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S&P Pension Spotlight: Risk Sharing Dilutes Pension Burden For Five States

Key Takeaways

- U.S. state governments reduce pension stress when they share contribution volatility risk because the budgetary impact of poor returns doesn't fall solely on the sponsor.
- Sharing risk can offset some negative credit views of high return assumptions because it limits associated market volatility.
- Affordability through risk sharing features often leads to improved funded ratios.
- We examine five U.S. states–Oregon, South Dakota, Tennessee, Utah, and Wisconsin–to show how this risk-sharing practice can benefit them.

Continue reading.

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