

Bond Case Briefs

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S&P Pension Spotlight: Arizona

Key Takeaways

- 2021 actuarial assumptions have reduced risk and, along with \$1 billion in state contributions, were conducive to a more favorable outlook on state pension plans compared to the fiscal 2020 position.
- Arizona's largest statewide pension plans are relatively underfunded as of fiscal year-end 2020 based on relatively aggressive market return assumptions, which could lead to cost volatility.
- Pension costs are expected to rise for issuers across the state due in part to growing legacy costs, which could stress some local government budgets.
- Pension obligation bond (POB) issuance increased over the last two years, which we expect will continue for municipalities, counties, and now fire districts.

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