Springfield School District

Public School Employee Retirement System-PSERS

The Pension Dilemma

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267-604-0231

The Pension Dilemma

- PSERS began operating in 1919
- 100% defined benefit pension plan
- PA pays 55% of employer share, SSD pays 45%
- Last 10 years: 59% earnings, 26% employee, 15% employer
- Last 25 years: 65% earnings, 15% employee, 20% employer
- Problems causing dilemma
  - Market conditions
  - Legislative changes

The Pension Dilemma

- Act 9 of 2001
  - Increased multiplier from 2.0 to 2.5
  - Reduced vesting from 10 years to 5 years
- Act 38 of 2002
  - Established a cost of living raise
- Act 40 of 2003
  - Change in valuation of assets
  - Gains reamortized in 10 years
  - Losses reamortized in 30 years

The Pension Dilemma

- Market Conditions
  - 2001 to 2003 Technology bubble bust
  - 2007 to 2008 Real estate bubble bust
  - 2008 to 2009 Financial Dilemma
  - Losses in 2007 to 2009 erased all gains from 2003 to 2007

The Pension Dilemma

- Results-increases in SSD share until 2015
  - 2010-2011 8.22% increase of 72%
  - 2011-2012 10.59 increase of 29%
  - 2012-2013 29.22 increase of 276%
  - 2013-2014 32.09 increase of 10%
  - 2014-2015 33.60 increase of 5%

  - Projections
    - 2015-2020 30% increase
    - 2021-2027 25% increase
    - 2028-2032 20% increase

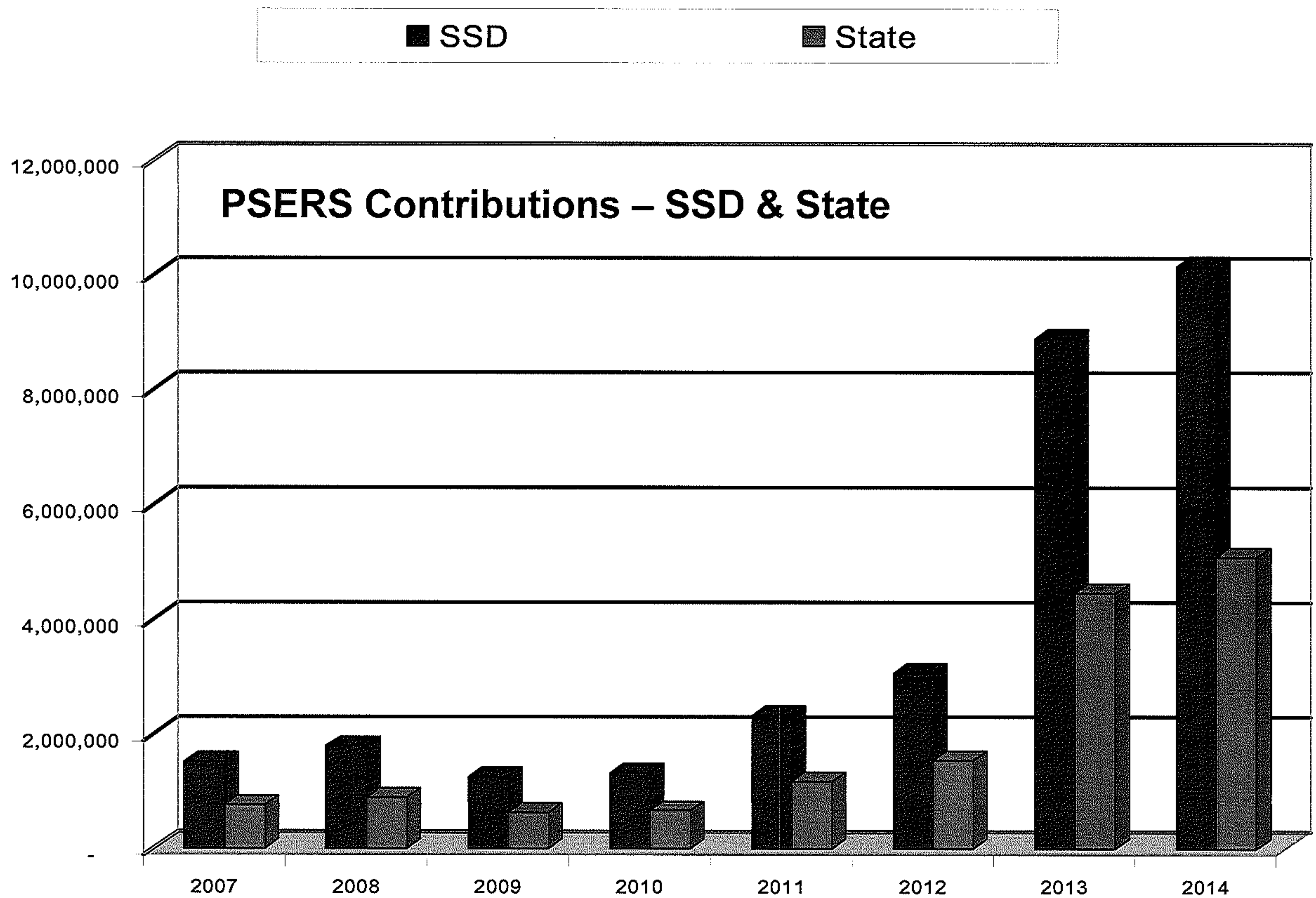
The Pension Dilemma

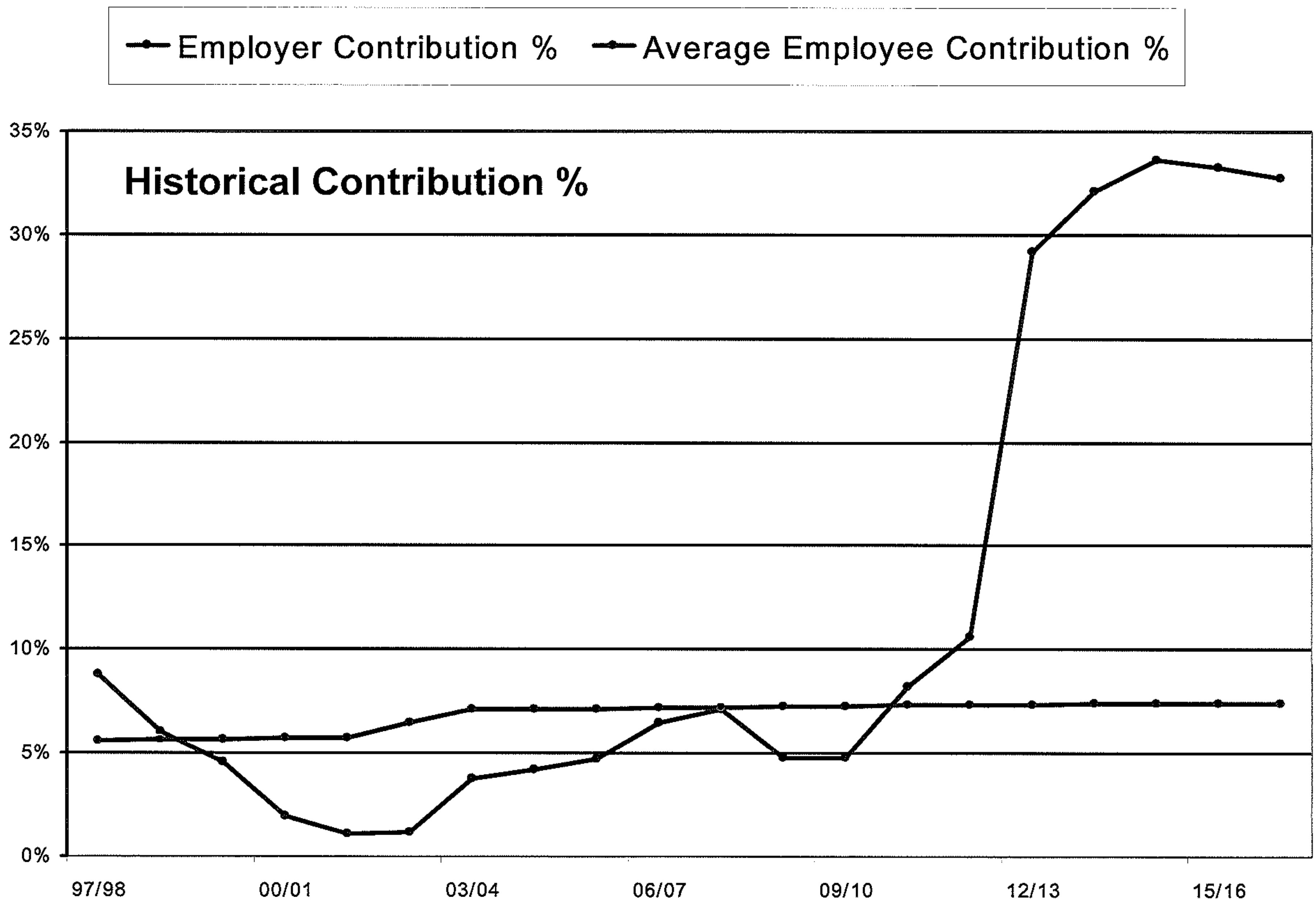
- Impact on the SSD budget process
  - State law to manage budget increases within Act 1 Index. Act 1 legislation restricts the district's ability to increase local real estate taxes above the index.
  - Projected salaries based on existing contract terms or projected future Act 1 Index
  - PSERS increases – allowable exception under Act 1
  - Projected state PSERS revenue to remain at 50% of employer contribution

The Pension Dilemma

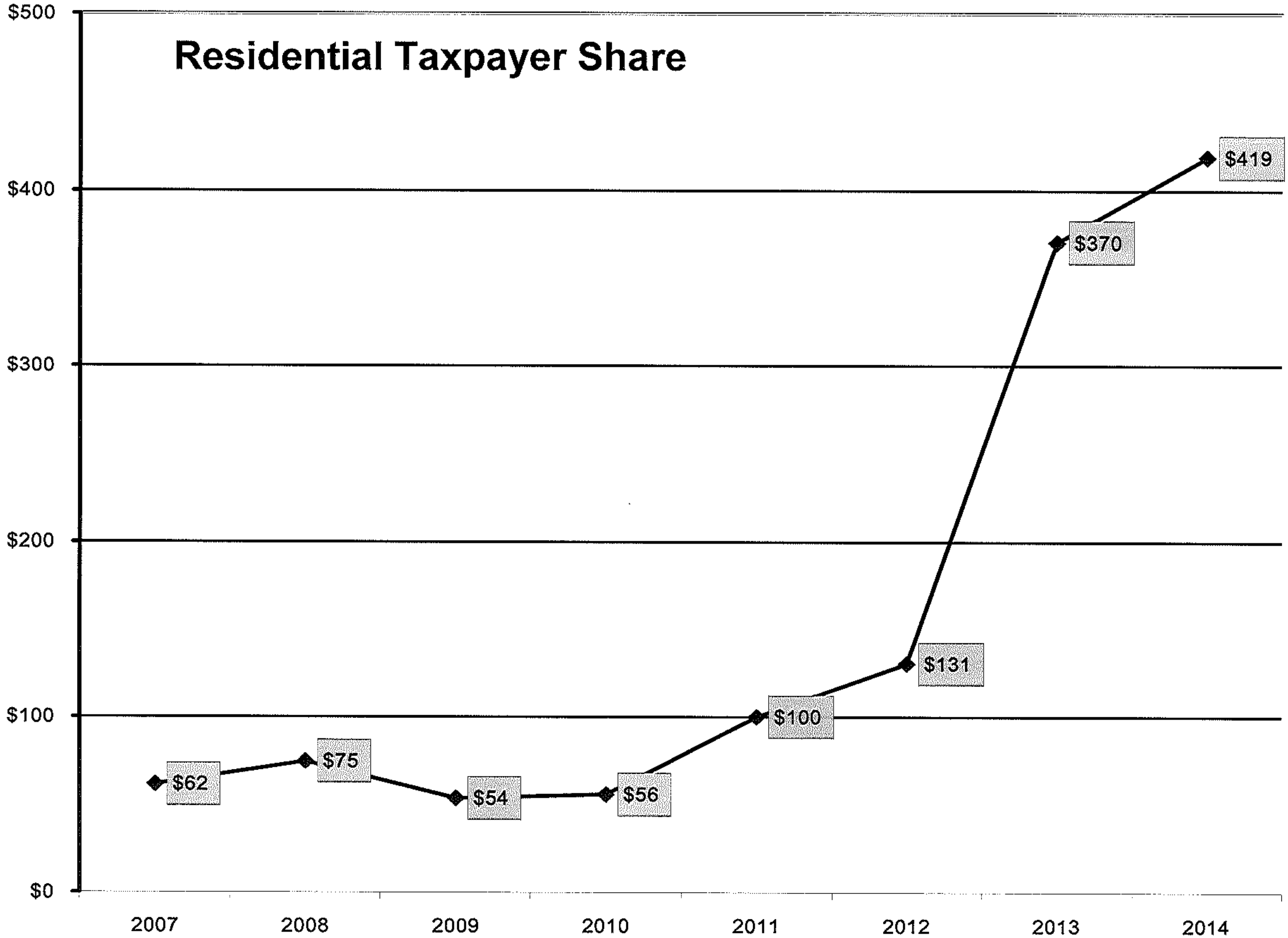
SSD Salaries and PSERS Contribution

Fiscal Year	Total Salaries	% Increase	SSD Contribution	State Contribution	% Increase
2007	$23,546,677		$1,521,115	$760,558	
2008	$25,058,526	6.4%	$1,786,673	$893,337	17%
2009	$26,301,972	5.0%	$1,251,974	$625,987	(30%)
2010	$27,471,000	4.4%	$1,313,000	$656,500	8%
2011	$28,296,000	3.0%	$2,258,000	$1,129,000	72%
2012	$29,292,000	3.5%	$2,913,000	$1,456,000	29%
2013	$30,373,000	3.7%	$8,040,000	$4,020,000	276%
2014	$31,544,000	3.9%	$8,845,000	$4,422,000	10%


SSD
State
PSERS Contributions – SSD & State
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
2007
2008
2009
2010
2011
2012
2013
2014



Employer Contribution %
Average Employee Contribution %
Historical Contribution %
35%
30%
25%
20%
15%
10%
5%
0%
97/98
00/01
03/04
06/07
09/10
12/13
15/16


Residential Taxpayer Share
$500
$400
$300
$200
$100
$0
$62
$75
$54
$56
$100
$131
$370
$419
2007
2008
2009
2010
2011
2012
2013
2014

The Pension Dilemma

- What can be done?
  - Increase funding-underway
  - Decrease the costs and liabilities of the system
  - Defer liabilities of the system
  - District options are limited
- Alternative funding sources
  - Gaming revenues
  - Oil and gas taxes
  - Issue pension security bonds at state level
  - Federal assistance-stimulus funding

The Pension Dilemma

- Decrease costs
  - Reduce multiplier
  - Increase vesting period
  - Create new class of beneficiary-new entrants
  - Tighten eligibility

The Pension Dilemma

- Problem is not new
- Deferral will not resolve the fundamental problem
- Legislative remedy is required-Discussions already
- Political choices will be difficult
- New taxes will be required, here in SSD and across PA
- "Issue of a generation" for tax payers and beneficiaries