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Key Takeaways

- CalPERS's recent modification of plan and methodologies assumptions for city, county, and state employees could result in faster funding of liabilities and higher funded ratios at the expense of higher contribution costs for municipalities in the near-term.
- Pension plans are moderately funded for most cities and counties that participate under CalPERS' statewide pension plans.
- While we expect pension costs will rise for almost all local governments, issuers' ability to absorb these costs varies across the state.
- Escalating pension costs in the medium term may spur demand for pension obligation bond issuances with a goal of reducing pension costs overall and smoothing pension cost payments over the long-term.

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13 Jul, 2022

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