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S&P Pension Spotlight: Massachusetts

Key Takeaways

- Massachusetts' largest commonwealth and regional pension systems are comparably poorly funded, and the commonwealth has mandated that government pension plans be fully funded by 2040.
- Pension plan funding schedules include large annual contribution increases and elevated discount rate assumptions. We believe that contribution costs will continue to outpace local governments' budgetary growth, pressuring many municipal budgets, especially those with limited tax base growth or little revenue raising flexibility under Proposition 2 ½ limits.
- Many local governments do not plan to fund their other postemployment benefits (OPEBs) until their pension system is fully funded, resulting in liabilities that rise in tandem with budgetary and funding risk.
- We will evaluate, on a case-by-case basis, the influence rising pension contributions within municipal and state budgets have on our ratings.

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