INPUT ON PSERS PREDICAMENT
From Jeffrey P. Kistler
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Writer: My name is Jeffrey P. Kistler. I attended the House Republican Committee hearing on March 25, 2010 in Breinigsville but was not given any time to speak. I served on Northwestern Lehigh School Board from 1991-2003, worriedly witnessing the radical decrease in employer contribution to PSERS early in this decade. In the early 1990s I was part of painful tax millage increases. On March 25 I heard the hearing presentations by Jeffrey Clay, Richard Rowland, James Testerman and Roberta Marcus. My input…

<u>**Short-Term PSERS contribution Quandary**</u>**: The legislature and Governor should accept the contribution rates determined by PSERS for <u>2010-2011 (8.22%) and for 2011-2012 (10.59%).</u>** We have put off our obligations for too long. Now we need to listen to PSERS. As Ms. Marcus has stated, this will be extremely painful for school boards. It will be painful for the Commonwealth. However, we need to face reality starting now. We have to begin to address the shortfall. Increasing to these rates now would also take advantage of the potential for economic growth during a time of projected market growth. (Richard Rowland advocated this.)

<u>**Refinance existing pension obligations, moving toward constant contribution percentages.**</u> The perceived benefit to employers of "defined benefits" is that in good times contribution levels can be decreased. Sadly, this is the open door through which PSERS has become politicized. Harrisburg says, "How can we alleviate pain from another budget category by decreasing PSERS contributions this year, postponing to another decade?" Every year it's an issue. This must change. For existing pension obligations there has to be a determination of average employer contribution levels over the long term, considering expected market rise and fall. (Is this "smoothing"?) Then, the legislature needs to approve those levels, and **let them alone! That goes for Republicans, Democrats and the Governor!** My guess is that it might be 10-12%. Or will it be 12-15%? (Employees have been contributing 6-7.5% all along. Undoubtedly to catch up employers will need a significantly higher figure.) The projected 29.22% for 2012-2013 is totally ridiculous!

<u>**Authorize temporary, ten-year increase in State Income Tax, State Sales Tax, Local Earned Income Tax and Real Estate Taxes to fund existing obligation made constant.**</u>

<u>**For new Commonwealth and school district hires, institute a "defined contribution" plan for PSERS.**</u>

"Defined Benefit" plans are a luxury the public can no longer afford. Sorry. In the private sector and for individuals they hardly exist. The principle has to be that we're all in this together. We sink or swim together with our economy. Social Security is the "safety net" defined benefit program for us all.

Listening to speakers on March 25, there was no sympathy for defined contribution plans. The objections seemed to be: 1) too volatile, no security; 2) employers don't really make the contributions, especially in economic downturns.

My response to number 2: Then those kinds of plans shouldn't be called "defined contribution", but "when-I-have-the-money" contribution. Considering the politicization in our Commonwealth regarding PSERS, this objection is understandable. Is any law or commitment to be trusted here, beyond the next election or sound byte? Just as I stated above, we have to move toward a constant, defined definition of what pensions will cost. Could our Governor and legislature make a commitment to a "defined contribution" pension plan without lowering the "definition" or raiding the funds in lean times?

My response to number 1 objection: **I have been enrolled in a defined contribution pension plan for thirty-eight years and am totally pleased by it. Defined contribution plans can work!**

I am a pastor of the United Church of Christ denomination. We have a Pension Board that handles contributions on our behalf. Churches contribute minimum 6% of salary basis, some 11%, most 14%, on behalf of their pastors. Pensions are immediately vested. The Pension Board is totally separate from denomination funds. It cannot be raided. There are different stock-bond balances from which to choose in a member's portfolio, but not all can be placed in stocks. As with PSERS there are a variety of payout plans for member and spouse from which the member selects. Monthly payout amounts are determined at the time a member takes pension, based on value of account and expected longevity. Without absolute certainty, once a payout amount is established, it is not radically decreased. For example, this past year I believe there was no decrease in the amount for ongoing pensioners.

What has happened to members' accounts during the recent recession? Value dropped considerably, but not drastically. As members near retirement they are advised to re-allocate investments more conservatively. In my case, my portfolio was close to a balance between bonds and equities. I lost about 20% from 2007-2009 but more recently that 20% has been gained back. Moreover, a year ago pastors near retirement were advised to delay taking their pensions, work a few more years.

I remain totally happy with my defined contribution pension plan.

That's what I have to offer at the present time. Thank you for reading my thoughts. Please contact me if I can be of further assistance.

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