

# **Bond Case Briefs**

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## **S&P U.S. State Pension And OPEBs: Funding Progress Is Likely To Pick Up In 2023 After Slipping In 2022**

### **Key Takeaways**

- Weak investment performance dropped U.S. state pension funded ratios to 73.6% from 81.2% in fiscal 2022, although we expect marginal improvement for fiscal 2023 will blunt potential near-term pressures to states' debt and liability profiles.
- Absent plan modifications, contribution rates could inch up further to address pension funding shortfalls, leading to longer-term budget pressure for some states.
- The potential for further monetary policy tightening and slower economic growth, or equity market uncertainty could require states to exercise heightened pension funding discipline to meet assumed investment return targets.
- Retiree medical or OPEB plans remain substantially underfunded and are not likely to change without significant plan reforms or increased contributions.

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