

Key Talking Points

SB 1: Public Employee Pensions



SERS – State Employee 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 January 1, 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 5.0 percent** to the defined benefit pension and **2.75 percent** to the 401(k)-type account.
 - The **employer contributes 3.25 percent** to the 401(k)-type account.
 - An employee who does not select a plan within 45 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 **5.5 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 4.0 percent** to the defined benefit pension **and 3.5 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 3.5 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.	<ul style="list-style-type: none"> • No negative impacts for current employees or retirees • Positive impacts for employees hired after June 30, 2011 include: <ul style="list-style-type: none"> ➤ Access to Option 4 lump-sum withdrawal rights ➤ Upside risk sharing (to balance current downside risk sharing) allowing employee pension contributions to decline when SERS investment returns exceed targets
Protect the defined benefit pension system and oppose implementing a defined contribution plan.	<ul style="list-style-type: none"> • All current employees, retirees and new employees can maintain a defined benefit • Employees hired after January 1, 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.	<ul style="list-style-type: none"> • No negative changes in benefits for current employees or retirees • Employees hired after January 1, 2019, would see a 9 percent to 11 percent reduction in benefits under the default plan compared to employees hired after June 30, 2011