ALLEGHENY INSTITUTE FOR PUBLIC POLICY

Pension Plans in Allegheny County:
A Review of the 2014 Data

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Key Findings

- In 2014 there were 304 local government pension plans in Allegheny County, ranging from the large Allegheny County pension plan to many small municipal and authority plans.

- Most of these plans are defined benefit type plans. However, new plans that have been created are all of the defined contribution type. Three municipalities in the County reported new defined contribution plans in the latest data.

- The majority of plans are in good financial shape based on their funding ratio (assets divided by liabilities). Under the distress typology created by Act 44 of 2009, no municipality is in severe distress because of its pensions and only one plan in Allegheny County is below 50 percent funded.

- The most recent set of recommendations came in June of 2015 with the release of the Governor's Task Force for Municipal Pensions.

Introduction

This report is the fourth installment analyzing the number, characteristics, and funding of the local pension plans in Allegheny County covering non-uniformed and uniformed employees providing a variety of public services.

The bulk of the data comes from the Pennsylvania Auditor General's office, which produces a "status report" on pensions every other year. The report covers data submitted to the Auditor General's office and covers pension data from two years previous. In other words, the 2016 report covers 2014 pension data. That data is rounded out by including pension data related to Allegheny County government itself, which administers a single plan for its employees, as well as the Port Authority of Allegheny County, which provides mass transit in the County.[1]

[1] Pennsylvania Auditor General, "Status Report on Local Government Pension Plans in Pennsylvania". Legislation enacted in 2016, Act 100, eliminated the Public Employee Relations Commission (PERC) which was an independent commission that handled all municipal pension reporting requirements under Act 205 of 1984 and which provided the data used in previous reports on local pensions in Allegheny County that we wrote. Act 100 transferred this function to the Auditor General's office. This report shows 299 local plans in Allegheny County. Data on the single Allegheny County Retirement System was obtained from the County's Retirement Office, and four plans administered by the Port Authority of Allegheny County from the Authority's audits and communications with the finance office. That brings the total number of plans analyzed to 304.

Pension Plans in Allegheny County

Based on the data, there are 304 local pension plans in Allegheny County. Active membership in these plans, which counts the workers employed and working toward a pension, totaled 17,183. In terms of active employees the largest pension plan is the one covering Allegheny County employees which totaled over 7,000 active members. Including the County's plan, nine others reported having 100 employees or more, and these plans cover either City of Pittsburgh employees or County and City authorities related to mass transit and sewage treatment. There were 105 plans with five or fewer active employees with 21 of these reporting no active employees.[2]

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
All Plans in Allegheny County	304	17183	243	61	$ 3,645,746	$5,053,144	$ (1,407,398)	72

Of the plans, 243 (80%) are self-insured defined benefit (db) plans where a specific retirement benefit is promised based on length of service, retirement age, and final average salary determinations. The remaining plans are not defined benefit plans and are either defined contribution plans (47 plans) where the employer promises only a specific contribution to a retirement account or multi-employer plans bargained under the terms of ERISA (14 plans).

Actuarial assets (AA) exceed $3.6 billion while actuarial liabilities (AAL) stand at $5.0 billion, leaving an unfunded amount (AA-AAL) of $1.4 billion. Measured by the funded ratio, which is the plan's actuarial assets (AA) divided by its actuarial liabilities (AAL), in aggregate the pension plans in the County were 72 percent funded in 2014.

The total numbers of plans in the County has remained relatively consistent since our first report. That's not to say that there has not been movement as plans have been created and others closed down. Since our last report in 2015, three municipalities have created new defined contribution plans for non-uniformed workers, one authority has created a new defined contribution plan, and two authorities are new to the reporting system. One sanitary authority ceased operations.[3]

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[2] Ibid.

[3]Hampton Township, Munhall Borough, and Fox Chapel Borough all created new defined contribution plans. The McCandless Township Sanitary Authority reported a new defined contribution plan (it currently has a defined benefit plan as well). The Pleasant Hills Authority reported a defined contribution plan, and the Medical Rescue Team South Authority (MRTSA) serving suburbs in the south hills of Allegheny County reported to the status report this year. The Elizabeth Township Sanitary Authority ceased operations. In previous reports we included the Allegheny County Housing Authority despite the fact that the authority stopped reporting in 2015, and, since they did not report to the Auditor General for the 2016 report, we did not include them.

By Level of Distress

A key component of Act 44 of 2009 is the recovery program, which hinges upon a determination of pension distress. "Each municipality…will receive a separate distress score based on the aggregate funded ratio of its pension plans". A distress score ranges from "not distressed" to "severely distressed" (the scale is presented in the table below) and a score has been produced for municipalities every other year since 2010. The table below shows distress scores by municipality (which also includes authorities and associations).[4]

Distress Score by Municipality

Level of Distress	2010	2012	2014	2016
None (90% or >)	73	69	73	93
Minimal (70-89%)	54	60	55	40
Moderate (50-69%)	10	11	11	6
Severe (49% or <)	2	1	1	0
Total	**139**	**141**	**140**	**139**

In 2016 the number of municipalities exhibiting no distress (90% or > funded ratio) reached its highest number and its highest percentage since distress scores have been taken. With 93 of 139 (67%) scoring at the no distress level and no municipality at the severe distress level that should be taken as a sign of accomplishment. From the 2014 to 2016 scoring, municipalities such as Churchill Borough, Indiana Township, Oakmont Borough, and South Fayette Township and the Allegheny County Sanitary Authority and Sewickley Water Authority, among others, moved from a level of minimal distress to no distress.

In order to see how individual plans are performing—since municipalities, authorities, and associations can have a very good plan and a very poor plan and those average out to place the governing body on a specific distress score—the table below ranks pension plans on the Act 44 scale and measures their values on active members, number of defined benefit/non-defined benefit plans, and assets, liabilities, and funded ratio.

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**

[4] Pennsylvania Auditor General, Office of Budget and Financial Management. Act 205 Distress Scores. The responsibility for compiling distress scores was likewise transferred to the Auditor General's office under Act 100 of 2016.

By Employee Class

Local pensions are separated by the function the employee performs—police officers are in a police plan, firefighters in a fire plan, and everyone else that is not a uniformed officer is in a non-uniformed plan. The two exceptions to this schematic is the Allegheny County plan, which has non-uniformed workers together with County police and deputy sheriffs as well as some fire employees, and the Port Authority's non-represented plan, which includes the Port Authority's police force. Since the majority of workers in these plans are non-uniformed workers they have been counted in the non-uniformed category when analyzing plans by employee class.

Non-Uniformed Workers

Plans covering non-uniformed workers are the most numerous in Allegheny County (they represent 62% of all plans), have the greatest share of active workers, and have the greatest presence of non-defined benefit plans of all three employee classes with 32 percent of all plans falling into this type.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Non-Uniformed	187	14457	127	60	$ 2,505,935	$3,447,472	$ (941,537)	73

Police Officers

There were 108 pension plans covering police officers reported. There are 2,070 active members in these plans. All of these were defined benefit plans with the exception of a defined contribution plan in Liberty Borough that covers 1 employee. As a group the funded ratio for the plans was 76 percent. The police pensions include the only severely distressed plan in Allegheny County, the Clairton police plan.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Police	108	2070	107	1	$ 881,627	$1,161,321	$ (279,694)	76

Firefighters

There are nine plans covering firefighters in the County, the largest belonging to the City of Pittsburgh with 611 active members (roughly 93% of the total for the nine plans). Four plans report no active members (Carnegie, Clairton, Duquesne, and Wilkinsburg) and two (Swissvale and Bellevue) have three active members each. With the exception of Pittsburgh's funded ratio (56%) the firefighter plans are in good shape, with funded ratios of 77 percent or greater.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Fire	9	656	9	0	$ 258,182	$ 444,350	$ (186,168)	58

By Level of Government

This section analyzes pension plans through their connection to a specific level of government, including the City of Pittsburgh, Allegheny County, non-City/non-County, and joint City-County authorities.

City of Pittsburgh

The City of Pittsburgh has three plans directly under its control (it has a fourth, a defined contribution plan for non-uniformed employees which is optional and has not reported any active members, assets, or liabilities for some time) and its related authorities (to which the Mayor has appointment power) bringing the total of plans related to the City to seven. Two of the authorities, the URA and the Housing Authority, are non-defined benefit type plans. The Parking Authority has one defined benefit plan for its employees.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Pittsburgh-Fire	1	611	1	0	$ 228,146	$ 410,718	$ (182,572)	56
Pittsburgh-Police	1	856	1	0	$ 249,288	$ 449,093	$ (199,805)	56
Pittsburgh-Non Uniformed	2	1694	1	1	$ 210,113	$ 345,696	$ (135,583)	61
Parking Authority	1	61	1	0	$ 12,304	$ 11,034	$ 1,270	112
Redevelopment Authority	1	80	0	1	$ 12,024	$ 12,024	$ -	100
Housing Authority	1	287	0	1	$ 40,020	$ 40,020	$ -	100
Total	**7**	**3589**	**4**	**3**	**$ 751,895**	**$1,268,585**	**$ (516,690)**	**59**

Allegheny County

Allegheny County, as mentioned above, covers all its direct employees under one plan. There are four plans at the Port Authority (the County Executive appoints six of the eleven board members).[5]

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Allegheny County	1	7016	1	0	$ 837,083	$1,404,493	$ (567,410)	60
Port Authority-ATU	1	2106	1	0	$ 698,490	$ 841,398	$ (142,908)	83
Port Authority-IBEW	1	38	1	0	$ 18,324	$ 26,537	$ (8,213)	69
Port Authority-Non Represented	1	151	1	0	$ 73,748	$ 125,850	$ (52,102)	59
PAT--IBEW and Non-Rep for New Hires	1	123	0	1	$ 762	$ -	$ 762	0
Total	**5**	**9434**	**4**	**1**	**$ 1,628,407**	**$2,398,278**	**$ (769,871)**	**68**

[5] The Port authority provided 2014 data for all of its plans with the exception of the defined contribution plan, so data from our 2015 report (2013 value) was utilized.

Joint City-County Authorities

There are two joint authorities where the City and County share appointment power and thus cannot be called solely a City or County authority. These are shown below—ALCOSAN and the SEA.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Sanitary Authority	2	360	2	0	$ 128,329	$ 135,720	$ (7,391)	95
Sports and Exhibition Authority	1	16	0	1	$ 1,404	$ 1,404	$ -	100
Total	**3**	**376**	**2**	**1**	**$ 129,733**	**$ 137,124**	**$ (7,391)**	**95**

Non-City, Non-County

The remainder of the plans are those not directly connected to the City of Pittsburgh or Allegheny County. The table below outlines the municipal, authority, and association pension plans that, as a group, have a funding ratio of 91 percent, which places them just under the upper level of no distress as established by the Act 44 typology.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Municipal-Fire	8	45	8	0	$ 30,036	$ 33,631	$ (3,595)	89
Municipal-Police	107	1214	106	1	$ 632,339	$ 712,227	$ (79,888)	89
Municipal-Non Uniformed	174	2525	119	55	$ 473,330	$ 503,291	$ (29,961)	94
Total	**289**	**3784**	**233**	**56**	**$1,135,705**	**$1,249,149**	**$ (113,444)**	**91**

Conclusion

Overall, based on 2014 reported data, the pensions in Allegheny County appear relatively stable and unchanged from years past. The City of Pittsburgh discussed changing its rate of return for its investments for this year and could possibly revisit doing so for 2018. In addition next year begins an increased level of parking tax contributions to the pension plans under a 2010 plan.[6]

So what to do for municipal pensions in trouble and for municipal pensions overall? The General Assembly expects to take up pension reform proposals in the current session, but whether those reforms include local pensions or just focus on the state SERS and PSERS systems is yet to be seen. The most recent in-depth look at municipal pensions came with the creation of the Governor's Municipal Pension Task Force, which released its findings on June 30, 2015.[7]

Those recommendations are summarized below:
The task force recommended "increasing transparency and accountability for all municipal pension plans by":

1. Increasing penalties for municipalities that do not pay their full minimal municipal obligation (MMO).
2. Ending the current practice of allowing state municipal pension aid to be used for administrative expenditures.
3. Adopting standards to require municipalities to disclose pension liability and requiring the public posting of municipal pension costs.
4. Excluding municipal pensions from collective bargaining.

The task force recommended "helping with the recovery of underfunded pension plans by":

1. Requiring underfunded pension plans to adopt new investment and benefit standards including controlling management fees, capping overtime and excluding accumulated leave from pension calculations, eliminating lump-sum DROP payments, adopting 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.

The Allegheny Institute's work on pension reforms has focused heavily on the second set of recommendations on recovery, especially recommendations 1 and 3. We have written on "spiking", where employees work as much overtime as possible to bolster pension payouts, the rates of return for pension plan earning assumptions, limiting new benefits, especially for new hires, and funneling all new hires into a unified statewide pension plan.[8]

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[6] Allegheny Institute Blog "City Pension: Will 2018 Bring a Drop in Rate of Return?"
[7] Governor Tom Wolf's Task Force on Municipal Pensions "Pennsylvania's Municipal Pension Challenges" June 30, 2015.
[8] See "Spiking Pensions Still Persists", "Overtime Déjà vu at PAT", "Pittsburgh Encounters Pension Reform and Does Not Like It", "What Does the Future Hold for Allegheny County's Pensions?", "Transit Agency Changes Retiree Benefits", as just a sample of what we have written.

In Allegheny County, we have seen bits and pieces of these changes happening with different pension plans: the County's plan was reformed for new hires in 2014, municipalities and authorities have created new benefit plans for new hires, as covered by previous reports, and it is no doubt that these measures will arise again as governing bodies with healthy pension plans look to maintain them, and those with plans in trouble look for a way out.