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S&P: Recent Pension Funding Gains For Largest U.S. Cities Are Expected To Be Short-Lived

Key Takeaways

- Outsized fiscal 2021 investment returns increased funded ratios for the 20 largest U.S. cities, to a median of 78.5% from a median of 71.5%, though much of these funding gains will likely be negated in fiscal 2022.
- Increasing inflation pressures in the near term could lead to less budgetary flexibility for these cities to address rising contributions.
- Available reserve levels might indicate an ability to absorb increasing current and future pension and other postemployment benefits (OPEB) costs.
- Fourteen of the 20 cities met our minimum funding progress (MFP) metric for at least one of their two largest pensions in fiscal 2021, indicating they made meaningful contributions toward achieving full funding for those plans. Fifteen cities achieved at least static funding.

Continue reading.

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