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Pensions Could Get Better ... or Worse.

The average funded status of public pension plans dipped slightly in 2015 and could continue in that direction if plans consistently fail to meet their desired investment rate of return, according to a new report.

The report, released by the Boston College's Center for Retirement Research, found that the average pension plan in 2015 had about 72 percent of the assets on hand to pay its total liabilities. That's down from 74 percent the year before. The decrease can largely be attributed to mediocre stock market returns in fiscal 2015, causing most plans to miss their target rate of return of 7 or 8 percent.

The decline comes even as governments are getting better about paying their pension bills. On average, they paid 90 percent of their pension contributions in 2015 — up from about 86 percent the year before.

The Takeaway: If plans continue to miss their marks, the center predicts that pensions' health could continue to decline to about 71 percent funded by 2020. On the other hand, if market conditions improve, then pensions' funded status could improve to nearly 78 percent. "What happens from here on out depends very much on investment performance," the report concluded.

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BY LIZ FARMER | JUNE 24, 2016