CASE STUDY

HARRISBURG, PA

How to play the long game — achieving state-level pension reform in the U.S.

LESSON

ATLAS NETWORK

COMMONWEALTH FOUNDATION

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LEADING THE PACK IN PENNSYLVANIA:
Charting a course for real pension reform in the 50 states

How one think tank’s decade-long fight for pension reform became a reality. The Commonwealth Foundation’s pension reform success in Pennsylvania carries with it a how-to manual for other states in the U.S., almost all of which are also struggling with pension crises of their own.
When it comes to effecting change, the first step is knowing the facts

Pensions — the defined-benefit package so many government entities have promised to retirees — were never meant to provide a 30-year retirement cushion. Unfortunately, states like Pennsylvania have watched their pension debts soar as retirees are leaving work in their 50s and living for decades on defined-benefit payouts that have grown to unsustainable levels.

But in 2017, after years of sounding the alarm on Pennsylvania’s billions of dollars in state pension debt, the Commonwealth Foundation (CF) saw its hard work pay off. That’s because state policymakers came together — conservatives and progressives alike — to sign off on Act 5, a plan that is projected to save the state billions and secure the retirements of government workers.

The beginning of an end to the state’s bankrupt pension system. All government workers now have the option to opt into a 401(k)-style retirement plan, and new workers are no longer automatically enrolled into the pension systems. Instead, starting on Jan. 1, 2019, all newly hired workers will be enrolled in a hybrid defined-benefit/defined-contribution retirement plan.

Sounding the alarm early and often. In 2006, nobody in Pennsylvania wanted to hear, let alone believe, that the state’s retirement system was broke. Public-sector unions went so far as to guarantee that there was nothing wrong with Pennsylvania’s government pensions. But that year, CF released a groundbreaking report showing just how dire the numbers looked, exposing an unpleasant truth before anyone else was ready to hear it and then continuing to beat the drum for 12 years.

Putting the state on a sustainable path forward. Pennsylvania’s unfunded pension liabilities skyrocketed from $7.6 billion in 2006 to $71 billion by market value in 2016. The 2017 legislation CF helped shepherd through the Statehouse will save the state an estimated $5 billion to $30 billion over the next 30 years.

Cracking the code on how to make difficult change a reality. As all state policy experts know, pensions are a sacred cow — making meaningful changes to protect retirements and save taxpayers from financial ruin is an incredibly heavy lift. The reason so many states have failed to realize reforms is that they’ve been unable to bring all sides to the table. CF helped broker that reality in Pennsylvania, urging all stakeholders to join the conversation. Ultimately, the state’s pension reform had overwhelming bipartisan support.

KEY TAKEAWAYS

CF’s fight for pension reform was long and hard. Many influencers and policymakers scoffed at the notion that pension reform was even an issue back when CF got its start on this campaign. But because of hard work, solid research, well-applied pressure, and persistence, today Pennsylvania is in the vanguard of states leading the charge for more sustainable public retirements. CF’s fight to reform pensions shows:

How to win long, hard policy fights

How to use the power of data and research to tell a powerful story and move public opinion

The importance of focus in securing major policy victories
How determination and the right strategy can help think tanks realize big reform

Public pensions: They’ve become politicians’ favorite tool to engender support among government unions, the most powerful special interest groups in state politics. It’s a simple enough formula, especially in blue states — keep government union leaders happy by promising raises and generous pension benefits, then reap the rewards of campaign donations and political support. Unfortunately, too many politicians have been willing to trade the economic and budgetary health of their states in favor of the get-elected-quick decision to forego needed reforms to these bloated, broken pension systems.

Things were already dire in Pennsylvania in 2006 when CF decided enough was enough. Back then, the state owed $7.6 billion in pension debt. CF’s policy experts and leaders warned that without necessary changes, this debt would spiral out of control, and quickly. Their prediction became reality, and just 10 years later Pennsylvania’s pension debt had skyrocketed to a whopping $71 billion.

At that point, those who had scoffed at the idea that the state’s pension systems were broken just a decade earlier realized if the state did nothing, things would become untenable in Pennsylvania, compromising not just the taxpayers who had been forced to prop up these unaffordable pensions for years but also the government workers who had been counting on a pension in retirement.

Thankfully, CF had been beating the drum for 10 years on the mechanics of the problem and what the right solutions would look like. Their tireless communication with lawmakers and the public helped generate momentum for a shift away from the state’s outdated, unaffordable pension system toward a 401(k)-style solution. The resulting pension-reform bill that passed in 2017 was heralded by The Wall Street Journal as a pioneering solution, and the Pew Charitable Trusts called it, “One of the most — if not the most — comprehensive and impactful reforms any state has implemented.”
About The Commonwealth Foundation

Since its founding in 1988, the Commonwealth Foundation has been the catalyst turning Pennsylvania into a state filled with opportunity. For the past three decades, the group has fought for free-market and limited government principles out of its headquarters in the state capital of Harrisburg.

CF focuses primarily on fiscal policy and reforms that make government more transparent and accountable to the people. Over the years, CF has fought for reforms that provide more educational choice to children and families, empowered Pennsylvanians by encouraging self-sufficiency and away from government dependence, and fought against tax hikes, instead encouraging policies that promote economic prosperity so that the state’s economy can thrive and create prosperity for all residents.

With a staff of over 25, CF is fighting to help Pennsylvania return to its roots as the state where the great American experiment began.

THE CONTEXT: Why was CF’s pension battle such a heavy lift?

A report titled “Beneath the Surface,” which compared the unfunded liability of public pensions in Pennsylvania to an “iceberg,” was released in 2006 by policy experts from the Commonwealth Foundation. With this groundbreaking report, one of the most historic statewide pension reform campaigns in American history began in earnest.

In response, the Pennsylvania State Education Association denied the existence of any problems in the state pension system or its funding. American Federation of State, County, and Municipal Employees President David Fillman quipped, “Pennsylvanians should rest assured that Pennsylvania is not the Titanic, and there are no icebergs in our pension fund’s future.”

But pension costs quickly became one of the primary cost drivers of the state budget, burdening taxpayers, consuming school funding, and holding Pennsylvania back from achieving greater prosperity.

CF didn’t have many allies in its initial foray into the pension-reform push, particularly among lawmakers in Harrisburg. One of the main reasons why? State lawmakers receive generous public pensions, too. As journalists from The Associated Press put it, “After just five years [Pennsylvania lawmakers] vest in a system that guarantees them a monthly check for life, and their health-care costs are subsidized for the rest of their lives.” These lucrative pension payouts for lawmakers made it incredibly unappealing to them to reform the system.
Slowly but surely, CF began chipping away at that iceberg. CF’s relentless advocacy for reform shaped the debate and shifted public opinion. State leaders, including former Gov. Tom Corbett, adopted CF’s language by calling the pension problem an iceberg. David Fillman, six years after denying a problem, said ‘we all saw this coming.’ Backed by CF’s research, the General Assembly passed a hybrid pension reform bill in 2015 — despite intense opposition from government unions. But Gov. Tom Wolf, whose largest campaign donors included government unions, vetoed the measure in July.

CF was undeterred. In 2017, the organization organized a renewed push for reform. Leadership engaged CF’s investor community to leverage their influence with lawmakers, raised public awareness of the issue through a targeted media campaign, and met face-to-face with lawmakers to convince them to act on reform. CF’s executives met with leaders of both the House and Senate to walk through the details of a new proposal. And the group’s COO met with Gov. Wolf’s chief of staff to coordinate with all three offices throughout the vote-counting process.

After more than a decade of work, and after overcoming many setbacks, pension reform became reality in 2017. The measure passed with bipartisan support in both the House and the Senate before Gov. Wolf signed the bill into law.

**Coupling research with innovation to achieve major policy change**

Even though a solid research foundation is essential when pursuing solutions to major policy issues, white papers don’t move the public on the need for change. That’s why the Commonwealth Foundation not only did its due diligence when it came to breaking down Pennsylvania’s public pensions, but it also figured out ways to open the window of opportunity for achievable and transformative policy in Pennsylvania through these three innovative approaches:

1. **Arming influencers with the facts and support to bolster the courage to pursue big reforms:** Convincing lawmakers that your free-market solution is the right path forward is difficult enough — but you haven’t won the battle just because they agree with you in one conversation.

   Getting them to do the right thing means continuing the conversation and providing them the facts they need to have the courage of conviction to follow through. Make sure to have frequent touch points. Make your research and main talking points clear and easy to understand — never make people work too hard. For example, a few days before the vote on pension reform, CF distributed a summary of the bill and their reasons for supporting it to all senators and their chiefs of staff. They also crafted a memo of support to the Senate Appropriations Committee before a critical committee vote. As a result, legislative leadership cited CF’s support in their closed-door briefing with rank-and-file lawmakers in both the House and Senate.

   Over the few weeks leading up to the final vote, CF staff and contract lobbyists held approximately 40 face-to-face meetings with lawmakers. All but two of those meetings led to an affirmative vote on the final bill. CF provided lawmakers with details and analysis of the legislation before they heard from anyone else.

2. **Owning the narrative so your message and solution doesn’t become muddled by others:** In the weeks before and after the bill’s passage, CF’s message on pension reform was everywhere, appearing in nearly 70 media hits in newspapers and outlets across the state, including op-eds, editorials, radio, and even a mention in *The Wall Street Journal* and Fox News.

   The main message? CF’s pension reform is a positive step toward fiscal stability. This message didn’t just go to media — it was also activated on Facebook, where ads to this effect reached more
than 32,000 voters. CF’s email list of nearly 10,000 activists and supporters also received several email messages on the group’s research and the legislative solution.

“They are filling the void that media can’t. They are the new watchdogs” - Dennis Owens, ABC27 News Anchor and State Capitol reporter, on the role CF plays in keeping the Capitol accountable.

3. Ramping up legislative pressure by activating other networks of influencers: CF engaged its investor community to leverage their influence with lawmakers. These investors include local entrepreneurs, regional employers, and political donors — individuals who have a far greater impact with lawmakers than they realize, and who are among the best advocates for change.

This allowed CF’s main messages to be heard from multiple microphones and multiple voices. Pension reform remained a top priority for Pennsylvania’s legislators in 2017, despite Gov. Wolf’s veto of a similar bill just two years earlier, because CF’s investors let their legislators know how much pension reform mattered to them.

**Metrics of success — measuring impact with data**

- Pennsylvania’s new pension reform bill will save taxpayers an estimated $5 billion to $30 billion over the next 30 years and will put an end to the state’s bankrupt pension system.

- CF’s work generated an increased media presence for the organization and established Pennsylvania as a leader in pension reform. In addition to media coverage throughout Pennsylvania, the passage of pension reform drew national attention, making Pennsylvania a model for other states with unsustainable, unaddressed pension liabilities. For example, citing CF’s work on the issue, a *Wall Street Journal* editorial asked, “Are you paying attention, Illinois and Connecticut?” Shortly after Pennsylvania enacted its reform, Kentucky passed similar pension reform legislation.

- CF’s success on pension reform shifted the political climate. It is no longer “business as usual” in Pennsylvania politics, and CF’s free-market ideas are taking root as policy solutions.
Key Lessons from CF’s Pension Reform Campaign

HOW CF DID IT: Chipping away at a gargantuan, “untouchable” policy challenge takes principles, pragmatism, and the right timing

Was Commonwealth’s pension win easy? No. But like any big policy fight, it all starts with vision and mapping out the path to victory. Timelines are important: It could be 10 years, five years, or 12 months. Along that timeline, it’s important to lay out the incremental victories that will get you the win. Big ideas are inspiring, but without a carefully crafted plan of action (and consistent revisions) they will not come to fruition.

Once you have that plan in place, be ready to capitalize on a media development or political development that can catapult your issue into the realm of possibility. And ensure your investors understand culture change takes time and legislators traditionally move slowly. Be sure to celebrate the incremental victories to encourage your supporters, legislative allies, and outside allies.

Along with solid planning and capitalizing on outside media opportunities, leaders must understand that reform happens within the political sphere. That means balancing the ideal reform with political realities is also key to success. The final bill Pennsylvania legislators passed was not the ideal, but Commonwealth strategically started with the strongest proposal possible to allow room for negotiation and ultimately the ability for both sides to declare a win.

And even in the face of legislative setbacks, Commonwealth’s team persevered. At one point, the pension reforms Commonwealth fought so hard to realize were vetoed. But they kept fighting, and several years later the legislation reached the governor’s desk and was signed into law. Familiarizing lawmakers with reforms and demonstrating that you can move legislation in consecutive sessions is key to bringing everyone to the table.

Why it matters: Wins will very rarely fall into your lap. Think tank leaders must put their organizations in the best position possible to succeed. That means upfront planning, a strong vision for what success looks like, and understanding the political landscape within which reform must take place.

HOW CF DID IT: Consistency, clarity, and persistence help make the ground ripe for big policy changes

It took nearly a decade of reiterating the same message and pushing the same policy solution for the Commonwealth Foundation to deliver pension reform to Pennsylvania. Consistency was key — the general public and lawmakers alike have busy lives and short attention spans, so bombarding them with too many talking points and stats would never have worked. Commonwealth was able to clearly communicate a complicated issue by distilling what needed to change in a few phrases: Get politics out of pensions. Our pension system isn’t working for state workers or taxpayers. Reform gives workers more control over their benefits and protects taxpayers from risk.
This success is also having a ripple effect for Commonwealth. Pension reform has also enabled the group to build trust with State Senate leaders, which has proved invaluable as they seek to persuade leaders to advance other key reforms like spending limits, education scholarship accounts, and welfare reform.

Why it matters: If you can’t articulate what you want and why it’s important in a simple phrase, it’s too complicated to win. Persuasion and raising issue awareness is more than half the battle.

HOW CF DID IT: Big wins take organization-wide focus

Taking on something as big as a government pension system — and, by association, taking on powerful special interests like government worker unions — requires all hands on deck. This isn’t just the policy team’s goal. It doesn’t fall solely on the development team to raise money. Marketing alone can’t make foundational change happen.

The entire organization has to be committed to, and focused on, a goal this big. That also means the organization needs to put a comprehensive plan of action in place. At the beginning of 2017 (six months before the reform victory took place), Commonwealth’s development team met with investors and prepared them for this opportunity. Their policy team wrote guides and one-pagers up until the last week tracking each adjustment to the bill. The government affairs team had over 40 meetings in the weeks leading up to the victory, and the communications team promoted op-eds and worked with reporters to secure over 60 mentions in May and June. They ensured the Commonwealth Foundation was seen as the go-to expert on the issue.

Why it matters: If you want to win big, you have to make sure every single asset on your team is working toward the same goal. That doesn’t happen by accident — it requires articulating a clear goal, identifying what must happen to achieve that goal, and then allowing team leaders to get to work executing the plan.
POINTS TO PONDER

1. Even though a solid research foundation is essential when pursuing solutions to major policy issues, white papers don’t move the public on the need for change. What are some of the ways think tanks, advocacy groups, or other non-profit organizations open the window of opportunity for achievable and transformative policy?

2. What are some of the ways the leadership at the think tanks can engage their investor community to leverage their influence with lawmakers to raise public awareness of the issue and convince them to act on reform?

3. Commonwealth Foundation did not have many allies in its initial foray into the pension-reform push. How do nonprofits persevere their advocacy efforts to win long, hard policy fights?

4. What are some of the ways in which think tanks, civil society organizations, and nonprofits own their narratives so that the message and solution do not become muddled by others?

Commonwealth Learn More:
- Prairie State Wire: What the Supreme Court’s ruling in Janus v. AFSCME could mean
- Lancaster Online: Lancaster County school districts raise taxes as much as 6.3 percent in 2018-19 budgets
- Pennwatch.org: Unions and their Impact on Teachers
- The Daily Pennsylvanian: Philadelphia Ranks 73rd out of 75 major U.S. Cities in Financial Health
- TribLive: Commonwealth Foundation president/CEO: Write Pa.’s next chapter without tax-and-spend policies

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