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What’s Next for Pensions? Depends on the State.

The slew of court rulings on pension plan protections in recent years has resulted in everything from a total rejection of any changes (in Illinois) to approval of some changes but not others (in Oregon) to allowing cuts to retiree pensions in the rare case of municipal bankruptcy (in Stockton and Detroit). Standard & Poor’s rating agency took a look at what all this means and concluded in June 18 report that – surprise, surprise – there is a wide variety among the states in what’s allowed and what’s not, and as a result, the funded status of the pensions themselves varies considerably.

“Reform efforts seem to be slowing as all states have already proposed reform with varying degrees of success,” said Standard & Poor’s credit analyst John Sugden in a statement. “However, the gap is growing between well-funded and poorly funded pension plans. Despite six years of economic expansion, many states face budget gaps in either fiscal 2015 or fiscal 2016, or both years, and lean budget margins could lead to a greater reluctance for struggling states to fund actuarially determined contributions,” he added.

The S&P report also noted that “a significant amount of states” in 2015 aren’t funding their pensions sufficiently, which it believes “will continue to weaken their liability profile and potentially adversely affect their creditworthiness.” Governing has also covered this issue; click here to look up how some of the largest pension plans are faring and how much of their actuarially determined contribution they received from their state last year.

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BY LIZ FARMER | JUNE 19, 2015