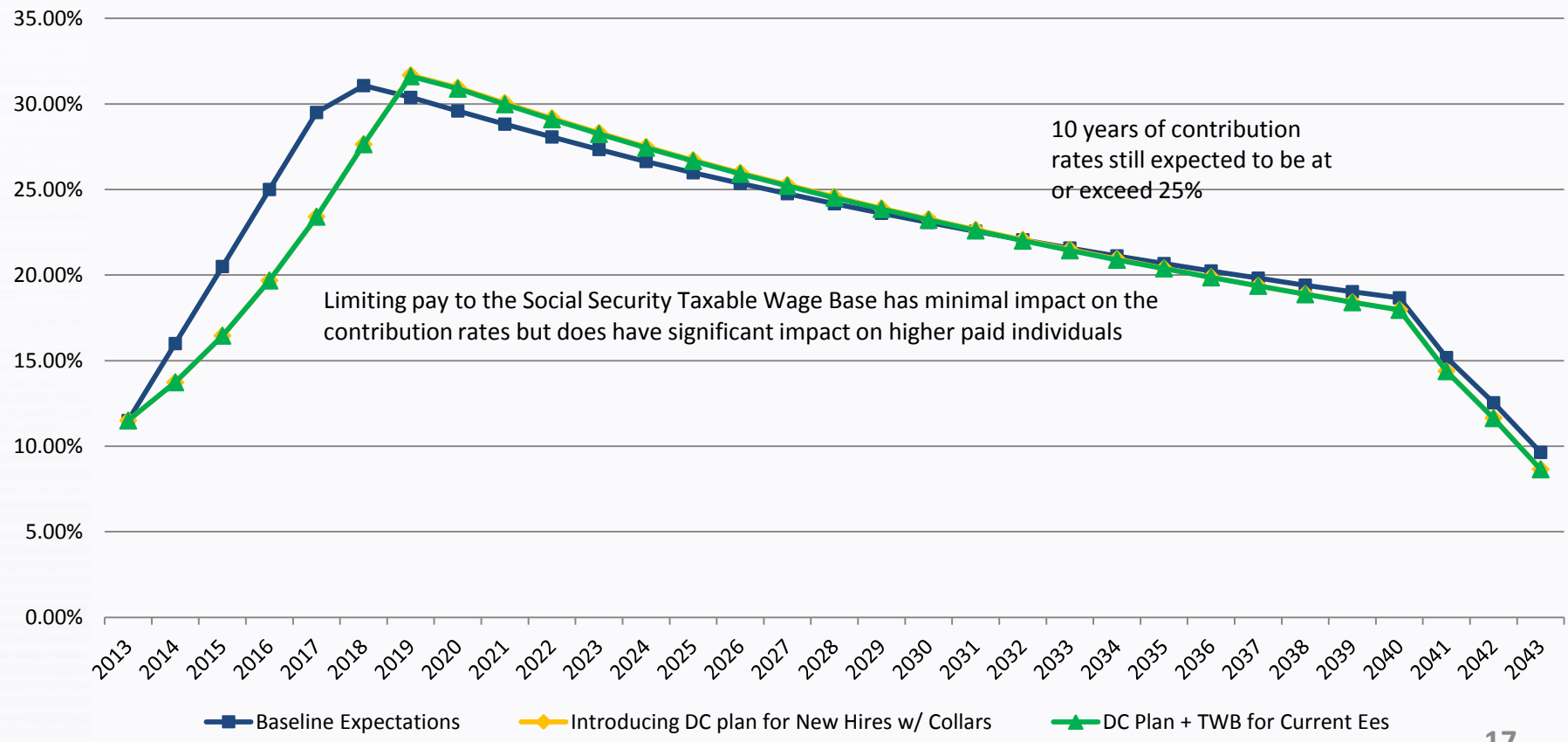
Contribution Rates SERS- DC Plan for New Employees and All Reforms for Current

SERS: Blended Contribution Rates as Percent of Payroll



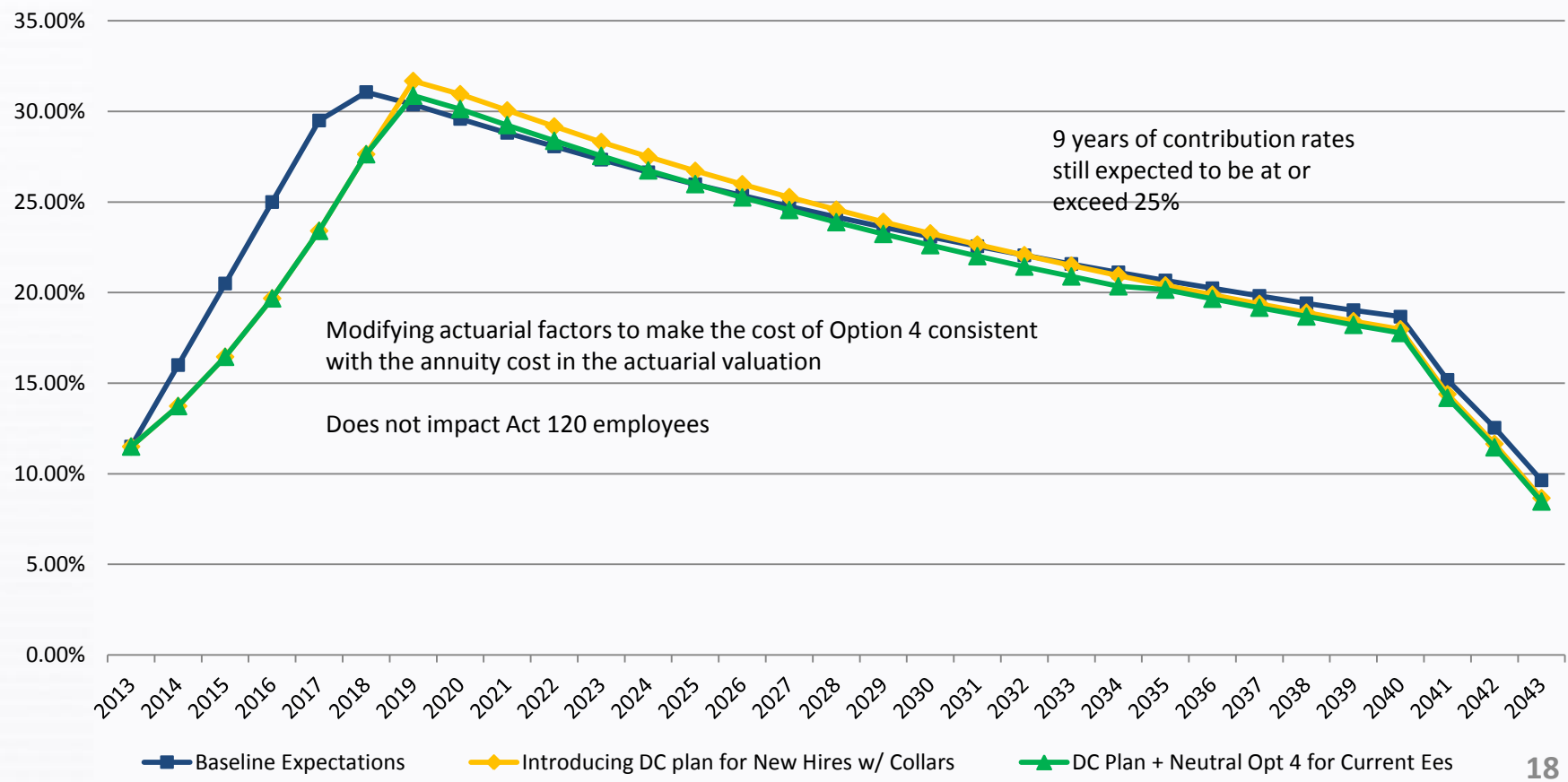
Contribution Rates SERS-DC Plan for New and TWB for Current Employees

SERS: Blended Contribution Rates as Percent of Payroll



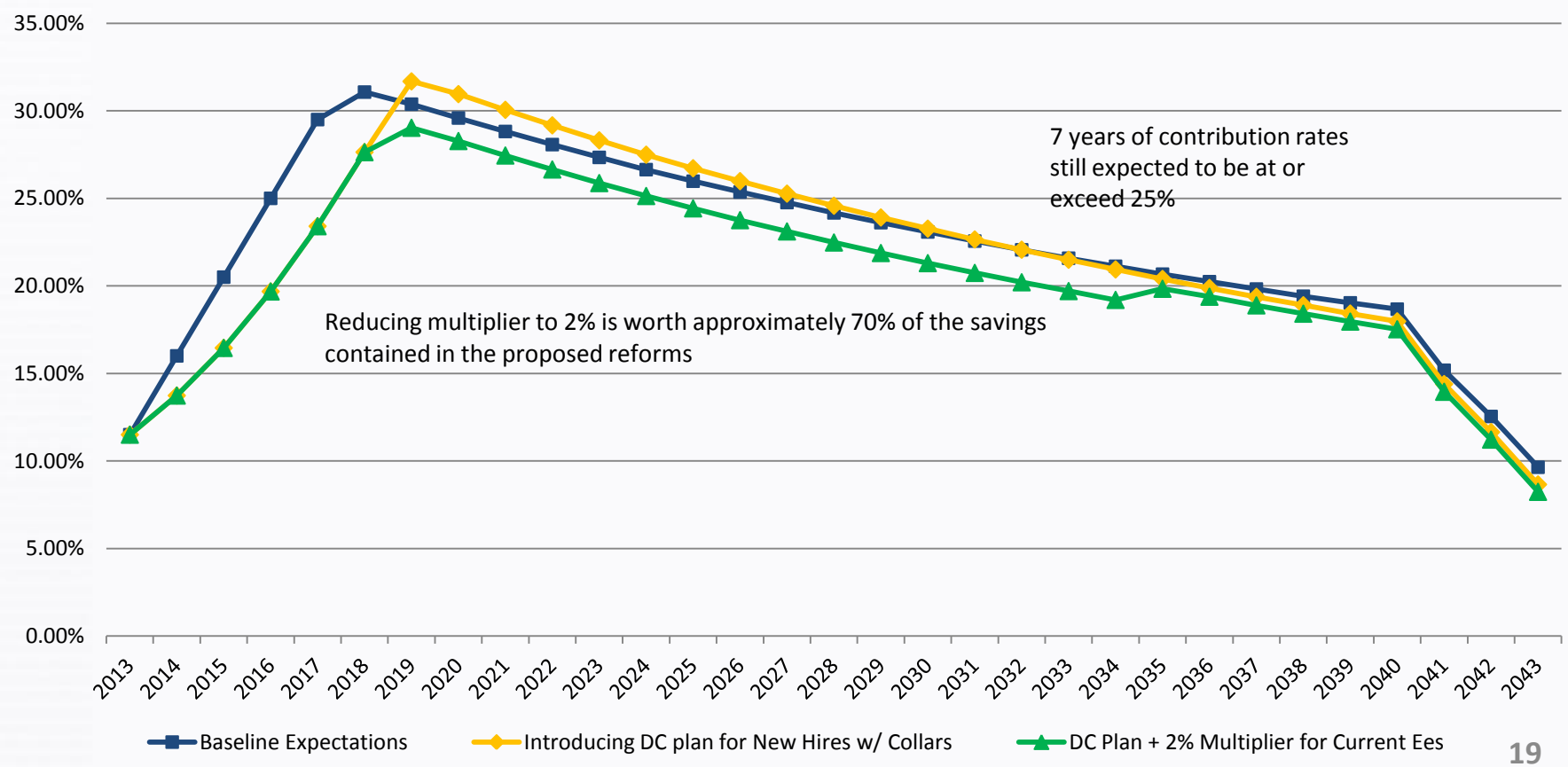
Contribution Rates SERS-DC Plan for New and Neutral Option 4 for Current Employees

SERS: Blended Contribution Rates as Percent of Payroll



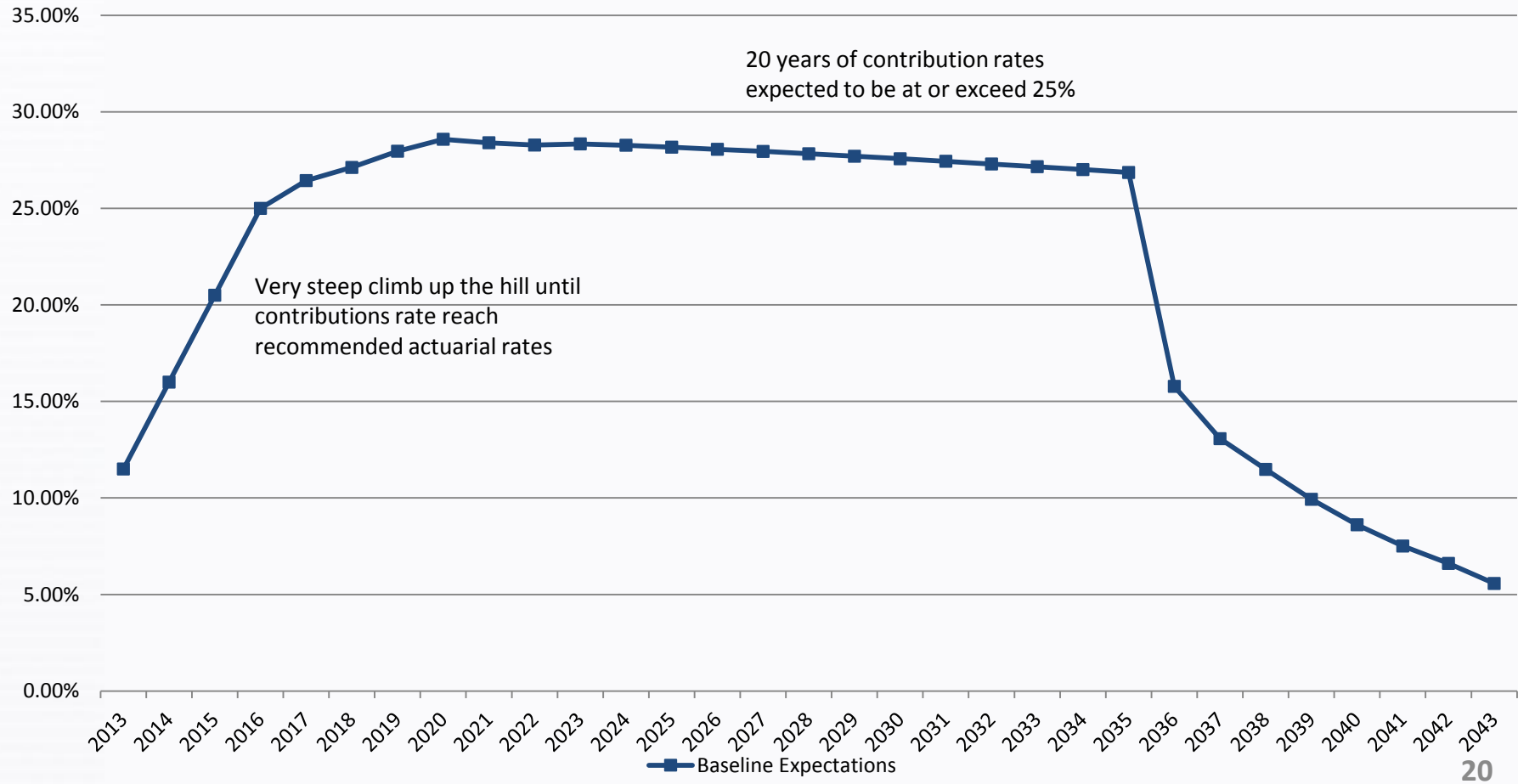
Contribution Rates SERS-DC Plan for New and Multiplier Reduction for Current Employees

SERS: Blended Contribution Rates as Percent of Payroll



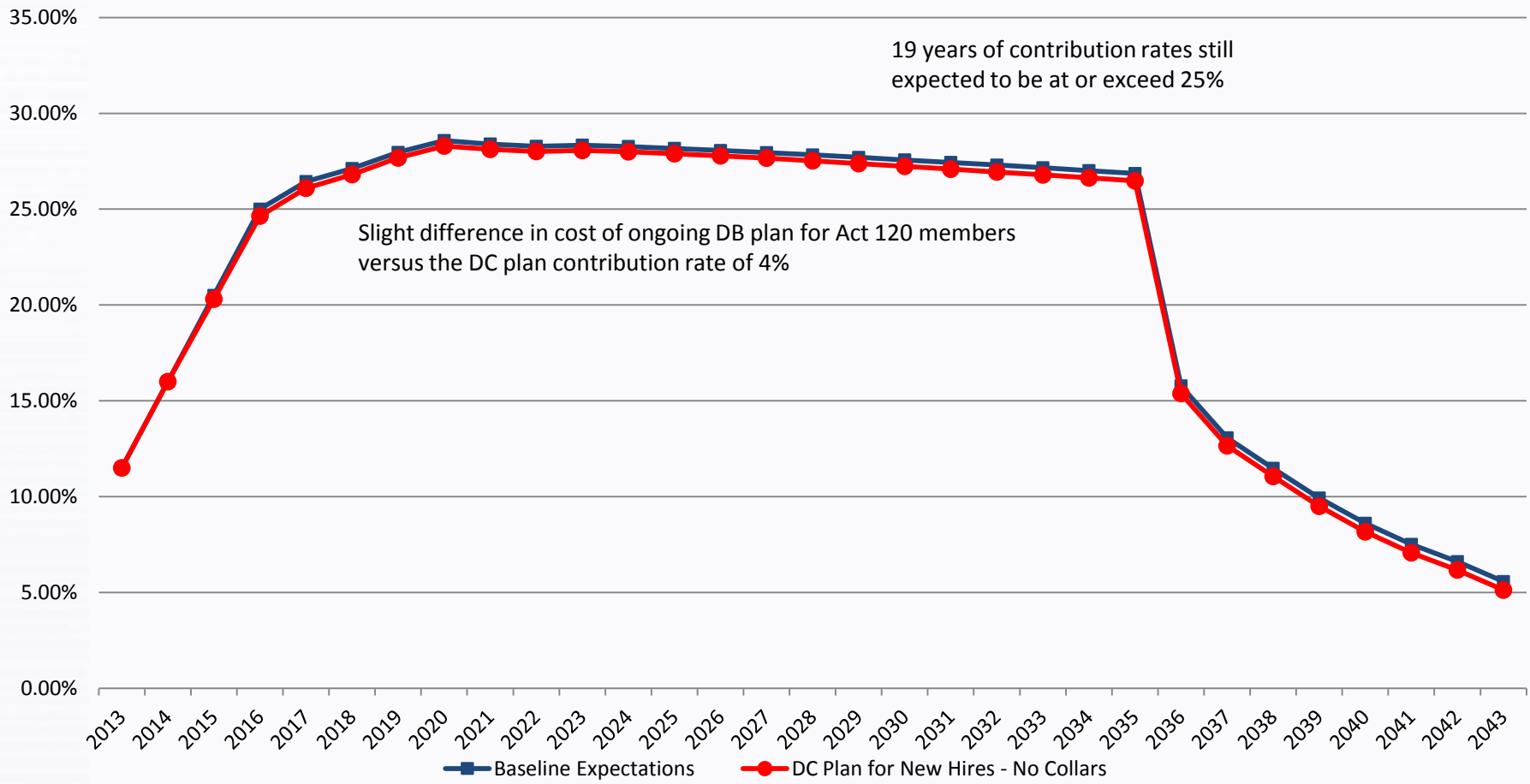
Contribution Rates PSERS

PSERS: Blended Contribution Rates as Percent of Payroll



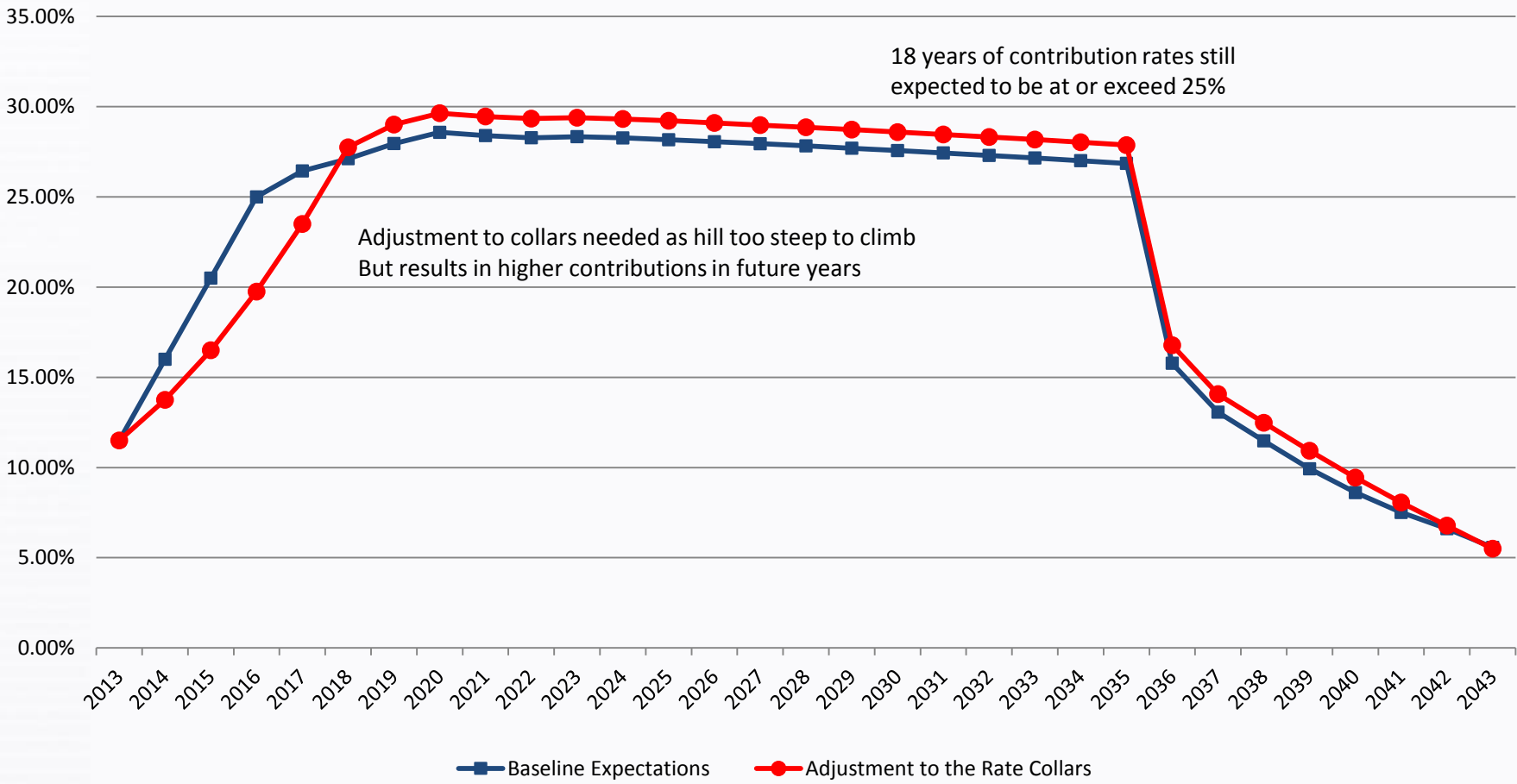
Contribution Rates PSERS-DC Plan Only

PSERS: Blended Contribution Rates as Percent of Payroll



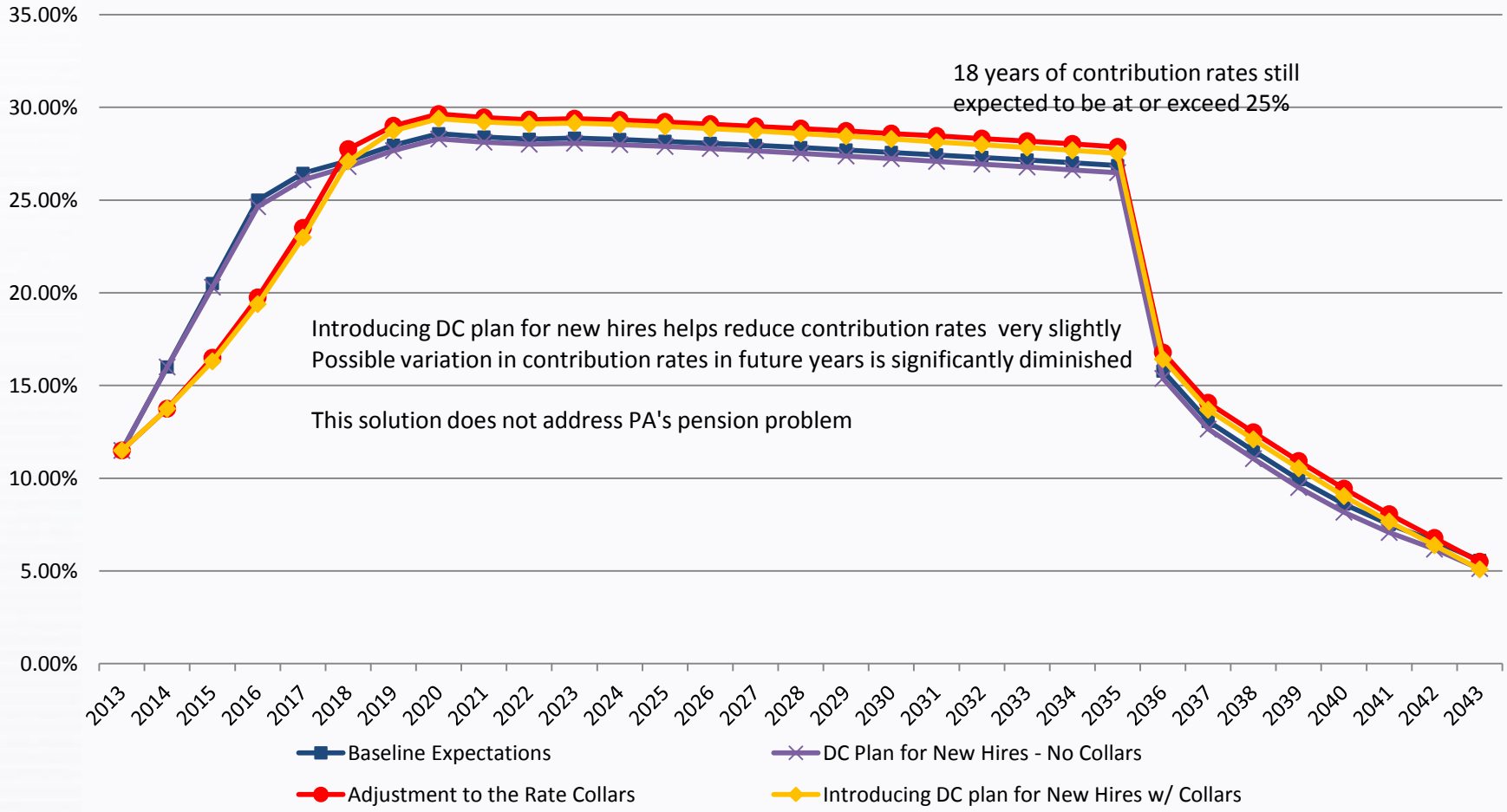
Contribution Rates PSERS with Collars

PSERS: Blended Contribution Rates as Percent of Payroll



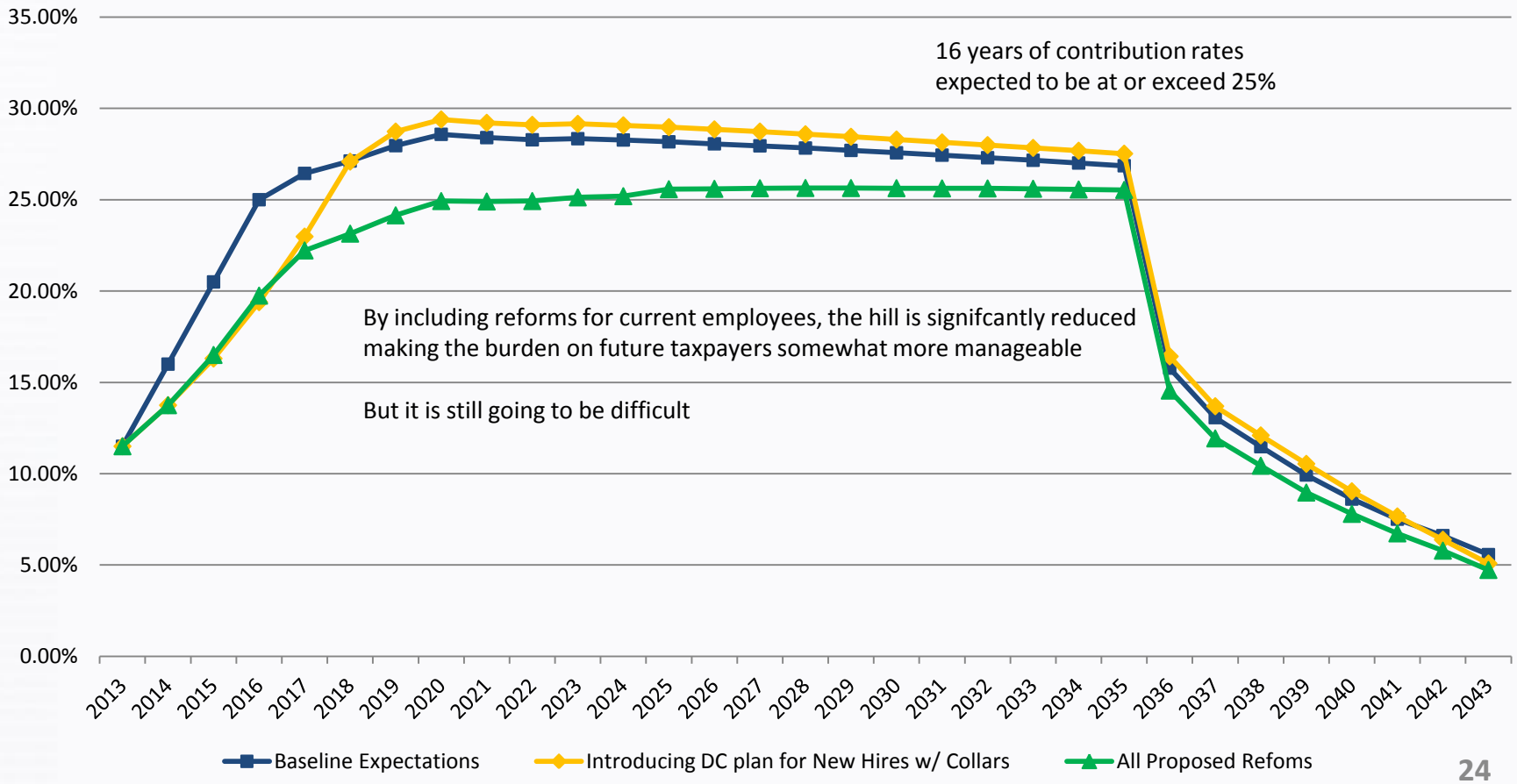
Contribution Rates PSERS with Collars and DC Plan

PSERS: Blended Contribution Rates as Percent of Payroll



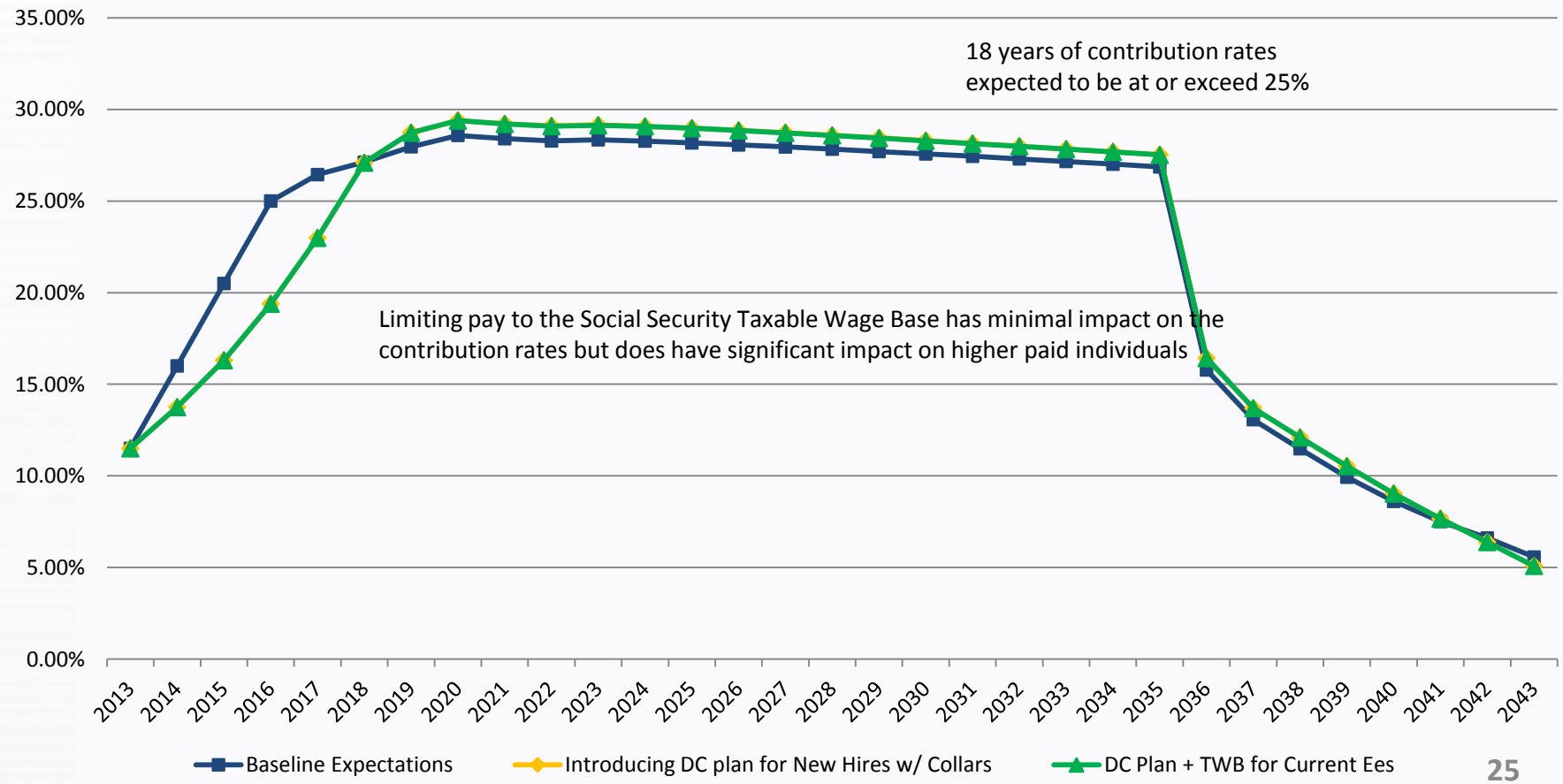
Contribution Rates SERS- DC Plan for New and All Reforms for Current Employees

PSERS: Blended Contribution Rates as Percent of Payroll

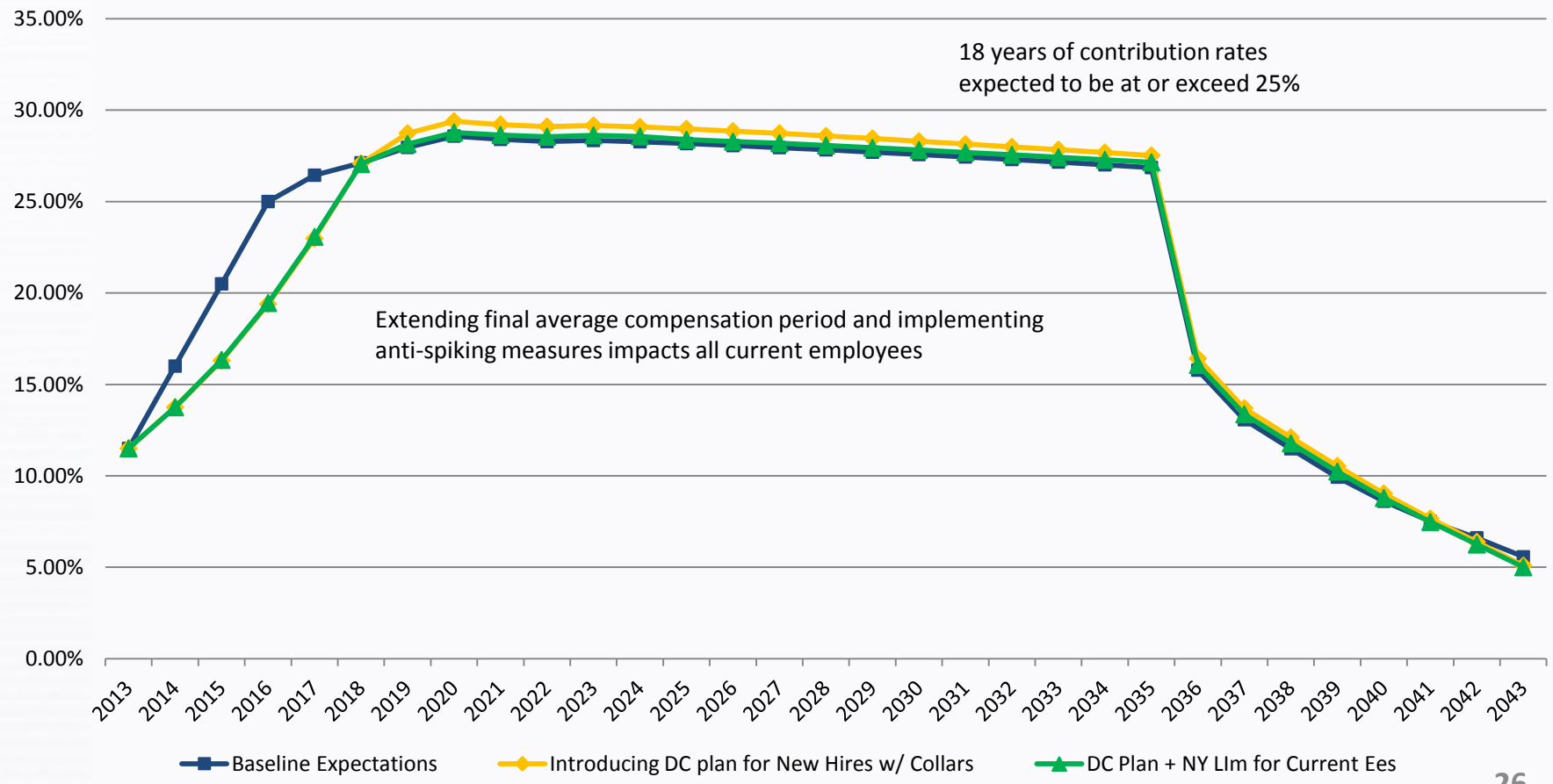


Contribution Rates SERS- DC Plan for New and TWB for Current Employees

PSERS: Blended Contribution Rates as Percent of Payroll

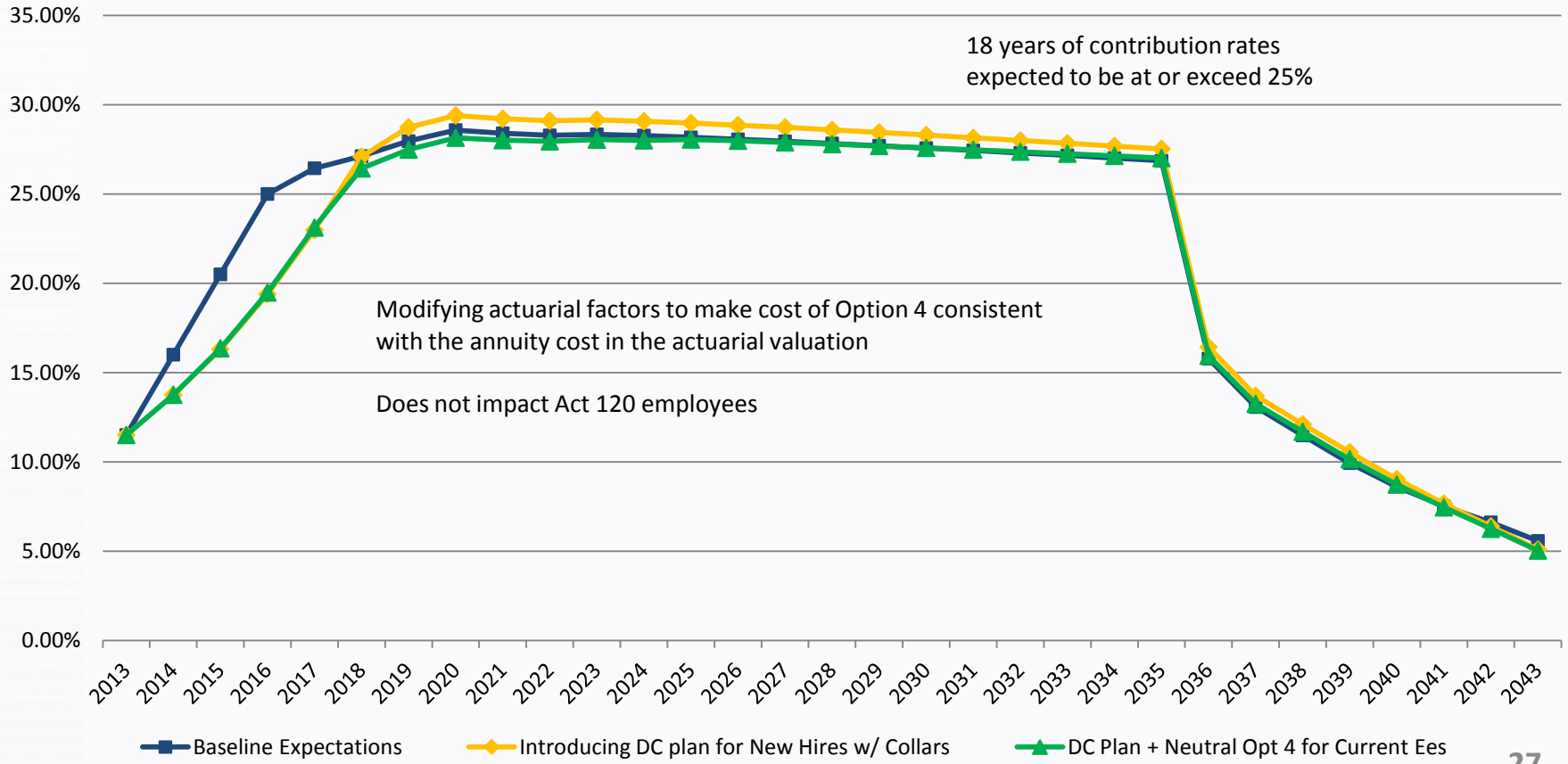


Contribution Rates SERS- DC Plan for New Employees and NY Style Limit for Current PSERS: Blended Contribution Rates as Percent of Payroll



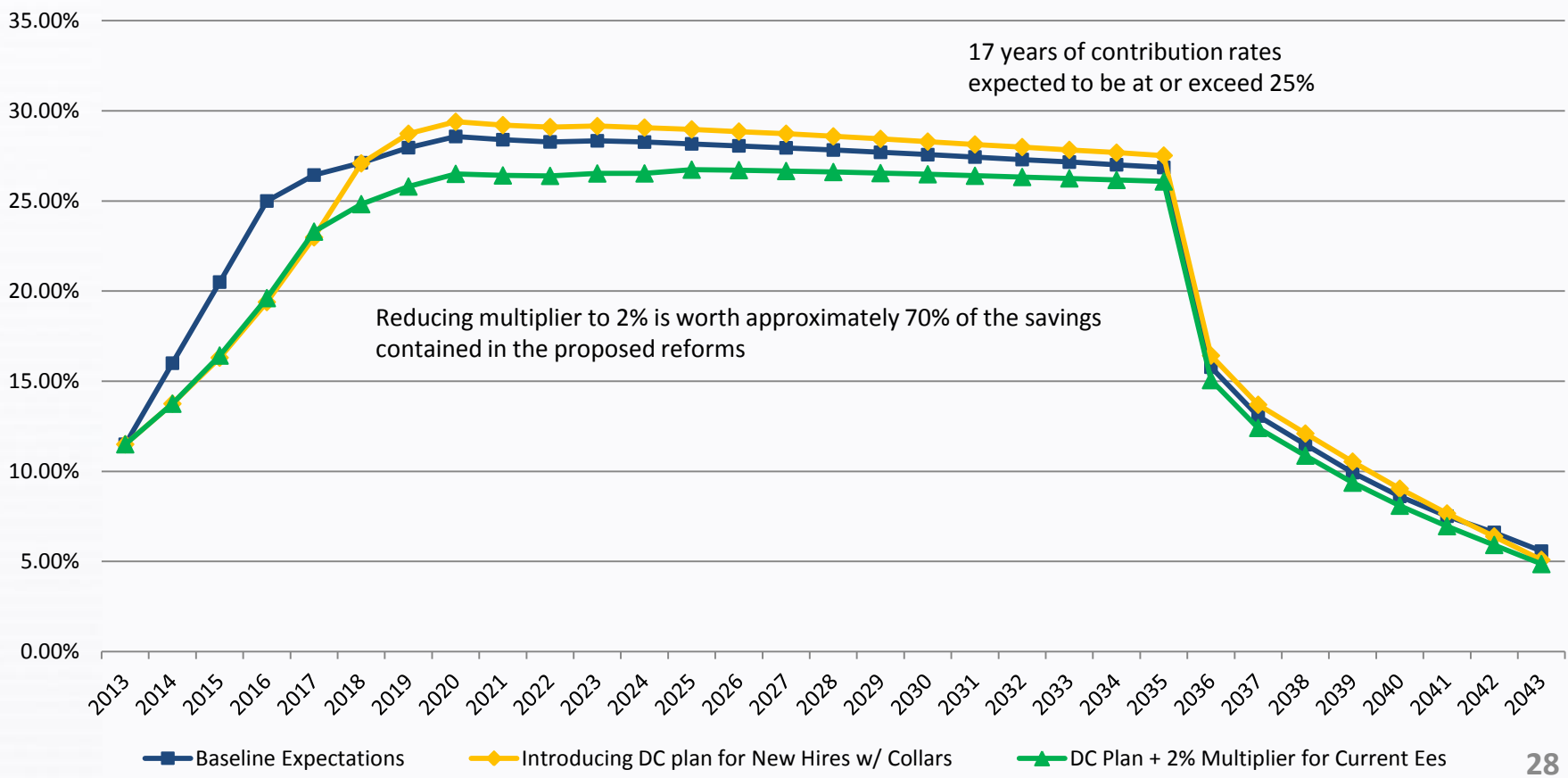
Contribution Rates SERS- DC Plan for New and Neutral Option 4 for Current Employees

PSERS: Blended Contribution Rates as Percent of Payroll



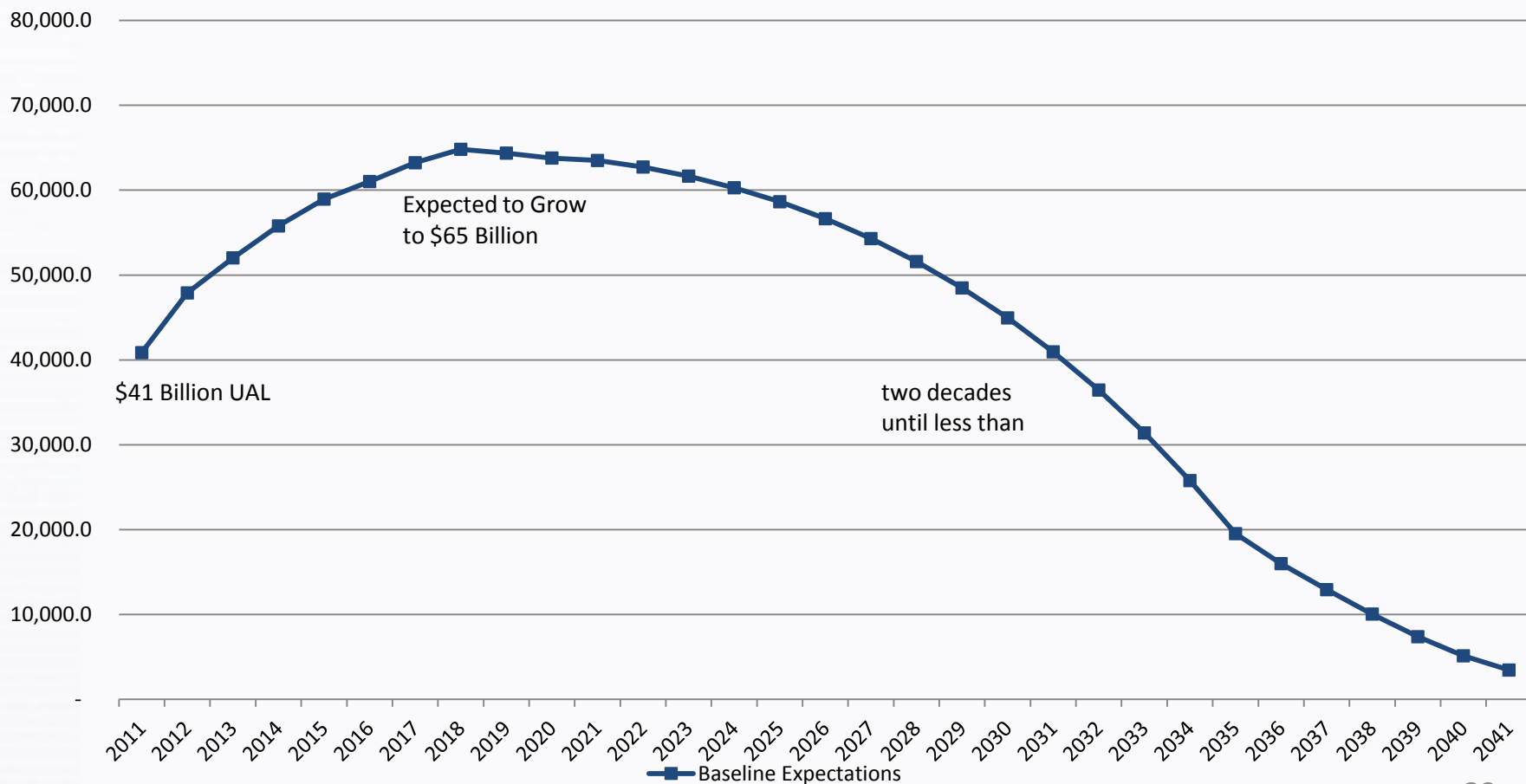
Contribution Rates SERS- DC Plan for New and Multiplier Reduction for Current Employees

PSERS: Blended Contribution Rates as Percent of Payroll



The Current Unfunded Liability Situation

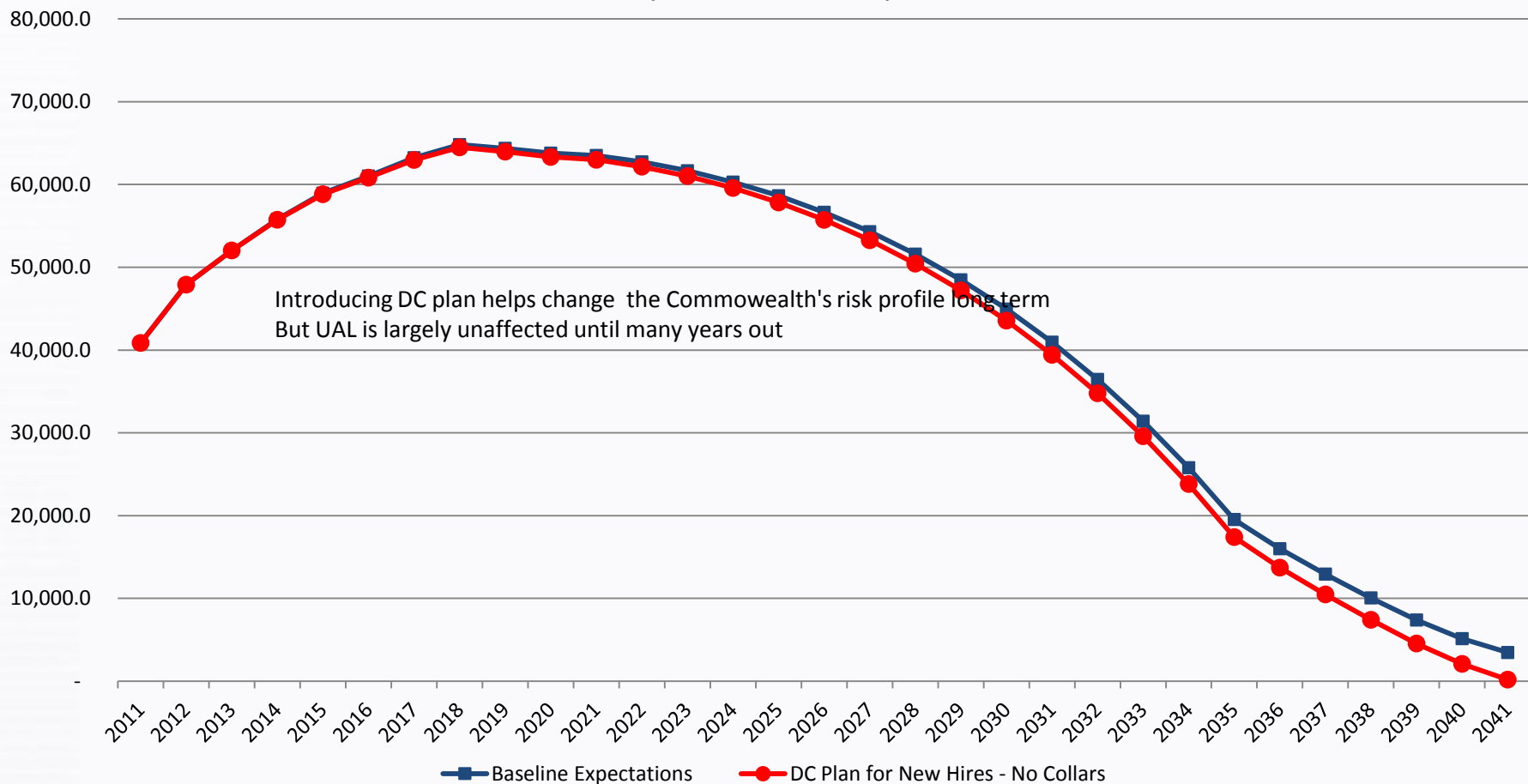
SERS+PSERS: Unfunded Liability (Amounts in Millions)



DC Plan Only

SERS+PSERS: Unfunded Liability

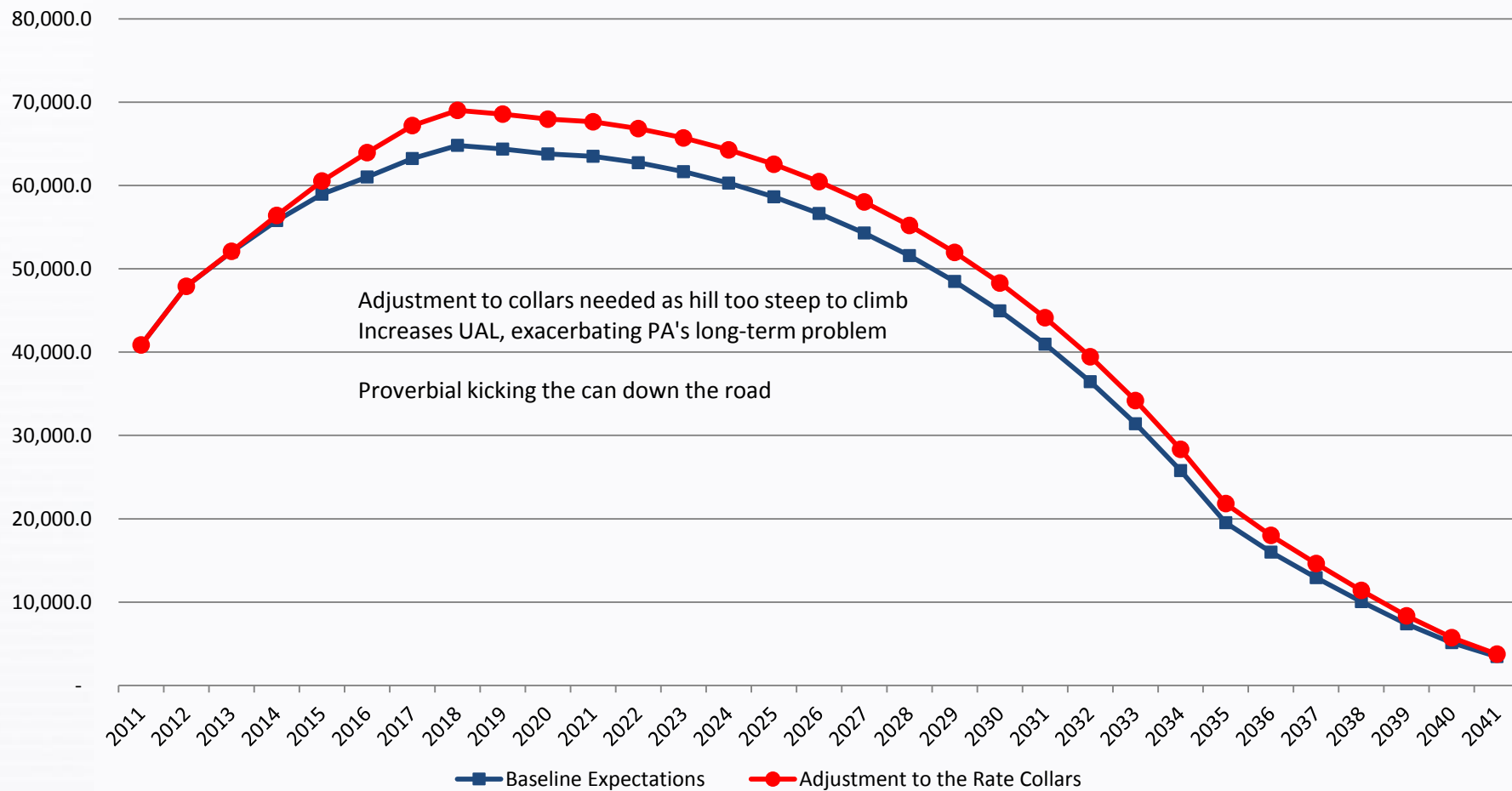
(Amounts in Millions)



Collar Adjustment Only

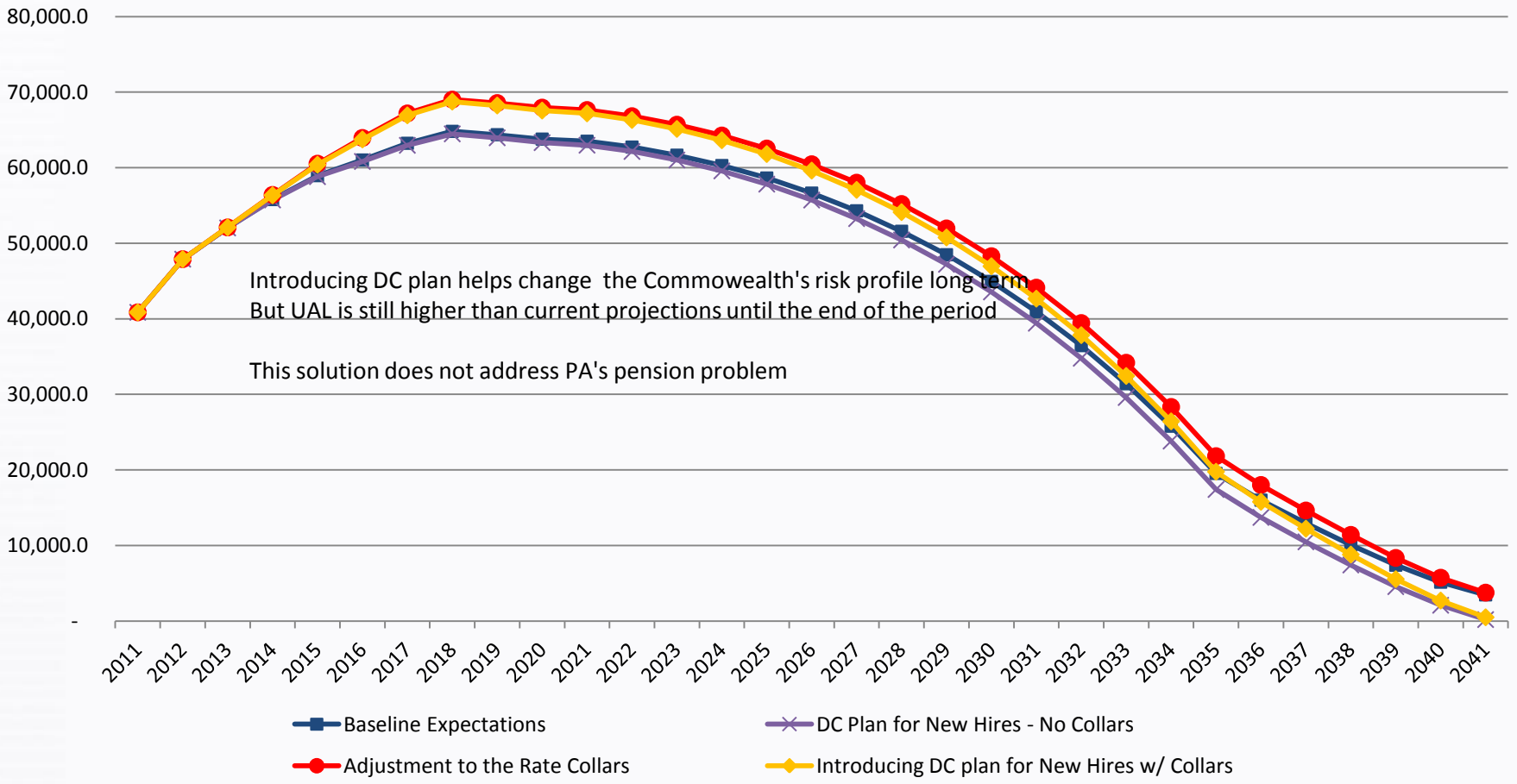
SERS+PSERS: Unfunded Liability

(Amounts in Millions)



UAL Collar Comparison- DC Plan for New Employees

SERS+PSERS: Unfunded Liability
(Amounts in Millions)

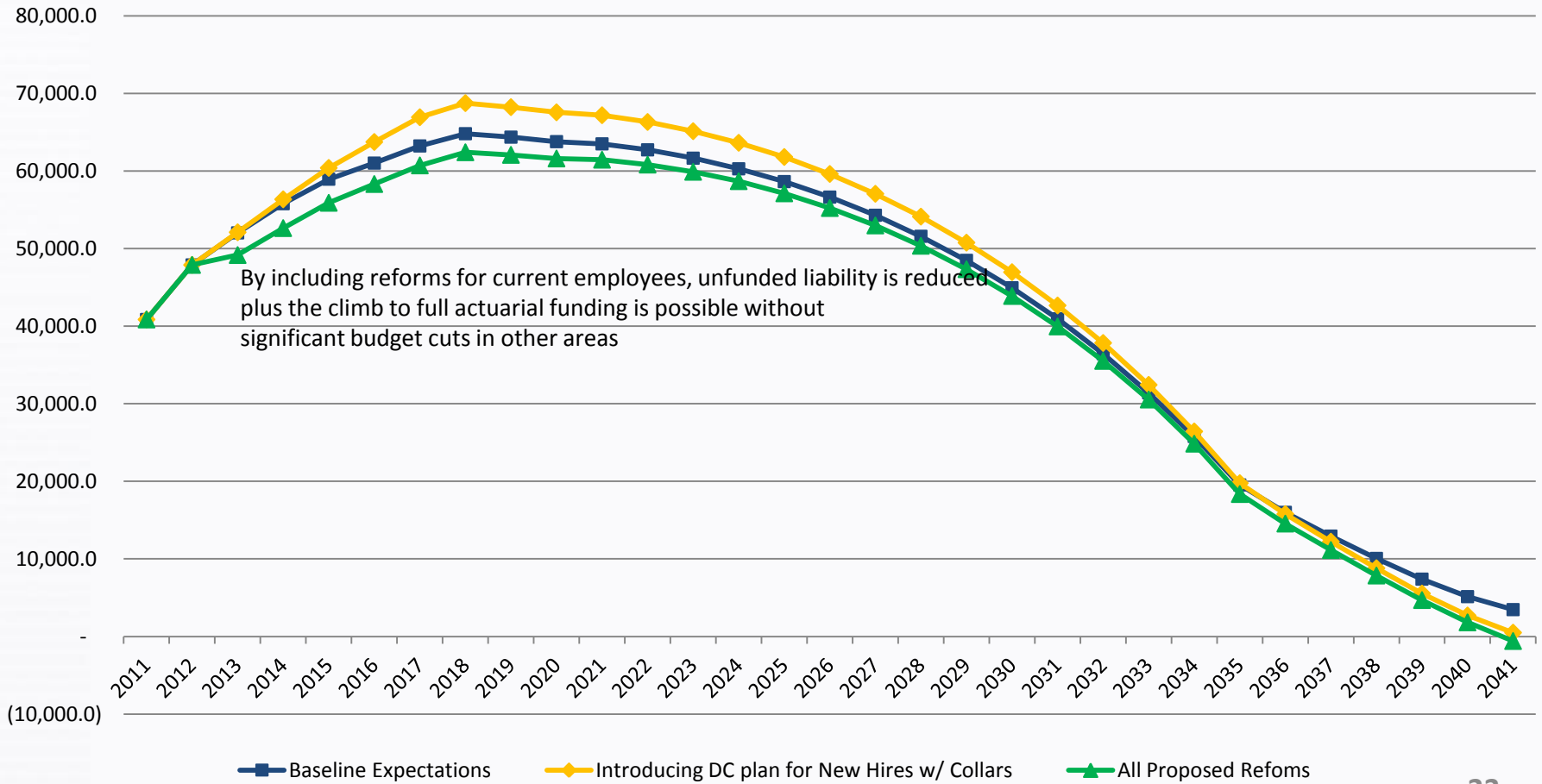


Tom Corbett, Governor • Charles B. Zogby, Secretary of the Budget

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UAL Comparison- DC Plan for New and All Reforms for Current Employees

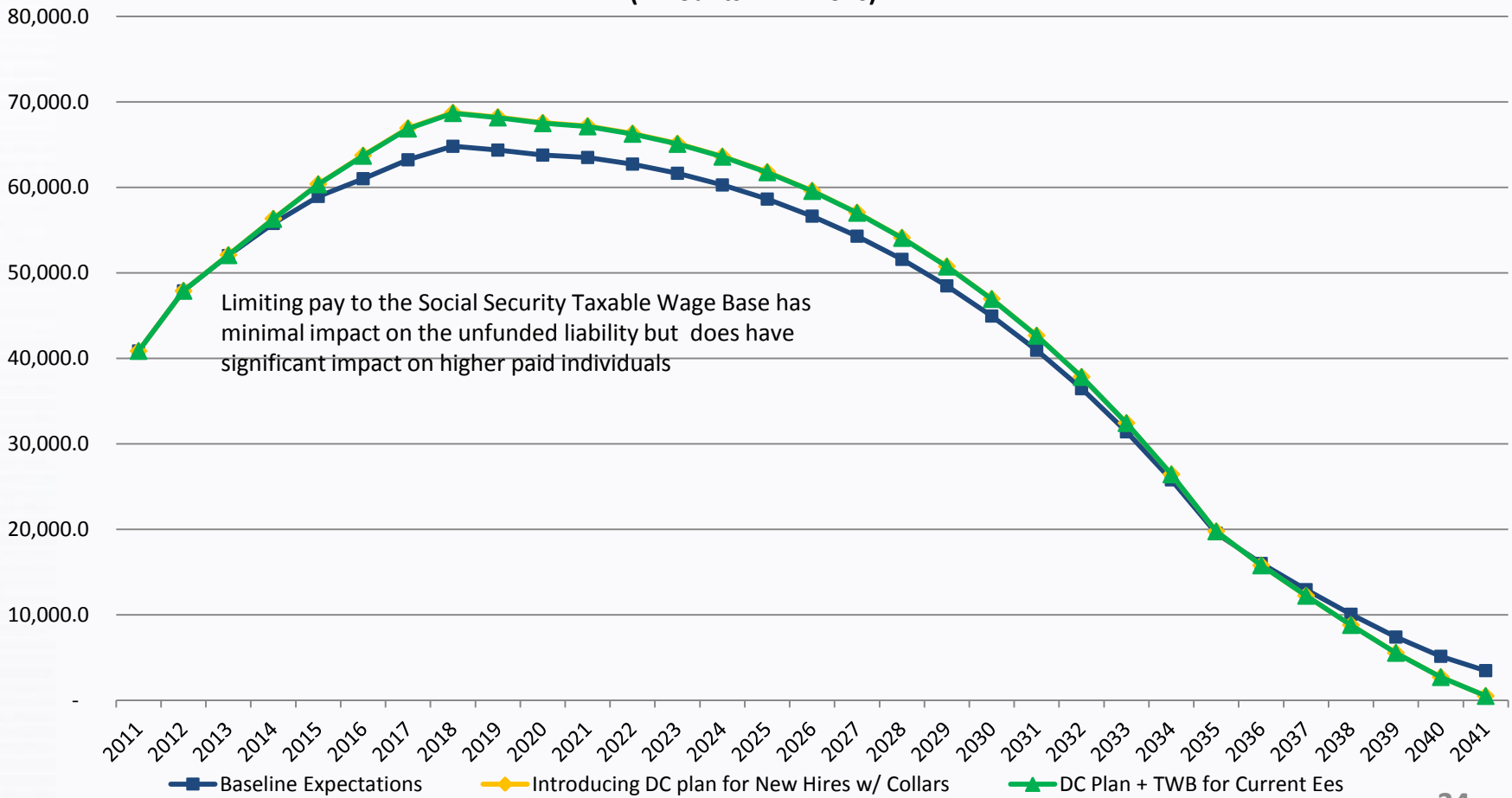
SERS+PSERS: Unfunded Liability
(Amounts in Millions)



UAL Collar Comparison- DC Plan for New and TWB for Current Employees

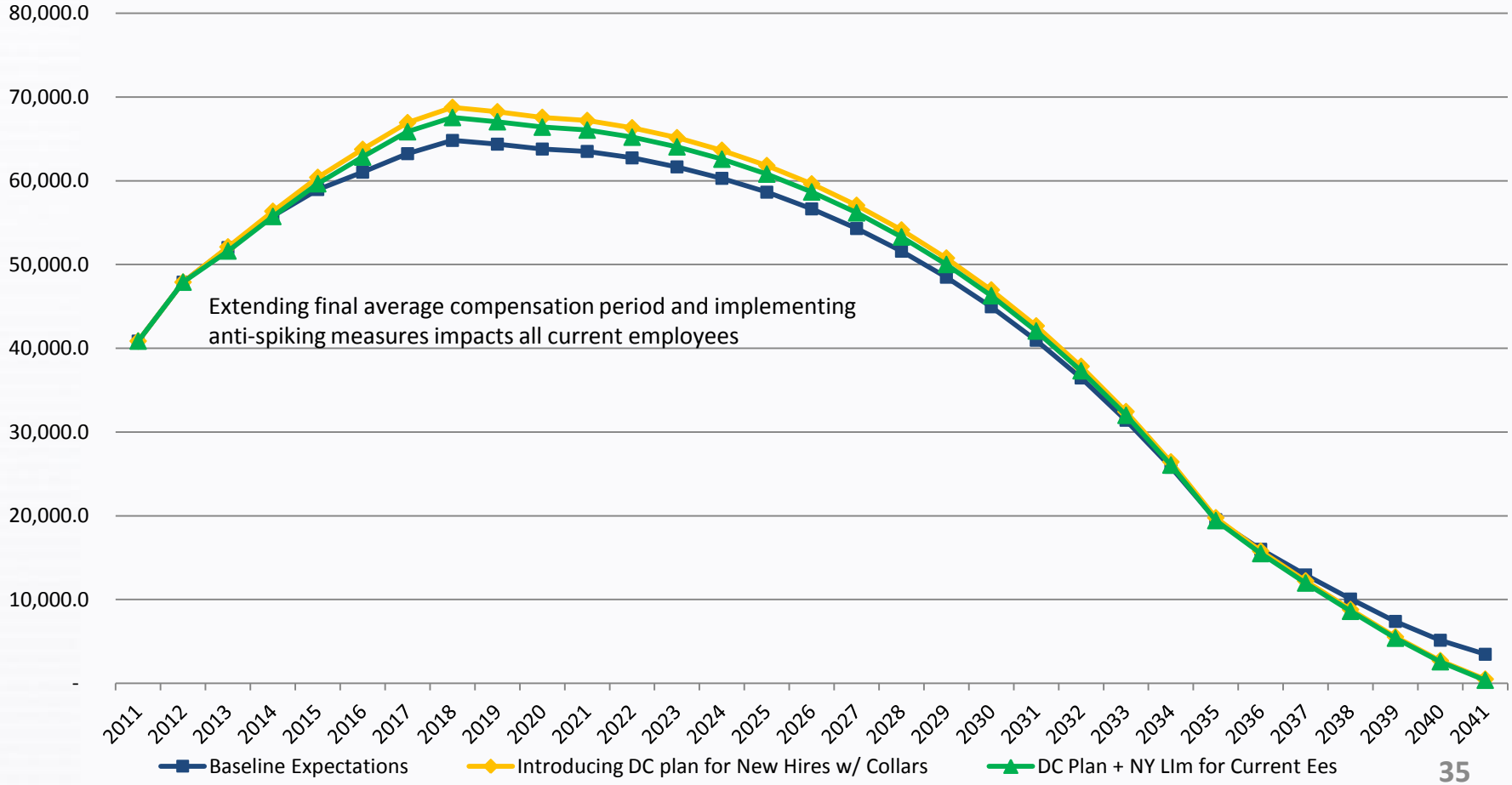
SERS+PSERS: Unfunded Liability

(Amounts in Millions)



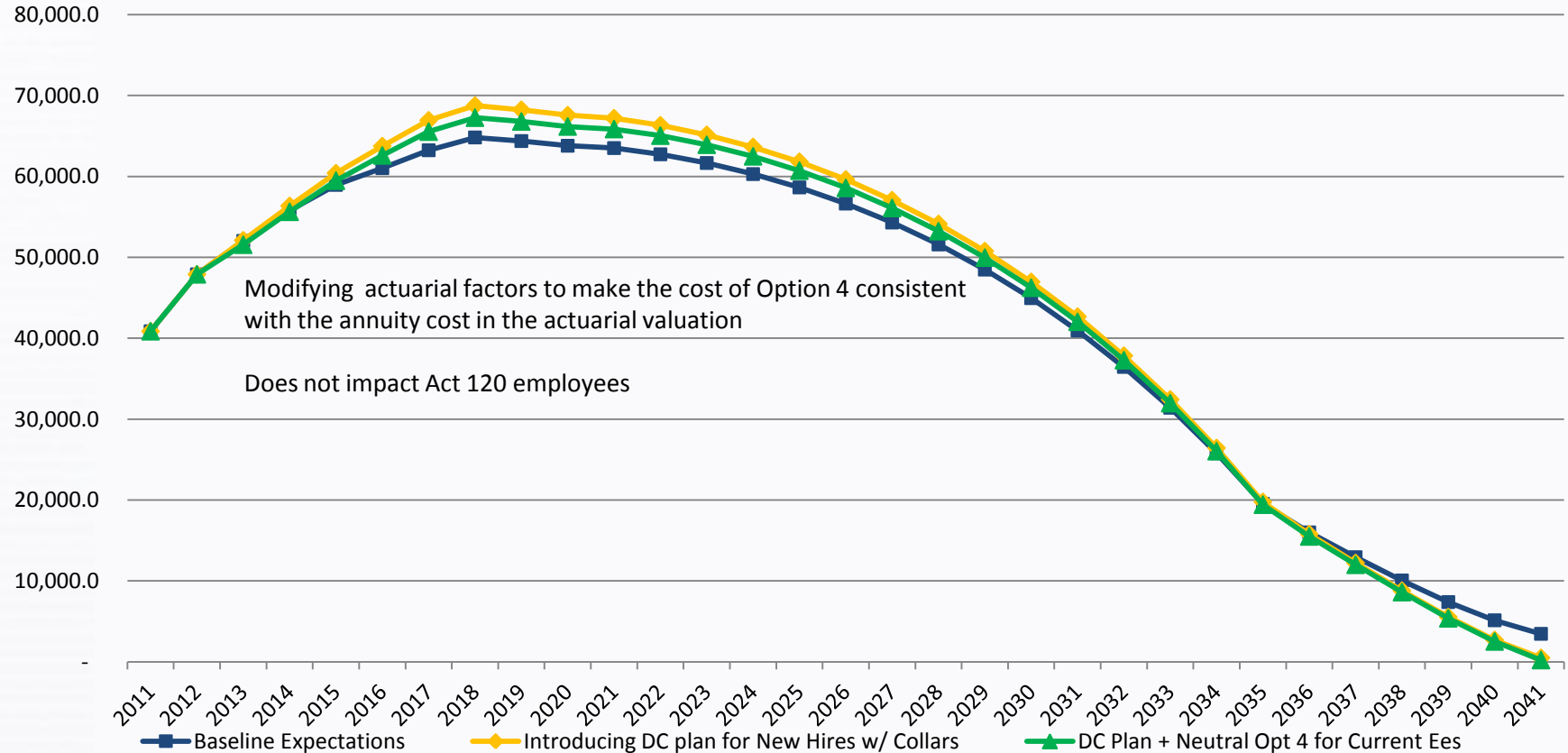
UAL Collar Comparison- DC Plan for New and NY Style Limit for Current Employees

SERS+PSERS: Unfunded Liability (Amounts in Millions)



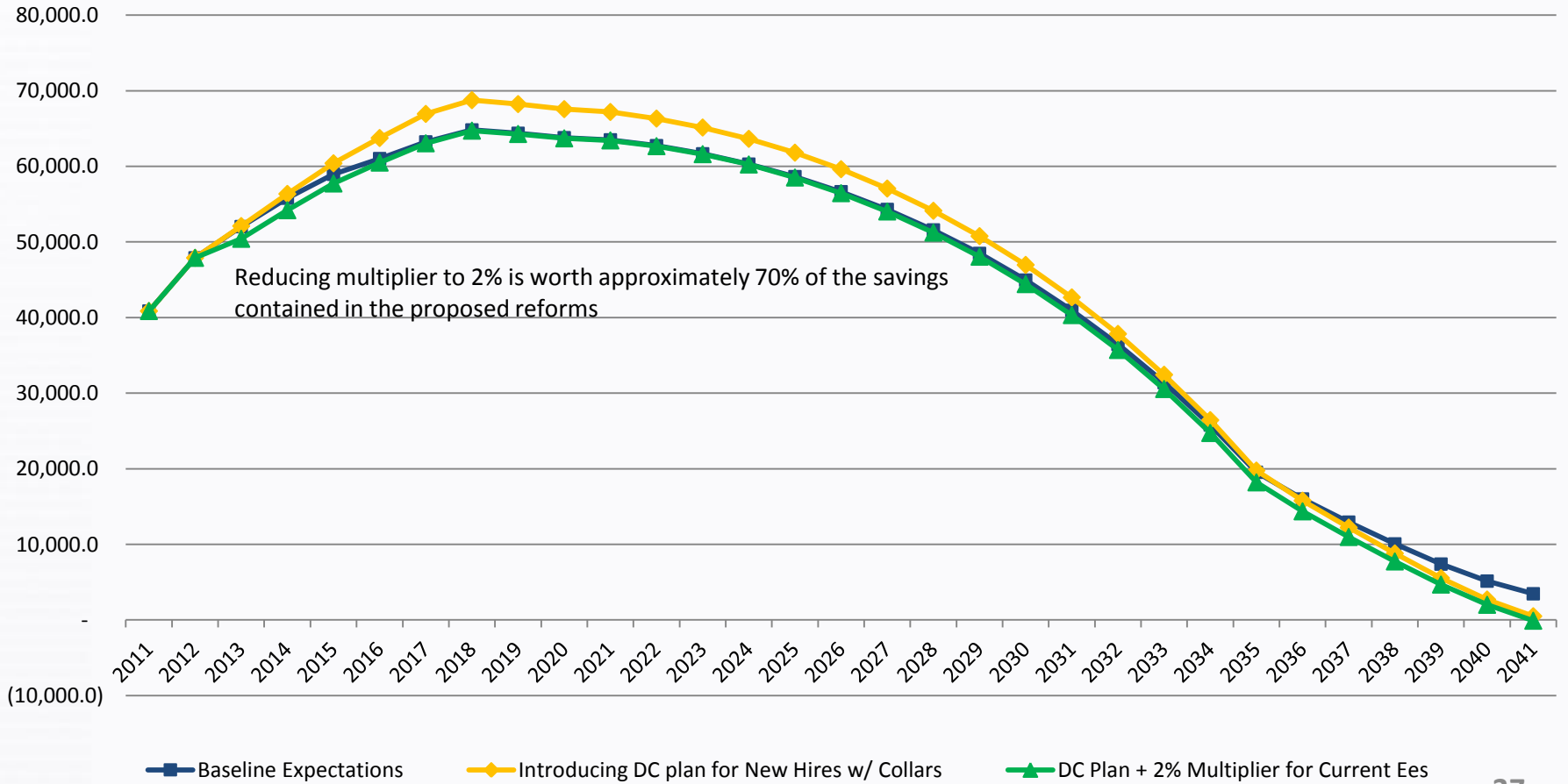
UAL Collar Comparison- DC Plan for New and Neutral Option 4 for Current Employees

SERS+PSERS: Unfunded Liability
(Amounts in Millions)



UAL Collar Comparison- DC Plan for New and Multiplier reduction for Current Employees

SERS+PSERS: Unfunded Liability
(Amounts in Millions)



Five-Year Summary Impact of Various Proposed Reforms

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Difference in Expected General Fund Dollars due to Indicated Reform					
(\$ Amounts In Millions - negative numbers represent "savings")					
PSERS (Amounts represent about 57% - 60% of total contribution dollars)					
Tapering of Collars	(129.3)	(293.3)	(425.0)	(321.5)	(33.6)
Defined Contribution Plan for New Employees 4% ER Contribution Rate - Eff July 2014	0.0	(7.2)	(22.6)	(38.1)	(53.6)
Current Employee Reforms					
Taxable Wage Base Limit	0.0	0.0	0.1	0.1	0.1
NY Style Limit & 5-year Final Earnings	0.0	1.9	4.4	7.1	(0.4)
Neutral Option 4	0.0	3.0	7.1	11.2	(40.6)
Reduce Multiplier from 2.5% to 2%	0.0	7.2	16.6	26.1	(143.8)
Combined (will not add due to interaction of changes)	0.0	11.6	27.0	(40.5)	(284.9)
All Changes	(129.3)	(288.9)	(420.6)	(400.1)	(372.1)
All Changes - DC 2015	(129.3)	(293.3)	(420.3)	(399.7)	(371.7)
SERS (Amounts represent 41.4% of total contribution dollars)					
Tapering of Collars	(58.2)	(107.1)	(145.4)	(171.9)	(98.3)
Defined Contribution Plan for New Employees 4% ER Contribution Rate - Eff Jan 2014	(0.4)	(1.2)	(1.9)	(2.6)	(3.3)
Current Employee Reforms					
Taxable Wage Base Limit	0.0	0.0	0.0	0.0	0.0
NY Style Limit & 5-year Final Earnings	0.0	0.0	0.0	0.0	0.0
Neutral Option 4	0.0	0.0	0.0	0.0	0.0
Reduce Multiplier from 2.5% to 2%	0.0	0.0	0.0	0.0	0.0
Combined (will not add due to interaction of changes)	0.0	0.0	0.0	0.0	0.0
Reduce multiplier for JUD, LEG and STP	0.0	0.0	0.0	0.0	(3.2)
All Changes	(58.6)	(108.3)	(147.3)	(174.5)	(104.8)
All Changes - DC 2015	(58.2)	(107.6)	(146.7)	(173.9)	(105.1)
SERS + PSERS All Changes - DC 2015	(187.5)	(400.9)	(567.0)	(573.6)	(476.8)

Thirty-Year Summary Impact of Various Proposed Reforms

	<u>5 Years</u> <u>Thru FY 2018</u>	<u>Next 5 Years</u> <u>FY 2019 - 2023</u>	<u>Next 10 Years</u> <u>FY 2024 - 2033</u>	<u>Next 10 Years</u> <u>FY 2034 - 2043</u>	<u>30-Year Totals</u> <u>Thru FY 2043</u>
Difference in Expected General Fund Dollars due to Indicated Reform					
(\$ Amounts in Millions - negative numbers represent "savings")					
PSERS (Amounts represent about 57% - 60% of total contribution dollars)					
Tapering of Collars	(1,202.7)	539.3	1,425.0	1,465.5	2,227.1
Defined Contribution Plan for New Employees 4% ER Contribution Rate - Eff July 2014	(121.5)	(116.7)	(318.1)	(625.8)	(1,182.1)
Current Employee Reforms					
Taxable Wage Base Limit	0.3	(6.4)	(9.5)	(3.2)	(18.8)
NY Style Limit & 5-year Final Earnings	13.0	(285.4)	(691.9)	(534.5)	(1,498.8)
Neutral Option 4	(19.3)	(608.8)	(1,085.1)	(684.3)	(2,397.5)
Reduce Multiplier from 2.5% to 2%	(93.9)	(1,442.5)	(2,719.6)	(2,017.1)	(6,273.1)
Combined (will not add due to interaction of changes)	(286.8)	(2,247.1)	(4,039.7)	(2,738.8)	(9,312.4)
All Changes	(1,611.0)	(1,824.5)	(2,932.8)	(1,899.1)	(8,267.4)
All Changes - DC 2015	(1,614.3)	(1,820.3)	(2,931.4)	(1,905.6)	(8,271.6)
SERS (Amounts represent 41.4% of total contribution dollars)					
Tapering of Collars	(580.9)	289.9	579.0	560.3	848.3
Defined Contribution Plan for New Employees 4% ER Contribution Rate - Eff Jan 2014	(9.4)	(95.1)	(437.5)	(906.3)	(1,448.3)
Current Employee Reforms					
Taxable Wage Base Limit	0.0	(11.8)	(23.8)	(9.0)	(44.6)
NY Style Limit & 5-year Final Earnings	0.0	(171.1)	(341.8)	(111.1)	(624.0)
Neutral Option 4	0.0	(131.1)	(284.7)	(137.9)	(553.7)
Reduce Multiplier from 2.5% to 2%	0.0	(422.3)	(865.0)	(334.3)	(1,621.6)
Combined (will not add due to interaction of changes)	0.0	(689.5)	(1,368.0)	(442.9)	(2,500.4)
Reduce multiplier for JUD, LEG and STP	(3.2)	(55.5)	(108.1)	(32.4)	(199.2)
All Changes	(593.5)	(550.2)	(1,334.6)	(821.3)	(3,299.6)
All Changes - DC 2015	(591.5)	(551.4)	(1,338.8)	(817.0)	(3,298.7)
SERS + PSERS All Changes - DC 2015	(2,205.8)	(2,371.7)	(4,270.2)	(2,722.6)	(11,570.3)