Financial Wellness

9/18/2019

The unfunded obligations of the pension and Other Post-Employment Benefits (OPEB) plans sponsored by local governments in the United States continue to grow. In the following report, we study in detail the financial obligations of 5 major US cities: Boston, Jacksonville, Los Angeles, Minneapolis and New York. We report on both their own measurements of their obligations, and how these differ from valuations using more realistic assumptions.

At the end of the 2017 fiscal year, the following cities reported unfunded liabilities of over 112 billions USD: 16.3 billions for pensions, $96 billions for OPEB.

I. Rankings

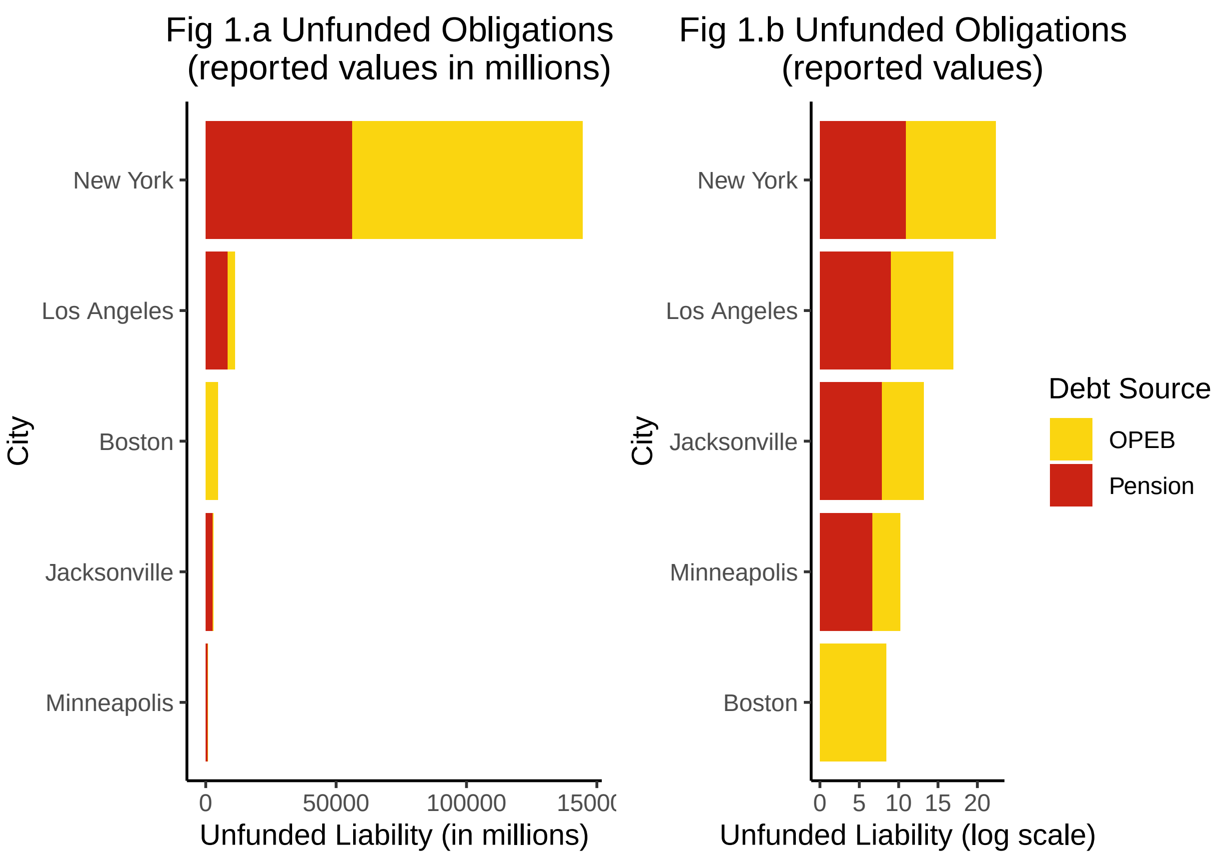
In the following section, we showcase different ways of ranking cities with respect to their financial obligations. First, we compare them using reported values then using values calculated with more realistic assumptions.

1. Reported Value Rankings

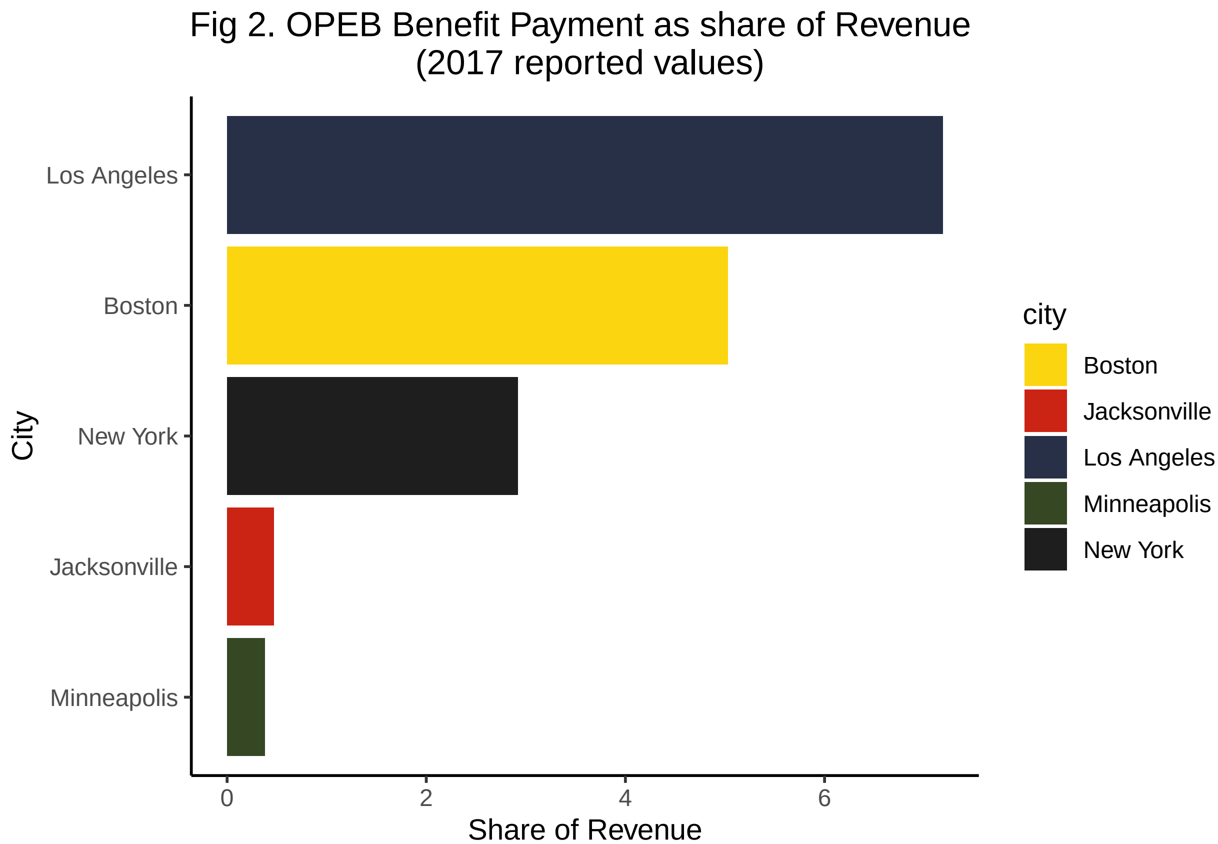
Using reported values, we rank cities according to: the grand total of their financial obligations, the share of revenue used for benefit payments (OPEB only), and finally the financial obligation scaled by population size.

Financial Obligations Grand Total

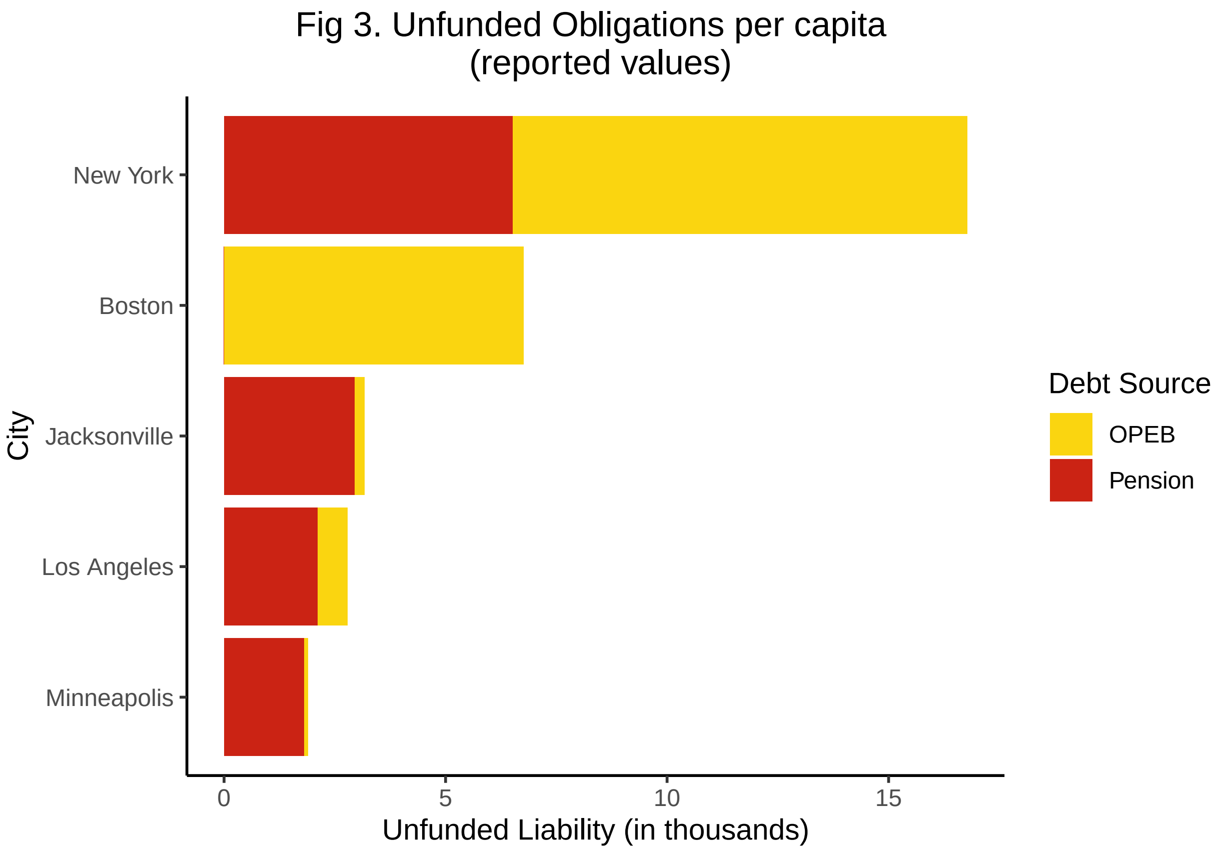
Given the skewness of the data, we decided to present the reported total of the unfunded obligations using a logarithmic scale as well.



OPEB benefit payment as share of revenue

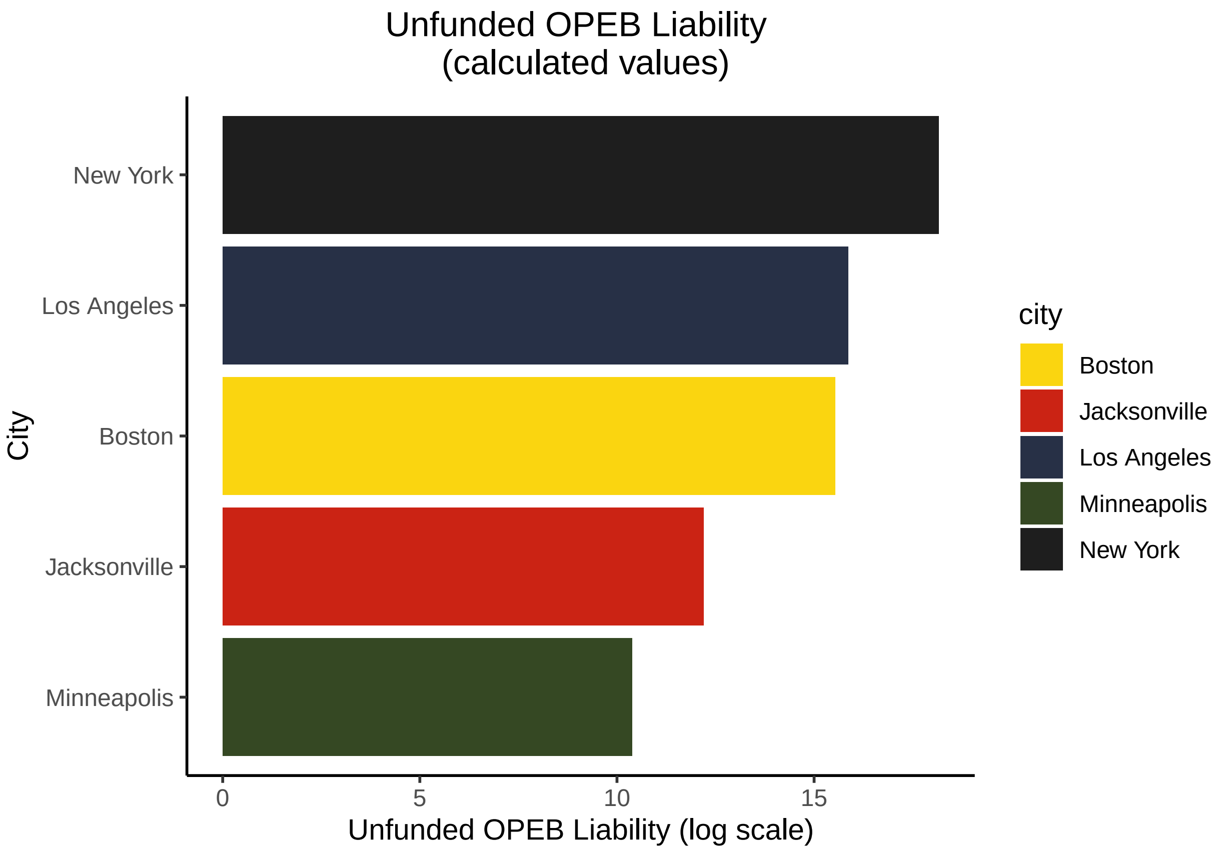


Total Obligation per capita

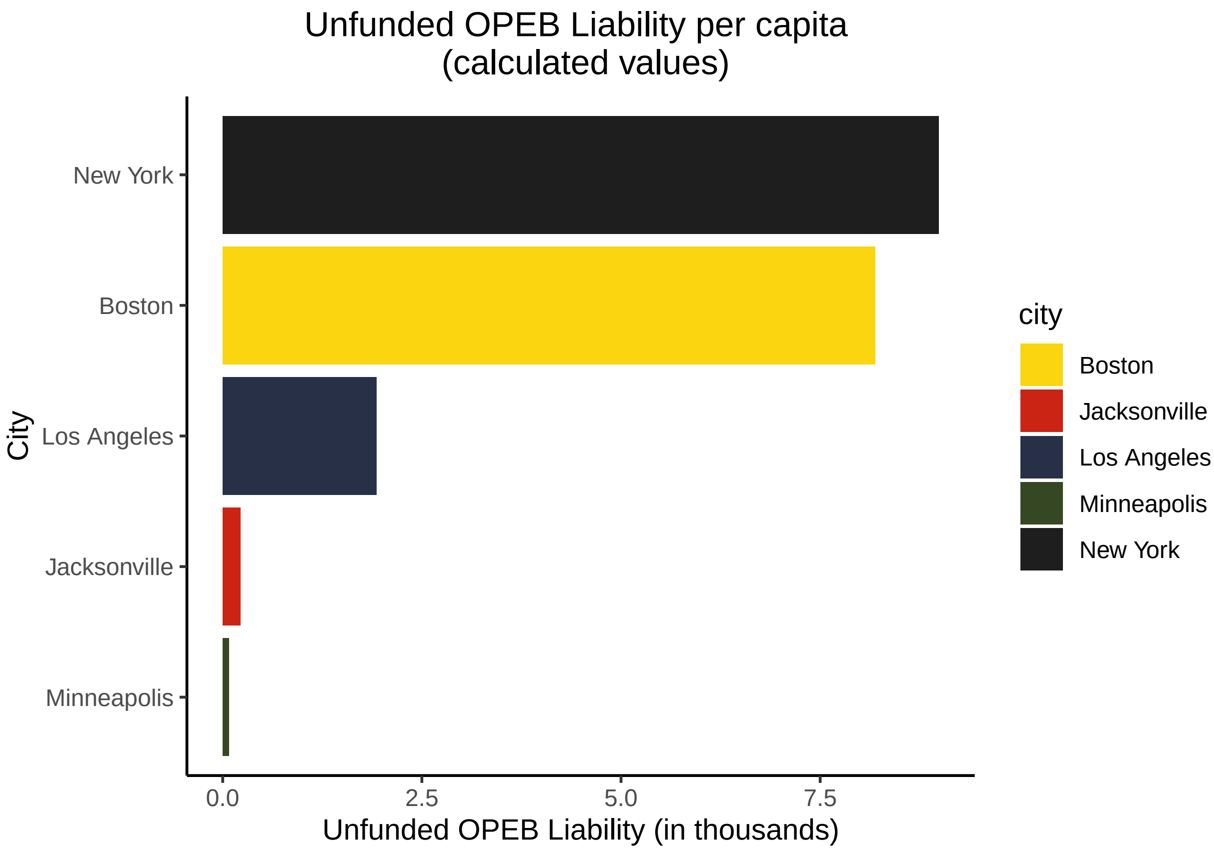


2. Calculated Values Rankings

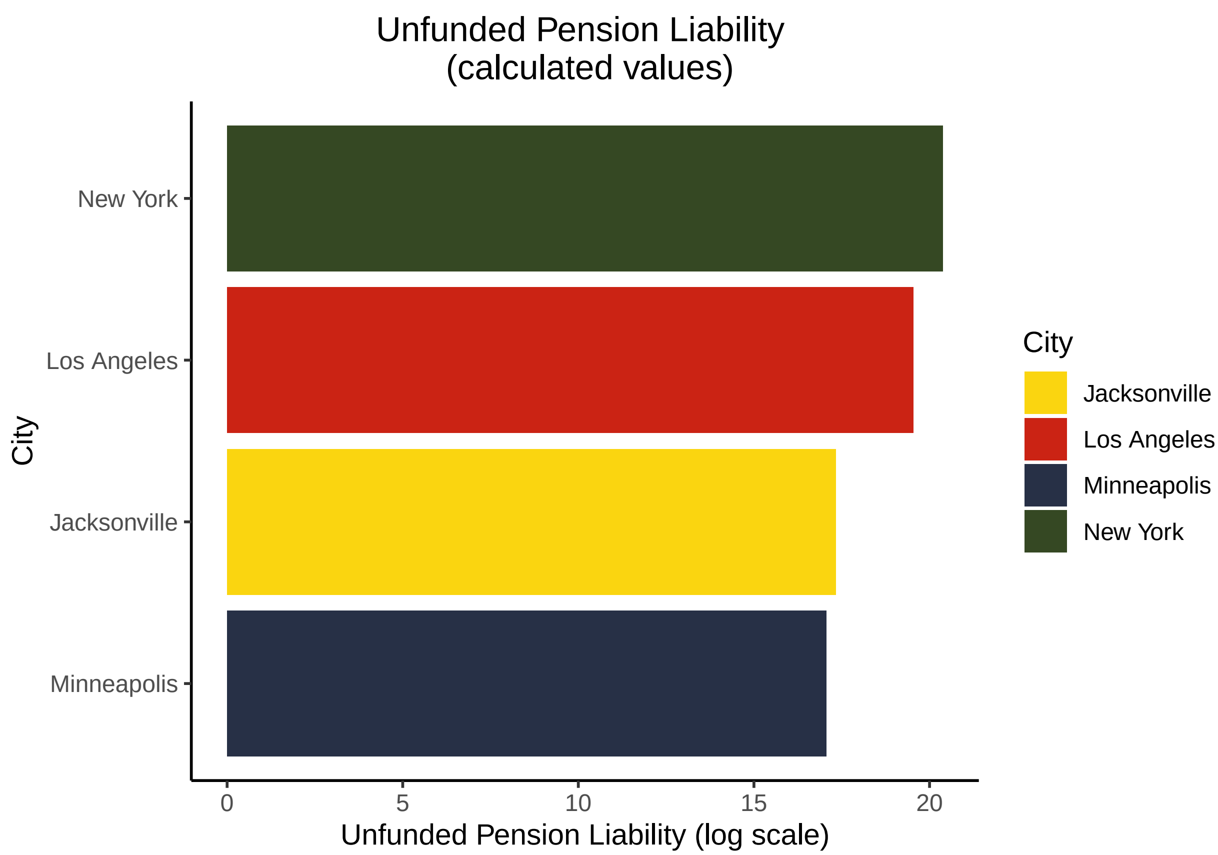
Using calculated values, we rank cities according to the grand total of their financial obligations and the financial obligation scaled by population size. For OPEB, we calculate the Unfunded actuarial liability of each city with the AA corporate rate (4.03%) as the discount rate and a 15 year amortization period.



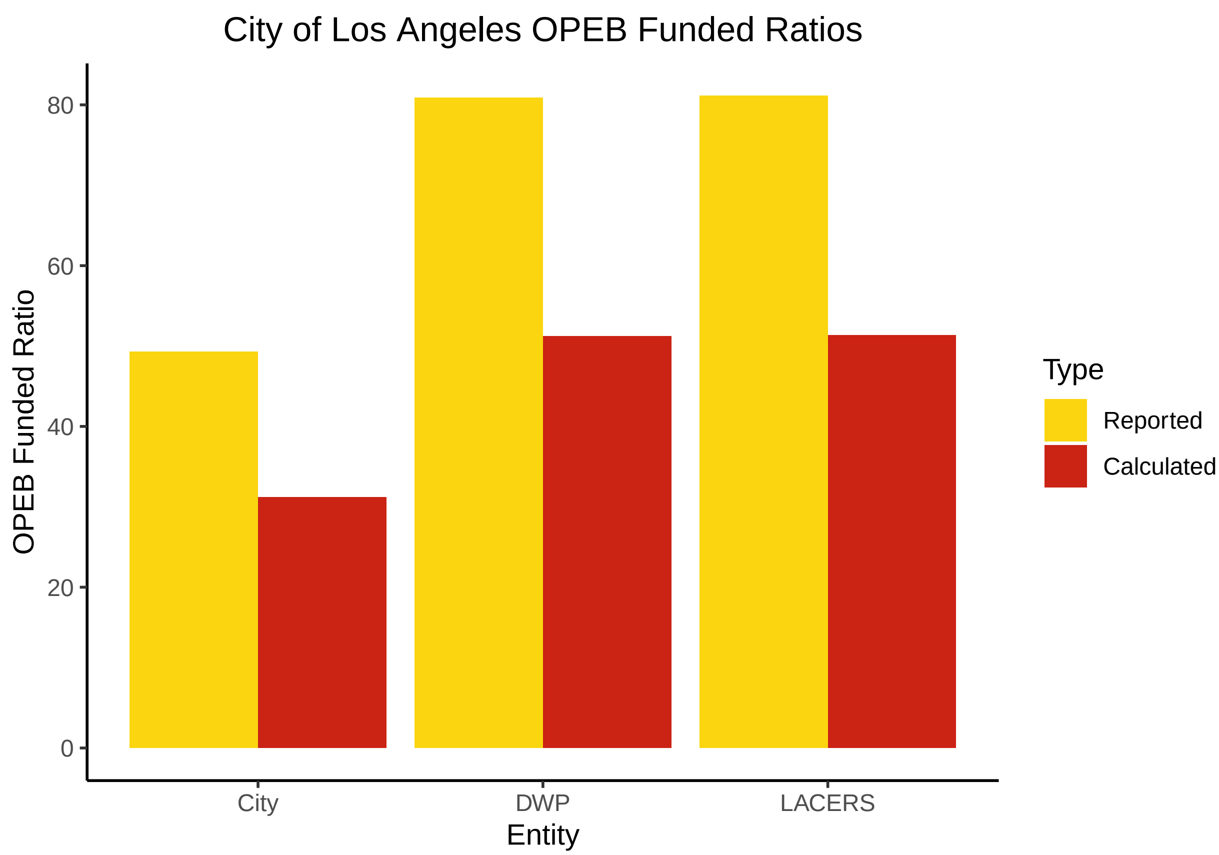
Obligations per capita



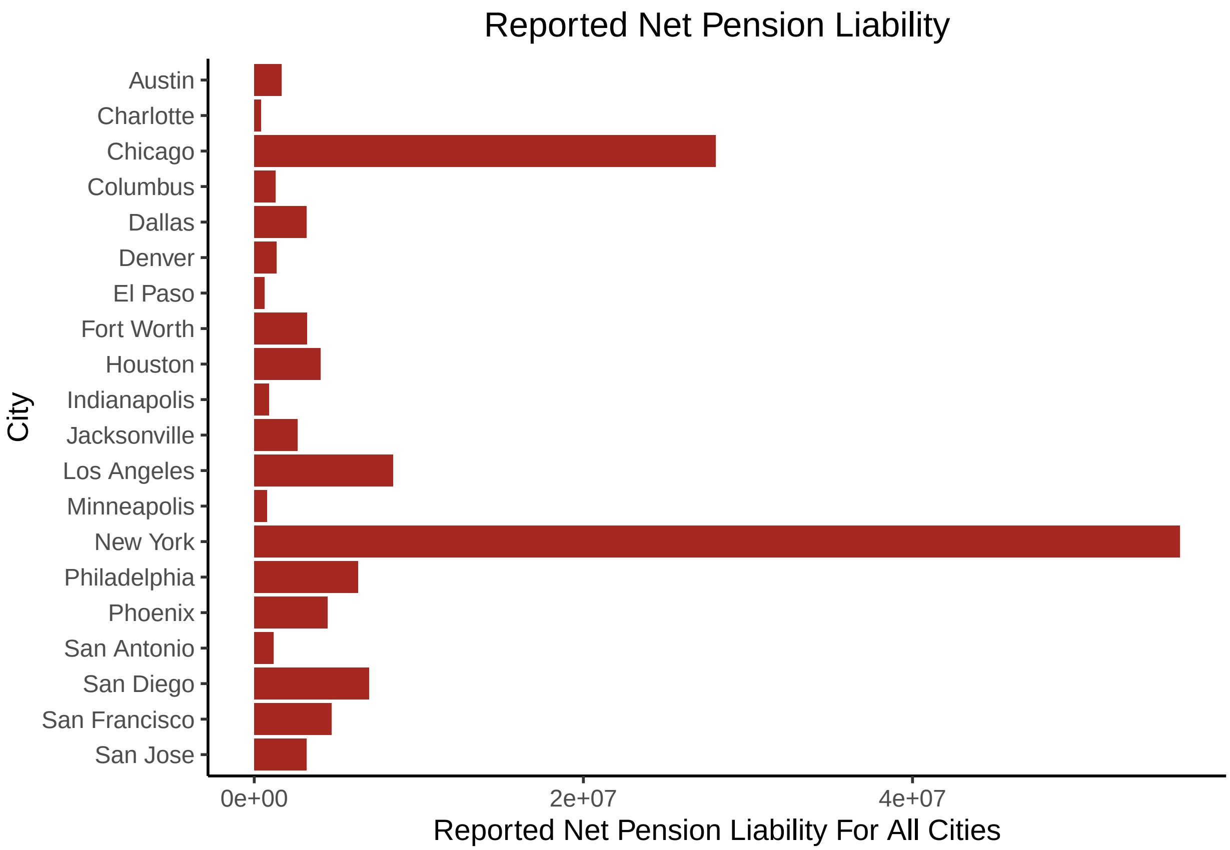
For Pensions, we also used the corporate discount rate of 4.03 but used a 12 year amoritizaion period (which is the unweighted average of all pension plans).



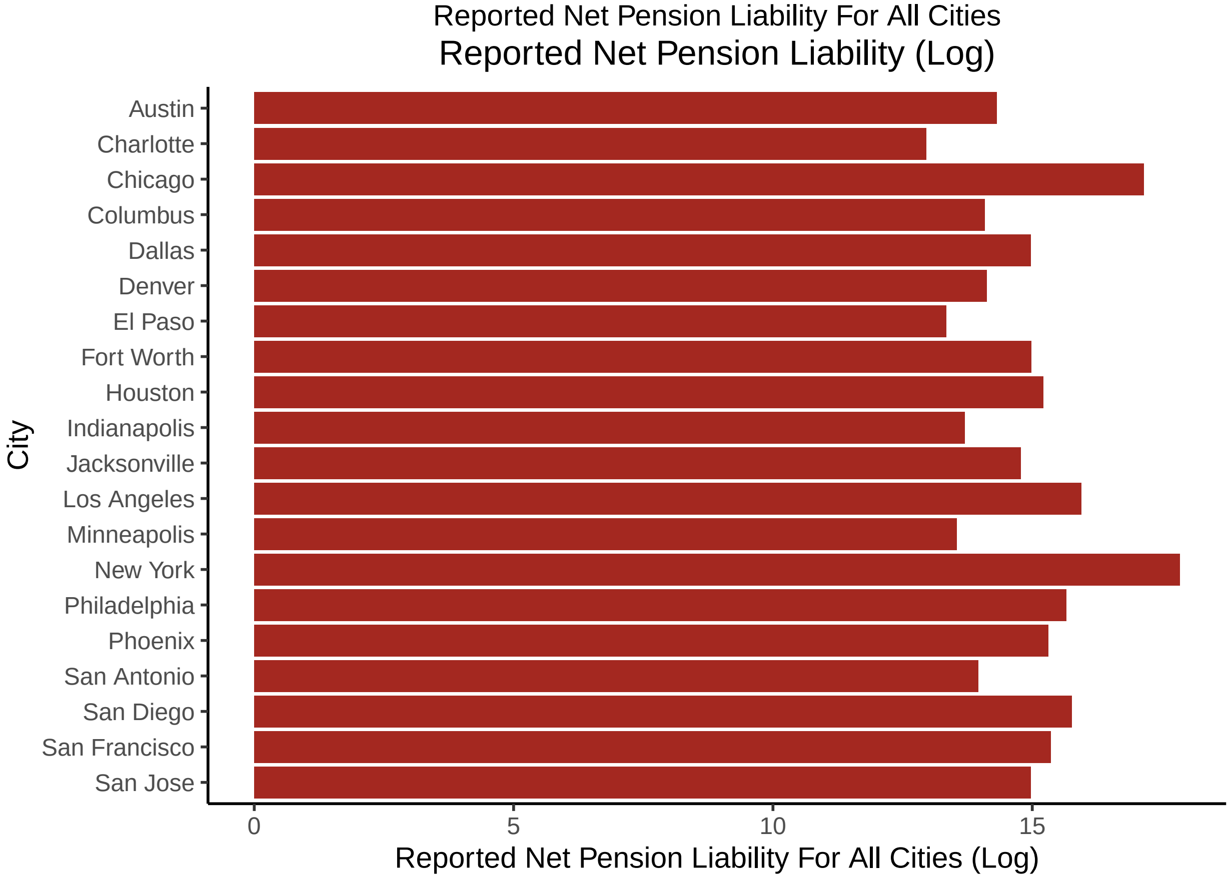
II. Case Study: Los Angeles


City of Los Angeles OPEB Funded Ratios
OPEB Funded Ratio
0
20
40
60
80
City
DWP
LACERS
Entity
Type
Reported
Calculated

All Cities



Reported Net Pension Liability
Austin
Charlotte
Chicago
Columbus
Dallas
Denver
El Paso
Fort Worth
Houston
Indianapolis
Jacksonville
Los Angeles
Minneapolis
New York
Philadelphia
Phoenix
San Antonio
San Diego
San Francisco
San Jose
City
0e+00
2e+07
4e+07
Reported Net Pension Liability For All Cities



Reported Net Pension Liability (Log)
Austin
Charlotte
Chicago
Columbus
Dallas
Denver
El Paso
Fort Worth
Houston
Indianapolis
Jacksonville
Los Angeles
Minneapolis
New York
Philadelphia
Phoenix
San Antonio
San Diego
San Francisco
San Jose
City
0
5
10
15
Reported Net Pension Liability For All Cities (Log)