Thank you, Mr. Speaker.

Some will say we are passing historic legislation today, but are we making history or just repeating it?

Mr. Speaker, to answer that question we need to look at the unfunded liabilities of SERS and PSERS. We know the unfunded liabilities are the only thing that is motivating pension reform—think about it: would we be running a pension bill if the pensions were fully funded? Of course not. Pension debt is the sole reason for doing pension reform and yet, ironically and bizarrely, the existing unfunded liabilities of SERS and PSERS are the only things NOT addressed in SB 1, our so-called pension reform product.

Back in 2010, when HB 2497 was under consideration, the same motivation was in play. The $15 billion pension surplus of 2001 had turned into a $46 billion deficit by 2010. So Act 120 was passed and the only thing it did not address was the unfunded liabilities of SERS and PSERS. When calculated according to GASB standards, that $46 billion pension debt had increased to $71 billion as of the end of fiscal year 2016. Just as in 2010, our approach today in dealing with a massive debt problem is to let it ride and let it get more massive. We're not making history, Mr. Speaker, we're repeating it.

We continue to think that by changing the design of retirement plans for future employees, we are somehow going to see the unfunded liabilities disappear.

If anyone is in doubt that we're repeating history look at the trajectory of the unfunded liabilities of SERS and PSERS in the actuary note. It's decidedly upward well into the future and that's synonymous for the phenomenon called "kicking the can down the road." We're not making history, we're repeating it.

I'm reminded of some commercials lately by the Lifelock company. In one, some bank robbers storm into a bank threatening all the customers and one of them asks the security agent to do something. He replies, "Oh, I'm not a security guard, I'm a security monitor. I only let people know if there is a robbery. There's a robbery." In another Lifelock commercial a patient in a dentist office is told he has a terrible cavity, but when the patient asks what's going to be done the examiner says, "Nothing, I'm not a dentist, I'm a dental monitor." And then there's the commercial where a house is being inspected for termites and after a child falls through insect-eaten stairs, the inspector announces, "Yep, you have termites. But I'm not an exterminator, I'm only a pest monitor. I only let you know when you have a problem. You have a problem."

Ladies and Gentlemen, Citizens from around the state, Welcome to our Hall of unfunded liability monitors. As in 2010, we don't address the unfunded liabilities, we only monitor them. We're not making history, we're repeating it.

The closing line of the Lifelock commercials is "Why monitor a problem if you don't fix it?" Why, indeed, don't we fix the unfunded liability problem? Is it too embarrassing for us to admit how awful we've messed things up? We should be ashamed, but that's no comfort for taxpayers.

Today we are going to hear and read that what we're doing is historic. There is historic risk-sharing in the bill according to the claim. That same claim was made with Act 120 so we're not making history, we're repeating it.

There is the claim that this is a brilliant, clever, comprehensive proposal with three separate plans for two different systems. I have to say that from a Human Resources perspective this is beyond convoluted. They say that a camel is a horse designed by a committee, but it would take a committee of camels to design something worse than SB 1.

Today, Mr. Speaker, we consider a bill so internally inconsistent it can actually make the current situation worse. Give credit where credit is due: When it comes to figuring out how NOT to do the right thing for taxpayers on pension reform, we have always been pretty clever in this building and history repeats today.

The chief mechanism for the existing problem is the defined-benefit component of our public sector retirement plans. It gives elected officials the opportunity to misbehave for political gain. That's what is called moral hazard in the financial world. This bill perpetuates the defined-benefit component for public sector plans and therefore instantiates continued moral hazard, continued misbehavior by elected officials, and growing pain without end for taxpayers.

If we look at the analysis of the impact of SB 1 on PSERS in the actuary note, what do we see that's historic? When does the bleeding stop? How is it a first step toward anything except pension insolvency?

When Act 120 was passed the PSERS contribution rate as a percentage of payroll was supposed to top out at 27.75% five years from now. Well, it is already exceeding 30% and with or without this bill the contribution rate is not predicted to top out until 2035 at 44% of payroll. Do you think our assumptions are better today than they were back in 2010 or will history repeat the lesson of our willful delusion on owning up to the problem?

There are all sorts of new questionable assumptions in this bill. Defined-benefit plans are structured on a pool of employees where a significant portion are not expected to vest. When you create a defined-contribution option you create adverse selection. By that, I mean those unlikely to vest in the defined-benefit plan will self-identify and never participate in the hybrid plans. That will lead to higher than expected vesting rates and increased liabilities not factored into the analysis. That's what I mean by how clever we are in making taxpayers worse off—with SB 1, we will pay people to go into the DC plans which will add cost to the DB plans. It's lose-lose for the taxpayers.

Other things we assume with this bill include no benefit changes in the future; proper funding every year without exception; that groups of employees not already carved out in this bill won't sue to get carved out; that the administrative costs of this cumbersome six pack of new plans won't have huge start-up costs with ongoing costs running into the millions every year; and that the public payroll will grow expansively for the next 30 years (and that's small comfort to taxpayers if that happens).

I am not saying that one or two or even three of these assumptions might turn out to be wrong. I am saying all of them are wrong or will go wrong and will exacerbate the unfunded liability problem faced by taxpayers. Perhaps the worst damage will be what happened after Act 120—continued delay and distraction from honest and proper pension reform. Mr. Speaker, we're not making history today, we're repeating it.

Perhaps, Mr. Speaker, we might learn something from history today. Let's take a look at the history of the unfunded liabilities which have been piled up on our taxpayers.

16 years ago, there was a pension surplus of $15 billion. Today, there is a deficit of over $71 billion. For 16 years or 5,478 days, the pensions have been bleeding $15 million a day from taxpayers.

Let's ask, "Who did that $15 billion surplus belong to back in 2001?" It did not belong to public sector workers and legislators because it was what taxpayers had paid into the pensions in excess of the pension benefits earned by public sector workers. As such, the surplus should have been considered the property of taxpayers. Back in 2001, we could have refunded that surplus to taxpayers by writing a check for $2,500 to every taxpayer in the state. Or we could have used the surplus as insurance for the taxpayers against underperforming pension assets.

Instead, through Act 9 in 2001 and Act 38 in 2002, we took the taxpayers' money for the benefit of public sector workers and ourselves and left a big fat indemnification responsibility on the shoulders of taxpayers.

Mr. Speaker, with the passage of Act 40 in 2003 and Act 120 in 2010, we managed, with brazen dereliction, to divert taxpayer dollars from funding the pensions into other expenses. Thus, we stuck taxpayers (and compromised the credit rating of our Commonwealth) with a growing, expensive, and what seems to be unstoppable debt.

Now today, 7 years since the last piece of pension legislation aimed as a first step toward reform, taxpayers are reeling. First, we stole from them. Then we embezzled their funds. And with this bill today, we continue to grow the massive debt and the harm it brings to Pennsylvania.

The interest cost is over $5 billion per year right now. What problems would we have with the budget if not for that drag? But this is the peculiar part: I've talked with legislators who say that the budget crunch is the reason we cannot properly address the pension debt. Only in a politician's mind is a budget crunch that is caused by too much debt a reason to grow the debt.

Mr. Speaker, I am going to predict that in the near future we will see additional downgrades for the Commonwealth's credit rating. The credit rating agencies have been pretty clear that what concerns them is proper funding and proper management of liabilities and there's nothing in SB 1 to stop things from getting worse in Pennsylvania.

The bill's prime sponsor extols the accomplishment of bi-partisan compromise to make history happen today, Mr. Speaker. But didn't we have bi-partisan compromise in passing Act 9, Act 38, Act 40, and Act 120? We're not making history, we're repeating it.

Mr. Speaker, We will hear that this bill is making PA one of the best of the 50 states in pension reform. I'm skeptical, but even if true, being the tallest Pygmy in New Guinea isn't going to get you onto an NBA all-star team. (Lord, I apologize and please be with all the starving Pygmies down there in New Guinea.) The real question is how are we doing in comparison with the private sector—that is the proper benchmark. Why are we lowering the bar for public management and raising the costs shouldered by our private sector taxpayers? It's as if those in the public sector are lords and those working in the private sector are serfs.

To the Taxpayers of Pennsylvania, I apologize. You deserve better, much better than what you are seeing today. You deserve to have more than unfunded liability monitors on this floor. You deserve to have legislation that actually fixes the existing problem and you and your children and your grandchildren deserve to be free of the massive yoke of debt we continue to grow. I am truly sorry for our dereliction.

Mr. Speaker, the Romans gave the world a saying, "Asiduus iamdudem defutatis est": the taxpayer has been wronged long enough—we should not add to their burden while insulting their intelligence. We should NOT repeat history. We should vote NO on Senate Bill 1.

Thank you, Mr. Speaker.