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S&P: Sudden-Stop Recession Pressures U.S. States' Funding For Pension And Other Retirement Liabilities.

Key Takeaways

- States continued to make progress on improving pension funding discipline, but the recession increases the potential they may reverse these gains to ease budgetary pressures.
- Low interest rates and equity market volatility may result in riskier asset allocations for plans to meet targeted rates of return.
- States have started to reduce headcount for budgetary relief, but declining payrolls will negatively affect contributions, as fewer active employees contribute to plan assets.
- Widening budget gaps this year may result in reducing contributions, extending amortizations, and other actions likely to slow the pace of pre-funding retirement liabilities.
- OPEB plans continued to be substantially underfunded as most states chose to direct limited surplus revenues to other priorities.

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