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Surveying the Local Pension Landscape in Allegheny County

Summary: The biennial Status Report on local pensions in Pennsylvania was recently released, and we take a look at the 304 plans in Allegheny County.

By virtue of state legislation in 2016, the job of collecting and disseminating data on Pennsylvania's 3,000 plus local government pension plans was transferred to the Auditor General's office upon the closure of the Public Employee Retirement Commission. For the past six years the Allegheny Institute utilized the data—contained in the Status Report on Municipal Pensions—to describe and monitor the pension plans covering workers in Allegheny County. We will soon be publishing our fourth installment of the full-length report.

The 2016 Status Report collects data submitted for 2014. By the Report's count, there were 299 plans in Allegheny County that reported. We round out our own analysis by adding in the plan that covers the 7,000 employees that work for Allegheny County government along with the four plans of the Port Authority to bring the total to 304 plans. In all, those 304 plans covered close to 17,200 active employees. 105 of those plans covered five or fewer actives.

Over time, going back to the 2011 report (which covered 2009 data), the pension plans in Allegheny County have been, by and large, stable in terms of overall number and health. In 2009 the General Assembly passed Act 44 which crafted a "distress scale" which places municipalities into one of four categories (none, minimal, moderate, and severe) based on the aggregate health of their pensions. When the first distress scores were released in 2010, two municipalities in Allegheny County were in severe distress. One was the Borough of Braddock Hills, which in 2009 reported one plan covering two active police officers, the other was the City of Pittsburgh which reported three plans covering a total of 3,323 active employees and had close to $1 billion in actuarial liabilities to Braddock Hills's $558,000.

Forward to 2016 and both municipalities have moved out of severe distress and are now in the moderate distress range. Both plans boosted their assets (Pittsburgh did it via a thirty year pledge of parking tax revenue above and beyond what it is required to contribute) and exited the lowest level of the Act 44 typology. Only one plan, the Clairton Police Plan (funded ratio of 18%) was in severe distress.

Distress Score by Plan

Level of Distress	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
None (90% or >)	201	3283	140	61	$ 831,409	$ 824,437	$ 6,972	101
Minimal (70-89%)	84	3426	84	0	$ 1,155,136	$1,399,484	$ (244,348)	83
Moderate (50-69%)	18	10464	18	0	$ 1,658,852	$2,827,231	$ (1,168,379)	59
Severe (49% or <)	1	10	1	0	$ 348	$ 1,990	$ (1,642)	17
Total	**304**	**17183**	**243**	**61**	**$ 3,645,746**	**$5,053,144**	**$ (1,407,398)**	**72**

The majority of plans are still defined benefit (of the 304 plans 243 are defined benefit, 61 are not) and have 93 percent coverage in the employee classes at the local level. Since most local plans are separated by employee class (a municipality may have one plan that covers its police, possibly fire, and one that covers its non-safety employees) the one class where there is a significant proportion of non-defined benefit is among non-uniformed employees.

So with reasonable health exhibited in the majority of plans in Allegheny County and statewide, does that mean the need for reforms at the local level are not needed? The most recent foray into municipal pension reform in Pennsylvania came in 2015 with the release of findings by the Governor's Task Force on Municipal Pensions. The Task Force called for greater transparency in regard to what state pension aid can be used for (the state taxes insurance premiums and distributes the money to municipalities via formula), public posting of plan data, etc. but also made recommendations on what to do for underfunded plans including:

1. Controlling management fees, capping overtime and excluding accumulated leave from pension calculations, eliminating lump-sum DROP payments, realistic rates of return on investments and limiting benefit enhancement.
2. Shifting management responsibility for underfunded plans to a shared investment manager.
3. Possibly creating a new statewide defined benefit structure for all new hires in underfunded plans.

Some of the suggestions from number 1 have been adopted by various governing bodies in Allegheny County and some new *defined contribution* plans have been created since our 2015 report for new hires of those governing bodies, though obviously not on a statewide basis. With the state still deliberating on what reforms they want for the two statewide pensions for state employees and public school employees it remains unclear if local pensions will be brought into the discussion.

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