Key Talking Points
SB 1: Public Employee Pensions

PSERS – Public School Employees Retirement System

Will SB 1 impact current employees?

- If you were hired before July 1, 2011,
  SB 1 will have no impact on your retirement benefits.

- If you were hired after June 30, 2011, (an Act 120 employee), SB 1 will have two positive effects:

  - **Upside risk sharing**: If the stock market performs well, you will pay less into your retirement. This will balance out downside risk sharing currently in law for Act 120 employees.

  - **Option 4 Withdrawal**: You will have the ability to withdraw what you paid into your retirement in one lump sum upon retirement.

How will this impact new employees?

- Employees hired after June 30, 2019, can choose between **three new retirement options:**

  - The **default option** offers a traditional pension benefit with a **1.25 multiplier**, along with a **5 percent 401(k)-type account (see below)**.
    It amounts to a **9 to 11 percent cut** in benefits compared to benefits for current Act 120 employees hired after June 30, 2011.

    - The **employee contributes 5.5 percent** to the defined benefit pension and **2.75 percent** to the 401(k)-type account.

    - The **employer contributes 2.25 percent** to the 401(k)-type account.

    - An employee who does not select a plan within 90 days of hire is **enrolled automatically in the default plan**.

- The **second option** offers a traditional pension benefit with a **multiplier of 1**, along with a **5 percent 401(k)-type account**. It amounts to a **21 to 24 percent cut** in benefits compared to benefits for current employees hired after June 30, 2011.
  - **The employee contributes 4.5 percent** to the defined benefit pension **and 3 percent** to the 401(k)-type account.
  - The **employer contributes 2 percent** to the 401(k)-type account.

- The **third option** is a full 401(k)-type account. It amounts to a **44 to 49 percent cut** in benefits compared to benefits for current employees hired after June 30, 2011.
  - The **employee contributes 7.5 percent** to the 401(k)-type account.
  - The **employer contributes 2 percent** to the 401(k)-type account.

Is SB 1 a bipartisan plan? Will Gov. Wolf sign it?

- This plan was negotiated by a bipartisan group of legislators in Harrisburg.
- Gov. Wolf believes the plan protects retirement security while shifting future risk away from taxpayers. As a result, he has said he will sign the bill.

Pension Principle	SB 1
No negative changes in benefits for current employees.	• **No negative impacts** for current employees or retirees • **Positive impacts** for employees hired after June 30, 2011 include: ➢ **Access to Option 4** lump-sum withdrawal rights ➢ **Upside risk sharing** (to balance current downside risk sharing) allowing employee pension contributions to decline when PSERS investment returns exceed targets
Protect the defined benefit pension system and oppose implementing a defined contribution plan.	• All current employees, retirees and new employees can **maintain a defined benefit** • Employees hired after June 30, 2019, receive, by default, a retirement plan that is **2/3 defined benefit** and 1/3 defined contribution • Employees can opt in to a full defined contribution plan or a hybrid plan with a lower multiplier than the default • **The stability of the pension program will be protected**
Protect the retirement security of future, current, and retired AFSCME members.	• **No negative changes in benefits** for current employees or retirees • Employees hired after June 30, 2019, would see a 9 percent to 11 percent reduction in benefits under the default plan compared to employees hired after June 30, 2011