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How FY2022 Investment Returns Are Adding to the Pension Obligation Burden for Local Governments.

In FY2022, from July 2021 to June2022, tumultuous financial markets played a key role in many pension funds registering negative investment returns. Since these pension funds invest in a wide array of investment sectors, everything from public and private equity to real estate investments, both domestic and global events adversely impacted these pension fund performances.

These pension fund performances ultimately determine the funding levels of pension obligations for all state and local governments that take part in pension funds for their employees. In addition, when pension funds calculate the pension burden for each participating agency, they use a discount rate to calculate the present value of obligations for a future pension payout. This discount value will typically be adjusted based on the investment performance of the pension fund.

In this article, we will take a closer look at how market investment returns are shaping the future of pension obligations for many local governments in the United States.

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by Jayden Sangha

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