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Pension Plans in Allegheny County:
A Review of the 2011 Data

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Table of Contents

Key Findings

- There are nearly 300 separate pension plans administered by local governments in Allegheny County. Taken together, in 2011 these plans had over $3.1 billion in assets and $4.3 billion in liabilities, leaving a shortfall of $1.2 billion.

- Most of these plans offer a defined benefit for employees, promising a specific retirement benefit based on years of service, retirement age, and final average salary.

- Based on the state's categories of pension distress, most plans are in good shape. Only two plans are in a condition of "severe distress".

- When separated by employee class, plans covering police employees had the best funded ratio at 74 percent.

- When separated by a specific local government, plans related to the Allegheny County Sanitary Authority and the Sports and Exhibition Authority had the best funded ratios at over 90 percent.

- Since 2009, much of the improvement in financial standing of local pensions has been related to the City of Pittsburgh's three municipal plans.

Introduction

In 2011 we released our initial report on local pension plans in Allegheny County. Since there is a two year lag in collecting and publishing audited pension data at the local level, that report reflected 2009 numbers. New data has been released by the Public Employee Retirement Commission (PERC) showing 2011 audited values for local pensions.

As we have pointed out before, unlike the state's pension plans for state workers and public school employees, local pensions are a loose collection of more than 3,000 plans subject to state statutory requirements but administered by the local government who employs the workers covered by the plan.

Allegheny County is no stranger to this arrangement—there are plans covering workers employed by the County itself, municipalities, authorities, associations, ambulance services, dispatch centers, etc.—and are further specialized by having plans covering uniformed (police and fire) and non-uniformed workers. This report will move from the "big picture" to the smaller level of detail, and will compare the pension situation in 2011 to that of 2009 to determine if things are improving.

Pension Plans in Allegheny County

Based on 2011 audited data, there are 298 local pension plans in Allegheny County. Active membership in these plans, which counts the workers employed and working toward a pension, totaled 18,455. In terms of size the largest pension plan is the one covering Allegheny County employees which totaled 7,789 active members. Including the County's plan, nine others reported having 100 employees or more. There were 65 plans with 3 or fewer active employees with 18 of these reporting no active employees in 2011.

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	298	18455	245	53	$3,126,641	$ 4,343,217	$ (1,216,576)	72

Over three-fourths 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 53 plans are not defined benefit plans and are either defined contribution plans where the employer promises only a specific contribution to a retirement account or multi-employer plans bargained under the terms of ERISA.

Actuarial assets (AA) exceed $3.1 billion while actuarial liabilities (AAL) stand at $4.3 billion, leaving an unfunded amount (AA-AAL) of $1.2 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 2011.

By Level of Distress

Several years ago the state enacted legislation, Act 44, to initiate some reforms for local pensions and identify the health of local plans by placing a distress score on the plan. This is based on the funded ratio and each plan gets its own distress score (for example, with three plans in the City of Pittsburgh each one is assigned a score) that comes with courses of correction based on the level of distress. That law also contained specific requirements for the City of Pittsburgh, which enacted its plan of funding infusion at the end of 2010 and those changes are reflected in the 2011 data presented herein.

The table below shows that more than half of the plans in the County had no distress. Add in those plans with minimal distress and close to 90 percent of the pension plans in the County are in considerably good shape. Only two plans, the police plans belonging to Braddock Hills and Clairton, are in a position of severe distress.

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 >)	168	2840	115	53	$ 522,250	$ 514,272	$ 7,978	102
Minimal (70-89%)	93	3840	93	0	$1,137,446	$ 1,402,840	$ (265,394)	81
Moderate (50-69%)	35	11764	35	0	$1,466,180	$ 2,423,781	$ (957,601)	60
Severe (49% or <)	2	11	2	0	$ 763	$ 2,324	$ (1,561)	33
Total	**298**	**18455**	**245**	**53**	**$3,126,639**	**$ 4,343,217**	**$ (1,216,578)**	**72**

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 about 60% 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	179	15653	128	51	$2,164,575	$ 2,989,060	$ (824,485)	72

Many municipalities and authorities carry multiple plans for non-uniformed employees that may vary by benefit level or qualifications for normal requirement. Local governments like ALCOSAN, Shaler Township, McKeesport, and the Wilkinsburg-Penn Joint Water Authority have two plans that are both defined benefit type plans. Others like Pittsburgh, Findlay, Forest

Hills, and the Fox Chapel Authority have two plans where one covers employees under a defined benefit structure and the other a different type of structure, usually a defined contribution plan. Some use the defined contribution plan as optional or supplementary where others have started them as primary plans based on closing a defined benefit plan and putting new employees in a defined contribution plan. This is the case with Forest Hills, and, though not reported in this data as it happened between 2009 and 2011, the Port Authority closed enrollment in their defined benefit plans for workers represented by the IBEW and all non-represented employees and began enrolling new hires in defined contribution plans. That means the Authority will basically be covering employees under two benefit structures for some time until the last enrollee leaves the defined benefit plan.

Police Officers

Police employees in the County are covered by one of 111 plans, almost all of them defined benefit type. Only two municipalities, Rosslyn Farms and Liberty, had a benefit arrangement of some other type (both defined contribution, covering 1 employee and 2 employees, respectively). Only one municipality, Duquesne, had more than one police plan (both are defined benefit). As a class (compared to non-uniformed and fire), police plans had the strongest funded ratio in 2011 at 74 percent.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Police	111	2122	109	2	$ 726,453	$ 983,002	$ (256,549)	74

Firefighters

The smallest group of pensions by employee class belongs to firefighters, with eight defined benefit plans in the County. Most of the active employees belong to the City of Pittsburgh's plan—with 611 employees or close to 90 percent of all actives. The next largest was Wilkinsburg (26 actives), which has merged fire departments with the City. After that comes McKeesport's plan with 22 actives. This group had the lowest funded ratio of the three employee classes.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Fire	8	680	8	0	$ 235,694	$ 371,236	$ (135,542)	63

By Local 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.

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	$ 209,936	$ 339,135	$ (129,199)	62
Pittsburgh-Police	1	880	1	0	$ 235,012	$ 390,253	$ (155,241)	60
Pittsburgh-Non Uniformed	2	1829	1	1	$ 187,041	$ 282,683	$ (95,642)	66
Parking Authority	1	66	1	0	$ 8,637	$ 9,260	$ (623)	93
Redevelopment Authority	1	81	0	1	$ 7,522	$ 7,522	$ -	100
Housing Authority	1	336	0	1	$ 32,700	$ 32,700	$ -	100
Total	**7**	**3803**	**4**	**3**	**$ 680,848**	**$ 1,061,553**	**$ (380,705)**	**64**

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.

Plan	Number of Plans	Active Members	DB Plans	Non-DB Plans	AA (000s)	AAL (000s)	AA-AAL (000s)	AA/AAL (%)
Allegheny County	1	7789	1	0	$ 699,302	$ 1,191,902	$ (492,600)	59
Port Authority-ATU	1	2081	1	0	$ 660,428	$ 801,542	$ (141,114)	82
Port Authority-IBEW	1	57	1	0	$ 19,236	$ 24,031	$ (4,795)	80
Port Authority-Non Represented	1	235	1	0	$ 63,616	$ 107,279	$ (43,663)	59
Housing Authority	1	176	0	1	$ 14,473	$ 14,473	$ -	100
Total	**5**	**10338**	**4**	**1**	**$1,457,055**	**$ 2,139,227**	**$ (682,172)**	**68**

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	363	2	0	$ 98,368	$ 106,266	$ (7,898)	93
Sports and Exhibition Authority	1	15	0	1	$ 835	$ 835	$ -	100
Total	**3**	**378**	**2**	**1**	**$ 99,203**	**$ 107,101**	**$ (7,898)**	**93**

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	7	69	7	0	$ 25,757	$ 32,101	$ (6,344)	80
Municipal-Police	110	1242	108	2	$ 491,440	$ 592,748	$ (101,308)	83
Municipal-Non Uniformed	166	2625	120	46	$ 372,333	$ 411,282	$ (38,949)	91
Total	**283**	**3936**	**235**	**48**	**$ 889,530**	**$ 1,036,131**	$ (146,601)	86

How Have Pension Plan Indicators Changed Since 2009?

Overall, when looking at a period of two years time not much changes trend wise. Allegheny County had roughly the same number of pension plans in 2009 as it did in 2011: 299 and 298, respectively. There was some movement within this group: two non-uniformed plans, one in Bradford Woods, one in Kilbuck, closed down and the Allegheny County League of Municipalities was no longer required to report to PERC under Act 205. Two new plans, the defined contribution plan in Forest Hills and a defined benefit police plan in Frazer, came into existence. The total count of active workers stayed about the same, as did the share of the total attributed to defined benefit plans and non-defined benefit plans. The number of plans in severe distress fell from eight to two.

Assets increased $546 million, greater than the increase in liabilities, which was $319 million. The funded ratio of the County plans, in aggregate, increased 8 percentage points.

The big impact in this window of time came from the infusion of value from the City of Pittsburgh under Act 44. Recall that the law gave the City an option, an ultimatum, perhaps: get the funded ratio of the pension plans (non-uniformed, police, and fire) to greater than 50 percent (in 2009 the ratio was a combined 35%) by year end 2010 or have the plans transferred to the administration of the Pennsylvania Municipal Retirement System. The Mayor proposed leasing parking garages and putting the money into the pensions. That plan was rejected and the City Council came up with a plan to dedicate parking tax revenues for the next three decades as an infusion of money. PERC valuated this transfer as valid and reflected the promised revenues as a property transfer and a pension asset. It cannot be overstated the effect of this action: all three Pittsburgh plans moved out of severe distress to moderate distress and the funded ratio for the Pittsburgh-related plans as a group went up, as did the funded ratio for police and fire plans.