



# Pension Fund is Safe and Stable

---

---

Pension board significantly reduced the assumed rate of return and reduced the amortization period intentionally driving up mandatory contributions

Proposed sensible reform-based 4 point plan in 2007: equitable distribution of state aid, allowance of DC plans, plan consolidation where feasible, and anti-spiking provisions where applicable

---

Created a present value asset

Dedicated \$735 Million in aggregate annual payments from the general fund through 2041

Successful at avoiding state take over

---

---



# Pension Plan was Successful

- Requirement** Act 44 required the City to reach a minimum of 50% pension funding.
- Plan** The City developed a strategy comprised of a dedication of future parking tax revenues to the pension fund, along with the deposit of \$45 million to the pension fund.
- Solution** The City passed legislation irrevocably dedicating a stream of parking tax revenue to the pension fund and transferring the \$45 million. The key to this solution was the concept of present value of the parking tax as a pension asset to determine funding level.
- Result** On September 19, 2011, PERC announced that Pittsburgh reached 62% funding level based upon assets, deposits, and the pledge of parking tax.

Year	Pkg Tax to Pensions	Year	Pkg Tax to Pensions
2011	\$13,376,000		
2012	13,376,000	2027	26,752,000
2013	13,376,000	2028	26,752,000
2014	13,376,000	2029	26,752,000
2015	13,376,000	2030	26,752,000
2016	13,376,000	2031	26,752,000
2017	13,376,000	2032	26,752,000
2018	26,752,000	2033	26,752,000
2019	26,752,000	2034	26,752,000
2020	26,752,000	2035	26,752,000
2021	26,752,000	2036	26,752,000
2022	26,752,000	2037	26,752,000
2023	26,752,000	2038	26,752,000
2024	26,752,000	2039	26,752,000
2025	26,752,000	2040	26,752,000
2026	26,752,000	2041	26,752,000
		<b>Total</b>	\$735,680,000

Actuarial		Actuarial	Unfunded	
Vaulation	Plan	Accrued	Actuarial	Funding
January 1:	Assets	Liability	(Liability)	Level
1997	156,975	649,895	(492,920)	24%
1998	173,053	675,091	(502,038)	26%
1999	436,614	685,248	(248,634)	64%
2000	467,609	697,647	(230,038)	67%
2001	423,059	712,979	(289,920)	59%
2002	381,250	752,706	(371,456)	51%
2003	312,471	765,764	(453,293)	41%
2005	373,608	843,383	(469,775)	44%
2007	375,368	899,248	(523,880)	42%
2009	339,180	989,534	(650,354)	34%
<b>2011</b>	<b>631,991</b>	<b>1,012,072</b>	<b>(380,081)</b>	<b>62%</b>



# Pension Asset Reallocation Strategy

---

## Asset Reallocation

At the August 2012 CMPTF Board Meeting, the Board unanimously adopted new asset allocation limits and goals for the fund.

This portfolio was chosen as it had the highest probability of reaching or exceeding the projected rate of return of 8%. The new portfolio adds additional asset classes to the plan including US Large Cap Core, US Mid Cap Growth, Non-US Small Cap Core, Hedge Fund - Hedged Equity, Hedge Fund – Fund of Funds, Real Estate – Core, and Real Estate – Infrastructure.



# 2012 Pension Investment Rate of Return was 14%

Board of Trustees has adopted asset re-allocation policy targeted to achieve rate of return which is already bearing results

2012 year end investment returns were 14.3%

2012 positive cash flow is approximately \$31.2 M

2012 performance using investment return data through December 31



\$83.7 M	\$31.8 M	\$13.4 M	\$10.8 M	\$45.1 M	\$13.8 M	\$114.9 M	<b>\$31.2 M</b>
----------	----------	----------	----------	----------	----------	-----------	-----------------

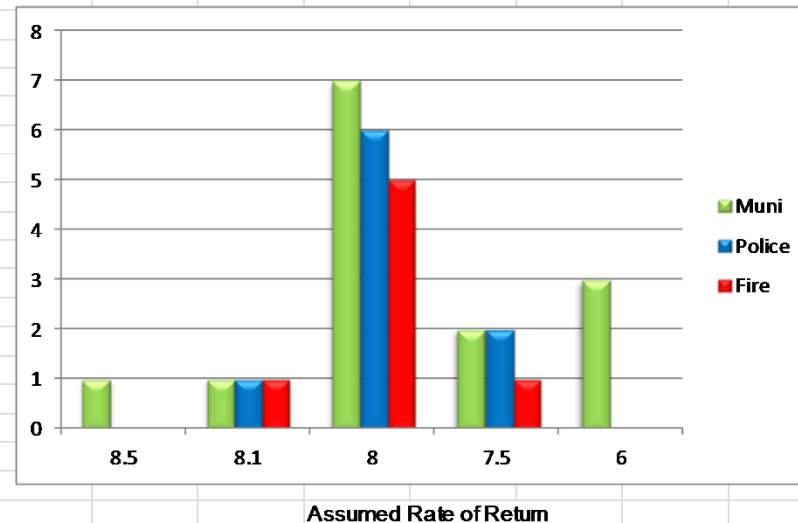


# Pittsburgh Pension Rates of Return are Consistent with Benchmark Pennsylvania Cities

Plan Type	Municipality	Assumed Rate of Return
Muni	Philadelphia	8.1
Police	Philadelphia	8.1
Fire	Philadelphia	8.1
Muni	Pittsburgh	8
Police	Pittsburgh	8
Fire	Pittsburgh	8
Muni	Allentown	6
Police	Allentown	8
Fire	Allentown	8
Muni	Bethlehem	6
Police	Bethlehem	7.5
Fire	Bethlehem	7.5
Muni	Erie	8
Police	Erie	8
Fire	Erie	8
Muni	Reading	7.5
Police	Reading	7.5
Fire	Reading	8
Muni	Lancaster	7.5
Police	Lancaster	8
Muni	Harrisburg	6
Police	Harrisburg	8
Muni	Scranton	8
Police	Scranton	8
Fire	Scranton	8
Muni	State College	8
Muni	Haverford	8.5
Muni	Wilkes Barre	8
Muni	Williamsport	8
Muni	York	8

**Data was provided by PERC and includes pension plans with over 100 members**

	8.5	8.1	8	7.5	6
Muni	1	1	7	2	3
Police	0	1	6	2	0
Fire	0	1	5	1	0





# City is Pioneering Best Practices for OPEB Management

OPEB Trust Fund is annually funded at \$2.5 M --more than 10% of the Annual Expenditure. This is significantly less than the ARC but the City budgets all payments on a pay as you go basis

OPEB payments peak in 2031 and never represent more than 4.4% of the City budget

The OPEB benefit has been eliminated and the budgetary impact steadily diminishes. Only Police and Fire employees hired before 2005 receive the benefit.

Year	OPEB	Percent of budget
2012	\$ 18,279,000	3.90%
2013	\$ 18,876,000	4.05%
2014	\$ 19,397,000	4.06%
2015	\$ 19,885,000	4.07%
2016	\$ 20,506,000	4.09%
2017	\$ 21,067,000	4.10%
2018	\$ 21,793,000	4.14%
2019	\$ 22,508,000	4.18%
2020	\$ 23,285,000	4.22%
2021	\$ 24,120,000	4.27%
2022	\$ 24,969,000	4.31%
2023	\$ 25,814,000	4.36%
2024	\$ 26,600,000	4.38%
2025	\$ 27,291,000	4.39%
2026	\$ 27,910,000	4.39%
2027	\$ 28,416,000	4.36%
2028	\$ 28,817,000	4.32%
2029	\$ 29,100,000	4.26%
2030	\$ 29,272,000	4.18%
2031	\$ 29,280,000	4.09%
2032	\$ 29,080,000	3.96%
2033	\$ 28,867,000	3.84%
2034	\$ 28,483,000	3.70%
2035	\$ 27,988,000	3.55%
2036	\$ 27,350,000	3.39%
2037	\$ 26,686,000	3.23%
2038	\$ 25,891,000	3.06%
2039	\$ 25,059,000	2.89%
2040	\$ 24,171,000	2.73%





# Legacy Costs are Addressed and Successes are Institutionalized

Debt	Reduction of debt principal by \$243 million	Debt Policy developed and codified
Pension	PERC declared Pittsburgh pension no longer severely distressed	Additional \$18 to \$26 Million a year committed to fund
OPEB	Benefit is eliminated	Trust fund and board established
Workers' Compensation	Aggressive settlement of legacy claims	Dedicated funding to claims settlement and creation of safety culture
Capital Investment	\$125 Million PAYGO budget	Capital Improvement Ordinance prescribes process and planning
Financial Management System	Went live with shared platform system with Allegheny County	Funding and plan is in place for HR and payroll rollout