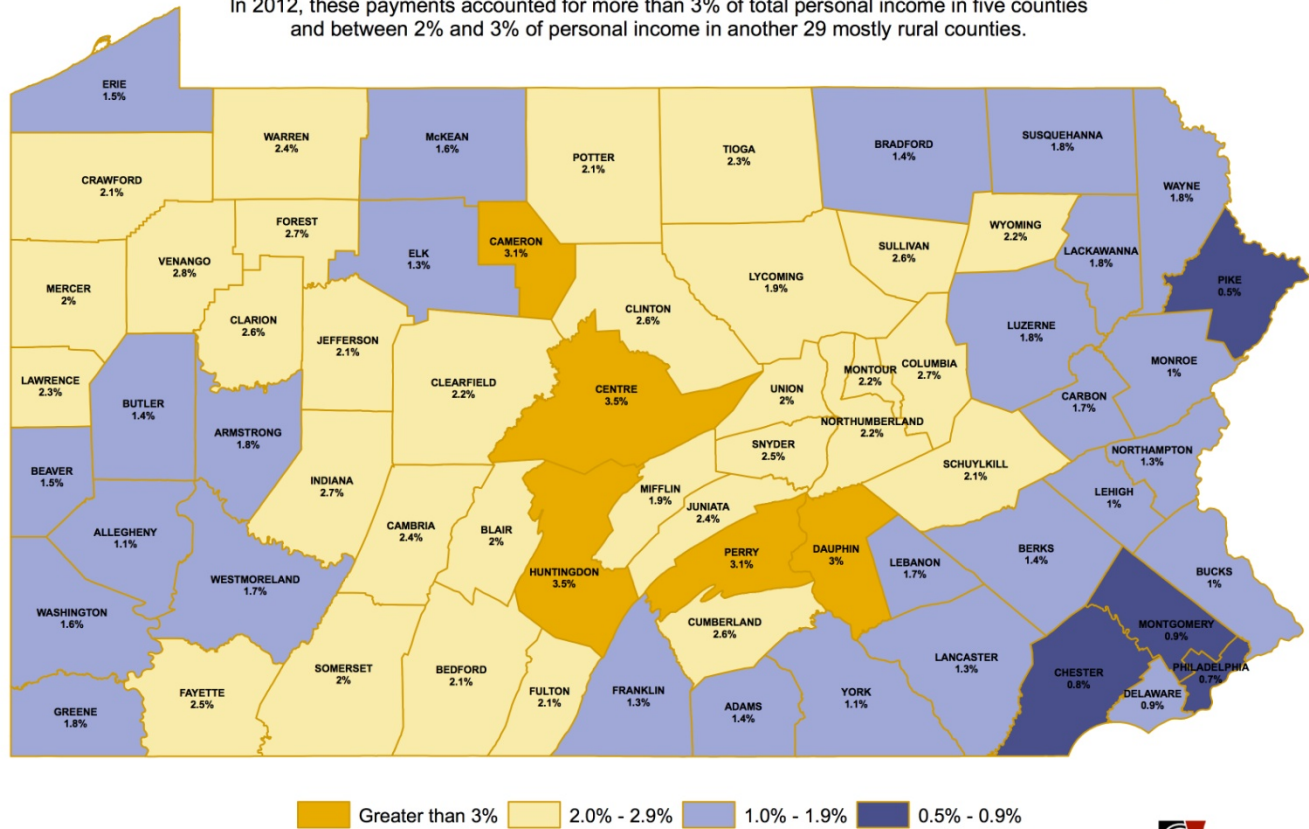




## School and State Employee Pension Benefits Account for 2% or More of Personal Income in Over Half of Pa.'s 67 Counties

Retirement payments from Pennsylvania's two statewide retirement systems positively impact the state's economy. In 2012, these payments accounted for more than 3% of total personal income in five counties and between 2% and 3% of personal income in another 29 mostly rural counties.



Sources: State Employees' Retirement System and Public School Employees' Retirement System



### Pensionomics: By the Numbers

In 2012, PSERS and SERS made a total of \$7.6 billion in retirement payments to Pennsylvania citizens. This was approximately 90% of the total \$8.3 billion in total payments made by the two systems, the remaining benefits going to individuals who now live outside Pennsylvania.

In dollar terms, PSERS plus SERS made their largest total payments to more populous urban counties (Table A1 and the first map above).

- In five counties (Allegheny, Bucks, Dauphin, Montgomery, and Philadelphia), payments exceeded \$340 million.
- In another six counties (Berks, Chester, Cumberland, Delaware, Lancaster, and Westmoreland), payments fell between \$225 million and \$275 million.
- In another seven counties (Centre, Erie, Lehigh, Luzerne, Northampton, Washington, and York), payments equaled between \$150 million and \$225 million.

SERS and PSERS payments accounted for 1.5% of personal income in the state in 2012. Measured as a share of personal income, the geographic distribution of SERS and PSERS payments looks quite different than the geographic distribution measured in dollar terms (Table A1 and the second map above). The largest retirement system payments as a share of personal income fall in counties with high concentrations of state employees and in rural counties.

- In five counties (Cameron, Centre, Dauphin, Huntingdon, and Perry), retirement system benefits accounted for more than 3% of total personal income in 2012.
- In another 29 mostly rural counties, pension payments accounted for between 2% and 3% of personal income. Many rural counties have lower total personal income per capita than the average for the state, which makes the boost provided to local economies by Pennsylvania's state retirement systems all the more important.<sup>1</sup>

Keystone also analyzed the SERS and PSERS retirement benefit data by metro area.

- In one metro area, State College, retirement system payments accounted for more than 3% of personal income.
- In two metro areas, Johnstown-Altoona and Harrisburg-Lebanon-Carlisle, retirement system payments accounted for between 2% and 3% of personal income.

Metro Area	PSERS + SERS Retirement Payments, 2012 (millions of dollars)	Personal Income 2012 (millions)	Retirement Payments as % of Personal Income
Allentown-Bethlehem-Easton	\$ 382	\$ 30,929	1.2%
Erie	\$ 154	\$ 10,380	1.5%
Harrisburg-Lebanon-Carlisle	\$ 761	\$ 29,280	2.6%
Johnstown-Altoona	\$ 212	\$ 9,504	2.2%
Lancaster	\$ 259	\$ 20,461	1.3%
Philadelphia	\$ 1,805	\$ 212,917	0.8%
Pittsburgh	\$ 1,491	\$ 112,148	1.3%
Reading/Berks	\$ 225	\$ 16,250	1.4%
Scranton-Wilkes-Barre	\$ 383	\$ 21,596	1.8%
State College	\$ 200	\$ 5,760	3.5%
Williamsport	\$ 85	\$ 4,450	1.9%
York-Adams	\$ 237	\$ 20,632	1.2%

Source: Keystone Research Center analysis of Pennsylvania School Employee Retirement System (PSERS), State Employee Retirement System (SERS), and Bureau of Economic Analysis data

According to the National Institute on Retirement Security, every dollar in state and local pension benefits paid to Pennsylvania residents supports \$1.59 in total economic activity in the state.<sup>2</sup> Based on this ratio, PSERS and SERS accounted for \$13.2 billion in economic activity in Pennsylvania in 2012.

## **Policymakers Need to Strengthen, Not Weaken, Retirements Security**

A forthcoming Economic Policy Institute report finds that almost half (46.4%) of Pennsylvania seniors have incomes low enough that they are considered "economically vulnerable" and just one bad economic shock from significant economic hardship.<sup>3</sup> While slightly lower than the share of economically vulnerable seniors nationally (48%), these new data make clear that federal and state policies need to shore up retirement security, not erode it further.

<sup>1</sup> *The State of Rural Pennsylvania*, Keystone Research Center, <http://keystoneresearch.org/issues-guides/state-rural-pa>.

<sup>2</sup> *Pensionomics: Measuring the Economic Impact of State and Local Pension Plans (Pennsylvania Findings)*, National Institute on Retirement Security, Washington, D.C., 2009, [http://www.nirsonline.org/storage/nirs/documents/factsheet\\_PA.pdf](http://www.nirsonline.org/storage/nirs/documents/factsheet_PA.pdf).

<sup>3</sup> Elise Gould and David Cooper, *Financial Security of Elderly Americans at Risk: Proposed changes to Social Security and Medicare could make a majority of seniors 'economically vulnerable,'* Economic Policy Institute, June 6, 2013, <http://www.epi.org/publication/economic-security-elderly-americans-risk/>.

Governor Tom Corbett's pension proposal would jeopardize the retirement security of hundreds of thousands of school and state employees, sending harmful ripple effects throughout the state's economy. His plan would also raise the taxpayer costs of public pensions going forward by increasing the state's unfunded pension liabilities and making the retirement benefits of new employees more costly.<sup>4</sup>

Policymakers should reject the Governor's plan and instead take steps to shore up retirement security in Pennsylvania. A starting point in that effort should be to maintain the current PSERS and SERS defined benefit pensions, which are especially important to economies in lower-income rural counties.

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*The Keystone Research Center is a nonprofit, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania economy. Learn more about KRC's pension work at <http://keystoneresearch.org/pensions>.*

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<sup>4</sup> *Digging a Deeper Pension Hole: Transitioning to Defined Contribution Plan Brings Higher Pension Debt and Taxpayer Costs*, Keystone Research Center, February 26, 2013; *Paying More For Less: Cost of New Employee Pensions Will Rise with Defined Contribution Plan, Undoing 2010 Savings for Taxpayers*, Keystone Research Center, February 26, 2013; both available at <http://keystoneresearch.org/pensions>.

<b>Table 2.</b>			
<b>Total PSERS+SERS Retirement Payments by County, Rank, and as a % of Personal Income</b>			
County	PSERS + SERS Retirement Payments 2012 (millions of dollars)	PSERS + SERS as % of PI	Rank
Adams	\$ 48.32	1.4%	53
Allegheny	\$ 669.86	1.1%	59
Armstrong	\$ 43.88	1.8%	40
Beaver	\$ 100.27	1.5%	49
Bedford	\$ 35.29	2.1%	25
Berks	\$ 225.16	1.4%	52
Blair	\$ 94.02	2.0%	31
Bradford	\$ 33.25	1.4%	50
Bucks	\$ 340.16	1.0%	62
Butler	\$ 120.40	1.4%	51
Cambria	\$ 117.66	2.4%	17
Cameron	\$ 5.44	3.1%	4
Carbon	\$ 37.70	1.7%	43
Centre	\$ 199.50	3.5%	2
Chester	\$ 261.92	0.8%	65
Clarion	\$ 34.90	2.6%	13
Clearfield	\$ 59.67	2.2%	23
Clinton	\$ 35.73	2.6%	10
Columbia	\$ 59.77	2.7%	7
Crawford	\$ 61.31	2.1%	29
Cumberland	\$ 273.87	2.6%	11
Dauphin	\$ 345.64	3.0%	5
Delaware	\$ 265.55	0.9%	63
Elk	\$ 15.56	1.3%	55
Erie	\$ 154.34	1.5%	48
Fayette	\$ 118.88	2.5%	14
Forest	\$ 5.22	2.7%	8
Franklin	\$ 71.78	1.3%	54
Fulton	\$ 10.55	2.1%	27
Greene	\$ 26.84	1.8%	38
Huntingdon	\$ 48.98	3.5%	1
Indiana	\$ 87.41	2.7%	9
Jefferson	\$ 33.26	2.1%	26
Juniata	\$ 18.97	2.4%	18
Lackawanna	\$ 149.48	1.8%	41
Lancaster	\$ 259.28	1.3%	56
Lawrence	\$ 71.30	2.3%	20

Source: Keystone Research Center analysis of Pennsylvania School Employee Retirement System (PSERS), State Employee Retirement System (SERS), and Bureau of Economic Analysis data

**Table 2. (Continued)**

<b>Total PSERS+SERS Retirement Payments by County, Rank, and as a % of Personal Income</b>			
County	PSERS + SERS Retirement Payments 2012 (millions of dollars)	PSERS + SERS as % of PI	Rank
Lebanon	\$ 90.39	1.7%	45
Lehigh	\$ 156.51	1.0%	61
Luzerne	\$ 213.21	1.8%	42
Lycoming	\$ 84.67	1.9%	36
Mckean	\$ 25.42	1.6%	46
Mercer	\$ 79.78	2.0%	33
Mifflin	\$ 28.36	1.9%	35
Monroe	\$ 58.21	1.0%	60
Montgomery	\$ 482.79	0.9%	64
Montour	\$ 17.48	2.2%	21
Northampton	\$ 152.71	1.3%	57
Northumberland	\$ 71.78	2.2%	24
Perry	\$ 51.00	3.1%	3
Philadelphia	\$ 454.86	0.7%	66
Pike	\$ 11.59	0.5%	67
Potter	\$ 12.31	2.1%	30
Schuylkill	\$ 106.60	2.1%	28
Snyder	\$ 32.35	2.5%	15
Somerset	\$ 54.73	2.0%	32
Sullivan	\$ 5.66	2.6%	12
Susquehanna	\$ 25.21	1.8%	37
Tioga	\$ 31.97	2.3%	19
Union	\$ 29.56	2.0%	34
Venango	\$ 54.31	2.8%	6
Warren	\$ 35.27	2.4%	16
Washington	\$ 168.29	1.6%	47
Wayne	\$ 32.00	1.8%	39
Westmoreland	\$ 269.40	1.7%	44
Wyoming	\$ 20.76	2.2%	22
York	\$ 189.07	1.1%	58
Out of State	\$ 757.94		
Out of Country	\$ 4.03		
Totals	\$ 8,349.35	1.5%	

Source: Keystone Research Center analysis of Pennsylvania School Employee Retirement System (PSERS), State Employee Retirement System (SERS), and Bureau of Economic Analysis data