



ALLEGHENY INSTITUTE
FOR PUBLIC POLICY

*Pension Plans in Allegheny County:
A Review of the 2013 Data*

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Key Findings

- In 2013 there were 300 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.
- The majority of plans are in good financial shape based on their funding ratio (assets divided by liabilities).
- Switching new hires to a defined contribution plan, making new hires work more years, and plowing more money into underfunded pension plans have all been mentioned as methods for reforming public sector pensions, and all have been implemented in pension plans in the County.

Introduction

This report is the third installment in the analysis of the number, characteristics, and funding of the 300 individual 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 Public Employee Retirement Commission (PERC) which produces a “status report” on pensions every other year. The report covers data submitted to PERC and covers pension data from two years previous. In other words, the 2015 PERC report covers 2013 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

Pension Plans in Allegheny County

Based on 2013 audited data, there are 300 local pension plans in Allegheny County. Active membership in these plans, which counts the workers employed and working toward a pension, totaled 18,037. In terms of size the largest pension plan is the one covering Allegheny County employees which totaled 7,526 active members. Including the County’s plan, 11 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, sewage treatment, or public housing. There were 104 plans with 5 or fewer active employees with twenty of these reporting no active employees.

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	300	18037	244	56	\$ 3,335,381	\$ 4,707,146	\$ (1,371,765)	71

Over 80 percent of the plans 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 (41 plans) where the employer promises only a specific contribution to a retirement account or multi-employer plans bargained under the terms of ERISA (15 plans).

¹ Pennsylvania Public Employee Retirement Commission, Status Report on Local Government Pension Plans http://www.portal.state.pa.us/portal/server.pt/community/publications/3194/municipal_pension_plan_report/525535 Information on Allegheny County pension plan from 2013 County Controller’s Comprehensive Annual Financial Report (CAFR) http://www.alleghenycontroller.com/report.php?fn_name=report&report_nme=report&report_subtype=compreheni ve&pg_id=17# and Allegheny County Retirement Office audit “Allegheny County Employees’ Retirement System, December 31, 2013 and 2012” specifically note 6 on Funded Status and Funding Progress <http://www.alleghenycounty.us/reports/2014/Audit2013.pdf> The CAFR also contains data on Port Authority plans in the Basic Financial Statements. Active employee counts in Port Authority plans obtained from Port Authority Benefits Administration.

Actuarial assets (AA) exceed \$3.3 billion while actuarial liabilities (AAL) stand at \$4.7 billion, leaving an unfunded amount (AA-AAL) of \$1.3 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 71 percent funded in 2013.

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 2013 (on 2011 data) several municipalities have created new defined contribution plans for non-uniformed workers, two police plans have been closed, and the Port Authority created a new defined contribution plan for new hires belonging to the IBEW bargaining unit and the non-represented employees.²

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 in 2010, 2012, and 2014. In Allegheny County in those years PERC has scored 139, 141, and 140 municipalities respectively, and those totals have included municipalities as well as authorities and associations.³

Distress Score by Municipality

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

However, it is also instructive to analyze individual plans under the levels of distress in order to see how many pension plans (rather than municipalities) are in bad shape. There are two plans—both defined benefit plans for police officers, both in municipalities in the Mon Valley of Allegheny County—that are in the category of severe distress. Clairton and Braddock Hills’ police plans have been in that category since 2009. Note that Clairton has two other plans, one for firefighters and one for non-uniformed workers, that are very healthy (funding ratios of 82% and 119%, respectively) and that, taken together, the aggregate funding ratio for the City would be 73 percent (minimal distress) under the Act 44 methodology. Braddock Hills does not report another pension plan for any other class of employee, so its severe distress rating gets no aid from a better funded plan and the municipality is the only one in severe distress under PERC’s scoring.

² More details on these plans in sections on employee classes. Springdale Township did not submit its data to PERC in time for publication, so its non-uniformed plan and its police plan are not included in the analysis.

³ PERC, Act 205 Distress Scores

http://www.perc.state.pa.us/portal/server.pt/community/perc_home/2513/act_205_distress_scores/735168

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 >)	167	2572	112	56	\$ 463,327	\$ 455,416	\$ 7,911	102
Minimal (70-89%)	101	4170	101	0	\$ 1,305,730	\$ 1,583,942	\$ (278,212)	82
Moderate (50-69%)	30	11284	30	0	\$ 1,565,717	\$ 2,665,431	\$ (1,099,714)	59
Severe (49% or <)	2	11	2	0	\$ 605	\$ 2,355	\$ (1,750)	26
Total	300	18037	245	56	\$ 3,335,381	\$ 4,707,146	\$ (1,371,765)	71

It is worth noting that the City of Pittsburgh’s three pension plans lingered in severe distress for several years and that the City’s actions to promise a revenue stream as an “infusion of value” has moved those plans to the moderately distressed category.

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 61% of all plans), have the greatest share of active workers, and have the greatest presence of non-defined benefit plans of all three employee class with close to 30 percent of plans being defined contribution or another type of retirement benefit.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Non-Uniformed	183	15311	128	55	\$ 2,301,440	\$ 3,193,380	\$ (891,940)	72

New defined contribution plans for non-uniformed workers were established in Baldwin Borough, Jefferson Hills Borough, and Mt. Lebanon. A new defined benefit plan was stated in Monroeville.⁴

⁴ Communication with PERC staff

Police Officers

There were 108 pension plans covering police officers reported. All of these were defined benefit plans with the exception of a defined contribution plan in Liberty Borough that covers one employee. The City of Duquesne reported two police plans, both defined benefit, covering a total of 14 employees. As a group the funded ratio for police plans was 72 percent in 2013.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Police	108	2097	107	1	\$ 782,783	\$ 1,085,955	\$ (303,172)	72

No new police plans were created between 2011 and 2013, but two were terminated—one in Oakdale Borough and one in Rosslyn Farms Borough.⁵

Firefighters

There are nine plans covering firefighters in the County, the largest belonging to the City of Pittsburgh with 584 active members (roughly 93% of the total for the nine plans). Four plans report no active members, including Wilksburg, which merged fire protection operations into the City of Pittsburgh's bureau, but still the plan reports assets and liabilities. A new defined benefit plan for firefighters was created in Bellevue Borough.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Fire	9	629	9	0	\$ 251,218	\$ 427,810	\$ (176,592)	59

By Level of Government

In order to move further from the aggregate to the miniscule, or the general to the specific, of the nearly 300 pension plans in the County, it is instructive to look at plans by local government location and control. This allows for comparison along lines of local governments and within them, between general purpose and special purpose governments, benefit types, etc. and to untangle the bigger pieces of the pension puzzle.

⁵ Ibid

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	584	1	0	\$ 224,050	\$ 395,323	\$ (171,273)	57
Pittsburgh-Police	1	883	1	0	\$ 248,871	\$ 440,021	\$ (191,150)	57
Pittsburgh-Non Uniformed	2	1784	1	1	\$ 202,529	\$ 324,697	\$ (122,168)	62
Parking Authority	1	64	1	0	\$ 9,925	\$ 10,148	\$ (223)	98
Redevelopment Authority	1	81	0	1	\$ 8,836	\$ 8,836	\$ -	100
Housing Authority	1	276	0	1	\$ 35,119	\$ 35,119	\$ -	100
Total	7	3672	4	3	\$ 729,330	\$ 1,214,144	\$ (484,814)	60

Allegheny County

Allegheny County as mentioned covers all its direct employees under one plan. There are three at the Port Authority (the County Executive appoints all board members). As stated in the previous section, the Port Authority has closed the IBEW and non-represented plans to new employees and created defined contribution plans for new hires. Only the County Housing Authority is a non-defined benefit plan.⁶

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Allegheny County	1	7526	1	0	\$ 758,446	\$ 1,273,882	\$ (515,436)	60
Port Authority-ATU	1	2179	1	0	\$ 695,525	\$ 826,439	\$ (130,914)	84
Port Authority-IBEW	1	45	1	0	\$ 16,843	\$ 23,773	\$ (6,930)	71
Port Authority-Non Represented	1	163	1	0	\$ 60,635	\$ 117,589	\$ (56,954)	52
PAT--IBEW and Non-Rep for New Hires	1	123	0	1	\$ 762	\$ -	\$ 762	0
Housing Authority	1	162	0	1	\$ -	\$ -	\$ -	0
Total	6	10198	4	2	\$ 1,532,211	\$ 2,241,683	\$ (709,472)	68

⁶ The Housing Authority previously reported data to PERC for its status report, but did not this year. An active member count in the plan was found in the Authority's 2013 audit, but efforts to obtain data on finances in the plan were not successful.

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	361	2	0	\$ 102,504	\$ 117,863	\$ (15,359)	87
Sports and Exhibition Authority	1	14	0	1	\$ 981	\$ 981	\$ -	100
Total	3	375	2	1	\$ 103,485	\$ 118,844	\$ (15,359)	87

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 86 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	\$ 27,168	\$ 32,486	\$ (5,318)	84
Municipal-Police	107	1214	106	1	\$ 533,851	\$ 645,933	\$ (112,082)	83
Municipal-Non Uniformed	169	2533	120	49	\$ 409,332	\$ 454,061	\$ (44,729)	90
Total	284	3792	234	50	\$ 970,351	\$ 1,132,480	\$ (162,129)	86

Pension Reforms in Allegheny County

Moving to a defined contribution system; eliminating “spiking” of pension payments; raising retirement age and length of service to receive a full pension; having higher contributions to pension systems to make their funding more sound. All of the aforementioned have been incorporated into public sector pension reform platforms at the state level and in local governments around the country.

And they have been put into place in various local pension plans in Allegheny County—since there is no all encompassing plan for all the local public sector workers in the County, its local governments, and authorities (and this goes without including the public school employees that participate in PSERS) when a change to a plan comes through state law, governing body decision, or collective bargaining agreement that change affects just a portion of the entirety of public sector pension recipients.

To summarize the changes in the past few years for the larger employers in the County:

City of Pittsburgh: The state’s Act 44 of 2009 mandated that the City increase the funded ratio of pension plans to at least 50 percent or the state would assume management and administration of the plans. The plan that was settled upon was to direct an additional revenue stream above and beyond the minimum obligation to the plans. There was no change to retirement age, service length, or nature of the pension plans as part of the change. In addition, the City lowered its expected rate of return from 8 percent to 7.5 percent in December 2013, which, when compared against original budget estimates, is expected to increase pension spending by \$9 million this year.⁷

Allegheny County: The state’s Act 125 of 2013 altered the length of service for new hires of Allegheny County from 20 years to 25 years. It also changed the calculation of final average salary from the “best two of the last four” to the “best four of the last eight” and limited how much overtime could be counted into pensions. The County increased the contribution rate to the pension system for 2015 from 8.5 percent to 9 percent of “covered compensation” and that amount is matched equally by the County, meaning employees and the County (employer) both must put in that percentage⁸

⁷ “Council Set to Override Veto of Parking Tax Pension Plan” Pittsburgh Post-Gazette December 30, 2010 <http://www.post-gazette.com/local/city/2010/12/30/Council-set-to-override-veto-of-parking-tax-pension-plan/stories/201012300203> Allegheny Institute blog “Pension Change: Present or Problem for Peduto?” December 13, 2013 <http://www.alleghenyinstitute.org/pension-change-present-problem-peduto/> and Policy Brief Volume 14, Number 49 <http://www.alleghenyinstitute.org/wp-content/uploads/2014/10/Vol14No49.pdf>

⁸ Allegheny County Retirement Office <http://www.alleghenycounty.us/retirement/Act125.pdf> and 2013 audit note 2, plan description. Increase in contribution rate for 2015 from December 18, 2014 press release <http://www.alleghenycounty.us/Retirement/2015ContributionRate.pdf>

Port Authority: By a decision of the board of directors and a collective bargaining agreement, new hires of the IBEW and the non-represented plan were placed into a defined contribution type plan and those in a defined benefit program are paying more toward benefits.⁹

Conclusion

Can the 300 pension plans in Allegheny County inform the debate that is likely to arise in 2015 over pension reform that is most likely to be focused on the two large pension systems administered by the state (SERS and PSERS)? The General Assembly and the incoming Governor are going to be presented a wide variety of possible solutions to closing the shortfalls from those two plans. As we have seen in nearly five years of analysis of the local pensions in the County, there may not be one simple solution to the problem.

⁹ Port Authority FY 2014 Budget “New employees in the non-represented, IBEW and police workforce participate in a defined contribution plan, thereby capping the Authority’s long-term obligation to these employees”
<http://www.portauthority.org/paac/portals/capital/budgetbooks/FY14BudgetBook.pdf>