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S&P: Five Public Pension And OPEB Credit Considerations To Watch In 2022

Key Takeaways

- Pension funding in the U.S. public finance sector improved after very strong market returns in 2021, although a decrease in contributions could negate some of this progress.
- High inflation could affect pensions long term but is unlikely to lead to significant short-term changes to liability or costs.
- Pension obligation bonds (POBs) will likely continue to increase if bond rates remain low, but anticipated rate hikes could disrupt issuance plans.
- Demographic impacts from the COVID-19 pandemic could be felt for some time, but despite increased mortality from the coronavirus, we expect limited pension funding relief.
- Environmental, social, and governance (ESG) considerations, including contribution and benefit reforms, will continue to affect pension management.

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