SME Consulting

Retirement Board of Allegheny County Working Group on Plan Funding & Modernization

Report of Findings & Recommendations:

A Path to Financial Soundness for the Allegheny County Employees' Retirement System

JULY 2026

Acknowledgements

This report presents the findings, observations, and guidance of the Retirement Board of Allegheny County (RBAC) Working Group on Plan Funding & Modernization ("Working Group"). The final recommendations presented here are those of the Consultant engaged by the RBAC and were informed by the deep expertise, balanced perspectives, and thoughtful reflections of the Working Group.

WORKING GROUP ON PLAN FUNDING & MODERNIZATION

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The Working Group and the Consultant are grateful for the support and collaboration of staff and key partners of the RBAC and Allegheny County Employees' Retirement System (ACERS) who contributed to this report, including Walt Szymanski, Carol Uminski, and Denitra Taylor (ACERS); John Fournier (Allegheny County Manager); Brian Gabriel (RBAC Solicitor); Brad Rigby, Todd Kordecki, and Tanner Daub (Acrisure); and Tim Walters and Chris Brokaw (Mariner Institutional).

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» **Hon. Joe Torsella**
Former Treasurer of Pennsylvania

» **Professor Paula Worthington** and **Melinda Wang**
University of Chicago Center for Municipal Finance

» **Alex Brown**
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- **Ralph Sicuro**
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- **Rick Stafford** and **Jim Turner**
  Emeritus regional fiscal and political experts

While this work benefited from many perspectives, Sarah Emmans of SME Consulting is solely responsible for the content of this report. This report draws on input from Working Group discussions, public documents, analysis from research partners, and data from government agencies and other sources believed to be reliable. The author of the report has not independently verified all such information and makes no guarantee of its accuracy or completeness. Any nonfactual statements reflect the author's professional judgment at the time of publication and may evolve as new information becomes available.

This project was financially supported by the Retirement Board of Allegheny County.

Cover Image Source: Allegheny County Treasurer's Office

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SEPARATE FILES

Executive Summary

The Allegheny County Employees' Retirement System (ACERS) faces an unfunded pension liability of $1.4 billion.[1] This liability represents a commitment to retirees and vested employees, and it must be paid. **The pension liability has been growing for over 20 years, and it will require another 20 years of dedicated revenues to repay it.** While securing new revenues to pay down the unfunded liability is the priority, Allegheny County, the Retirement Board of Allegheny County, and the Allegheny County Airport Authority (ACAA) must also consider other changes to the plan to strengthen investment management and transparency, improve risk-sharing and fairness, reduce costs, and modernize benefits.

KEY FINDINGS

THE WORKING GROUP FINDS THAT:

a. Funding ACERS' unfunded liability of $1.4 billion requires the dedication of an actuarially determined contribution (ADC) of at least $140-$150 million annually for the next 20 years. Of this amount, an estimated $11-$13 million or more annually is required by the ACAA.[2]

b. The ADC will grow each year that it is not made. In three years, with no action and depending on investment returns during that time, it could be $170 million or higher.[3]

c. The funding crisis is caused by a variety of factors, but the primary factor is that for over two decades, there has not been enough money going into the fund. Employer contributions have been insufficient to keep the debt from growing since 2004.

d. **Though the County and ACAA have always made the legally required employer contribution to the fund, the law does not require the plan to be fully funded.** In 2025, the County and ACAA required employer contributions totaled just over $50 million, far short of the $140-$150 million needed that year to fully fund the plan.[4]

e. The County's share of ADC must come from Allegheny County upon securing a new revenue source, and not from County employees who already pay significantly more than most public employees do for similar benefits.

Paying down the pension debt will require the dedication of at least $140-$150 million annually to the plan by the County and the Allegheny County Airport Authority for the next 20 years, or $90-$100 million more per year than they currently contribute. The amount necessary to fully fund the plan will grow each year that nothing is done.

1 As of January 1, 2025, the actuarial value of assets was $947.6 million and the actuarial liability was $2.382 billion, for a funded ratio of 39.8%. 2025 ACERS Actuarial Report.

2 The Actuarially determined contribution (ADC) was calculated by Acrisure in March 2026 using the plan's current assumed rate of return of 7% (Appendix II page 6). This number was updated to $140-$150 million to incorporate a 6.5% rate of return assumption (see Appendix II page 123).

3 Acrisure analysis.

4 Contributions from employees also totaled over $50 million in 2025.

f. There are several inequitable cost-sharing aspects of ACERS.

   i. County employees contribute substantially more toward their pensions than employees in most comparable public retirement systems, while the County and ACAA contribute significantly less to the pension plan than comparable public employers – especially those with similarly underfunded pension systems.

   ii. From 2016-2024, employees were paying more than the cost of their own benefits, which is highly unusual for employer-sponsored plans which typically allow employees to earn a portion of employer contributions.

   iii. The pensions of some uniformed County employees cost more than others. It is unusual for uniformed employees and non-uniformed employees to have the same employee contribution rate.

g. The current plan design does well for long-tenured workers who start their careers early and stay until normal retirement age, behavior that is less common in the modern workforce. County employee tenure has fallen over the past 15 years, and retirement security may be improved by changing certain aspects of the plan.

Investment returns do not explain the funding shortfall, and they cannot be counted on to fix it.

h. Investment management practices and legacy investment decisions have contributed to underperformance and increased costs, although investment returns alone do not explain the funding shortfall.

i. Allegheny County faces substantial fiscal pressures, including rising healthcare costs, transit obligations, pension costs, and constrained revenue growth. The County must secure new revenues to meet an ADC.

j. Failure to address the pension funding gap will increase long-term costs. By 2043, if the contribution structure remains unchanged, plan assets will be depleted and pension funding will transition to a pay-as-you-go financing model. This outcome will result in a substantial tax increase, service level reductions, and/or employee layoffs.

Source: Zhen Yao, Unsplash

RECOMMENDATIONS TO RESOLVE THE FUNDING CRISIS

1. The Retirement Board of Allegheny County (RBAC) should publish an actuarially determined contribution (ADC) in its annual actuarial reports. The County and ACAA should commit to a strategy to make the ADC annually until the plan is fully funded.
2. The County and stakeholders should commit to pursuing broad-based, stable revenue option(s) that share the burden and can be legally dedicated to pensions.
3. The RBAC should consider reducing employee contribution rates (at least for lower-wage and/or non-uniform employees) when a new revenue source is identified. Though this recommendation would cause the ADC to increase, it would improve plan fairness and put the plan more in line with other public plans.

The County and stakeholders should pursue new broad-based, stable revenue option(s) to legally dedicate to pensions.

4. The County, ACERS, and the RBAC should work with ACAA to ensure that the airport is contributing the airport's share of the ADC and contributing true employer costs for County employees working OT at the airport.
5. No benefit improvements including cost of living adjustments (COLAs) for retirees should be made until the plan is better funded. Benefit improvements should never be made permanent without an actuarially sound way to pay for them.
6. The County should lead a collaborative process to consider changing the plan design (including the potential to increase retirement age and reduce multipliers, or implement a DC, hybrid, or cash balance plan) to improve risk-sharing, reduce employer costs, and modernize benefits.

Improve Risk-sharing | **Reduce Employer Costs** | **Modernize Benefits**

INVESTMENT MANAGEMENT AND TRANSPARENCY RECOMMENDATIONS

1. The RBAC should continue to reallocate toward public equity, index more of the fund, and divest from direct investments and private equity.
2. Direct investments and emerging manager programs should remain on hold until the fund achieves an agreed-upon funding status.
3. The RBAC should continue the transparency improvements of recent years and add steps to improve public and member understanding of decisions – such as requiring a "popular investment report" or reinstating an updated member booklet.
4. The RBAC should conduct a comprehensive review of Board policies to ensure "best practices" are in place to improve fiscal stewardship, transparency, accountability, and other goals. This should include decision-making over investment allocations.
5. The RBAC should incorporate stress testing as a regular practice to ensure that potential risks to plan funding are understood.

Background

Allegheny County

Allegheny County is Pennsylvania's second-largest county, home to 1.2 million residents, over 33,000 businesses, and 130 municipalities, including county seat Pittsburgh.[5] The County's $2.3 billion annual operating budget supports over 6,300 employees who provide a range of services related to human services, County infrastructure, courts and criminal justice, and economic development (see sidebar at right).[6] As the primary human services provider for over 200,000 vulnerable residents, the County is heavily reliant on state and federal revenues which have been stagnant or declining in recent years. Own-source revenues that support general government functions include property taxes and a portion of a county-wide 1% sales tax, while other intergovernmental revenues, fees, and other taxes (alcoholic drink, hotel, and car rental) are dedicated to specific functions. The County government functions under a Home Rule Charter with a council/strong executive form of governance and is subject to Pennsylvania Second Class County Code, including the legal framework for its employee retirement system.[7] County employees must participate in the Allegheny County Employees' Retirement System (ACERS) defined benefit plan within six months of being hired.

ALLEGHENY COUNTY, PENNSYLVANIA

1.2M
POPULATION

$2.3B
2025 BUDGET

6,350.5
2025 FTE EMPLOYEES

SERVICES PROVIDED

- Health & welfare
- Public safety (including sheriff, police, emergency services, courts, & jail)
- Public works & facilities
- Culture & recreation
- Economic development
- General government

Allegheny County Airport Authority

The Allegheny County Airport Authority (ACAA) was created in 1999 as the governing body of the Pittsburgh International Airport (a commercial passenger facility located about 15 miles west of downtown Pittsburgh) and the Allegheny County Airport (a general aviation airport located in West Mifflin, PA).[8] In 2025, the ACAA's annual operating expenses were $244.3 million and it had 509 employees serving a variety of functions including operations and maintenance, engineering and capital planning, government affairs and communication, customer service, fire service and security, and legal services and other central

5 Population and employer establishments: US Census QuickFacts, Allegheny County, Pennsylvania. https://www.census.gov/quickfacts/fact/table/alleghenycountypennsylvania/PST045224. Municipalities, Allegheny County. https://apps.allegheny-county.us/website/MuniList.asp. Accessed June 22, 2026.

6 FTE count: 2025 Audited Comprehensive Financial Report. https://alleghenycontroller.com/wp-content/uploads/2026/05/2025-ACFR_WEB.pdf. Budget: 2026 Proposed Comprehensive Fiscal Plan. https://www.alleghenycounty.us/files/assets/county/v/3/government/budget-amp-finance/proposed-operating-budgets/2026-proposed-comprehensive-fiscal-plan.pdf. Accessed June 22, 2026.

7 Pennsylvania Second Class County Code. https://www.alleghenycounty.us/files/assets/county/v/1/government/retirement/forms/secondclasscountycode.pdf. Accessed June 22, 2026.

8 2025 Audited Comprehensive Financial Report, Allegheny County Airport Authority. https://flypittsburgh.com/wp-content/themes/Divi-ACAA/reports-financials/annual-comprehensive-financial-reports/Allegheny-County-Airport-Authority-2025-ACFR.pdf. Accessed June 15, 2026.

service functions.[9] The ACAA is a public enterprise, meaning it is self-sustaining through user fees and rentals rather than tax dollars; the two primary sources of operating revenue are airline rentals and fees and parking revenue charged to airport visitors. Because the two ACAA airports were formerly County-operated, ACAA employees participate in ACERS. The ACAA also utilizes County Police at its two airports, a cost that is billed by the County to the ACAA and totaled around $11.4 million in 2025.[10]

Allegheny County Employee Retirement System and the Retirement Board of Allegheny County

The Allegheny County Employees' Retirement System (ACERS), established in 1915, provides a defined benefit plan to vested County and ACAA employees upon their retirement.[11] In 2025, ACERS served over 6,600 active members (current employees who contribute to the pension fund) and over 5,700 inactive members (retirees or beneficiaries who are receiving benefits or terminated vested employees who will eventually receive benefits and are no longer contributing to the fund).[12] The plan is administered by ACERS staff and governed by the 7-member Retirement Board of Allegheny County (RBAC). Under Pennsylvania Second Class County Code, the Board has fiduciary (investment) responsibility for the plan, the authority to provide ad hoc cost of living adjustments (COLAs), and the authority to change contribution rates as long as employer and employee contribution rates match.[13] As of 2025, the plan is under 40 percent funded, which means that the fund has assets sufficient to pay for only 40 percent of the liability for benefits owed to current and future retirees. Exhibit 1 below summarizes plan benefits for two groups of employees – those hired before February 21, 2014, and those hired on or after that date. The significance of this date was established in key pension reform legislation, Act 125 of 2013, which increased vesting periods and the number of years required to receive a full pension benefit, extended the number of pays used to calculate the pension benefit, and capped pensionable overtime

ACERS 2025 STATISTICS

Actuarial Value of Assets	$947.6M
Actuarial Liability	$2.38B
Funding Ratio	39.8%
Active Members	6,664
Terminated Vested	411
Retirees & Beneficiaries	5,296
Employee & Employer Contribution Rate	22% of pensionable wages (divided equally)

9 *Ibid.*

10 SME estimate based on data provided by County Finance.

11 A defined benefit plan provides employees with a fixed, pre-established monthly benefit (usually based on a formula factoring in years of service and average salary).

12 2025 ACERS Actuarial Valuation. Available online at https://www.alleghenycounty.us/Government/Employment/Retirement-Office/Pension-Fund-Reports.

13 Pennsylvania Second Class County Code. https://www.alleghenycounty.us/files/assets/county/v/1/government/retirement/forms/secondclasscountycode.pdf. Accessed June 22, 2026.

wages at 10% of base pay. These changes had the intended effect of reducing the plan's unfunded liability, but later sections of this report will discuss why they did not eliminate the liability completely or even have an immediate impact on plan funding.

Exhibit 1. ACERS Member Benefit Summary[14]

	HIRED BEFORE 2/21/2014	HIRED ON OR AFTER 2/21/2014
FINAL AVERAGE SALARY (FAS)	Highest 52 pays of last 104.	Highest 104 pays of last 208. Overtime is capped at 10%.
FULL RETIREMENT	50-70% of Final Average Salary when age eligible and at least 20 years of creditable service time.	50-70% of FAS when age eligible and at least 25 years of creditable service time.
AGE ELIGIBLE	Police/Fire: 50 Sheriff/Prison/Probation: 55 General: 60	Police/Fire: 50 Sheriff/Prison/Probation: 55 General: 60
EARLY — AGE	Between the age of 55 and 60, up to a 30% reduction of your accrued benefit calculated at 6% per year, prorated monthly.	Between the age of 55 and 60, up to a 30% reduction of your accrued benefit calculated at 6% per year, prorated monthly.
EARLY — SERVICE	20-50% of FAS for creditable service time between 8-20 years.	20-50% of FAS for creditable service time between 10-25 years.

14 RBAC website. https://www.alleghenycounty.us/Government/Employment/Retirement-Office/Member-Benefits and https://www.alleghenycounty.us/files/assets/county/v/1/government/retirement/forms/benefitsataglanceact125post_100214.pdf. Accessed June 30, 2026.

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Introduction to the Working Group

Membership

The Working Group on Plan Funding & Modernization (the "Working Group") was announced in November 2024 by RBAC President County Treasurer Erica Rocchi Brusselars to develop options to address the growing unfunded liability facing ACERS and identify other areas of the plan that needed improvement. The Working Group consisted of RBAC members and County officials and staff who were selected based on their expertise in County fiscal matters. A list of members is shown on the right.

Process

The Working Group convened in 2024 and held its last meeting in May 2026. In October 2025, a Consultant was engaged to project manage Working Group content, facilitate meetings (a shared responsibility with ACERS staff), conduct research, engage outside experts and practitioners, and ultimately develop options and recommendations. The Working Group met 10 times between November 2025 and May 2026 and benefited from the research and perspectives of several outside organizations (listed in the Acknowledgements section) whose work will be cited in later sections of this report. A Consultant update to the RBAC was provided in March 2026 and a presentation of final recommendations was provided in June 2026. These presentations and all Working Group meeting materials are included in Appendices I, II & III of this report.

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County Council Budget Manager,
RBAC Board Member

3

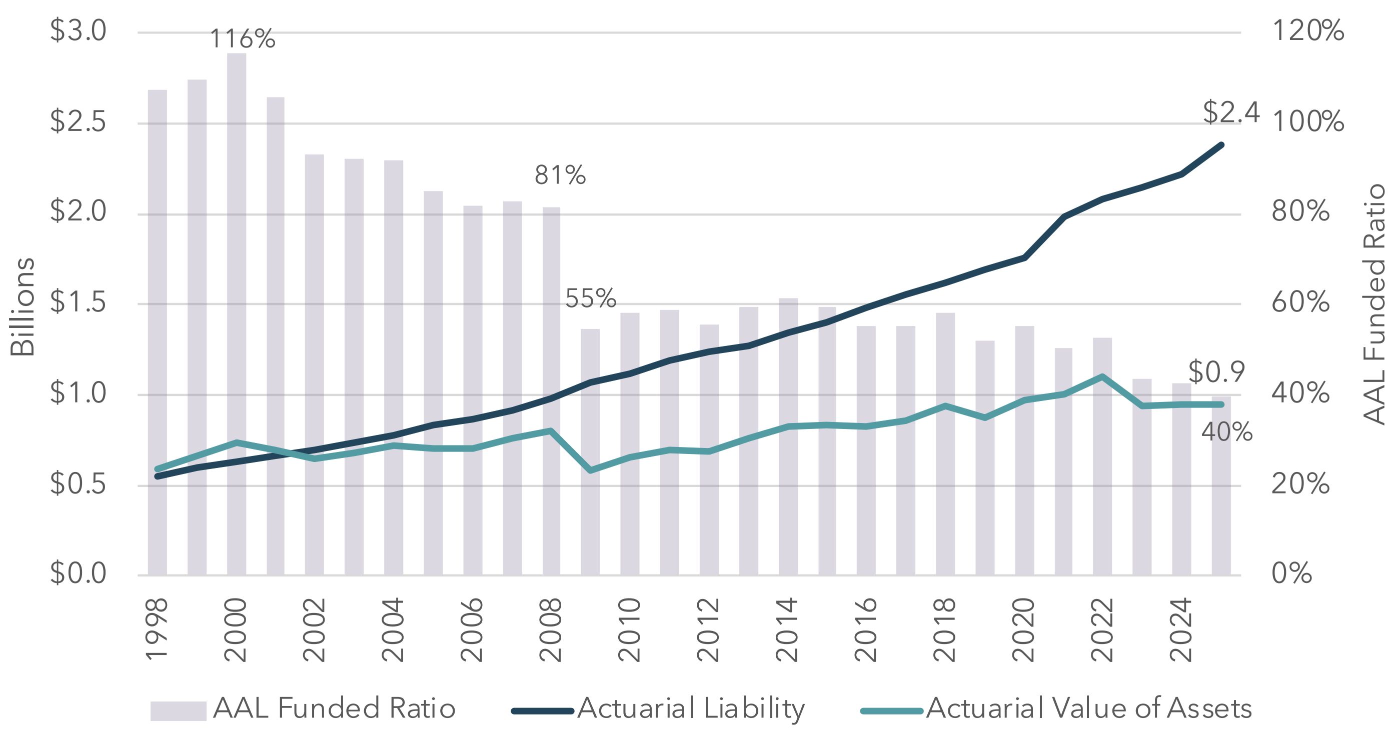
ACERS History & Funding Progress

The origin of ACERS' current funding status seems like a common one among public pension plans: following the market crash of the Great Recession, plan funding dipped from 81% in 2008 to 55% in 2009 (see purple columns in Exhibit 2 below). But an examination of over 25 years of ACERS actuarial reports reveals that actions, decisions, behaviors, and events that occurred well before the Great Recession – when the plan was overfunded – had already impacted the fund's position and continue to do so.[15]

Plan funding fell from 116% funded to 81% funded between 2000 and 2008 (prior to the Great Recession) due to a confluence of factors including board decisions, investment markets, employer actions, employee behaviors, actuarial assumptions, statutory changes, and exogenous events. A similar confluence of action, inaction, and external forces has prevented plan funding from improving since then, even while other public pension plans are on the path to recovery from the lows following the Great Recession.

This section examines three time periods of recent ACERS history, with a full timeline appearing in Appendix I pages 5-13 of this report.

Exhibit 2. ACERS Actuarial Liability, Assets, & Funded Ratio (1998-2025)

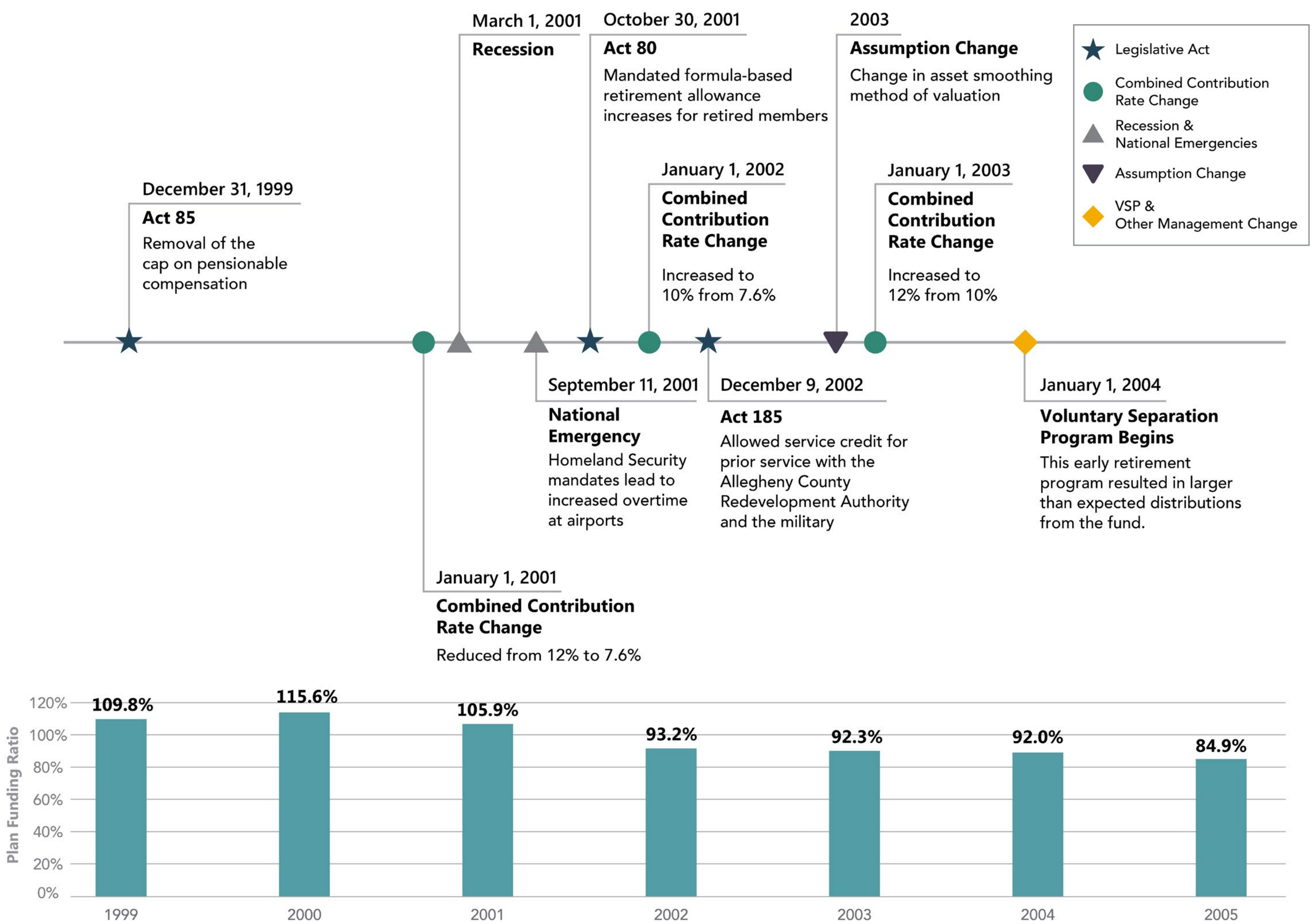


15 The years above reflect data as of January 1 of each year. For example, 2025 refers to data as of January 1, 2025. Charts are shown in plan years unless otherwise specified.

ACERS HISTORY: 1999-2005

Following strong economic growth in the 1990s, the ACERS plan was **over 100% funded in 1999** (meaning the actuarial value of assets was greater than the actuarial liability), achieving 116% funding in 2000. **In 2005, plan funding had fallen to 85%** following the removal of a previous cap on pensionable compensation (Act 85 of 1999)[16] and subsequent legislative benefit improvements, a recession, a reduction to the contribution rate, an increase in the use of overtime at the airport (originally related to increased security following 9/11 but behavior that continued likely due to the removal of the compensation cap), and a voluntary separation program (VSP) that enticed more members than expected to retire and accelerated withdrawals from the plan.[17] Exhibit 3 shows a timeline with key events in the plan during this time (top) and the plan actuarial funded ratio (bottom). Exhibit 4 is an excerpt from the 2005 ACERS Actuarial Report which summarizes three of the factors illustrated below.

Exhibit 3. Key Events in ACERS History & Funded Ratio, 1999-2005



16 Act 85 of 1999 removed a cap of $4,333.33 on monthly pensionable compensation. https://www.palegis.us/statutes/unconsolidated/law-information/view-statute?sessYr=2000&sessInd=0&actNum=0085.&smthLwInd=0

17 Article XVII of the Pennsylvania Second Class County Code relates to ACERS. https://www.alleghenycounty.us/files/assets/county/v/1/government/retirement/forms/secondclasscountycode.pdf. Pennsylvania Independent Fiscal Office, Municipal Pension Legislation Enacted since 2001. https://www.ifo.state.pa.us/pensions-legislation-municipal.cfm. Accessed June 26, 2026.

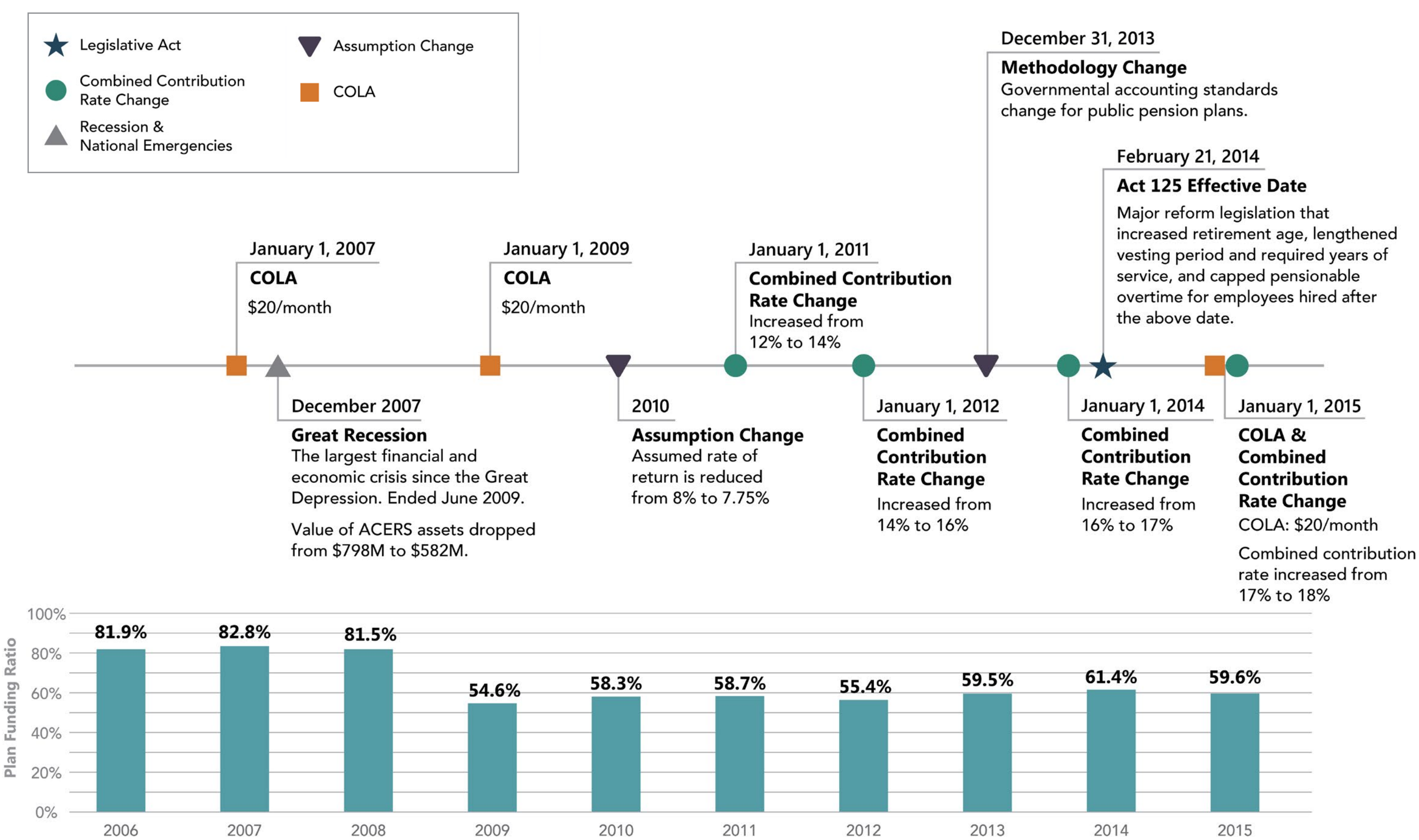
Exhibit 4. Excerpts from 2005 ACERS Actuarial Report (Emphasis Added)

"The County found it necessary to **reduce the workforce** during 2004. As part of a voluntary separation program (VSP), the County offered enhanced non-pension related benefits outside of the pension plan. **More members than usual retired during the year** presumably to take advantage of the enhanced benefits outside of the plan."

"We understand there is a continuing need for **additional security at the airport** and this need is partially met through **employees working significant overtime.** When this overtime occurs close to retirement, it increases the monthly benefit the member would otherwise receive. We continue to see larger increases in benefits for this group…"

"We continue to see somewhat larger benefit for other employees. This may be due to overtime in other departments as well as a **shift in policy relating to vacation pay and other lump sum payments upon termination of employment (including retirement).** A few years ago, it appears that many departments may have used vacation time to extend the period of employment. More recently, it appears that certain departments may be required to **pay vacation time in a lump sum.** This additional lump sum generally increases pension benefits."

Exhibit 5. Key Events in ACERS History & ACERS Funded Ratio: 2006-2015



ACERS HISTORY: 2006-2015

This period was characterized by the stock market shock of the Great Recession, which caused the plan funding ratio to drop from 81% in 2007 to 55% in 2008. County budget reductions made in the wake of the Great Recession also impacted funding due to the workforce shrinking, which reduces the contributions going into the plan and increases the number of early withdrawals from the fund. Still, by 2014, following major pension reform legislation and three contribution increases in three years, funding had climbed back to 61% – a funding level not achieved since.

During this time, the RBAC granted three COLAs, only one of which coincided with a contribution rate increase. While the RBAC did increase contribution rates four times in four years, from 12% in 2011 to an eventual 18% in 2015, these contribution increases were significantly lower than the contribution rates originally recommended by the plan actuary (see Exhibit 6). **Contribution rates did not reach the level the actuary recommended in 2010 until 2019**.

In 2013-2014, there were major changes to the accounting standards for public pension plans. These changes, intended to increase transparency for the plans and public employers, had the unintended effect of reducing transparency for the County plan. Prior to 2013, RBAC valuation reports published an annual required contribution (ARC) which was the amount that would be necessary to put into the plan to full fund it within 15 years; the change in accounting standards eliminated the requirement to publish the ARC for plans with fixed contribution rates.[18] The result of this

Source: Allegheny County Treasurer's Office

change was that **the annual funding shortfall no longer appeared in the official ACERS actuarial statements**. In 2013, the last time that the ARC was published, the County and ACAA contributed only 53% of the amount that would have been necessary that year to fully fund the plan.[19]

Exhibit 6. Excerpt from 2010 ACERS Actuarial Report

"We are recommending a contribution rate of 10% employer and 10% employee (total 20%) but could support a gradual increase over the next few years to get to that level, with a minimum of 7% starting in 2011.

While we appreciate that it is a very difficult economic environment to earmark additional funds into the retirement plan at this time, there is an increasing risk that the plan will not be able to grow sufficiently at the current contribution level to sustain itself over the long term and may be particularly vulnerable if there in another downward drop in the market."

18 Definition of the annual required contribution (ARC) is found on page 9 of the 2014 ACERS Actuarial Valuation Report..

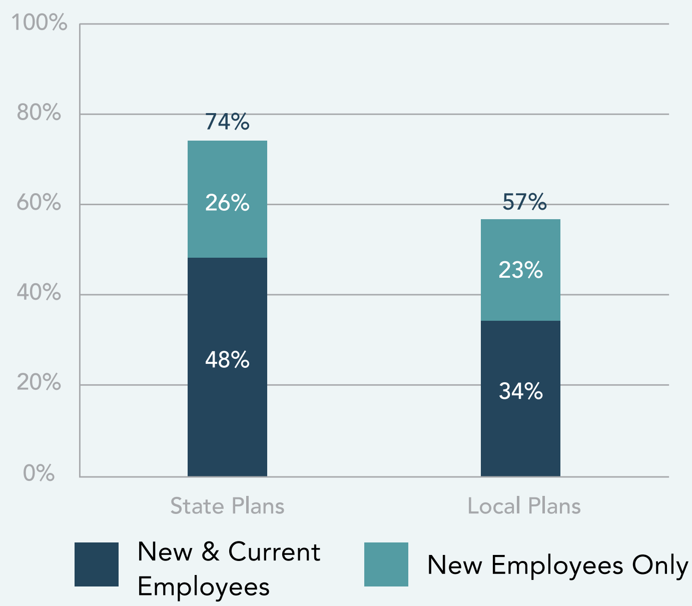
19 2014 ACERS Actuarial Valuation Report.

ACT 125 REFORMS

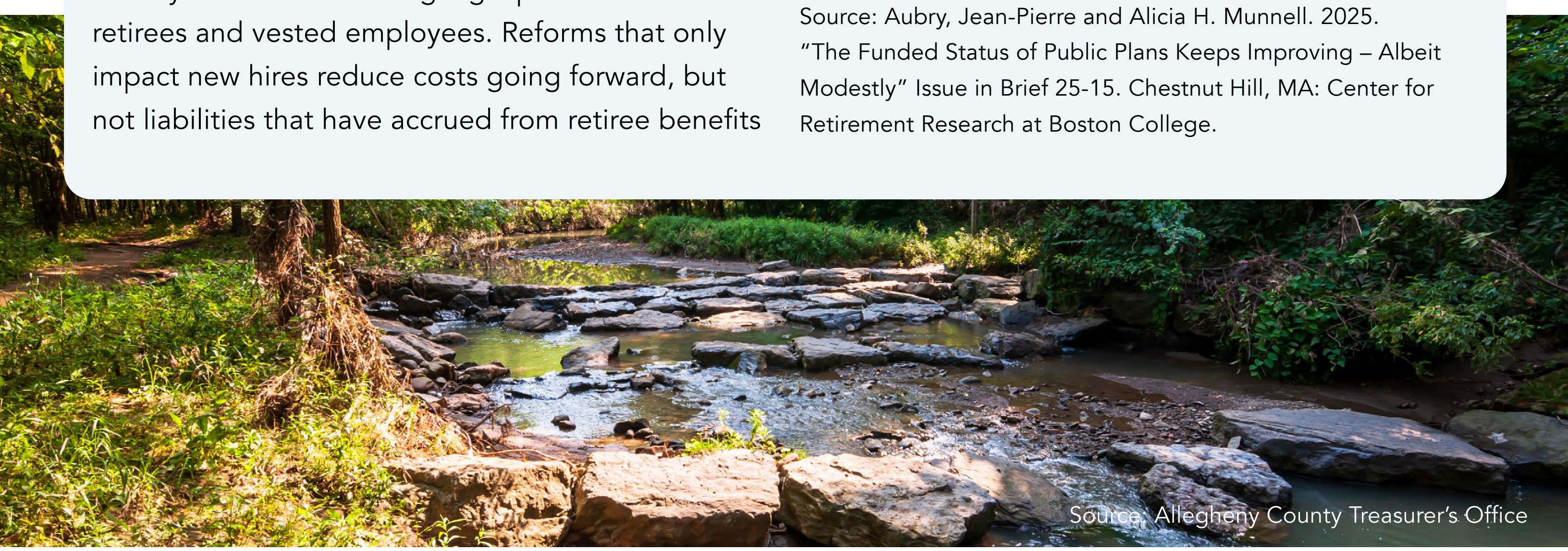
In 2013, at the County's request, the Commonwealth passed **Act 125** which amended retirement benefits for new County and ACAA employees. Under Act 125, employees hired on or after February 21, 2014, must have 10 to 25 years of service (rather than the previous 8 to 20 years) to qualify for retirement benefits. Additionally, the benefit calculation formula was changed to the highest 48 months of the last 8 years of employment rather than the highest 24 months of the last 4 years. The legislation also capped pensionable overtime at 10 percent of base pay. Lengthening the formula benefit period had the effect of reducing benefits by capturing wages earned earlier in a career and reducing the impact of heavy overtime usage late in career (sometimes referred to as pension "spiking"), especially when combined with the legislation's cap on overtime included in pensionable compensation.

The County was not alone in changing benefits after the Great Recession. Exhibit 7 shows the shares of over 200 state and local public pension plans that made benefit changes in the five years after the Great Recession. These reforms largely impacted new employees only, especially in states that – like Pennsylvania – have strong legal protections for retirees and vested employees. Reforms that only impact new hires reduce costs going forward, but not liabilities that have accrued from retiree benefits and from the benefits owed to current workers.[20] The impact of the changes was further dampened in Allegheny County by the shorter tenure of post-Act 125 hires (discussed later in this report). Without the change to the contribution structure recommended by plan actuaries in 2010, the reforms on their own were not sufficient to improve plan funding.

Exhibit 7. Percentage of Plans Making Benefit Changes, by Type of Employee (2009-2014)



Source: Aubry, Jean-Pierre and Alicia H. Munnell. 2025. "The Funded Status of Public Plans Keeps Improving – Albeit Modestly" Issue in Brief 25-15. Chestnut Hill, MA: Center for Retirement Research at Boston College.



20 Total Funded Status Ratio Points of Consideration, Cowden and Associates, 2010.

ACERS HISTORY: 2016-2025

In recent years, ACERS' funding has continued to decline – falling from 52% in 2018 to below 40% in 2025 – again due to a combination of factors. While contribution rates increased four times during this period, the increases were far below the level that would be needed to fully fund the plan. This period was marked by the COVID-19 public health emergency, which triggered a recession that impacted plan assets and may have contributed to a decline in the County workforce, with active members falling from 7,269 in 2020 to a low of 6,355 in 2023.[21] Finally, the RBAC reduced the assumed rate of return from 7.75% to a more realistic 7%, an important transparency improvement which also had the effect of increasing the reported size of the unfunded liability.

Exhibit 8. Key Events in ACERS History & ACERS Funded Ratio, 2016-2025

21 The decline in County workforce has been attributed to the County Executive Order mandating masking in the workforce, coupled with several cycles of budget reductions.

Findings of the Working Group

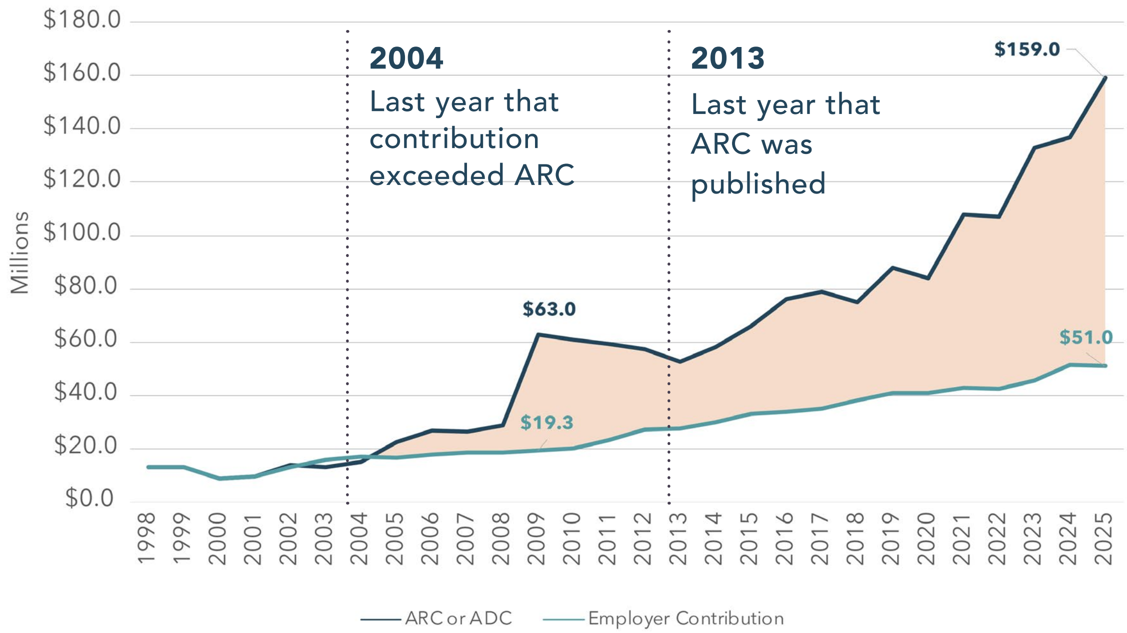
The Working Group examined the history of the plan as detailed above, comparative analysis examining the plan in the context of other public pension plans, actuarial analysis of behaviors, plan benefits and costs among participating employees, and financial analysis related to County fiscal conditions and plan actuarial projections. The following section documents the Working Group's findings from this research.

THE CAUSE OF THE DEBT: Insufficient Contributions & an Inflexible Contribution Policy

Contribution Insufficiency

The plan's looming insolvency is caused by a variety of factors, but the primary factor is that for over two decades, there has not been enough money going into the fund to fully fund the plan. Though the County and ACAA have consistently made the employer contribution required under Second Class County Code, the required contributions have been insufficient to reduce the unfunded liability for the past 22 years – let alone fully fund the plan. Exhibit 9 below shows employer contributions since 2000, compared to the amount that would be needed each year to fully fund the plan. In 2004, the employer contribution equaled the ARC, which means the contribution was sufficient to prevent the pension debt from growing. Following the Great Recession, the employer contribution was $19.3 million, compared to $63 million that would have been required to fully fund the plan that year. For every year that the ARC or ADC[22] is not met, the pension debt continues to grow. **This means that the unfunded liability has been growing since 2004.**

Exhibit 9. Employer Contributions v. Annual Required Contribution (2000-2013) & Actuarially Determined Contribution (2014-2025)



22 Through 2013, standards set by the Governmental Accounting Standards Board (GASB) required the publication of an annual required contribution (ARC) even for plans with fixed contribution rates, such as ACERS. The ARC was calculated on a 15-year amortization during this time. As part of the analysis for the working group, Acrisure calculated ADCs for 2014 through 2025 using an actuarially determined contribution (ADC) amount using a 20-year amortization period per widely accepted practices.

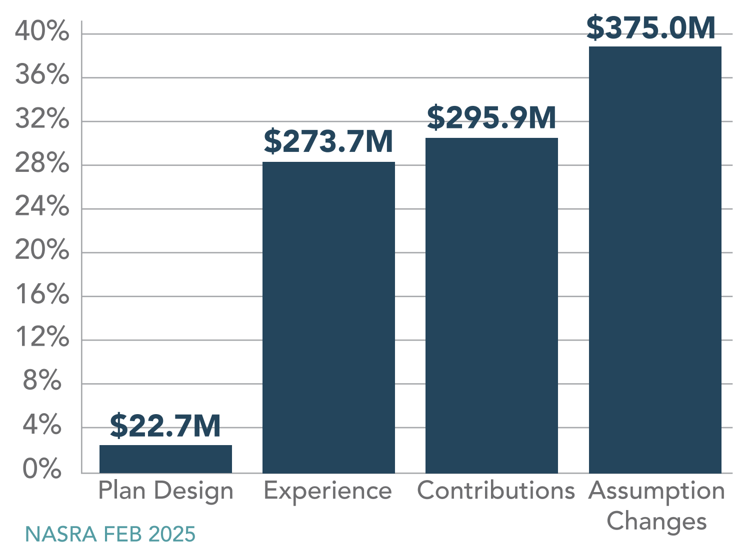
Independent analysis from the National Association of State Retirement Administrators (NASRA) confirms this finding. NASRA analyzed ACERS actuarial reports to determine the sources of ACERS unfunded liability and found that contribution insufficiency was a primary driver of the debt, followed by experience (*i.e.*, incorrect assumptions about employee behaviors, investment returns falling short of the assumed rate of return, and other aspects affecting plan funding). See Exhibit 10, which summarizes the sources of the ACERS unfunded liability between 2009 – following the Great Recession – and 2024. While assumption changes (for example, changes to accounting standards, mortality assumptions, and assumed rate of return) commonly cause UAAL to increase, it is unusual to have so much of the liability due to contributions and experience. Per NASRA, **insufficient contributions caused $296 million of the total shortfall between 2009 and 2024, followed by experience which caused $274 million.** Plan design changes contributed only $23 million, with any savings generated by the Act 125 reforms offset by the costs of COLAs and the fact that Act 125 reforms impacted only new employees (post-Act 125 employees are less than half of the workforce as of 2025).

An Unusual Contribution Rate Policy

A review of national research found that **ACERS contribution policy is highly unusual among public pension plans**, with its requirement for fixed contribution rates (rather than actuarially determined rates, which adjust annually based on plan funding levels) that are furthermore required to match between employees and employers. While many plans have fixed contribution rates, typically these plans use various metrics to assess contribution rate adequacy, and some even take a flexible approach to contributions or benefits to allow the plan to adapt to changing fiscal circumstances.[23] A fixed contribution rate has the advantage of providing budgetary stability in employer contributions, but it has the disadvantage of allowing an unfunded liability to build steadily and be passed down to future generations of employees and taxpayers.

ACERS is alone among local government pensions in Pennsylvania in not having an actuarially determined contribution (called a minimum municipal obligation, or MMO, in the city context).[24]

Exhibit 10. Sources of Increase in ACERS Unfunded Liability (2009-2024)[25]



NASRA FEB 2025

23 Sustainability Provisions for Public Pension Plans with Fixed Employer Contributions, NASRA. July 2025. https://www.nasra.org/files/Papers/NASRA%20Fixed%20Rate%20Sustainability.pdf

24 Aside from city-county Philadelphia, other counties in Pennsylvania are governed by Act 96 which requires an actuarially determined employer contribution.

25 Presentation to the Working Group, National Association of State Retirement Administrators (NASRA), February 2026. Appendix I page 108.

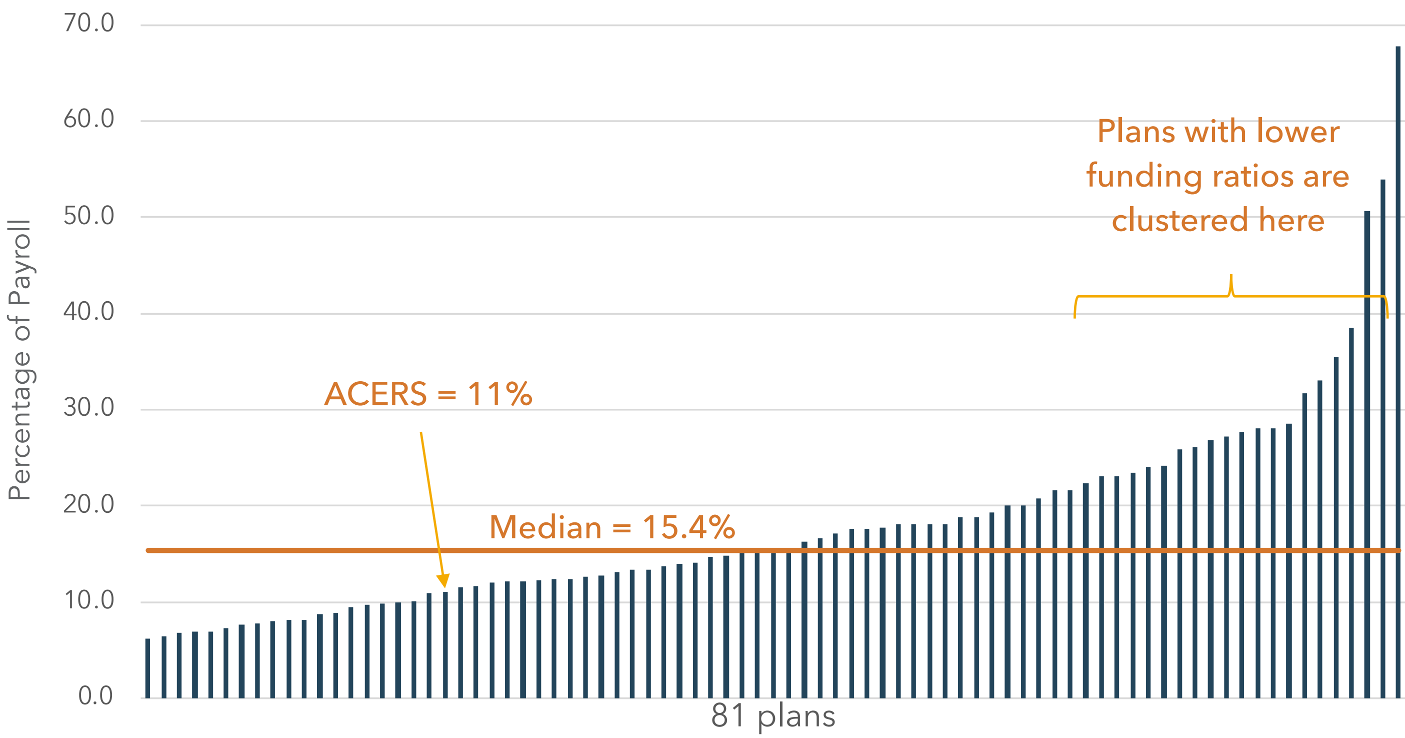
ACERS COST SHARING: An Unequal Burden

NASRA also found that ACERS contribution rates for both employers and employees are outside the norm of similar public pension plans with employer rates lower and employee rates higher than is typical.

Employer Rates are Lower than the Norm

The County (and ACAA) contribute less as employers than typical large public defined benefit public pension plans. The median or "typical" employer contribution rate for public pension plans in NASRA's database is 15.4%, compared to 11% for employers in the ACERS plan. Exhibit 11 below shows ACERS employer contribution rate in the context of a national database non-uniformed (non-public safety) public pension plans.[26]

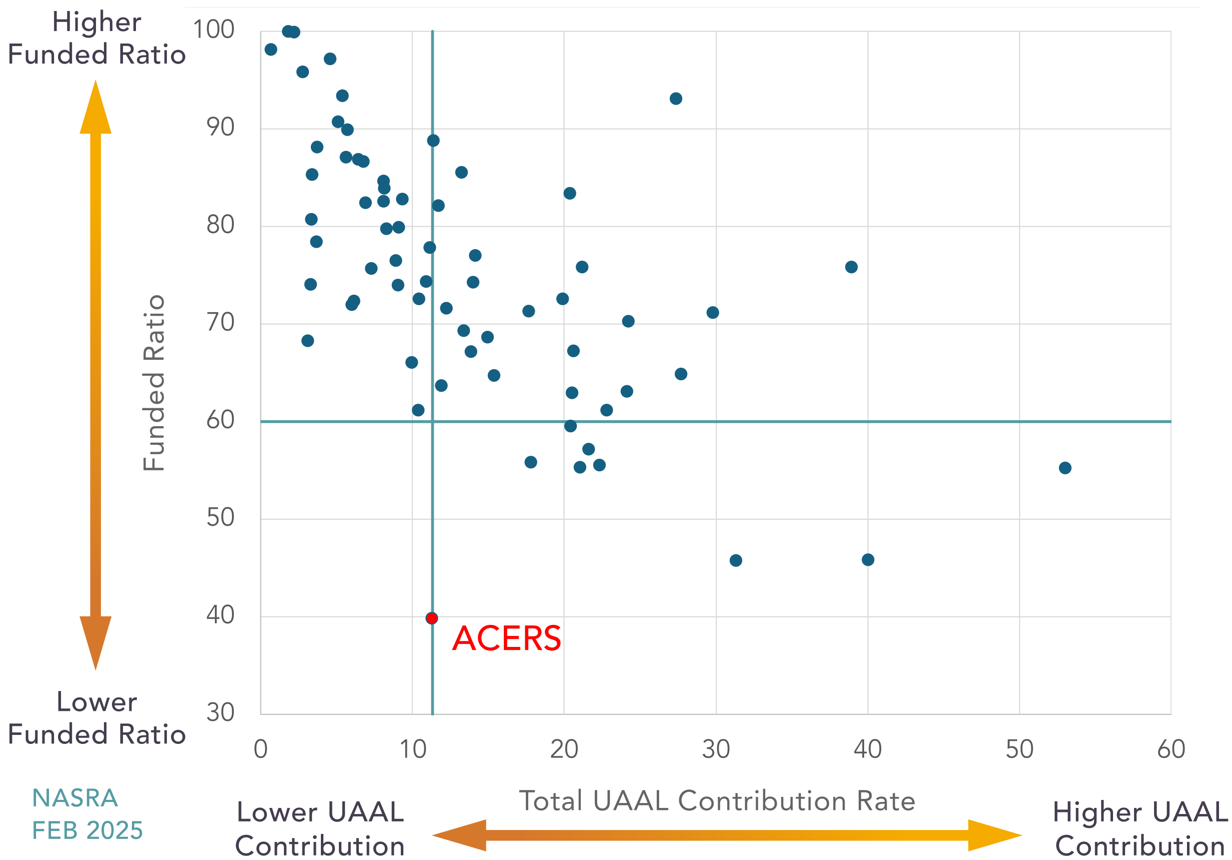
Exhibit 11. Distribution of FY24 Employer Contribution Rates (Social Security Eligible General Employees and Teachers)



NASRA further found that **underfunded or distressed plans generally have significantly higher contribution rates** – primarily related to actuarially determined contribution (ADCs) rates that rise as plan funding falls. Exhibit 12 shows plan funding vs. employer contribution rates. There are no plans below 60% funded that have lower contribution rates than ACERS. In other words, with most plans, the lower the funding status, the higher the employer contribution rate.

26 Exhibits 11-13 can be found in the contribution rate analysis that is part of the Presentation to the Working Group, National Association of State Retirement Administrators (NASRA), February 2026. Appendix I pages 111-113.

Exhibit 12. Distribution of Plan Funded Ratios and Employer Unfunded Actuarially Accrued Liability Contribution Rates, FY24 (Social Security Eligible General Employees and Teachers)



Employee Contribution Rates are Higher than the Norm

NASRA analysis also reveals that **Allegheny County employees contribute almost twice as much toward the cost of their pensions as employees participating in other defined benefit plans**. The typical public plan had a contribution rate of 6.2%, compared to 11% for ACERS. See Exhibit 13 below, which shows the distribution of employee contribution rates for non-uniformed employees in FY 2024.

It is also highly unusual for public safety or "uniformed" employees and non-uniformed employees to contribute the same amount toward a pension plan. This is because public plans usually allow for uniformed employees to retire earlier and some even allow for a more generous benefit formula than non-uniformed employees, in part because many do not qualify for Social Security benefits. Equal contribution rates for employees who can retire at different ages presents a fairness issue among employees.

Employees are Paying for Their Own Pensions, and Then Some

The annual cost of employees' future retirement benefits is called the "normal cost," an actuarial calculation that is expressed as a percentage of payroll. In Allegheny County, the normal cost of benefits has increased from 8.4% in 1999 to 11.2% in 2025 (light bar in Exhibit 14). In contrast, the employee contribution rate (the amount of their pensionable wages that employees are contributing to the pension fund) grew more dramatically during this time period, from 6% of payroll in 1999 to 11%

in 2025 (dark bar in Exhibit 14). Prior to 2013, the normal cost was higher than what employees were contribution to the fund, meaning that employer contributions were subsidizing part of their future benefits (i.e., the employee was earning a portion of the County's contribution). This is a standard benefit of participating in an employer-sponsored retirement plan. In 2013, 2014, and again in 2025, employee contributions were roughly equal to the normal cost – meaning employees were paying for their own benefits, without receiving any retirement contribution from the employer. And for the period from 2016 through 2024, the normal cost exceeded employee contribution rates – meaning employees were paying for more than the cost of their own benefits and were, in fact, partially funding the unfunded liability.

Exhibit 13. Distribution of Employee Contribution Rates (Social Security Eligible General Employees and Teachers)

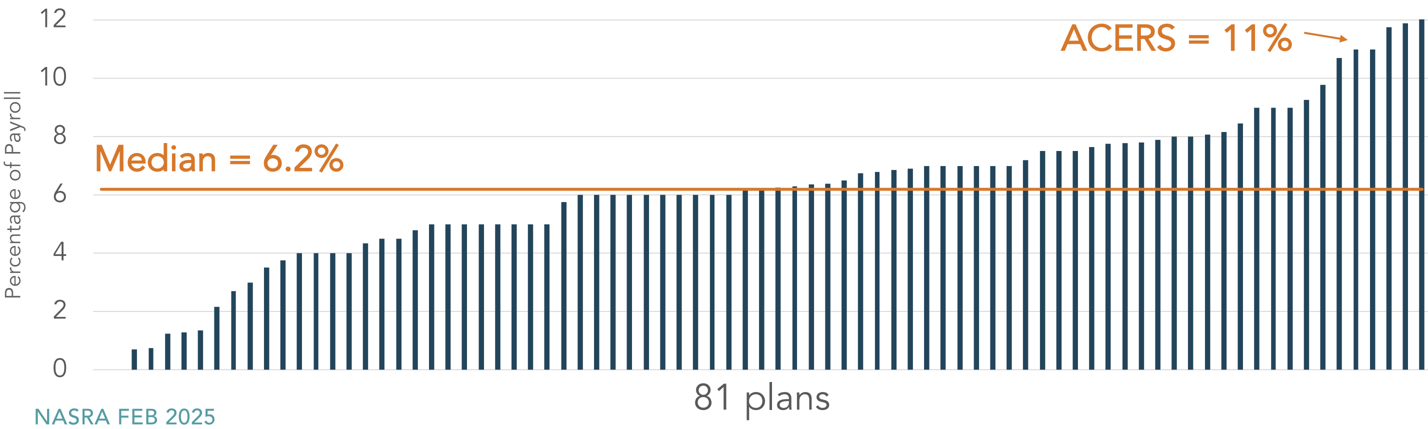
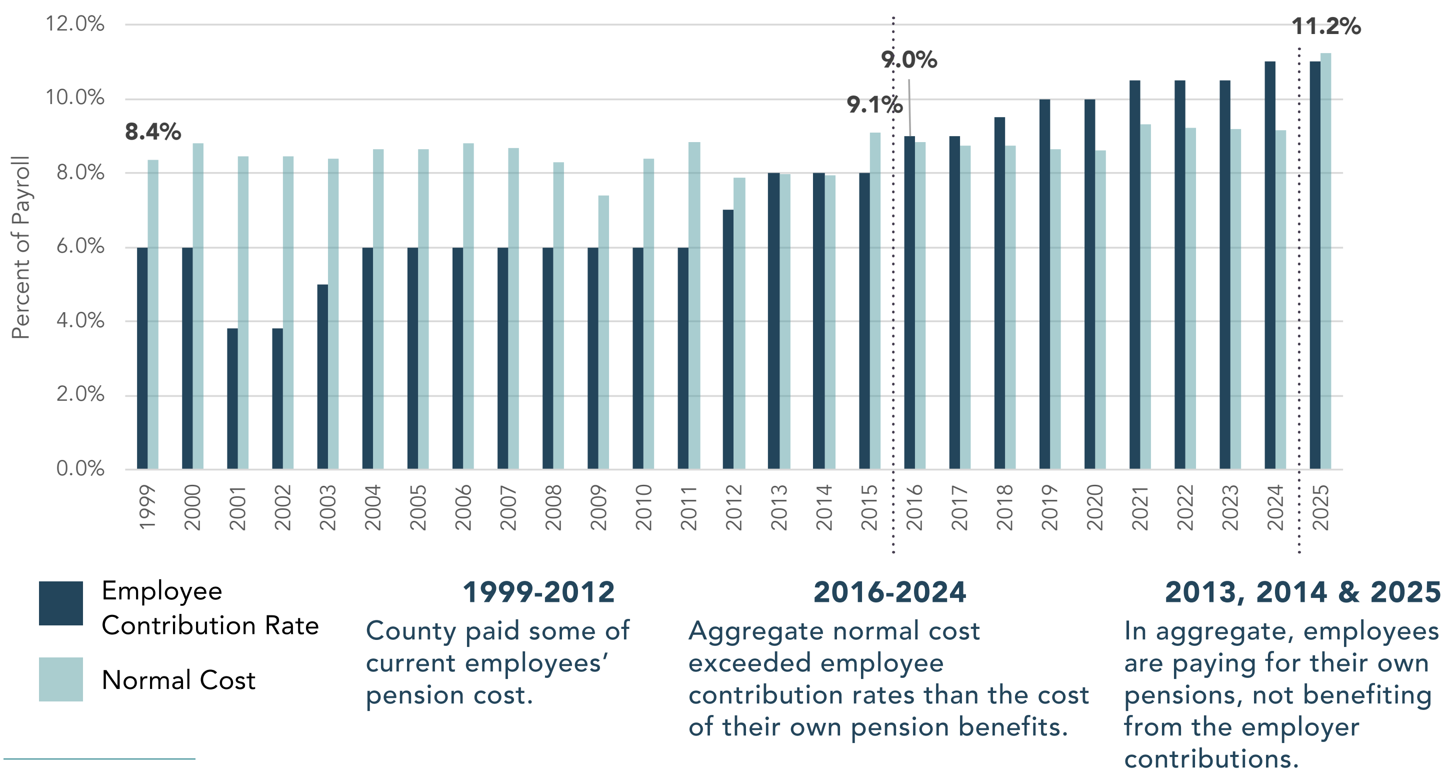


Exhibit 14. Normal Cost & Employee Contributions (1999-2025)[27]



27 SME from ACERS Actuarial valuation reports.

Some Pensions Cost More than Others

The normal cost of plan benefits varies by employee group, with police and fire pensions costing more primarily due to higher salaries and use of overtime (which increases the amount of benefit earned) and earlier retirement age (which extends the length of time that benefits must be paid). Exhibit 15 shows the normal cost for three employee groups and further divided by those hired before and after the Act 125 effective date of before or "on or after" February 21, 2014.[28]

Exhibit 15. Normal Cost of Benefits by Employee Group & Act 125 Status (Percent of Payroll)

EMPLOYEE GROUP	HIRED BEFORE ACT 125	HIRED AFTER ACT 125
Sheriff, Prison, Probation Officers	10.9%	10.8%

The normal cost difference reflects – *in part* – variation in the size of benefits among these employee groups. As stated earlier, uniformed employees (police, fire, sheriffs, probation officers, and guards) as groups tend to have higher salaries, utilize more overtime, and stay with the County longer than non-uniformed employees.

The chart in Exhibit 16 shows the median monthly benefit for each of the three employee groups above. Uniformed employee benefits are significantly higher than non-uniformed employee benefits and they are growing slightly faster.

While the discrepancy in the size of benefits is stark in Exhibit 16, the normal cost percentages in Exhibit 15 do not reflect the generosity of benefits but a number of conflating and interacting factors:

Retirement Age: Earlier for uniformed employees, which shortens payroll and increases benefit cost due to the length of time over which benefits are paid

Salaries: Higher salaries make the normal cost percentages lower for similar-sized benefits

Overtime: Overtime utilization, especially later in a career, drives pension benefits up

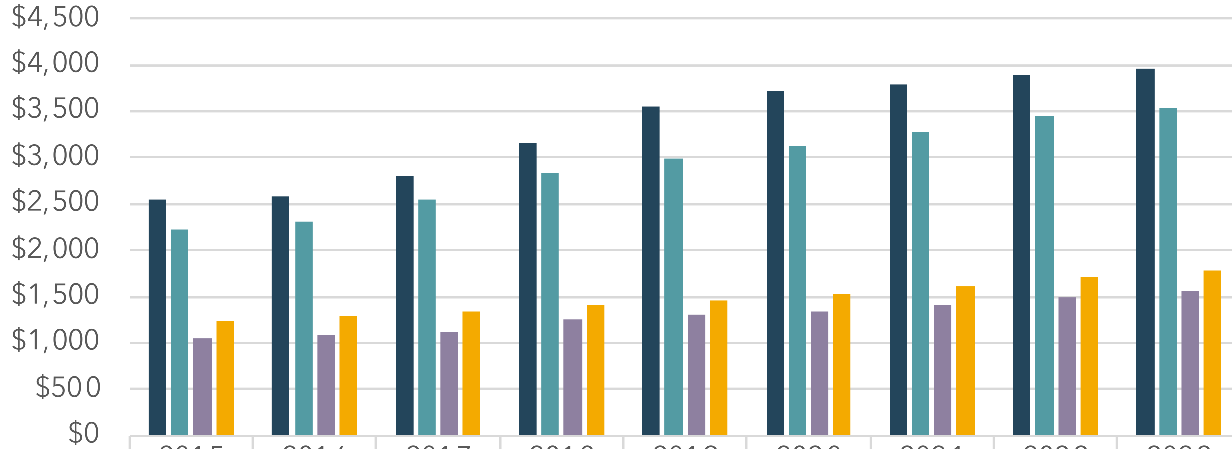
Turnover: Lower salaries make the normal cost percentages higher because shorter-tenured employees may have lower salaries and – especially among non-uniformed employees – are more likely to withdraw their contributions when they leave employment

These factors explain the counterintuitive fact that the normal cost of non-uniformed employees hired after Act 125 is higher than those who were hired before: the newer employees hired post-Act 125 tend to have shorter service, higher turnover, and are more likely to withdraw their contributions.[29] This behavior reflects broader national trends among the workforce that will be discussed in the next section.

28 Normal cost is the cost of current benefits taken as a percent of payroll. Act 125 of 2013 was major pension reform legislation which lengthened vesting threshold, increased the years of service required for a full benefit, broadened the averaging period used to calculate final average salary, and capped pension-eligible overtime. These changes applied to employees hired on or after February 21, 2014.

29 Acrisure assumptions and analysis for the Working Group, May 2026. See Appendix I page 136 and 139 for tables summarizing this information.

Exhibit 16. Median Monthly Benefit by Employee Group & Countywide, 2015-2023[30]



	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police/Fire	$2,549	$2,581	$2,799	$3,168	$3,548	$3,730	$3,783	$3,891	$3,958
Sheriff/Guards/PO	$2,230	$2,305	$2,548	$2,830	$2,992	$3,127	$3,283	$3,450	$3,540
Non-Uniformed	$1,047	$1,091	$1,121	$1,259	$1,298	$1,343	$1,409	$1,491	$1,563
Countywide	$1,234	$1,282	$1,339	$1,402	$1,459	$1,529	$1,611	$1,708	$1,784

Police/Fire Sheriff/Guards/PO Non-Uniformed Countywide

A MATURING PLAN AND A CHANGING WORKFORCE

The ACERS plan is a "maturing" public pension plan, or one with a high ratio of inactive (retirees and beneficiaries receiving benefits) to active members (contributing employees). In these plans, benefits exceed and/or are increasing more rapidly than contributions – or both, in the case of Allegheny County.[31]

Eventually, Beneficiaries will Outnumber Active Plan Members

ACERS plan participant demographics have changed as the Baby Boomer generation has aged into retirement, reflecting national trends among public workforces and over a decade of constrained County finances. The number of active contributing members of the plan (*i.e.*, current workers who are contributing money to the plan) has decreased since 2000, while the number of inactive members (i.e., retirees or beneficiaries who are receiving benefits) has increased at a slightly faster rate. Exhibit 17 shows these datapoints over a 25-year period. This trend is emblematic of a mature plan and results in a negative cash flow in which benefits exceed contributions.[32]

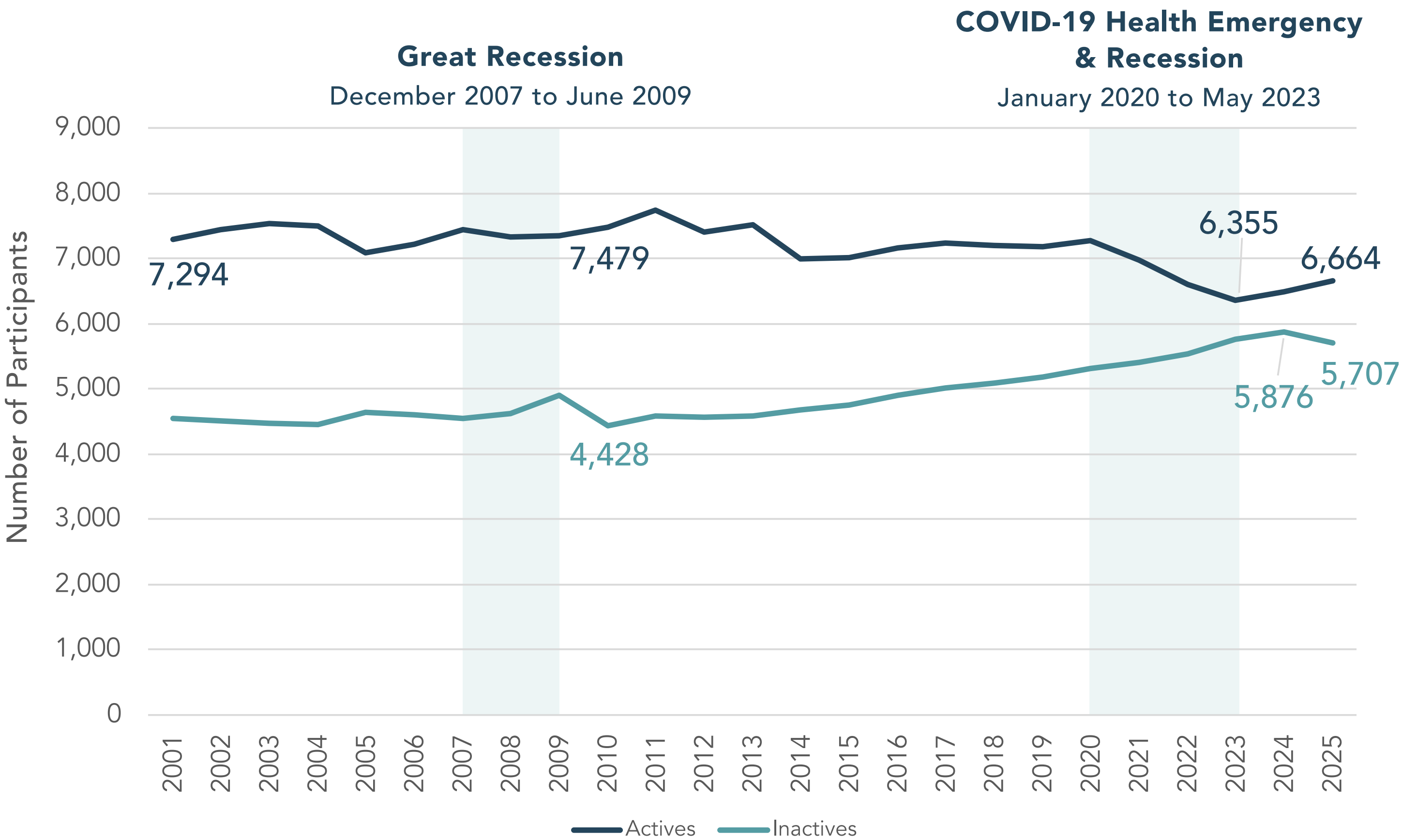
30 Acrisure analysis.

31 The metrics used in this report – active and inactive members, and contribution and benefit payments – are two commonly used pension maturity measures. See "Plan Maturity Measures" from the Washington Office of the State Actuary. https://leg.wa.gov/studies-audits-and-reports/actuarial-reporting/pensions/funding/understanding-risks-to-pensions/plan-maturity-measures/

32 A negative cash flow on its own does not indicate a pension fund is in distress; with the aging of the workforce, many plans are in this position and ideally use investment earnings to bridge the gap between benefits and contributions. A September 2025 study found that the average public pension plan in a sample of over 200 operated at a net operating cash flow of -2.4% of assets. Andonov, Aleksandar and Jansen, Kristy A.E. and Rauh, Joshua D. and Submitter, Stanford GSB, When Cash Flows Turn Negative: Liquidity-Driven Selling by Pension Funds (September 17, 2025). Stanford University Graduate School of Business Research Paper Forthcoming, Available at SSRN: https://ssrn.com/abstract=5498920 or http://dx.doi.org/10.2139/ssrn.5498920

Exhibit 17. Active (Current Employee) v. Inactive (Retiree & Beneficiary) ACERS Members (2013-2025)[33]

Between 2010 and 2024, active members declined by 13% and inactive members increased by 33%.



Benefits are Greater than Contributions

For each year in the 25-year period examined in this report, retirement benefits leaving the plan exceeded contributions going into the plan. Given the trends in active and inactive membership shown above in Exhibit 17, benefit payments grew much faster than contributions beginning in 2015. Exhibit 18 shows benefit payments and combined contributions; the steep increase in 2015 may reflect the retirement of workers hired after the cap on pensionable compensation was removed in 1999.

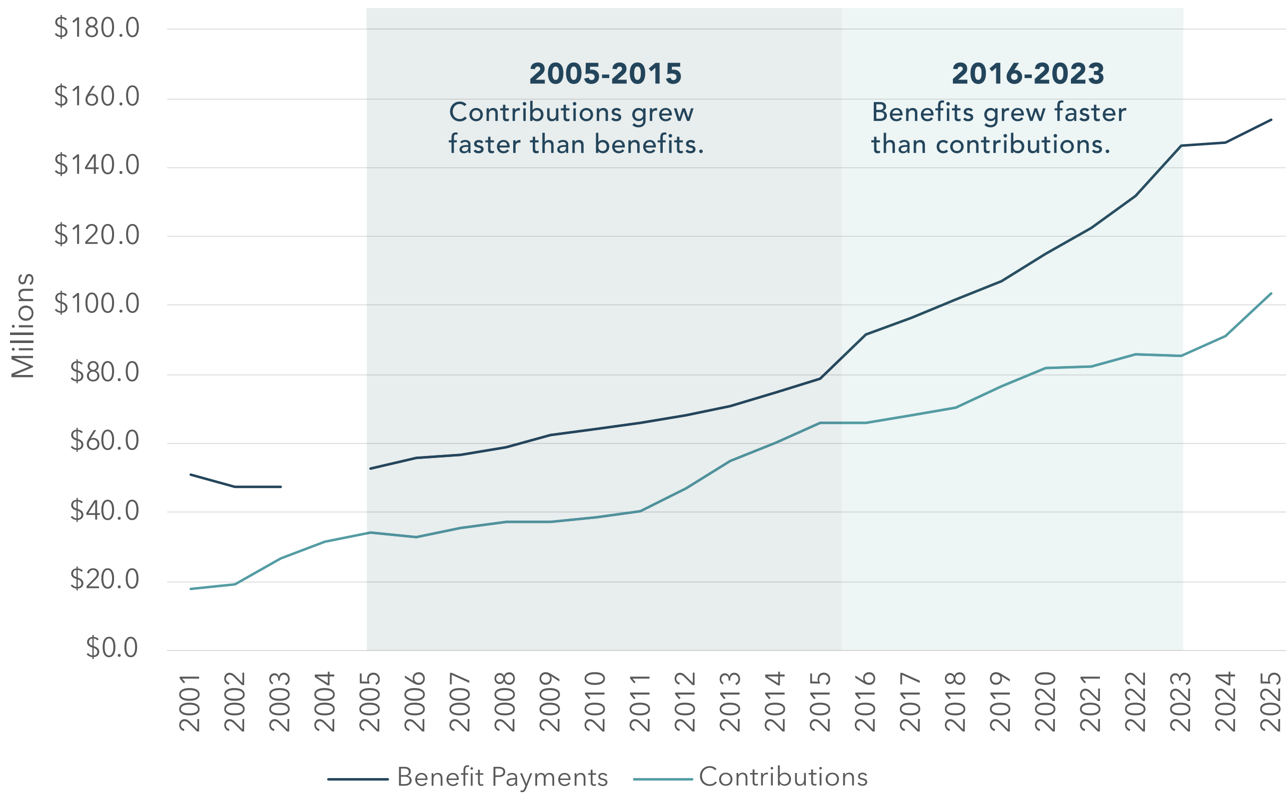
The trend (benefit payments exceeding and growing more rapidly than contributions) has two implications for plan financials. First, at a structural level, benefits leaving the plan faster than contributions come in results in a negative cash flow that increases the plan's unfunded liability.[34] The second relates to investments: mature plans must prioritize fund liquidity (availability of cash) to pay benefits and thus are constrained in the ability to maximize investment returns because they are forced to sell assets to meet cash flow needs.[35]

33 SME analysis of ACERS Actuarial reports.

34 This negative cash flow would not increase the unfunded liability of a fully funded and structurally sound plan.

35 Andonov, Jansen, and Rauh, September 2025.

Exhibit 18. Total Benefit Payments & Combined Contributions (2001-2025)[36]

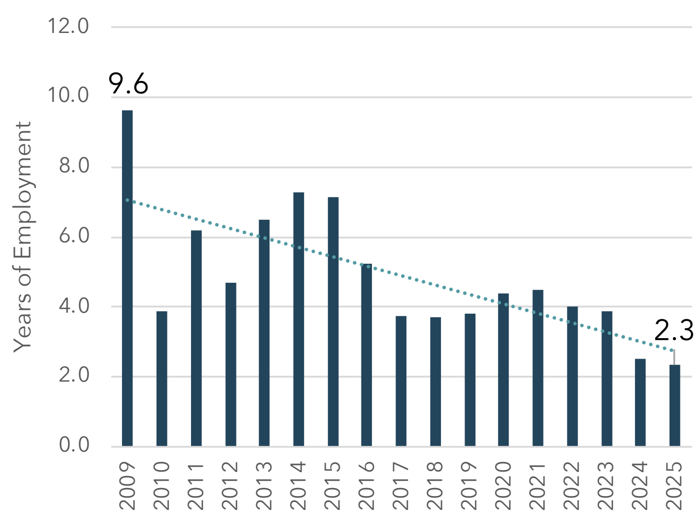


A Changing Workforce

Analysis of tenure (length of stay before termination) among non-seasonal, terminated County employees reveals that employees are not staying with the County as long as they did 15 years ago. In 2009, the median or "typical" employee who left the County had been there just shy of 10 years, while in 2025 the typical employee left with just 2.3 years of service (Exhibit 19).

County employees are not staying with the County as long as they did 15 years ago.

Exhibit 19. Median Length of Stay by Year Terminated, Non-Seasonal County Employees (2009-2025)[37]



36 SME analysis of ACERS Actuarial reports. Benefit amount was not included in the 2004 report.

37 SME analysis of data provided by Allegheny County. The years 2006-2008 were excluded as they appeared to be incomplete datasets, capturing fewer employees who had much longer tenure and therefore exaggerating the downward trend shown here. A look at average length of stay – not shown here – reveals a similar though less dramatic decline. Looking at both median and average is useful because an average can be skewed by relative outliers (employees with extremely long tenure, versus a larger number of employees with low tenure clustered toward the bottom of the sample). In this case, the fact that the average also skewed downward indicates that there are fewer employees with long tenure driving the sample up in later years. See Appendix II page 101 for a chart showing average and median over time.

There are many factors behind workforce tenure, including:

- Economic downturns (which lead to greater turnover among younger workers who are just starting their careers and less turnover among more established workers who are hesitant to leave during a period of uncertainty[38])
- Generational attitudes (for example, the large number of American workers who left their jobs in 2021 and 2022, often referred to as the "Great Resignation"[39])
- Working conditions in a competitive job market
- Industry-specific impacts (24 hour-a-day facilities such as the County-owned nursing homes or jail operations may have higher turnover than other jobs[40])

At the same time, survey data shows that public sector workers value retirement benefits, indicating that the retirement security of a well-designed pension can be a valuable tool to attract and retain workers.[41]

INVESTMENT MANAGEMENT: An Area of Continued Improvement

ACERS fund objectives include providing sufficient liquidity to make benefit payments and providing a total return that maximizes the ratio of assets to liabilities and maintains an appropriate level of risk.[42] While the current RBAC has taken steps to improve investment management, the fund is still impacted by prior investment decisions that continue to hurt liquidity, increase costs, and dampen performance.

A Legacy of Complex Investments

In 2024, ACERS' complex and imbalanced investment portfolio reflected decades of decisions. At that point, the fund was overweight (too heavily allocated) in private equity and alternative investments and had far too many investment managers for a fund of its size (over 90, discussed in the next section). Almost 30% of the fund was allocated to alternative investments including private equity, private real estate, and life settlements, strategies which were designed to provide higher returns or reduce volatility but which resulted in reduced performance, lower liquidity, and higher fees.[43] Another 6% of the fund was allocated to 11 emerging managers, many of which carry higher risk and (in some cases) higher fees which may not be an efficient strategy for a distressed public pension plan.

38 "During economic downturns, workers may stick with their current employer due to the lack of good alternative job opportunities. Furthermore, employees with short tenures are the ones who are most likely to be terminated during a recession and thus no longer included in the tenure calculation." From "Most Americans Feel Good About their Job Security but Not Their Pay," Pew Research Center Report, December 10, 2024. https://www.pewresearch.org/social-trends/2024/12/10/key-labor-force-trends/. Accessed June 25, 2026.

39 The Texas A&M Professor Who Predicted 'the Great Resignation," by Ann Kellett, Texas A&M University. https://stories.tamu.edu/news/2022/02/11/the-texas-am-professor-who-predicted-the-great-resignation/ Accessed June 25, 2026.

40 Geng F, Lin Y, Gozalo P, White E. Association of Shift Patterns with Overwork, Turnover, and Care Quality in U.S. Skilled Nursing Facilities. Innov Aging. 2025 Dec 31;9(Suppl 2):igaf122.2420. doi: 10.1093/geroni/igaf122.2420. PMCID: PMC12761217. "Kane Regional Centers continue to grapple with staffing, overtime costs," by J. Dale Shoemaker. Pittsburgh's Public Source, March 27, 2017. https://www.publicsource.org/kane-regional-centers-continue-to-grapple-with-staffing-overtime-costs/ Accessed June 25, 2026.

41 What Do Americans Think About Pensions for Public Employees?" by Dan Doonan and Kelly Kenneally. National Institute on Retirement Security, October 29, 2024. https://www.nirsonline.org/research/what-do-americans-think-about-pensions-for-public-employees/ Accessed June 25, 2026.

42 Retirement System of Allegheny County, Statement of Investment Policy. https://www.alleghenycounty.us/files/assets/county/v/1/government/retirement/pension-fund/alleg-cnty-ips-september-2025.pdf Accessed June 25, 2026.

43 A survey of public plans reveals that alternative allocation tends to scale with size; plans with under $1 billion in assets, like ACERS, typically have 20% allocated to alternative assets. "How Much do Public Pensions Allocate to Alternatives," Dakota Marketplace, 2025. https://www.dakota.com/resources/blog/how-much-do-public-pensions-allocate-to-alternatives. Accessed July 1, 2026.

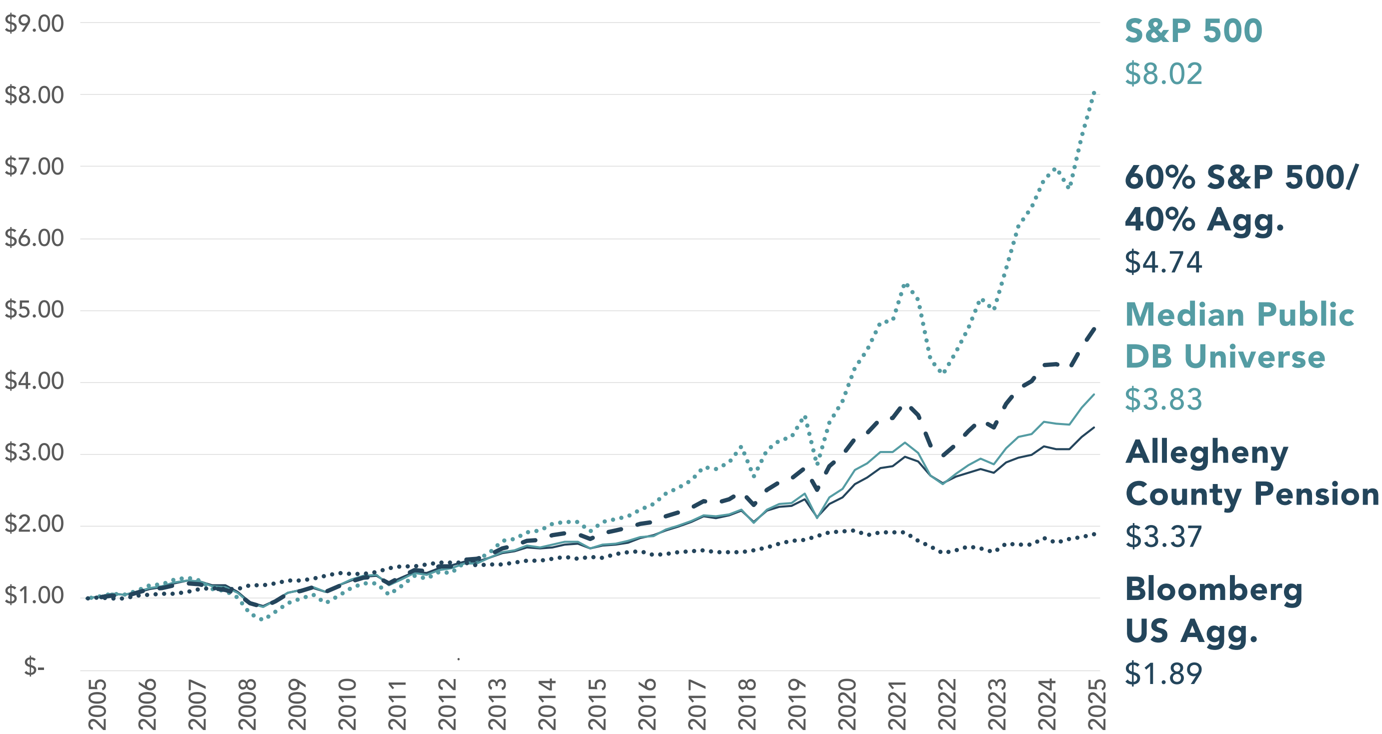
The impact of previous decisions regarding investments can be seen in the long-term performance of the plan. Compared to both the median public defined benefit plan and a simple 60/40 index (60% stocks and 40% bonds), the plan has underperformed. Exhibit 20 shows that for every dollar invested in 2005, Allegheny County has $3.37 (based purely on investment returns), whereas the median public plan has $3.83 and the 60/40 has $4.74.[44] Much of the underperformance can be attributed to legacy capital allocations and investment managers that will take time to step away from.

A Center for Retirement Research at Boston College analysis reveals that ACERS was not alone in its shift toward complex investments prior to 2024. The Center's national analysis of public pension plans through 2023 found that overall, plans are allocating more toward complex investments, and that as a result – just like ACERS – they have underperformed the simple 60/40 index since the Great Recession. The Center warns,

> **"If public plans cannot reasonably anticipate higher long-term returns from a complex active approach, they should stick with a simple and transparent strategy."[45]**
>
> **– Boston College Center for Retirement Research.**

This is especially true for defined benefit (DB) plans, in which most if not all the downside risk lies with the employer, because the pension amount is pre-determined and does not fluctuate with investment earnings as a defined contribution (DC) plan would. (See Appendix II page 104 for definitions of various pension plan types.)

Exhibit 20. Growth of $1 (2005-2025)[46]



44 Mariner Institutional analysis, February 2026. This chart is a theoretical exercise showing investment returns only and does not reflect distributions or withdrawals from the fund.

45 "How Do Public Pension Plan Returns Compare to Simple Index Investing?" Center for Retirement Research, Boston College. June 18, 2024. https://crr.bc.edu/how-do-public-pension-plan-returns-compare-to-simple-index-investing/. Accessed June 9, 2026.

46 Mariner Institutional, February 2026.

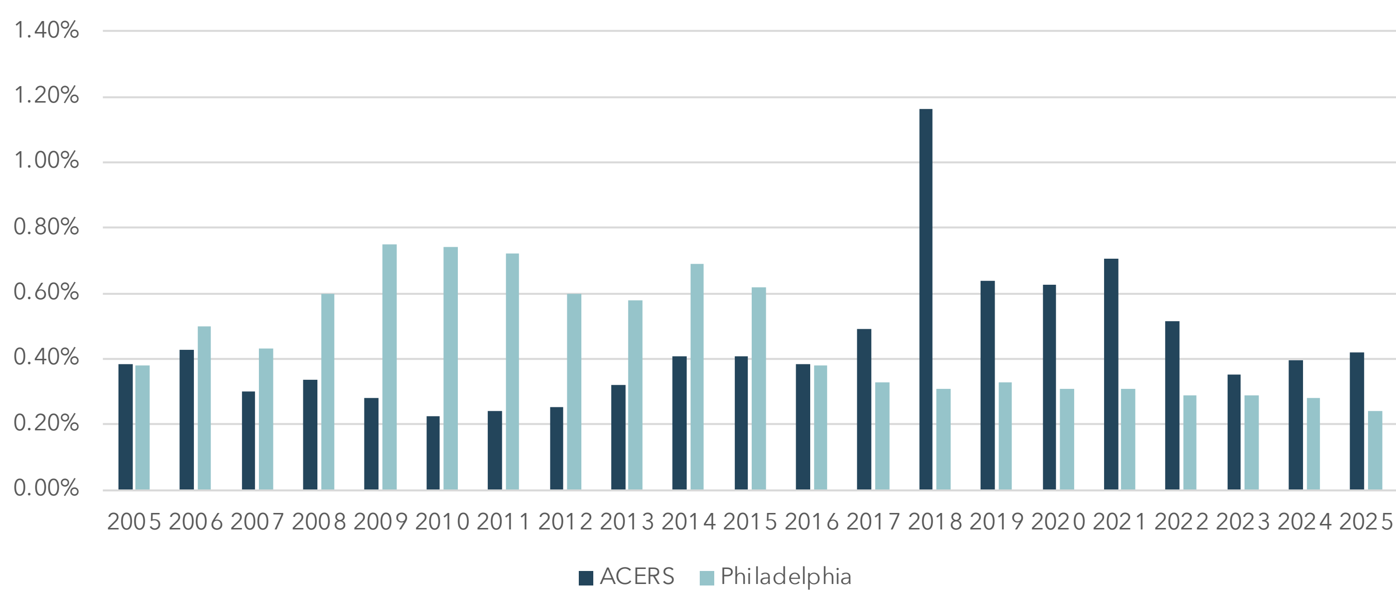
Too Many Managers

In 2024, the RBAC had three investment consultants managing its private equity portfolio – an arrangement that did not allow for a coordinated investment strategy to maximize plan assets while minimizing risk and management fees. The ACERS portfolio currently has 84 managers, down from 91 in 2025, an unusually high number that reflects the long-term allocation to emerging manager and direct private equity programs.

Reducing the allocation to private equity and other managers takes time. Of the 84 managers, 59 are illiquid and are distributing capital (paying the fund back its initial plus any profits realized). Many of these illiquid investments are very small (23 are less than $1 million and 12 are less than $100,000), further adding to the time and complexity of exiting them.

The number of managers impacts the total amount of investment fees charged. Exhibit 21 shows the ratio of investment fees to total assets, sometimes called the expense ratio, of ACERS and of the City of Philadelphia over a 21-year period. In 2015, the City of Philadelphia Board of Pensions and Retirement began to make a concerted effort to reduce active management and its exposure to private equity (see case study of Philadelphia pension reform later in this report), and the City's declining expense ratio reflects this effort. Meanwhile the ACERS expense ratio increased 2016 through 2021, reflecting the heavy allocation to private equity and disproportionate number of managers for a fund of its size.

Exhibit 21. Ratio of Investment Management Fees to Assets Under Management, ACERS & Philadelphia (2005-2025)[47]



The fund's active management approach contrasts with other large pension plans in Pennsylvania. As of December 2025, just under 17% of the fund is in passive strategies (investment in mutual and exchange-traded funds which carry lower fees and seek to mirror the long-term performance of a specific market index), compared to 51% in the City of Philadelphia Pension Fund,[48] 48% in the Public

47 SME analysis of ACERS audited financial reports and data provided by the City of Philadelphia.

48 SME from City of Philadelphia Pensions Investment Performance Report, April 2026. https://www.phila.gov/media/20260617135758/Pensions-Investment-Performance-Report-04232026.pdf. Accessed June 25, 2026.

School Employees Retirement System,[49] and 68% in the Pennsylvania State Employees Retirement System.[50]

Recent RBAC Progress

Since 2024, with the decision to consolidate the portfolio under the advice of just one investment consultant (instead of three),

> **the RBAC has made a concerted effort to streamline investment management, reduce the number of managers, rebalance the portfolio, better manage liquidity, and increase transparency.**

These steps have included:

- Reducing the number of investment consultants to one (from three) in 2024.
- Pausing the emerging manager program.
- Documentation and definition of each alternative asset in quarterly reports starting in 2025.[51]
- The introduction of regular liquidity reporting, the expanded ability of investment consultant to manage cash appropriately, and a reduction in the use of non-interest-bearing cash accounts.
- Approval of a new Investment Policy Statement in 2025 that lowered the target allocations to illiquid investments and has resulted in an increase in the indexed equity portfolio of the fund as liquidity is sourced from active equity managers.
- Reduction of fees, including 12 illiquid private investments that now have a 0.0% management fee.
- Improving the manager watchlist and probation policy.
- Implementing a practice of two public readings of potential investments prior to a vote.
- Including all voting motions and any contract or asset amounts being approved on board meeting agendas.
- Live-streaming, transcribing, and posting videos of all meetings.

THE NEED FOR NEW REVENUES

To address the unfunded liability, the County and ACAA will need to contribute at least $140-$150 million annually to the pension fund, over $100 million more per year than they currently do. Neither employer will likely be able to do so without securing new revenue sources and legislation that changes the requirement for employer and employee contribution rates to match. If new and additional revenues are not contributed, the funding liability will continue to grow until eventually plan assets are depleted – at which point benefits will need to be paid on a pay-as-you-go (PAYGO) basis from the County's operating budget.

A Constrained Fiscal Environment

The County and the ACAA operate with constrained budgets. Both entities are legally required to perform certain functions and are restricted in the type, amount, and use of revenues they receive. The County faces a structural deficit, with ongoing expenditure growth exceeding ongoing revenue

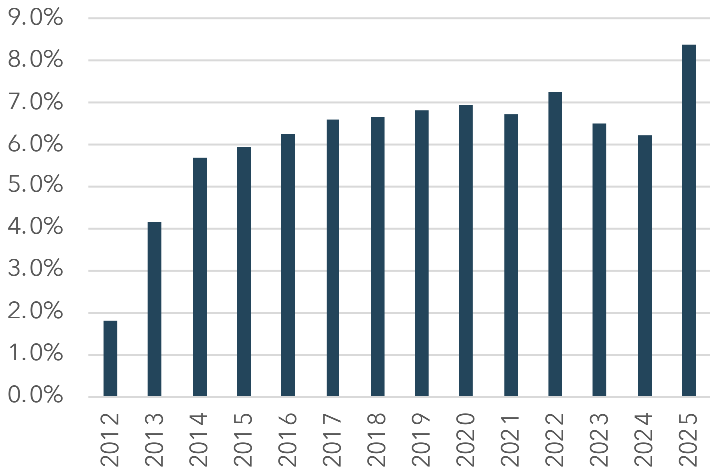
49 PSERS Asset Allocation as of December 31, 2025. https://www.pa.gov/content/dam/copapwp-pagov/en/psers/documents/transparency/investment/fy-2025-26/2025-12-31%20asset%20allocation.pdf. Accessed July 8, 2026.

50 SME from Quarterly Executive Summary, Pennsylvania State Employees' Retirement System Defined Benefit Plan, March 2025. https://sers.pa.gov/pdf/Investments/2025-Q1-SERS-InvestmentPerformanceAnalysis-Summary.pdf. Accessed July 8, 2026.

51 Mis-categorized legacy investments were appropriately recategorized into correct asset classes, which allowed for more accurate reporting and manager accountability.

growth. Though its general fund balance has steadily improved since the Great Recession (Exhibit 22), the current level of 8% is still below the two-month best practice recommended by government finance experts.[52]

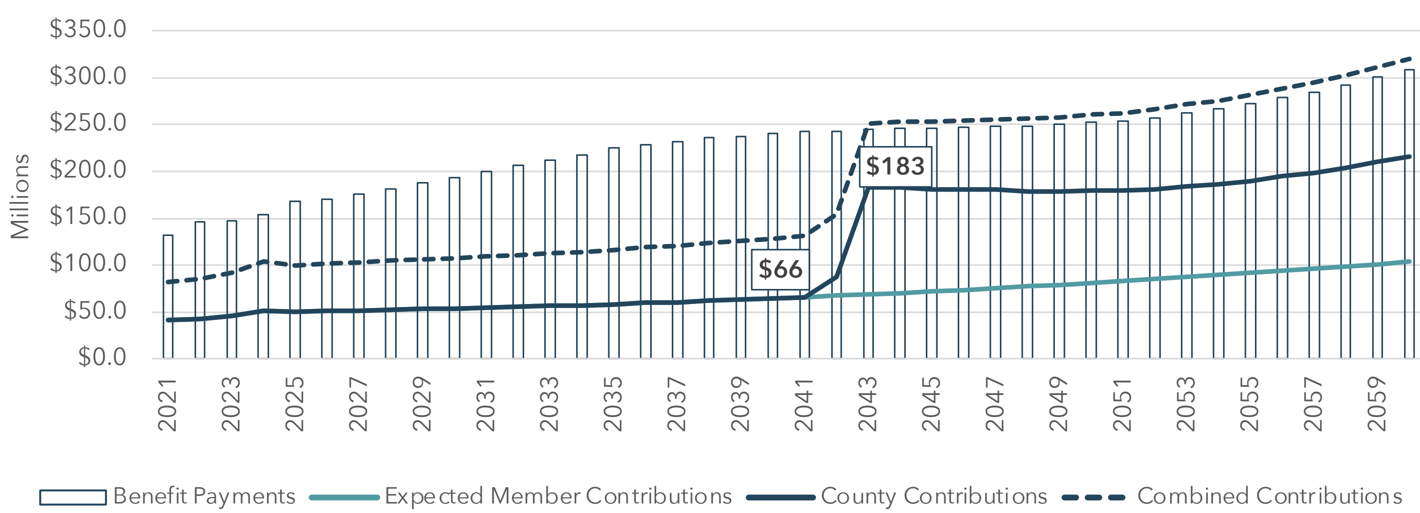
Exhibit 22. Allegheny County General Fund Unassigned Fund Balance as a Percent of Operating Expenditures (2012-2025)[53]



The Cost of Doing Nothing

If current contribution structure remains unchanged, the ACERS fund is projected to be insolvent – depleted entirely of assets – in 2043. This year represents a looming cliff in which the County would be forced to pay retirement benefits on an annual pay-as-you-go (PAYGO) basis.[54] Exhibit 23 illustrates this scenario: employer contributions would go from $66 million in 2041 to $183 million in 2043. An increase of this magnitude would be impossible for the County's operating budget to absorb without a combination of a property tax or other tax increase, service cuts, and/or employee layoffs. Beyond the tipping point of 2043, a PAYGO benefit scenario exposes the County's budget to ongoing risk, crowds out public services as benefits grow, and may ultimately result in dramatic employee contribution increases or benefit reductions for new or non-vested employees.

Exhibit 23. Projected Benefits & Contributions (2021-2060)[55]



52 The Government Finance Officers Association (GFOA) recommends general-purpose governments maintain unrestricted budgetary fund balance of no less than two months of regular general fund operations. https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund.

53 SME from data provided by Allegheny County Finance.

54 Legal analysis provided by Brian Gabriel, Solicitor to RBAC.

55 Actuarial analysis by Acrisure.

5

Guiding Principles

Based on their findings, the Working Group developed a set of principles to guide evaluation of options and the formation of Consultant recommendations to improve funding and modernize the plan. Public pension reform should balance **employee retirement security** with **employer workforce goals** and **fiscal stewardship**. These guiding principles were intended to provide a north star toward achieving this balance.

Pay Off the Debt

Reduce Future Financial Risk to the County

Better Align Costs with Benefits & Risks

Maintain or Improve Employee Retirement Security

Simplify Investments & Reduce Costs

Improve Transparency

Shared Problem, Shared Solution

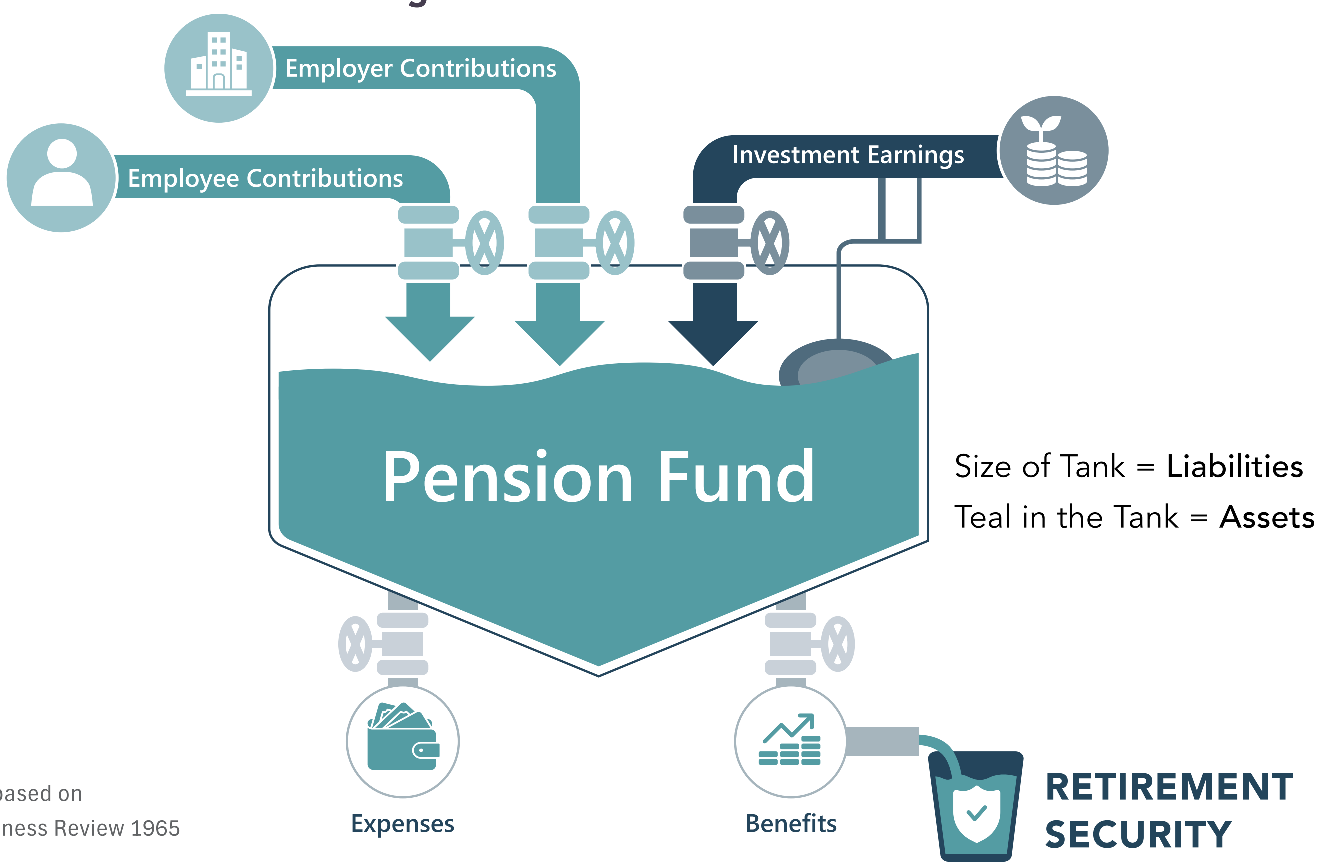
Option Evaluation

The Working Group evaluated options to improve all aspects of the pension plan: revenue options to pay down the unfunded liability; plan design, contribution, and benefit changes that could better balance risks, maintain or improve retirement security, and share costs more fairly; and options to simplify investments, reduce costs, and increase transparency. All options were on the table for Working Group evaluation.

Pension funds have been explained as working similarly to a water tank (Exhibit 24[56]), where the tank itself represents the benefits owed to current and future retirees (the liability), and the water in the tank represents the assets. Contributions and investment earnings are inflows to the tank. Expenses and benefits represent outflows. When the tank is only partially full, replenishing the tank is of primary importance – but all aspects of the tank should be checked to make sure that they are in working order. For example, a reform such as Act 125, which impacted only benefits for new and future employees, would not on its own replenish the already low water in the tank without an increase in contributions.

As part of their option evaluation, the Working Group also wanted to prioritize retirement security (the glass) to ensure that individual workers' perspectives would be a priority in evaluating options for reform.

Exhibit 24. How Pension Funding Works



Infographic based on Harvard Business Review 1965

56 Sources: Original illustration is from the Harvard Business Review, 1965. City of Philadelphia Pension Forum Presentation, delivered to Working Group in April 2026. Addition of retirement security: SME.

REVENUE OPTIONS

ACERS requires an actuarially determined contribution (ADC) of at least $140-$150 million annually to fully fund the plan within 20 years, which is an additional $90-$100 million or more per year than current employer contributions. The Working Group worked with the University of Chicago Center for Municipal Finance to evaluate over 20 revenue options that could supplement the current level of employer contributions to the pension fund to help meet an ADC going forward (and a cost-sharing option designed to better share costs with ACAA).

These options were evaluated for fiscal impact (capacity and growth or sustainability), feasibility, connection to pensions, and other considerations including regressivity (see Exhibit 25). A summary of revenue options can be found in Appendix II pages 128-149, a summary of the revenue evaluation can be found in Appendix II pages 165-172, and the full evaluation from the University of Chicago Center for Municipal Finance can be found in Appendix IV, the latter of which contains data sources, methodology, and all references for this evaluation.

Exhibit 25. Revenue Option Criteria

Note: Revenue capacity for ACAA-related options were evaluated on a different scale, as the revenue target for the ACAA share of ADC is $11-$13 million.

	Revenue Capacity	Fiscal Sustainability	Feasibility / Political Difficulty	Connection to Pensions	Other Considerations
High	$90 million+.	4%+ growth.	Does not require legislation, easy to implement.	Broad base, shared solution to shared problem.	Space for other considerations (fairness, tax burden, history, etc).
Medium	$20 million+.	2-4% growth.	Expands county taxing authority for items already taxed locally.	Connection to pensions through use of County resources; used previously or elsewhere to address pension issues.	
Low	<$20 million.	Volatile or <2% growth.	Requires legislation, coalition-building, difficult to implement or administer.	No connection.	

Broad-Based, Stable Options That Can Generate Over $100 Million Per Year

Of the 20+ options evaluated by the University of Chicago, only four have a broad enough base to generate over $100 million annually: **a county-wide sales tax, an earned income tax, a payroll tax, and a property tax increase**. These options have trade-offs and considerations noted in Exhibit 26 Revenue Option Evaluation, but they would allow the County to address its portion of the ADC with a single revenue source, preferably dedicated in statute or ordinance to the unfunded liability (see subsections on Philadelphia and Pittsburgh pension reforms).

$90M-$100M

REVENUE TARGET:

ADC of $140M-$150M+ less current employer contribution of ~$50M

Other New County-Wide Taxes or Fees

Taxes or fees on sugary sweetened beverages, rideshares, deliveries, skill games, commercial parking, and metered parking were also evaluated, though these would not raise enough revenue or have a strong enough connection to meet the required ADC. It is possible these options could be pursued to fund other County services or initiatives and free up some existing revenues to contribute to the fund.

Increases to Existing Taxes

The Working Group discussed rate increases (and reallocations) to three existing taxes: (1) the statewide tax of 2% on foreign casualty insurance premiums, a portion of which currently funds separate police and fire pension plans; (2) the County-wide alcohol tax of 7% which currently funds transit; and (3) the County-wide hotel tax of 7% which is dedicated to tourism and debt service for the David L. Lawrence Convention Center. The results of this discussion are summarized in Exhibit 26.

Options that Relate to the ACAA

Because a portion of the unfunded liability belongs to the ACAA for the pension debt associated with its plan participants, the Working Group considered options related to the ACAA's cost sharing arrangements with the County and ACERS, and a new revenue option for the ACAA. Because airports are limited by federal regulations as to the use of airport-generated revenues, any ACAA revenue option would need to be evaluated to ensure that it is allowable as a cost directly related to the benefits provided to ACAA employees or retirees.

Options that May Not Require Legislation

A handful of options may be available at the County-level, with varying levels of effectiveness. These include issuing a pension obligation bond (a debt issuance that allows an infusion of funding to improve plan assets, but requires regular repayment at rates that may or may not exceed future earnings on the bond proceeds and for this reason is not recommended by the Government Finance Officers Association[57]), negotiating payment in lieu of tax (PILOT) agreements with nonprofits who are exempt

57 "State and local governments should not issue pension obligation bonds," by the Government Finance Officers Association. January 1, 2015. https://www.gfoa.org/materials/pension-obligation-bonds. Accessed July 1, 2026.

from property taxes and thus would not otherwise be contributing to the pension fund, pursuing revenue sharing with township(s) that are located near Pittsburgh International Airport and collect a commercial parking tax (could also be considered an ACAA-related option), and pursuing state funding of County courts, an old and thorny issue that remains unresolved after multiple Commonwealth Supreme Court decisions.

Options that Rely on State Expansion of the Sales Tax Base

Finally, the Working Group discussed revenues that would result if the state were to expand the sales tax to include certain non-taxable items, or to legalize recreational marijuana. These options were found to be uncertain, unrelated to pensions, regressive, and – in the case of the state sales tax base expansion – difficult if not impossible to dedicate to the pension fund.

Source: Designism, Wikimedia Commons

Exhibit 26. Revenue Option Evaluation Results

Broad-Based Stable Options That Can Generate $100M+

Option	Description	Revenue Capacity	Fiscal Sustainability	Connection to Pensions	Feasibility	Other Notes
New county-wide sales tax	An increase to the county-wide sales tax, with proceeds from the increase dedicated to pensions.	$109M at 0.4% rate.	3% growth.	Philadelphia dedicates a portion of a 1% sales tax to pensions. Broad base (shared problem, shared solution).	Requires legislation. Precedent in the Regional Asset District (RAD) tax.	Regressive (-) Extracts revenue from visitors (+).
Property tax increase	An increase to county property taxes, with proceeds from the increase dedicated to pensions.	$103M at 1.25 mills.	Slow, constrained growth.	The the tax that likely would have been paying for an ADC if one were in place previously, and a potential outcome if fund is insolvent. Broad base (shared problem, shared solution).	Does not require state legislation. As a downside, property taxes were increased in 2024. Because this is the primary general fund revenue for the County, a property tax increase would have significant competition for other unmet needs.	Likely outcome the longer the funding problem is unaddressed.
Payroll tax	A new county-wide tax on the taxable payroll of private employers, with proceeds dedicated to pensions.	$101M at 0.2%.	2% growth.	Broad base, shared solution to shared problem. Generational unfairness (today's private employers paying for public employee retiree benefits that are already earned).	Requires legislation. Local precedent (Pittsburgh); business tax.	May influence hiring or business location decisions (-).
Earned Income Tax	A new county-wide tax on the taxable wages of employees working in the County, with proceeds dedicated to pensions.	$109M at 0.25%.	2% growth.	Broad base, shared solution to shared problem. Generational unfairness (today's workers paying for retiree benefits that are already earned).	Requires legislation. Local precedent (municipalities).	Regressive due to flat rate on earned income (-).

New County-Wide Taxes or Fees

Option	Description	Revenue Capacity	Fiscal Sustainability	Connection to Pensions	Feasibility	Other Notes
Sugary sweetened beverages	A tax per ounce on sugary and artificially sweetened beverages, paid by distributors.	$50M at 1.5 cents per ounce.	Declining revenue source.	Public health connection to County services.	State precedent (Philadelphia) but not for pensions.	Regressive because passed to consumers (-). Likely opposition from distributors. Typically used for health-related needs.
Rideshare tax or fee	Fee per ride paid by rideshare users.	~$40M at a $1 fee.	2% growth.	No connection.	Requires legislation.	
Delivery tax or fee	Fee per motor delivery of taxable goods, paid by consumer.	~$30M at a $0.50 surtax.	4% growth.	No connection.	Requires legislation.	Delivery taxes and fees may be progressive (+).
Skill games	Tax on the gross receipts of skill game machines.	$20M at 10% rate.	5% growth.	No connection.	State proposal. Local precedent (Gilpin Township).	Has been suggested for transit.
Commercial parking tax	Tax on the gross receipts of commercial parking operators.	~$17M+ at 10%.	8% growth.	Pittsburgh tax of 37.5% is partially dedicated to pensions (see subsection discussing Pittsburgh Pension Reform).	Local tax, potential to piggy-back.	Extracts revenue from visitors (+).
Metered parking fees	Either a negotiated revenue share with municipalities using parking meters, or the implementation of metered parking on County roads.	Likely low.	Likely low.	None.	Very few roads with commercial areas; requires negotiation with individual municipalities if revenue shared.	

Rate Increases

Option	Description	Revenue Capacity	Fiscal Sustainability	Connection to Pensions	Feasibility	Other Notes
Foreign casualty tax rate increase	An increase to the current 2% tax on foreign casualty insurance premiums, with the increase dedicated to County pensions.	$55M at a rate of 0.25%.	7% growth.	Act 205 pension funding for police/fire.	Requires legislation but rate has not been increased since implementation.	Smaller public safety pension plans in Allegheny Co. received $60M+ in 2025; could be competition for proceeds from rate increase (-). Extracts revenue from out of state (+).
Hotel tax (rate increase extension & redirection)	An extension of the 2% rate increase that is currently dedicated to convention center debt service (set to expire in 2027), with a redirection of proceeds from the increase to pensions.	$15M at 2% rate redirection (of 7% rate).	4% growth.	Typically used for tourism.	Requires legislation, typically used for economic development or tourism.	
Alcohol tax increase (and redirection of increase)	An increase to the current 7% alcohol tax rate, and a redirection of proceeds from the increase to pensions.	$21M at 3% increase.	1% growth.	Potential justice or public health connection.	Redirection requires legislation.	

Options That Relate to the ACAA

Option	Description	Revenue Capacity	Fiscal Sustainability	Connection to Pensions	Feasibility	Other Notes
Airport offsite commercial parking tax revenue share (Findlay Township)	Negotiated revenue share with townships such as Findlay Township, located near the PIT and charging commercial parking taxes on airport visitors.	~$5M for 50% share of 15% tax.	Negotiated, municipal tax.	Potential connection to ACAA portion of liability.	Requires rate increase and negotiation.	
ACAA parking fee	An increase to the current ACAA fees. A $2 increase would be about a 10-15% increase in parking prices.	$9M for $2 increase.	Strong revenue growth.	ACAA portion of liability.	Administrative precedent exists, but may be competition for other ACAA needs.	
Charge ACAA for pension administration	ACERS operations are not currently charged to the County or to ACAA.	ACERS total operating budget is $2M per year.	Assume modest growth keeps up with costs.	ACAA portion of liability.	May not be worth additional administrative complexity, reduces RBAC independence by making ACERS administration reliant on other entities' budgets.	Would also entail charging County for administration.
Charge ACAA for full pension cost of OT used by County employees	ACAA pays the County for billed police costs, including retirement contributions at the 11% rate. This option requires analysis to understand if a disproportionate share of OT (and thus of the unfunded liability due to OT) comes from work at the ACAA.	Unknown, requires further analysis.	Assume full cost recovery under agreed-upon methodology.	ACAA portion of liability.	Overtime currently is charged back; actuarial analysis could potentially reveal a higher percentage may be needed.	

Options That May Not Require Legislation

Option	Description	Revenue Capacity	Fiscal Sustainability	Connection to Pensions	Feasibility	Other Notes
Pension obligation bond	Debt issuance to infuse the plan with assets, with debt service repaid from fund earnings and/or contributions.	Issuance of $1.4B would "fully fund" plan.	Very risky and increases County's debt position, though potentially would entail a smaller annual debt service payment than an ADC.	Used frequently by distressed pensions, but usually as last resort.	To do well, must be paired with other major reforms and funding discipline.	May impact credit ratings (-). Government Finance Officers Association advises against this practice (-).
State full funding of County courts	Pennsylvania's Supreme Court determined that County court funding is constitutionally inadequate and a transition to state funding of a unified judicial system was introduced in the 1990s but has never been implemented.	County spends $100M on Courts.	Subject to legislative appropriation.	Strong connection for judicial employees, possibly justice-related employees.	Despite court decision(s) and phased plan, state has reduced funding for County courts.	
Payment in Lieu of Taxes (PILOT)	Negotiated payments from five large, nonprofit, tax-exempt institutions.	~$15M for 50% of value of real estate tax if exempt properties were taxable.	Likely negotiated, not ongoing.	Limited.	Requires negotiation.	

Options That Rely on State Tax Base Expansion

Option	Description	Revenue Capacity	Fiscal Sustainability	Connection to Pensions	Feasibility	Other Notes
State share of recreational marijuana excise tax	Assumes legalization of recreational marijuana, the implementation of a state-level excise tax paid by dispensaries, and the distribution of revenue generated in Allegheny County back to the County.	$20-$30M share of 20% tax (based on County's share of dispensaries).	Unknown.	Potential connection to County justice or public health or behavioral health functions.	State-level proposal; requires lobbying for share.	Regressive (passed to consumers) (-).
Recreational marijuana sales tax	Assumes legalization of recreational marijuana and the implementation of a county-wide additional sales tax paid by consumers.	<$20M at a 25% rate.	Unknown.	Potential connection to County justice or public health or behavioral health functions.	Requires legalization at the state level, implementation of local tax; competition for proceeds.	Regressive (-). Typically funds behavioral health.
Sales tax base expansion	Expansion of state-wide sales tax base to include non-prescription drugs, clothing, amusement parks, and activities. (This option results in automatic growth in the 1% of the RAD tax.)	$6M increase.	2-3% growth.	Would be difficult to direct to pensions because it is an automatic increase in an existing general fund tax.	Unknown – state proposal.	Regressive depending on nature of items included in base (-).

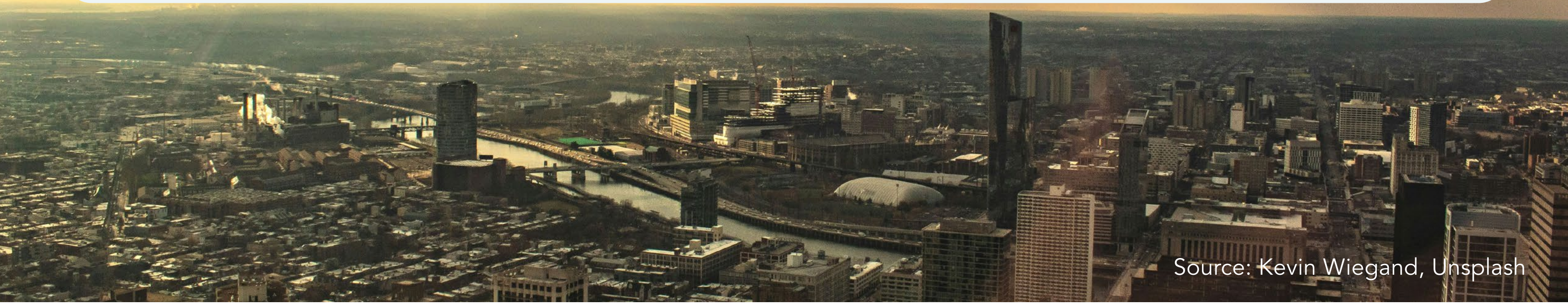
PHILADELPHIA PENSION REFORM

The City of Philadelphia's pension system was less than 45% funded in 2015[58] but is currently on track to achieve full funding by FY 2032.[59] This progress is due to a series of reforms which took over a decade to implement:[60]

Source: Jimmy Woo, Unsplash

1. Dedicated revenues: in 2009, the General Assembly authorized the dedication of an additional 1% sales tax (shared with schools) to pensions.
2. Plan design change: the introduction of a "stacked" hybrid plan (i.e., a defined contribution (DC) plan above a certain pay threshold) in 2016.
3. Funding discipline: in 2018, the City implemented a Revenue Recognition Policy that allowed for contributions in excess of its minimum municipal obligation (MMO).
4. Increased employee contributions including tiered non-uniformed employee contributions: the introduction of a tiered contribution structure for non-uniformed employees (graduated by income, with higher-paid employees contributing more) and additional contributions from all current employees, plus enrollment of all new non-uniformed employees in the hybrid plan.
5. Improved investment management: since 2015, the pension board has focused on reducing investment management fees by reducing private equity exposure and indexing more of the fund. The City estimates savings of over $120 million in investment management fees between 2017 and 2024.

The Philadelphia case study illustrated to the Working Group that a shared problem requires a shared solution, and that the path to fully funding pensions will require a disciplined, multi-pronged approach.



Source: Kevin Wiegand, Unsplash

58 City of Philadelphia presentation to the Working Group, Appendix II page 60.

59 "Philadelphia pension system to be fully funded by 2032; officials hail progress as a success," by Tom MacDonald, WHYY. March 2, 2026. https://whyy.org/articles/philadelphia-pension-system-funding/. Accessed June 10, 2026.

60 City of Philadelphia presentation to the Working Group, Appendix II page 60. And "Press Releases: Philadelphia Pension Fund Up $9 billion Since PA Act 205 was Enacted 40 Years Ago," by Christy Brady, City Controller. March 11, 2026. https://controller.phila.gov/philadelphia-pension-fund-up-9-billion-since-pa-act-205-was-enacted-40-years-ago/. Accessed June 10, 2026.

PITTSBURGH PENSION REFORM

The County "worst-case scenario" of PAYGO pension benefit funding was the reality for the City of Pittsburgh in the 1970s, when the fund was completely insolvent.[61] The City's history of pension distress prior to and since that point is long and complicated, but as of 2025 the City's fund is 71% funded, thanks primarily to reforms introduced before and after the Great Recession. In 2007, the City of Pittsburgh pension board reduced the assumed rate of return and reduced the amortization period for pension debt in recognition that the 40-year amortization period required under state law did "not result in an actuarially appropriate funding level".[62]

These fiscally prudent actions had the intended effects of reducing funding levels and requiring an increase to annual contributions; in 2009, the City's funding level had dropped to 34%, and needed to reach a minimum funding level of 50% by the end of 2010 to avoid having the City's funds seized by the state under Act 44 (2009). To meet this benchmark and avoid state takeover, the City deposited an additional $45 million into the fund and passed legislation irrevocably dedicating a stream of parking tax revenue to the pension fund, which allowed the fund to report itself at 62% funded in 2011. Through 2026, the fund will have received $334.4 million in dedicated revenues of a total of $1 billion through 2051 when the provision sunsets.[63] This infusion of dedicated revenue – along with increased annual contributions from the city, changes to actuarial assumptions, strong investment performance, and ongoing fiscal discipline – have ensured the fund's recovery. The Pittsburgh case study shows the importance of revealing the size of the problem and taking a disciplined approach to solving it.

61 Pittsburgh Pension History presentation provided by Ralph Sicuro, President, Pittsburgh Fire Fighters IAFF Local No. 1; Secretary-Treasurer, Firemen's Relief and Pension Fund; and Chairman, Comprehensive Municipal Pension Trust Fund.

62 City of Pittsburgh presentation to PA PERS by Scott Kunka. https://www.pa-pers.org/assets/docs/PPT-Kunka.pdf. City of Pittsburgh Municipal Pension Fund 2013 Valuation Report. https://www.pittsburghpa.gov/files/assets/city/v/1/bac/documents/cmptf/meetings/2149_2013_muni.pdf. Accessed May 15, 2026.

63 City of Pittsburgh Municipal Code, Art. XI §272.01 Dedicated Funding for Comprehensive Municipal Pension Trust Fund. https://ecode360.com/45440654#45440655. Accessed June 16, 2026.

REGIONAL ASSET DISTRICT (RAD) TAX

The county-wide Regional Asset District (RAD) tax is a 1% sales tax implemented in 1994, the culmination of years of research, planning, and consensus-building among civic and business leaders across the region. Half of the tax funds assets such as the zoo, aviary, Phipps Conservatory, libraries, parks, arts organizations, and sports and civic facilities – assets that attract regional visitors from in and out of Pittsburgh, but which are largely property tax-exempt and for whom the City had primary fiscal responsibility.[64] The other half is distributed to Allegheny County (25%) and its 130 municipalities (25%). Since 1994, the RAD has distributed over $2.5 billion in tax revenues to the civic facilities and organizations it supports, with another $2.5 billion to the County and municipalities to fund services or allow for tax relief. The RAD tax is an example of a regional solution to a shared fiscal sustainability problem. See Appendix pages 30-42 for a presentation on the RAD by Rick Stafford and Jim Turner, who were instrumental in the successful development of the RAD tax through the roles they held then as Allegheny Conference Chief Executive Officer and City of Pittsburgh Chief Administrative Officer, respectively.

OPTIONS TO CHANGE PLAN DESIGN, BENEFIT, & CONTRIBUTION RATES

Plan design changes must balance the needs of multiple perspectives and priorities:

- Employees and retirement security.
- Employers and hiring, workforce, and management goals.
- Taxpayers and residents and the need for efficient delivery of public services.

Because the Working Group found that there is a tremendous range among employees of tenure, wages, and access to savings, there will be no one-size-fits-all solution.

Changes to the ACERS benefit structure are necessary to improve and modernize, but identifying a path forward requires collaboration and planning.

Source: Allegheny County Treasurer's Office

The Working Group worked with Acrisure (the plan actuary) and the Pew Charitable Trusts to understand the impact to costs, retirement security, and risk-sharing under various scenarios. **Meeting an ADC and improving risk-sharing were found to be necessary first steps** to any potential plan design changes. **Benefit and employee contribution change scenarios did not significantly reduce an employer ADC, but they do impact retirement security differently for different employees.** The evaluation shown here primarily shows that these changes should not be made without future conversation, reflection, and analysis.

64 Regional Asset District History. https://www.radworkshere.org/pages/history. "From Vision to Reality. Case Study: Regional Asset District and Tax Reform," by Rick Stafford, Institute of Politics Forum. October 18, 2002. (Appendix I page 30.)

Exhibit 27. Benefit, Contribution, Plan Design Option Criteria

	Funding Impact	Risk Improvement	Feasibility	Retirement Security	Other Considerations
High	Fully funded within 20 years.	Improves risk-sharing and reduces future risk to the funding status of the plan.	Does not require legislation, easy to implement.	Improves retirement security for employees.	
Medium	Produces actuarial savings or reduces actuarial costs.	No change to risk-sharing, no impact to future funding status of the plan.	Requires local or state legislative action but easy to implement.	No impact to retirement security.	Space for other considerations (fairness, history, etc).
Low	Costs the plan more (reduces funding).	Results in greater risk to the County or increases risk to the funding status of the plan.	Requires legislation, difficult to implement or administer.	Reduces retirement security for employees.	

Necessary First Steps: An Actuarially Determined Contribution and Risk-Sharing Options

Pension reform should start with meeting an actuarially determined contribution (ADC) and improving risk-sharing (e.g., by linking retiree benefit improvements to investment returns or allowing for flexible contribution rates that can respond to plan funding levels) to ensure that a funding crisis does not happen again.

Options to Better Align Costs with Benefits

The Working Group found that there were cost-sharing inequities between the employers and employees, across employee groups, and across generations of employees. The options evaluated later in this report (Exhibit 30) may improve cost-sharing and better align costs with benefits. Because they will impact different employees differently, further analysis, discussion, and consideration is needed before pursuing changes such as these.

Plan Design Change Options

The Working Group benefited from presentations by the Pew Charitable Trusts, the City of Philadelphia, and Acrisure to understand the potential impacts of plan design changes on plan funding and employee retirement security. These options included defined contribution (DC), cash balance, and hybrid ("stacked" and "side-by-side") plans.

The definitions below were presented to the Working Group by the Pew Charitable Trusts[65]:

- **Traditional defined benefit (DB):** Workers receive guaranteed benefits in retirement, calculated as share of final salary based on years of service. The public employer typically takes on investment and other risks.
- **Risk-sharing defined benefit:** Traditional DB formula with features that share risk, typically through adjustable employee contribution rates or risk-sharing cost-of-living adjustment policies.
- **Hybrid:** A plan type that pairs a DB plan and a defined contribution (DC) plan, so risk is shared.

  Side-by-side hybrid: A smaller DB is provided to workers, alongside a DC plan.

  Stacked hybrid: A DB plan that covers up to a certain amount of salary is offered. Salary above that threshold is not included in the DB formula but is used to set contributions to a DC account.
- **Cash balance plan:** A DB plan type where a percentage of salary is credited to an employee retirement account, which also gets interest based on the pension fund's investment returns. Based on the value of the account at retirement, the plan provides a guaranteed lifetime annuity as a retirement benefit.
- **Defined contribution:** Individuals receive contributions to their retirement accounts. Employees are responsible for managing that money, though public employers can provide tools to help. Contributions are fixed and employers bear no investment risk.

Options to Limit Benefits

The Working Group discussed options to reinstate limits to benefits that had previously existed (the cap on pensionable compensation that was eliminated in 1999), changes to benefits that would put the plan more in line with other public sector plans (increasing the retirement age, reducing the benefit multiplier,[66] or limiting pensions to a percentage of base pay, thereby eliminating pensionable overtime and vacation pay), and an administrative improvement (separating final paychecks into a base pay and separate buy-out check to smooth final average salary calculation).

Changes to Pension Administration

The Working Group discussed options to change pension administration through consolidating or merging with another plan or separating the ACAA into a separate fund. These complex options would not improve plan funding and in fact may not be viable until the fund is fully funded.

65 See Appendix II page 40.

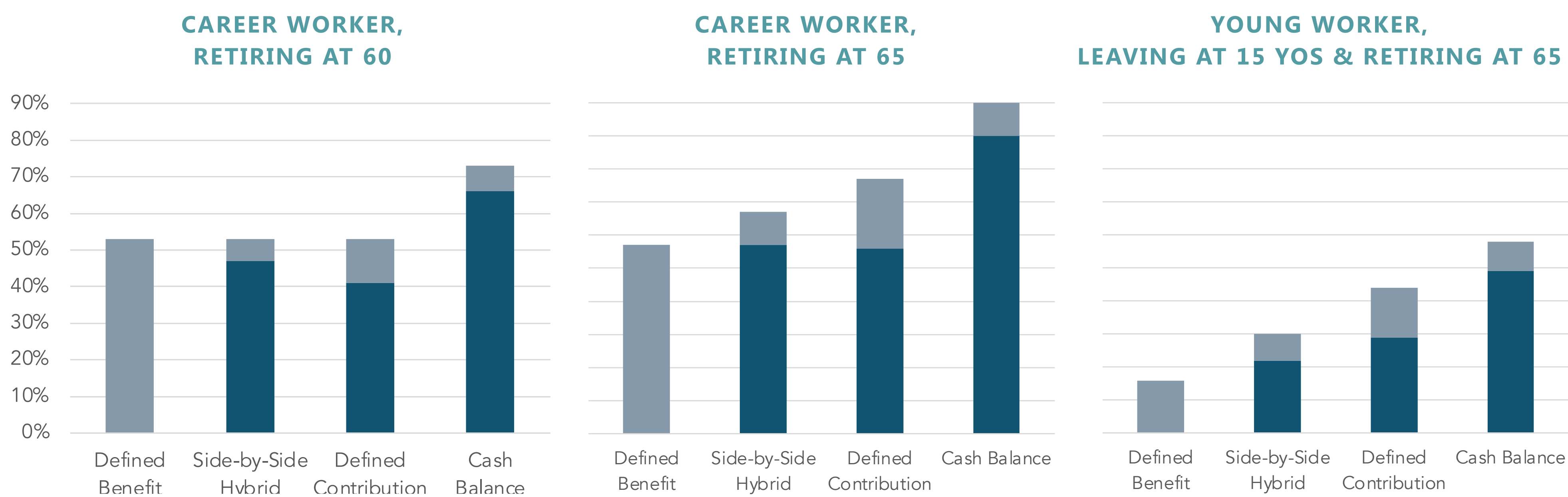
66 A benefit multiplier is a percent of final average salary (FAS) that an employee is eligible for at retirement. Post Act 125 vested employees have a 2% multiplier because they get 50% of FAS if they reach 25 years of service (1/25 of 50% per year = 2%).

PEW ANALYSIS OF PLAN DESIGN OPTIONS

Pew researchers found that the current DB plan does relatively well for career workers who start young and retire at age 60, but not if that worker retires at age 65. Portable, non-DB plans performed much better for young workers who did not stay their full career with the County, an important takeaway considering that median tenure with the County is declining. They also performed comparably or better for workers who retired at age 65, which may mirror County workforce behaviors if workers work longer before retirement.

Source: baona jnr, Shutterstock

Exhibit 28. Replacement Income Ratio by Plan Design, Select Scenarios[67]



67 Pew Charitable Trusts presentation to the Working Group, May 2026. See Appendix II pages 107-114 for the full Pew analysis. YOS is years of service. In this scenario, contributions for the DC and CB are designed to match the current employer half of normal cost (5.5%) for the employer contribution and the current employee contribution (11%) for employee contributions. The cash balance plan assumes Different inputs would give different results.

Source: Cht Gsml, Unsplash

ACRISURE ANALYSIS OF PLAN DESIGN AND CONTRIBUTION OPTIONS

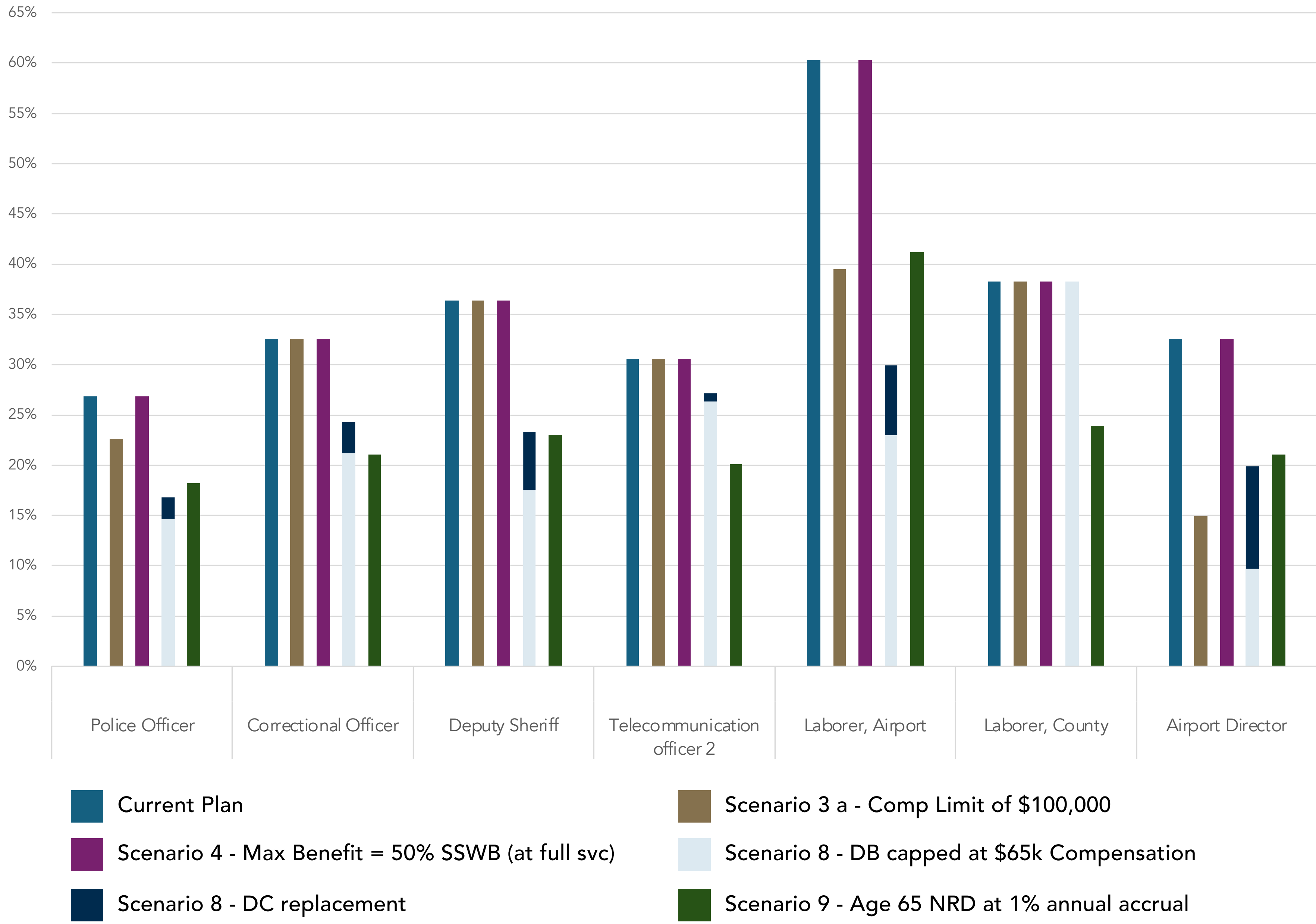
Acrisure analyzed retirement security for example employees under various plan design changes:

- Limiting pensionable compensation to $100,000 (the inflation-adjusted cap that previously existed in the County until 1999),
- Limiting pension benefits to 50% of the maximum Social Security Wage Benefit,[68]
- A stacked hybrid capping the DB at $65k of compensation (with DC contribution rates of 11% employer and 5.5% employee),
- A DC plan (contribution rates of 11% employer and 5.5% employee), and
- An increase in retirement age (to 55/60/65) with a decrease in the multiplier from 2% to 1%.

As the results in Exhibit 29 indicate, the impacts of these scenarios on retirement security vary widely across position types based on differences in salary, age, and length of service.

68 The Social Security contribution and benefit base is the annually adjusted limit that applies to both the amount of earnings subject to
Social Security taxation and to the computation of benefits. In 2026, the base is $184,500.

Exhibit 29. Replacement Ratio by Scenario, Select Positions[69]



69 Acrisure analysis for the Working Group. See Appendix II pages 117-125 for the full analysis.

Exhibit 30. Evaluation of Options to Change Contributions, Benefits, & Plan Design or Administration

NOTE: Working Group considered these one-by-one for ease of evaluation. In practice, options should and could be considered in combination.

Necessary First Steps

Option	Description	Funding Impact	Risk Improvement	Feasibility	Retirement Security	Other Considerations
Adopt an ADC…and make it	Adopt an actuarially determined contribution rate that is sufficient to fully fund the plan within 20 years.	Only way to fully fund plan.	Reduces risk of future County budget impacts and risks to pension benefits.	Requires new revenue, which requires legislation.	Preserves retirement security of current and future plan members.	Improves credit rating.
Adopt other risk-sharing options.	Options could include linking COLAs to a fiscal measure (e.g., investment returns, a target level of plan funding, or the meeting of an ADC) or allowing contribution rates for employees to fluctuate with fiscal conditions.	Will maintain or improve progress toward fully funding.	Reduces plan funding vulnerability to risk.	COLAs and rate-setting have occurred at the RBAC level, though the current requirement for rates to match would need to change legislatively.	Depending on structure, leaves benefit recipients vulnerable to inflation, but improves risk-spreading for active employees and the County.	

Options to Better Align Costs with Benefits

Option	Description	Funding Impact	Risk Improvement	Feasibility	Retirement Security	Other Considerations
Reduce employee contribution rates	Reduce all employee contribution rates from 11% to a level more in line with other public pension plans.	Will increase actuarially determined contribution (ADC – or the amount of revenue needed to fully fund plan).	May improve workforce retention.	Likely a popular move but places more pressure on revenue seeking efforts.	Improves retirement security IF benefits are not reduced AND employer contribution increase offsets the reduction.	Could be paired with option to direct the reduction amount into a DC plan.
Tiered contributions (based on salary)	Introduce higher employee contribution rates for higher-paid employees and lower rates for lower-paid employees, similar to Philadelphia (see subsection).	Can likely be structured with minimal impact to ADC.	No impact.	Requires legislation and negotiation.	Depends on the employee.	
Tiered contributions (higher for uniform)	Introduce higher employee contribution rates for uniformed employees whose benefits have higher cost because they can retire earlier.	Can likely be structured with minimal impact to ADC.	No impact.	Requires legislation and negotiation, likely opposition.	Depends on the employee.	Improves fairness among employees, with those earning a more costly benefit (due to retirement age) contributing more to the plan.

Options to Reduce Employer Costs Through Benefit Reductions (Assumed to Apply to New Employees)

Option	Description	Funding Impact	Risk Improvement	Feasibility	Retirement Security	Other Considerations
Cap or limit on pensionable salary	Implement a $100,000 cap on pensionable salary.	These changes did not significantly impact the funding level of the plan (and therefore did not significantly reduce the ADC necessary to fully fund the plan).	Improvement for County.	Requires legislation.	Depends on employee and if paired with stacked hybrid.	Roughly equivalent to the inflation-adjusted cap of $65,000 that existed in 1999. Would apply to about 14% of County employees and 20% of ACAA employees.
Cap on benefit	Implement a $97,250 cap on benefits (half of the Social Security wage benefit threshold of $184,500).		Improvement for County.	Requires legislation.	Neutral or negative depending on employee.	This cap would not impact many new employees. For example, only 26 retirees out of over 4,800 receive benefits higher than this cap as of December 2025 Note: this change would not impact benefits for these current retirees; these numbers are provided for context.
Increase retirement age	Increase retirement age to 55/60/65.		Improvement for County.	Requires legislation.	Neutral or negative depending on employee.	County's unreduced retirement age was found to be more generous than many public plans (at least for non-uniformed employees).
Reduce multiplier	Reduce formula multiplier from 2% of final average salary (FAS) to 1% of FAS.		Improvement for County.	Requires legislation.	Negative.	2% is typical but this reduction could be combined with shortening the years of service required to receive a full benefit, which NASRA found to be longer than most public plans (for non-uniformed employees).

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Options to Reduce Employer Costs Through Benefit Reductions (Assumed to Apply to New Employees)

Option	Description	Funding Impact	Risk Improvement	Feasibility	Retirement Security	Other Considerations
Restrict pensionable compensation to base pay	Disallow overtime, vacation buyouts, and other types of pay from pensionable compensation.	These changes did not significantly impact the funding level of the plan (and therefore did not significantly reduce the ADC necessary to fully fund the plan).	Improvement for County.	Requires legislation.	Depends on the employee & use of OT, amount of vacation saved (probably neutral for most).	Disincentive for employees to inflate retirement benefits by heavily working OT, securing bonuses, or building up leave at the end of their careers.
Administrative changes such as paying out lump-sum buyouts as separate paychecks; management improvements to ensure OT is managed with an understanding of all costs	Lump-sum vacation buyouts and high use of OT (even within the Act 125 cap) can drive up the FAS calculation.		Improvement for County.	Can be done administratively.	Likely won't affect most employees.	

Plan Design Changes (Assumed to Apply to New Employees)

<table>
<tr><th>Option</th><th>Description</th><th>Funding Impact</th><th>Risk Improvement</th><th>Feasibility</th><th>Retirement Security</th><th>Other Considerations</th></tr>
<tr><td>Defined contribution plan</td><td>Implement a defined contribution plan for new hires. Employees are responsible for managing their money. Contributions are fixed and employers bear no risk.</td><td rowspan="4">These changes did not significantly impact the funding level of the plan (and therefore did not significantly reduce the ADC necessary to fully fund the plan).</td><td>Improves risk from the County perspective; spreads some risk to employees but can be reasonably structured.</td><td rowspan="4">All changes require stakeholdering, legislation, planning, analysis.</td><td rowspan="4">Depends on the employee and design choices.</td><td>Closing a DB plan is very complicated. There are examples of state and local pensions that have made the switch from DB to DC and these should be examined for lessons learned.</td></tr>
<tr><td>Side-by-side hybrid</td><td>Implement a side-by-side DB and DC hybrid plan for new employees.</td><td rowspan="3">Spreads some risk to employees but can be reasonably structured.</td><td>NASRA finds that a Cash Balance and a Hybrid DB-DC balance risks among stakeholders.[70]</td></tr>
<tr><td>Stacked hybrid</td><td>Implement a stacked hybrid plan for new employees, with compensation above $65,000 going into a DC plan.</td><td>Philadelphia may be the only current example of a stacked hybrid public pension plan.</td></tr>
<tr><td>Cash balance</td><td>Implement a cash balance plan for new employees, whereby a percentage of salary is credited to an employee retirement account which grows based on the pension fund's returns and eventually provides a lifetime annuity to the retiree.</td><td>NASRA finds that a Cash Balance and a Hybrid DB-DC balance risks among stakeholders.</td></tr>
</table>

70 NASRA Issue Brief State Hybrid Retirement Plans, September 2025. https://www.nasra.org/files/Issue%20Briefs/NASRAHybridBrief.pdf. Accessed July 8, 2026.

Options to Change Pension Administration

Option	Description	Funding Impact	Risk Improvement	Feasibility	Retirement Security	Other Considerations
ACAA separate fund	The County and the ACAA would separate into two pension funds.	May help in long-term but removes assets from plan.	Likely improvement as workforces and goals are very different; consolidates control with one employer.	Could be negotiated once UAAL is paid off.	Neutral or no impact.	Could increase administrative costs due to loss of economy of scale.
Plan consolidation	ACERS consolidates with another pension fund.	Plan needs to be funded to consolidate.	Shares risk among multiple employers, reduces cost.	Still requires ADC to be met and UAAL to be paid off.	Neutral or no impact.	Could decrease administrative costs due to economy of scale.


Source: Allegheny County Treasurer's Office

OPTIONS TO IMPROVE INVESTMENT MANAGEMENT & TRANSPARENCY

Market performance, previous investment decisions, and the cost of investment management fees have all contributed to the pension debt. While improvements to investment management will not resolve the unfunded liability, they are an important and necessary step to ensure that asset returns are maximized, costs minimized, and appropriate levels of risk are taken.

The Working Group consulted with RBAC investment consultant Mariner Institutional and outside experts to ask and answer the question: **How can management be improved to reduce costs, improve transparency, and maximize plan assets?**

Because the funding challenges facing the plan are the highest priority, and because the Working Group felt that the RBAC has taken recent steps to improve investment management, the Working Group did not complete a full evaluation of these options, but instead discussed and documented tradeoffs and considerations related to potential improvements. While many of the options below are worth further consideration and discussion by the RBAC, options to:

Simplify Investments

Increase Transparency

Reduce Costs

Strengthen Fiscal Stewardship

should be prioritized while the fund regains financial footing. These options formed the basis of a set of separate recommendations to improve investment management and transparency.

Exhibit 31. Options to Improve Investment and Pension Management

Options to Reduce Costs, Simplify Investments, & Reduce Risk

- Continue to reduce allocation to emerging managers and direct private investments
- Index as much of the public portfolio of the fund as possible
- Reduce the number of managers to fewer than 12-15
- No new direct private investments unless making ADC or funding improves
- Implement stress testing as a regular practice

Options to Change or Improve the Governance Model

- Continue with one consultant or manager (rather than multiple)
- Ensure periodic rotation of investment consultant every 5 years
- Move to a chief investment officer model with in-house staff
- Move to an Outsourced Chief Investment Officer (OCIO) model
- Move to an investment committee model
- Examine board composition to ensure all relevant stakeholders are represented (e.g. employee categories, relevant fiscal staff, etc.)

Options to Improve Transparency

- Require consultants to produce 1-page, easy-to-read executive summary at each quarterly meeting (e.g., popular financial report)
- Reinstate an updated "member booklet" summarizing the plan so employees can better understand benefits and options

Options to Improve Fiduciary Responsibility & Fiscal Stewardship

- Deposit estimated employer contributions at start of year based on an audited prior year amount
- Prohibit or limit (with a floor and a ceiling) *ad hoc* employee contribution rate increases or decreases
- Examine Board policy to ensure "best practices" are in place to define Board roles, safeguard investment decisions from politics, etc., including decisions regarding asset allocation and investment strategy

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Consultant Recommendations

The following recommendations were guided by the Working Group principles and discussion, and informed by the input, feedback, and analysis of many valuable research partners, government practitioners, and outside experts. These recommendations are intended to shape a strategy rather than provide an action plan.

The ACERS unfunded liability is a shared problem that will require shared solutions, and none will be easy.

Recommendations to Restore Financial Footing, Modernize Benefits, & Minimize Future Risk

1. **The RBAC should publish an actuarially determined contribution (ADC) in its annual actuarial reports and the County and ACAA should commit to a strategy to make the ADC annually until the plan is fully funded.** The last time the ADC was published was in 2013. The County is unique among Commonwealth of Pennsylvania public pension plans in not having an actuarially determined contribution structure. The County should pursue legislative reform to the contribution structure, permanently uncoupling the employer and employee rates.
2. **The County and stakeholders should commit to pursuing broad-based, stable revenue option(s) that share the burden and can be dedicated to pensions.** Four revenue options offered a large enough tax base to allow the County to meet an ADC. Any revenue option should be legally dedicated to pensions until the plan is fully-funded to minimize the risk that revenues are redirected by future decision-makers.
3. **The RBAC should consider reducing employee contribution rates (at least for lower-wage and/or non-uniform employees), when a new revenue source is identified.** Employees pay more for their pension plans than most other public employees. It is very unusual for non-uniformed and uniformed employees receiving different benefits (in this case, retirement age), to contribute the same amount to a plan. It is important to note that if employee contribution rates are reduced (unless they are offset by increase for some), the ADC and resulting revenue target would be even higher.
4. **The County, ACERS, and the RBAC should work with the ACAA to ensure that the airport is contributing the airport's share of ADC and contributing true employer costs for County employees working OT at the airport.** A portion of the unfunded liability belongs to the ACAA for its employees. Further, the ACAA's use of uniformed County employees may have contributed to the County's unfunded liability. The financial arrangements are worth further analysis to ensure that costs are shared fairly between the two entities.
5. **No benefit improvements including cost of living adjustments (COLAs) for retirees should be made until the plan is better funded.** Benefit improvements should never be made permanent without an actuarially sound way to pay for them. There were four ad hoc COLAs during the 25-year period studied in this report, only one of which coincided with a contribution increase. Permanent benefit increases contribute

to the unfunded liability and impose unfair burdens on current workers and taxpayers to pay for retiree benefit enhancements.

6. **The County should lead a collaborative process to consider changing the plan design (increasing retirement age and reducing multipliers, implementing a DC, hybrid, or cash balance plan) to improve risk-sharing, reduce employer costs, and modernize benefits.** Today's workers may benefit from more portable plan options.

Recommendations to Improve Investment Management & Transparency

These recommendations may not on their own improve plan funding, but they are important to safeguard plan assets, educate plan members about retirement security, and communicate the significance of the plan's funding challenges. These recommendations have the added benefit of being actions that the RBAC can take without requiring legislative action.

1. The RBAC should continue to reallocate toward public equity, index more of the fund, and divest from direct investments and private equity.
2. Direct investments and emerging manager programs should remain on hold until the fund achieves an agreed-upon funding status.
3. The RBAC should continue the transparency improvements of recent years and add steps to improve public and member understanding of decisions – such as requiring a "popular investment report" or reinstating an updated member booklet.
4. The RBAC should conduct a comprehensive review of Board policies to ensure "best practices" are in place to improve fiscal stewardship, transparency, accountability, and other goals. This should include decision-making over investment allocations.
5. The RBAC should incorporate stress testing as a regular practice to ensure that potential risks to plan funding are understood.

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Addressing Yesterday's Problem Today

The pension liability began to grow in 2004 – over two decades ago – and without change will continue to grow until the plan is depleted of assets. At that point, the County will have no choice but to pay benefits on an annual basis, a scenario that likely entails a tax increase, service cuts, layoffs, or all three. **This scenario forces future taxpayers to pay for services received decades ago rather than for the services they will be receiving at that time.**

The path to full funding starts with one important first step: establishing – and meeting – an actuarially determined contribution. To do this, the County and ACAA will need to secure new revenues to supplement existing employer contributions. The longer this first step takes, the larger the revenue target will be. The best time to begin to address the current pension funding problem was in 2005 when the debt began to grow; the next best opportunity is today, before the cost of inaction grows even larger.

SME Consulting