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Pennsylvania Makes Progress Toward Public Employee Pension Sustainability.

How a series of reforms has put the Keystone State on a positive trajectory

Pennsylvania's public employee pension plans are on a path to long-term fiscal sustainability thanks to a multiyear effort by policymakers to address the state's sizable unfunded pension liability. Although the plans' funded level remained relatively low in 2020 at 58%—below the national average of 70%—the state made three consecutive years of payments to the plans that were sufficient to cover benefits and reduce debt, which is real progress. In addition, a new benefit plan put in place to better manage financial risk, along with efforts to reduce investment fees by billions, limits the threat of developing new unfunded liabilities.

It will take decades for Pennsylvania's pension plans to achieve full funding, but an understanding of how policymaker decisions created a more positive trajectory can inform efforts elsewhere to improve the fiscal sustainability of public employee pensions.

Pennsylvania serves as both a cautionary tale and a turnaround story. The Pennsylvania State Employees' Retirement System (SERS) and the Pennsylvania School Employees' Retirement System (PSERS) were fully funded in 2000, thanks largely to strong investment gains in the 1990s stock market. But unfunded benefit increases and a longtime pattern of not fully funding annual required contributions meant that the state went from a $20 billion surplus in 2000 to a $60 billion deficit in 2015—one of the largest dips recorded nationwide.

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The Pew Charitable Trusts

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