
PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

 Pennsylvania Auditor General  PaAuditorGen  Pennsylvania Auditor General



News for Immediate Release

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Auditor General DeFoor Warns Nearly 22 Percent of Municipal Pension Plans are in Distress; Reminds Local Governments to Make Required Contributions

HARRISBURG – Auditor General Timothy L. DeFoor today issued a warning for municipalities to make the required contributions to their pension plans, after a [recent report](#) from the department showed 22 percent of municipal pension plans are in some state of distress.

“Municipal pension plans help us take care of the people who are taking care of us, like police officers, firefighters, and non-uniform employees who after a long stellar career want to retire,” Auditor General DeFoor said. “It is our obligation to make sure these pension plans are in good enough shape so they can retire.”

Auditor General DeFoor warned that municipalities are legally obligated to make their required contributions to their pension plans. If they do not, he said, the burden will fall to the taxpayers in the form of higher taxes or difficult choices in funding community projects and personnel.

Municipal pension plans are considered in some state of distress if they are less than 90 percent funded. Categories of distress include:

- Minimal distress- the municipal pension plan is funded 70-89%
- Moderate distress- the municipal pension plan is funded 50-69%
- Severe distress- the municipal pension plan is funded less than 50%

“The number of distressed pension plans has gone down since our last report in 2020 because of the one-time influx of COVID funds from the federal government,” Auditor General DeFoor said. “Those COVID funds helped offset some of the cost for infrastructure projects and freed up monies that could be put into pension obligations. But those funds were a one-time opportunity and municipalities need to plan now to protect their pension plans.”

State aid for municipal pension plans is generated by a two percent tax on fire and casualty insurance policies sold in Pennsylvania by out-of-state companies. In 2022, the Department of the Auditor General distributed a total of \$329 million in aid to 1,453 municipalities and regional departments to support pension plans covering police officers, paid firefighters and non-uniformed employees.

The department is required by law to audit municipal pension plans and volunteer fire relief associations (VFRAs) that receive state aid from the department; liquid fuels tax usage by municipalities; and various county offices and other state government entities.

To find your municipality's most recent pension audit report, visit www.PaAuditor.gov/audit-reports.

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