

# COMPLIANCE AUDIT

---

## Allegheny County Police Pension Plan Allegheny County, Pennsylvania For the Period January 1, 2018 to December 31, 2022

---

June 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania**  
**Department of the Auditor General**  
**Harrisburg, PA 17120-0018**  
**Facebook: Pennsylvania Auditor General**  
**Twitter: @PAAuditorGen**  
**www.PaAuditor.gov**

**TIMOTHY L. DEFOOR**  
**AUDITOR GENERAL**

Board of Directors  
Allegheny County Police Pension Plan  
Allegheny County  
Pittsburgh, PA 15237

We have conducted a compliance audit of the Allegheny County Police Pension Plan for the period January 1, 2018 to December 31, 2022. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

The objective of the audit was to determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objective identified above. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- Whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the engagement period.

- Whether retirement benefits calculated pursuant to the supplemental police pension plan for selected plan members who retired during the engagement period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the monthly pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.

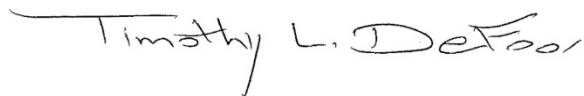
Allegheny County Police Pension Plan contracted with an independent certified public accounting firm for annual audits of the Allegheny County Police Pension Plan's its basic financial statements for the years ended December 31, 2018, 2019, 2020 and 2021, which are available at the county's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

County officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Allegheny County Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objective.

The results of our procedures indicated that, in all significant respects, the Allegheny County Police Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Allegheny County Police Pension Plan and, where appropriate, their responses have been included in the report. We would like to thank county officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor  
Auditor General  
June 13, 2023

## CONTENTS

	<u>Page</u>
Background.....	1
Supplementary Information .....	2
Report Distribution List .....	6

## **BACKGROUND**

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The Act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Allegheny County Police Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code, and applicable provisions of various other state statutes.

The Allegheny County Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of a plan document dated January 1, 1989, as amended. The plan was established to provide supplemental pension benefits to eligible police officers and beneficiaries in addition to any pension benefits provided through the Allegheny County Employees' Retirement System. The plan is also subject to the provision of Act 293 of 1972 (P.L. 1383, No. 293).

ALLEGHENY COUNTY POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan’s funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 293 biennially. The historical information, beginning as of January 1, 2018, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-18	\$ 53,265,471	\$ 54,329,760	\$ 1,064,289	98.0%
01-01-20	56,629,299	56,681,296	51,997	99.9%
01-01-22	65,365,805	57,182,066	(8,183,39)	114.3%

Note: The market values of the plan’s assets at 01-01-18, 01-01-20, and 01-01-22 have been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

ALLEGHENY COUNTY POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

ALLEGHENY COUNTY POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a Percentage of Covered- Employee Payroll*
2014	\$ 1,178,643	\$ 1,525,836	\$ (347,193)	\$ 18,481,594	8.26%
2015	1,559,425	1,529,546	29,879	19,906,589	7.68%
2016	1,352,027	1,692,770	(340,743)	21,828,613	7.75%
2017	1,553,891	1,742,176	(188,285)	22,502,489	7.74%
2018	1,411,808	1,876,113	(464,305)	22,447,023	8.36%
2019	1,671,396	2,048,835	(377,439)	23,428,840	8.74%
2020	1,497,739	2,068,156	(570,417)	24,417,460	8.47%
2021	1,157,840	2,058,608	(900,768)	24,336,510	8.46%
2022	2,046,081	2,046,081	-		

\* Due to the timing of this audit, covered-employee payroll for 2022 was not provided in this schedule.



ALLEGHENY COUNTY POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2022
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	Not applicable
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	5.75%

ALLEGHENY COUNTY POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

**Mr. James M. Hasara**  
President, Board of Directors

**Mr. David E. Walsh**  
Vice President, Board of Directors

**Mr. Edward Adams**  
Secretary/Treasurer

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).