



Pennsylvania AFL-CIO

LET ACT 120 WORK

Act 120 Has Worked By:

- **Preventing the “pension-spike”**

- Before Act 120, employer contribution rates were headed to a 500% increase in 2012—that would have amounted to a price tag of \$4.75 billion. Instead, the passage of Act 120 allowed the state to **save Pennsylvania’s taxpayers \$2.7 billion in retirement costs** this year.¹

Act 120 Will Continue to Work By:

- **Saving the taxpayers \$26 billion in employee benefits over the next 30 years**

- These costs savings were achieved through mutual sacrifice—employees agreed to pay more money for fewer benefits. Benefit changes under Act 120 include doubling the amount of time an employee must work to be vested from 5 years to 10, increasing the retirement age from 62 to 65, and capping benefits at 100% of final average salary.

- **Putting an end to pension underfunding**

- Employers can no longer take a contribution “holiday.”

- **Protecting the taxpayers by having employees share the risk**

- If SERS and PSERS do not reach their assumed rates of return, the employee contribution rate will increase accordingly so the taxpayer is not left with the burden of footing the bill.

Act 120 Costs Less than a 401(k) Plan

- Defined Contribution, or 401(k) Plans, will cost PA’s taxpayers 46% more than our current Defined Benefit plan under Act 120.² This figure doesn’t even account for additional transitional costs. A 401(k) plan also will not solve the current unfunded liability that resulted from a weak economy and negligent employer contributions.

Act 120 Keeps the Promise of Retirement Security

- Without a Defined Benefit plan like Act 120, more retirees would move into poverty and be reliant on public assistance programs, denying them the ability to retire with dignity.

Questions about preserving retirement security in Pennsylvania?

Call Jen Blatz, Pension Coordinator, PA AFL-CIO at 717-231-2871 or 617-501-9470

Prepared by the Pennsylvania AFL-CIO Legislative Department

Richard W. Bloomingdale, President—Frank Snyder, Secretary Treasurer

¹ Figure reflects PSERS savings

² Almeida, Beth and William B. Forna. “A Better Bang for the Buck: The Economic Efficiencies of Defined Benefit Pension Plans.” The National Institute on Retirement Security, August 2008.