

Bond Case Briefs

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S&P: Five U.S. State and Local Government Pension and OPEB Trends to Watch for in 2020 and Beyond.

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- Low Interest Rates And Market Volatility Increase Risk For Public Pension Plans
- Pension Reforms Continue, Partly Mitigating The Effects Of The Next Recession
- Affordability Of Retirement Obligations Remains A Long-Term Source Of Credit Stress
- Demographic Trends And A Changing Public Workforce Affect Funding
- Retiree Health Care Costs And Benefits Face Heightened Scrutiny

Key Takeaways

- As interest rates remain low, safer investment options may seem less attractive for U.S. pension funds needing to meet targeted returns.
- Pension reforms and efforts to improve funding discipline will continue, while weak funded plans are likely to consider new ways to solve funding challenges.
- Many state and local governments failed to make meaningful progress on their aggregate pension and OPEB liabilities last year.
- Changing demographics and workforce trends pose multiple risks to pension funding.
- As rising medical costs continue to outpace general price inflation, OPEB spending will likely grow as a significant cost pressure.

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