

Bond Case Briefs

Municipal Finance Law Since 1971

American Cities and States have Issued \$72B of Pension Bonds. Here's What That Means.

Pension bonds are sometimes likened to weight-loss surgery: a drastic step that only works with real discipline afterward

Pension obligation bonds are a municipal red flag.

When a state or local government's liability to its pension system grows beyond what seems manageable, officials are often tempted to issue debt to pay down some or much of that amount. Bonds have fixed interest rates, and they've been near long-time lows for the past decade.

In contrast, a pension liability can fluctuate from year to year — and usually just gets bigger as the necessary annual budget contribution gets added to an existing funding hole.

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MarketWatch

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