

School Employee Pensions in the Commonwealth

As we start the budget process at Twin Valley School District, the school board wants to let you know there are many costs we have no control over. One example of costs out of our control is employee pensions. In the upcoming 2014/2015 school year, over 4.3% or \$2.4 million of the annual Twin Valley budget will go to state mandated pension contributions.

Did you know? In 2001, Act 9 was passed in the Pennsylvania Legislature. This act combined the fully funded Public School Employees Retirement System (PSERS) with other state workers and changed the funding formula. School employees have continuously paid their **mandatory** portion of the pension contributions, which range from 6.25% to 10.3%, depending on when they started teaching. As a result of Act 9, along with the compounding affect of the recession felt across the Commonwealth, the Pennsylvania PSERS pension fund became severely underfunded.

Did you know? There is currently a \$47 billion deficit in PSERS. In an attempt to correct the deficit, the state **required** all school districts to dramatically increase pension fund contributions, starting in school year 2011/2012. Currently, the plan to fund the pension program is based on an annual employer contribution, which includes significant increases for the next 10 years, peaking at over 15% for employers in 2018/2019.

What does this mean for Twin Valley? In school year 2014/2015 Twin Valley School District's pension obligation will be 10.5% of employees' salaries, which is an additional \$559,912 over the current year.

Did you know? In order to balance the budget Twin Valley school board will have to balance tax increases with cuts in educational programming to cover the difference.

To put into perspective, what the impact of this increase will mean next year for Twin Valley School District; it is equivalent to:

- Over 6.5 teaching positions, **or**
- About 70% of the 2014/2015 athletic/activity budget, **or**
- About 82% of the 2014/2015 technology budget

The following charts reflect Twin Valley's share of the pension obligation over a nine-year period.

Fiscal Year	District Expenditures (\$)
2010-11	659,834
2011-12	949,896
2012-13	1,354,302
Total:	2,964,032

Fiscal Year	District Projected Expenditures (\$)
2013-14	1,858,849
2014-15	2,418,761
2015-16	3,091,749
2016-17	3,416,010
2017-18	3,544,852
2018-19	3,693,262
Total:	18,023,483

In 2010 the PA Legislator attempted to correct the pension obligation demands on school districts, in Act 120. But in our current economic environment and under our current tax system, Act 9 and Act 120 legislation are not sustainable and are increasingly having a negative impact on the education of Pennsylvania students.

To help us make a change, we are asking you to contact your legislators today and ask them alleviate the strain on the taxpayers of Twin Valley School District. Urge the General Assembly to adopt school employee pension reform with the dual purpose of reducing projected employer contribution rate increases and reducing projected costs to school districts and taxpayers over the next two decades, while maintaining an appropriate pension benefit for school employees.

For more information on Twin Valley School District Advocacy issues please go to tvsd.org.

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