

# **Bond Case Briefs**

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## **S&P: U.S. States Weigh Risk Reduction In Managing Pension And OPEB Liabilities**

### **Key Takeaways**

- The average U.S. state funded ratio decreased for fiscal 2020 to 68.9% from 70.9% primarily due to market returns during the pandemic-induced recession; however, we expect funded levels will improve for many plans in fiscal 2021 given generally strong market returns to date.
- Fourteen U.S. states met our minimum funding progress metric for pensions, indicating they made meaningful contributions toward full funding.
- States continue to reduce market risk exposure in their target portfolios, leading to lower discount rates and higher reported liabilities.
- State retirement plans benefited indirectly from historic levels of federal aid during the pandemic, but large unfunded liabilities persist.
- Retiree health care plans remain substantially underfunded because most states direct limited resources to other priorities.

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