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S&P Pension Spotlight: Illinois

Key Takeaways

- Increasing costs for poorly funded pension plans continue to pose a budgetary challenge and credit weakness for Illinois issuers, even with modestly improved funded levels.
- Improvement in funded levels is a result of strong market returns, a ramp-up in statutory contributions, and, in some cases, excess contributions.
- Should funding discipline diminish as a result of budgetary pressures or should market returns underperform plan assumptions, financial and credit stress could overshadow recent growth in issuers' reserves.
- Federal safe harbor requirements may require the state to increase benefits, which could lead to larger contributions and budgetary pressure as well as downstream effects on local governments and higher education institutions.

Continue reading.

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