

Testimony of Jeanne M. Boone
on behalf of American Federation of Teachers' active and retired employees
Public Employee Retirement Commission
Thursday, November 15, 2012

Good morning, Chairman Salamone and members of the Public Employee Retirement Commission. Thank you for this opportunity to speak here today. My name is Jeanne Boone, and I am a retired teacher and former president of the Philadelphia Federation of Teachers' Retirement Chapter. I am speaking today on behalf of the American Federation of Teachers-Pennsylvania, which represents more than 40,000 active and retired teachers, college faculty members, support staff and state employees who depend on pensions for financial security.

During my career, I contributed 5.5 percent of every paycheck to fund a secure retirement for myself. I bought back service credit for the two years I served in the U.S. Marine Corps during World War II. When I retired after a 36-year teaching career, I had a total of 38 years' credit toward my pension and retired on a gross monthly pension of \$1,614.25 a month. I believed that the state would keep its promise to public employees and manage our pensions wisely.

Over the past 27 years, however, I and other retirees have received just four cost-of-living-adjustments. My pension has increased just 31% in 27 years, while inflation increased 111%! The cost of everything I pay – real estate taxes, medical insurance, long-term-care premiums, food and prescriptions – has increased three times faster than my pension.

Now, Gov. Corbett says that in his 2013-14 budget, he plans to “reform” the teachers' and state employees' pension systems. Proposals include eliminating the defined-benefit pensions that I and other retirees depend on and replacing them with 401(k)-style retirement accounts or other inferior programs. Not only would such changes not fix the problem of unfunded liabilities facing our pension systems, it would actually make matters worse by diverting current employees' contributions away from PSERS and SERS. Without new contributions and sound investments, the pension system we depend upon will collapse.

Teachers and other public employees have always made their pension contributions. But from 2000 to 2010, state lawmakers allowed the state and school districts to pay little or nothing into the system, creating a gap between the system's assets and what it owes retirees. Retirees should not have to pay for lawmakers' mistakes.

In 2010, a coalition of organizations, including AFT Pennsylvania, worked with lawmakers to pass Act 120, a responsible solution that allows the state to keep its promise to retirees while stabilizing PSERS over the long-term. Act 120 ended 10 years of underfunding by eliminating the employer contribution “holiday.” It capped the maximum pension benefit and increased the age required to retire with full benefits. Over 30 years, it will save Pennsylvania taxpayers \$24.6 billion in future pension costs. If Act 120 is implemented fully, it will address concerns about the pension system gradually, rather than all at once.

As PERC members, you understand the importance of pensions to individual retirees as well as to the economic vitality of Pennsylvania. I urge you to help us keep the promise that has been made to tens of thousands of retired teachers and school and public employees by maintaining and strengthening our defined-benefit pensions.

