

# COLA Coalition

## Representatives of Public Employee Retiree Organizations

319 North Front Street  
Po Box 11995  
Harrisburg, PA 17011  
(717) 645-3466

Dear Honorable (last name):

### **RE: Call to fix spike issue and provide a COLA for state and school retirees**

The COLA Coalition requests the General Assembly enact legislation providing for a cost-of-living adjustment (COLA) for state and school retirees. We urge the Legislative Leadership to make the necessary decisions to solve the problems which interfere with granting a COLA by implementing some or all of the proposals listed below.

In our discussions with state lawmakers, officials of the SERS and PSERS Boards, and key legislative and Board staff this year, we have learned that the needed COLA will not be considered until the looming pension spike issue is resolved. As you know, the magnitude of the pension spike is such that it will force a steep increase in employer contribution rates in fiscal year 2011-2012.

The COLA Coalition stands ready to work with the Legislature, the Legislative Leaders, SERS and PSERS to solve this issue. The COLA Coalition extends our assistance and resources to the General Assembly in solving the pension spike even as we advocate for a COLA for our pensioners. Conversations with Legislators and their staff have revealed there are many proposed solutions. Below is a synopsis of them.

- Raise the employer contribution rates gradually over several years so that they are able to meet the Systems' ongoing cost obligations and desist in accumulating debts due to underfunding by the state and local school districts.
- PSERS and SERS are required by law to use five-year smoothing methods. Consideration should be given to extending the smoothing period to ten years and implementing temporary caps on annual rate hikes or decreases.
- Implement a fresh start refinancing of the retirement systems. This would require that the retirement boards recalculate their existing unfunded liabilities based upon its current measurement of liabilities and comparing it to the actual, market value of its assets as of its most recent actuarial valuation.
- Restore equal thirty-year amortization periods for the recognition of annual investment gains and losses and for the funding of active member liabilities.
- Authorize state-issued Pension Obligation Bonds to help retire the debt and begin the process of pre-funding future COLAs.

- State Representative John Galloway has called for the creation of a Speaker's Commission on the state and school pensions. A similar suggestion is to establish a special commission comprised of persons knowledgeable with the retirement systems and charge them with the responsibility of determining a solution or possible solutions with a recommended course of action to the Legislature within 60 days.

While we do not endorse any of these specific solutions, we stand ready to work with you to resolve the spike issue. SERS and PSERS officials have made the Legislative Leaders aware of the necessity of solving the spike issue in the very near future.

We strongly urge the Legislative Leaders to provide a COLA to the state and school retirees as part of any legislative remedy to the spike issue. It has been over seven years since the Legislature passed a COLA for our state and school retirees (Act 38 of 2002) after decades of passing COLA legislation every five years. Pennsylvania public retirees have now gone longer without a COLA than almost all retired state and/or public school employees in the nation. Our state and school retirees, especially those who retired decades ago, have suffered significant erosion of their pension amounts from seven years of inflation.

A COLA for all state and school retirees will stimulate the economy. The National Institute of Retirement Security (NIRS) recently published the results of a study quantifying the economic impact of public employee pension disbursements in all fifty states. The study concluded that, in Pennsylvania, public employee benefit disbursements provide more economic benefits to the citizens of the state than the taxpayers were asked to contribute to produce those benefits.

Pennsylvania can support enactment of a COLA. A COLA can be provided as part of a refinancing of the retirement systems without imposing greater obligations on Pennsylvania's taxpayers, and the COLA Coalition urges the Legislative Leaders to do so.

Sincerely,

American Federation of Teachers—Pennsylvania (AFTPA)  
Association of Pennsylvania State College and University Retired Faculty (APSCURF)  
Local 668 Service Employees International Union (SEIU)  
Penn State Retired Faculty/Staff Club (PSU retirees)  
Pennsylvania Association of School Retirees (PASR)  
Pennsylvania Association of State Employees (PARSE)  
Pennsylvania State Education Association-Retired (PSEA-Retired)  
Retired Public Employees of Pennsylvania AFSCME Chapter 13