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# PENNSYLVANIA DEPARTMENT OF THE **AUDITOR GENERAL**



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## News for Immediate Release

May 28, 2025

### **Auditor General DeFoor Again Issues Warning for Distressed Municipal Pension Plans**

**HARRISBURG** – Auditor General Timothy L. DeFoor today issued a warning for municipalities to make the required contributions to their pension plans, after a [recent report](#) from the department showed 25% of municipal pension plans are in some state of distress.

“Local government pension plans are essential to making sure those who dedicate their life to public service have the pension we promised them,” Auditor General DeFoor said. “We’ve seen some improvement in the number of pension plans in some sort of distress, however, more needs to be done. Those in charge of those plans need to take steps to make sure the money is managed appropriately, invested wisely and local contributions are made.”

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

Municipalities are considered in some state of distress if their pension plan(s) aggregate funded ratio is less than 90 percent funded. Categories of distress include:

- Minimal distress- municipalities with a funded ratio between 70-89%
- Moderate distress- municipalities with a funded ratio between 50-69%
- Severe distress- municipalities with a funded ratio less than 50%

“Our report provides a snapshot of the condition of local government pension plans throughout the commonwealth,” Auditor General DeFoor said. “Ninety-eight percent of pension plans in Pennsylvania are considered small, and small pension plans generally have higher administrative expenses, are more affected by the dramatic increases in municipal contributions and suffer more from low investment returns caused by often volatile market conditions.”

Auditor General DeFoor also said that although most pension plans in Pennsylvania are considered not distressed, the largest percentage of active membership is in pension plans that are considered moderately distressed. If no action is taken now, municipalities may be forced to reduce services to meet pension obligations.

State aid for municipal pension plans is generated by a two percent tax on fire and casualty insurance policies sold in Pennsylvania by out-of-state companies. In 2024, the Department of the Auditor General distributed a total of \$405 million in aid to 1,461 municipalities and regional departments to support pension plans covering police officers, paid firefighters and non-uniformed employees.

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

To find your municipality's most recent pension audit report, visit [www.paauditor.gov](http://www.paauditor.gov).

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**EDITOR'S NOTE:** Video and audio clips of Auditor General DeFoor can be found here on [pacast.com](http://pacast.com)