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Moody's: Wide Variation in Pension Metrics for 50 Largest Local Governments Continues.

New York, July 27, 2015 — Moody's Adjusted Net Pension Liabilities (ANPLs) increased for 31 of the 50 largest local governments in fiscal 2013, Moody's Investors Service says in a new report. The 50 largest governments are ranked by outstanding debt in fiscal 2013.

The fiscal 2013 median ANPL increased to 204% of operating revenues from 175% the prior fiscal year, but pension costs and liability burdens still vary widely among the 50 largest local governments. For 14 of the local governments, pension and actuarial costs amount to less than five percent of revenues.

"Relative to revenues and to full value, fiscal 2013 ANPLs exhibited a moderate shift toward heavier burdens, with a small number of outliers continuing to exhibit exceptionally large burdens," Moody's AVP — Analyst Tom Aaron says in "Pension Liabilities Rise for Most of 50 Largest Local Governments."

As a percentage of operating revenues, Chicago (Ba1 negative) remained at the top with adjusted net pension liabilities at 703%, followed by Dallas (Aa1 stable) at 506%, Houston (Aa2 negative) at 458%, Los Angeles (Aa2 stable) at 410%, and Jacksonville, FL (Aa2 stable) at 403%.

ANPL changes in 2013 government reporting exhibited mixed results owing to differences in plan valuation dates spread across 2012 and 2013 calendar years, since Moody's adjustments tie actuarial valuation dates to market-based discount rates in valuing liabilities.

As a result, the 29 issuers with disclosure tied to 2012 actuarial reports saw ANPLs increase an average of 37%. The other 21 issuers that disclosed 2013 actuarial results saw ANPLs decrease by an average of 13%.

Pension plans for the largest local governments also benefitted from strong investment performance in 2013, following almost flat returns in 2012. Moreover, plans with fiscal years ending June 30 achieved solid investment performance in 2014.

Beginning in fiscal 2014, many plan funding disclosures will become more timely as new public pension accounting standards are adopted, since assets and liabilities must be reported at the end of the plan's fiscal year. Moody's expects some local government ANPLs to moderately decline based on these disclosures.

The top 50 local governments with the lowest ANPLs for FY 2013 are Washington, D.C. (Aa1 stable) at 24%, , Cypress-Fairbanks Independent School District, TX (Aa1 stable) at 25%, and Mecklenburg County, NC (Aaa stable) at 29%.

The report is available to Moody's subscribers here.

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