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[Pension Crisis Won't Be Reversed by High Returns, Moody's Says.](#)

- **Base case sees net pension liabilities 15% higher by 2020**
- **Deeper funding gaps threaten state and local credit ratings**

Even a stock market soaring to record highs won't rescue America's struggling state and local pension plans.

A "best case" scenario of a cumulative 25% investment return during the 2017-2019 period will not offer a respite for chronically underfunded U.S. public pension plans, according to a Moody's Investors Service report.

The growing gap between how much state and local governments are projected to pay employees and how much funds they actually have set aside has risen to over \$4 trillion nationwide. New Jersey sports the widest funding gap, followed closely by Kentucky and Illinois.

The optimistic "best case" of cumulative 25% investment return would reduce net pension liabilities by just 1% through 2019 year-end because of past bad investment returns and weak contributions. Meanwhile, the "base case" scenario of 19% returns would see net pension liabilities rise by 15%.

"For many states and municipalities, exposure to unfunded pension liabilities is already at or near all-time highs. Since cost burdens are already expected to further increase, pension fund investment performance is critical for the credit quality of many governments," the report noted.

Bloomberg clients: We'll be doing a TOPLive Q&A on Thursday, June 22 at noon ET, moderated by Martin Z. Braun, in which you can ask Joe Mysak questions about the latest with Connecticut, its debt downgrades, budget deficit and more. You can watch it here. If you want to ask a question, please send to TOPLive@bloomberg.net

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June 20, 2017, 11:18 AM PDT