February 17, 2021 **Allegheny Institute Op-Ed**

700 words

Trouble ahead for Allegheny Co. retirement system?

By Colin McNickle

It was seven years ago this month that pension reforms for the Allegheny County Retirement System took effect. But it is not out of the woods yet and additional steps would be prudent, concludes a new analysis by the Allegheny Institute for Public Policy.

There has been no talk of a state pension takeover or leasing assets to shore up the system, as was the case with Pittsburgh and its pensions more than a decade ago.

"But much like Pittsburgh, as well as the state-level and municipal pension plans, the county certainly has to be aware of what effects the coronavirus and its impact on economic activity and, in turn, county finances could have on the retirement system," says Eric Montarti, research director at the Pittsburgh think tank (*in Policy Brief Vol. 21, No. 7*).

The reforms included lengthening the vesting and final average salary periods, years of service and capping overtime counted toward the pension benefit for employees hired on or after Feb. 21, 2014. The goal was to improve the long-term financial health of the system.

Whether it did or not is arguable.

Audits and actuarial reports from the county's retirement office show that on Jan. 1, 2013, the system had 7,526 active employees (vested and non-vested public safety, non-uniformed and others) and 4,585 non-actives (mostly retirees and beneficiaries). It had $758.4 million in assets and $1.27 billion in liabilities for an actuarial funded ratio of 59.5 percent.

By the start of 2019 there were 7,181 active employees, about 5 percent fewer than 2013. The number of inactive employees grew to 5,192, which was 13 percent higher than 2013. The average monthly pension payment for those in pay status rose from $1,363 in 2013 to $1,761 in 2019, a 29 percent increase.

During 2019, the most recent audited year, the county contributed $40.8 million and employees $40.9 million, a total of $81.7 million, a 47 percent increase from 2013. As a percentage of pay, county employees are putting more into the system than City of Pittsburgh employees do for any of the three separate municipal pension funds.

Total additions in 2019 were $209.6 million and total deductions were $116.5 million. With investments performing quite well and the higher amount of money contributed, the net result was a positive $93.1 million and the net position at the end of the year was $968.6 million, or 17 percent higher than the end of 2013.

But, "At the same time liabilities had risen to $1.76 billion -- 31 percent higher than the end of 2013—for a funded ratio of 55.2 percent to begin 2020," Montarti notes.

The pension system was funded at 115.6 percent in 2000.

While Allegheny County's system is not subject to the municipal distress score typology under Act 44 of 2009, "(I)t is troubling nonetheless to see the funded ratio fall as it has over the past two decades," he adds.

"While important changes were made to shore up the system, there was no effort to enact a more dramatic corrective step of instituting a defined contribution-type plan for new hires on or after a certain date," Montarti says.

The system's investment mix *did* outperform its benchmark in 2019, according to the annual report. The most recent investment report (June 30, 2020) shows that of the 13 composites that make up the county's investments, four had a negative performance in the 12 months from the previous June.

However, "The tax and non-tax revenues that the county relies on to make its contribution could be affected going forward depending on the impacts of the virus," Montarti notes.

And that said, in such an uncertain environment "there is more need than ever for the county to be looking at all opportunities to streamline services, consolidate departments and looking to possible privatization or outsourcing to the private and nonprofit sectors where there are functions that can be carried out more economically on behalf of the taxpayers," the think tank researcher advises.

Colin McNickle is communications and marketing director at the Allegheny Institute for Public Policy (cmcnickle@alleghenyinstitute.org).

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: AlleghenyInsti1