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S&P: U.S. Public Pension Funded Ratios Push 90% In Fiscal 2026 Yet Face Increasing Cost Escalation Risks

Key Takeaways

- Market outperformance continues, as 14% returns spur U.S. public pension funded ratio improvement to 89% in fiscal 2026.
- More assets in the pension trust might lead to contribution volatility from opaque and volatile investments as well as calls to scale back cost-saving reforms.
- Differing legal and practical considerations for other postemployment benefits (OPEB) flexibility could dictate how retiree medical liabilities affect issuer creditworthiness.
- Forecasts that include the possibility of rising interest rates may lead to a resurgence in pension obligation bond (POB) issuance; we review in detail S&P Global Ratings' views on associated risks.

Continue reading.

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