



Pension Changes Too Costly For Pennsylvania

Just as Senate Leadership announced plans to run legislation that would place new hires into a 401(k) type plan – SERS and PSERS actuarial studies were released showing the costly consequences.

PSERS Commissioned Buck Consultants to study the costs of transition from Defined-Benefit to Defined-Contribution, here is what they found:

\$7.2 Billion in Additional Cost of Benefits for New Hires in a 401(k)-Type Plan
+ \$30.7 Billion in Additional Costs Incurred in Closing Current Plan to New Hires
= \$37.9 Billion In the Total Additional Cost of Moving to a DC Plan.

Similarly, the Hay Group performed a comparable review, noting *“with respect to future SERS Defined-Benefit asset fund investments, it should be noted that, under a closed DB System...the expected future liquidity requirements for this group will likely result in gradual limitations in fund investment opportunities and a shifting to an increasingly conservative investment portfolio. In time, therefore, lower future annual investment returns can be expected.”*

These extra costs are in addition to the obvious consequences of such a reckless scheme: jeopardizing the retirement security of future workers and destabilizing the pension fund that current employees and retirees rely upon.



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