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Auditor General DePasquale Says Latest Audit Shows Johnstown Municipal Pension Plans Falling Deeper into Distress

Cash-strapped city has a nearly \$26 million pension liability, \$3.3 million annual payment

HARRISBURG – Auditor General Eugene DePasquale today said he is concerned that the City of Johnstown’s employee pension funds continue to fall deeper into distress as its unfunded pension liability grew to nearly \$26 million in 2013.

The firemen’s employee pension plan is in the worst shape, according to the latest audit report, falling to only 31.6 percent funded in 2013. Overall, the unfunded liability for the city’s four pension plans increased from \$21 million in 2009 to \$25.9 million in 2013.

A pension plan is considered severely distressed when it is less than 50 percent funded.

“Johnstown’s municipal pension plan is in dire shape,” DePasquale said. “The pension obligation continues to mushroom as Johnstown is facing enormous financial demands in a community that has a shrinking tax base and dwindling population. Johnstown cannot solve this problem alone.

“Johnstown’s firemen’s pension plan is already severely distressed and the three other plans are in a downward slide,” DePasquale said. “The city keeps draining money from other municipal services and keeps relying residents to pay for this enormous pension burden. Yet, the city keeps losing ground.”

The recently completed audit, which covered Jan. 1, 2013 to Dec. 31, 2014, shows the city’s annual pension payment obligation grew to \$3.3 million in 2014 and that there are more than twice the number of retirees – 248 – drawing from the pension plans than there are active members – 123 – contributing to the plans.

The report also included two findings related to failing to implement a recovery plan and bring benefit provisions in line with the Third-Class City Code.

The funding ratio for all of Johnstown’s employee pension funds decreased from 2009 to 2013:

Pension Plan Funded Ratio	2009	2013
Firefighter Pension Plan	34.4 percent	31.6 percent
Police Pension Plan	54.2 percent	51.4 percent
Non-Uniformed Employee Pension Plan	62.5 percent	54.1 percent
Bureau of Sewage Employee Pension Plan	64.3 percent	55.3 percent

Overall, at 45 percent funded, Johnstown — which has been an Act 47 distressed municipality since 1992 — has the 12th lowest percentage of funded pension liabilities in the state, according to a report by the Department of the Auditor General on municipal pension funds. Johnstown’s \$25.9 million pension deficit, puts it 14th highest in the state, according to the report.

“Johnstown is another reminder of why Pennsylvania needs comprehensive statewide municipal pension reform,” DePasquale said.

Since becoming auditor general, DePasquale raised pension funding concerns in municipalities across the state, including recently in [York](#), [Scranton](#), [Pittsburgh](#), [Erie](#), and [Coatesville](#).

In fact, the auditor general's latest statewide local government municipal pension report found that nearly half of the employee plans statewide are in distress. Overall, there is nearly an \$8 billion unfunded municipal pension liability. The report shows that 562 of the 1,223 municipal pension plans are distressed, or 46 percent of the plans.

Last May, DePasquale was appointed by Gov. Tom Wolf to lead a Task Force on Municipal Pensions. In less than 60 days, DePasquale delivered [the task force's report](#) to the governor offering realistic and responsible reforms to address problems with Pennsylvania's system of local government retirement plans.

The City of Johnstown Comprehensive Municipal Pension Trust Fund audit report is available online here: www.PaAuditor.gov.

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