

## PA Pension Crisis

In 2012, taxpayers will face massive tax hikes. Some estimate the average increase at \$1200 . The money won't be going to pay for better schools or nicer libraries and parks, it will be for one purpose alone: state and school employee pensions. And it's not a one time payment. It will become the new tax reality.

Back in the spring of 2001, the stock market was doing great. The state pension funds had about a \$12 billion surplus from Wall Street's high returns.

In response to that "extra money" laying around, then Gov. Tom Ridge and the Legislature agreed to hike the pension benefits by 50% for most legislators and 25% for more than 300,000 state workers and teachers. (Act 9)

As we all know, the stock market headed down while the obligation kept growing. The next major folly was that instead of paying the bills each year when they came due, Gov. Ed Rendell and the Legislature said school districts and the state could wait until 2012-2013 to pay up. (Act 40)

This can be compared to an Adjustable-Rate Mortgage, where payments are low in the beginning, but spike after a certain time period.

The Pennsylvania Public School Employees' Retirement System (PSERS) has developed tentative projections for the employer contribution rate (that's us) for the next five years:

2010-2011 8.22% (firm)  
2011-2012 10.59%  
2012-2013 29.22%  
2013-2014 32.09%  
2014-2015 33.60%

These numbers are expected to peak at 33.6% in 2015 and then remain above 20% until 2033. (For the current year 2009-2010, the pension rate is 4.78%.)

**Keep in mind, this is only for school employees. There will also be tax increases to cover the State employees' pensions.**

There are 547,000 PSERS members, for which it paid \$4.9 billion in benefits for fiscal year 2009. There are 220,097 State Employee Retirement System (SERS) members with an average annual benefit payment of about \$22,000. And about 3,100 municipal pension plans in communities across the state.

South Eastern School District's projected pension increase:

<b>Fiscal Year</b>	<b>Contribution Rate</b>	<b>Annual Cost Increase</b>	<b>Cumulative Cost Increase</b>
2010-2011	8.22%	794,552	794,552
2011-2012	10.59%	625,748	1,420,300
2012-2013	29.22%	4,552,684	5,972,984
2013-2014	32.09%	1,064,632	7,037,616
2014-2015	33.60%	796,958	7,834,574

So what can be done? The PA Legislature MUST act on this. So write and/or call your State legislators.