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ISSUE BRIEF

State and Local Pension Funds Have Lost At Least $249 Billion in Assets in 2025

APRIL 2025

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Based on data collected through April 8th, 2025

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KEY FINDINGS

- The top 25 state and local pension investment funds alone have lost an estimated $249 billion in public equities in 2025 and **approximately $169 billion was lost the four trading days during the April 3-8 period** following the Trump administration's announcement of global tariffs.
- Equable expects that pension funds will also see losses in private capital and fixed income assets. The impact on real estate investments is uncertain.
- Pension funds should brace for cash flow challenges if the current market turmoil leads to a recession.

OVERVIEW

State and local pension funds are not immune from the recent global financial market chaos.

On April 2, the Trump Administration announced sweeping changes to U.S. tax and trade policies, with a universal minimum tariff rate on imports from most countries and higher rates on specific countries. Over the following four trading days all asset classes have been experiencing significantly volatile changes, as the world grapples with how to modify behavior and expectations given this reshaping of the global economic order. This has come on top of financial market turbulence from earlier in 2025 after several temporarily-introduced selective tariff policies and other Trump administration fiscal policies had sparked general concerns about a recession.

Given the unpredictable nature of how these new tariff polices are being implemented, markets have taken notable positive and negative swings (including in the hours since this brief has been authored). Equable will update estimated changes in pension fund values in the coming days, as the situation evolves.

For now, here are some of the ways that the new tariff policies are affecting pension funds today, and how they may affect them in the future.

1. SIGNIFICANT PUBLIC EQUITY ASSET LOSSES

The most immediate portfolio losses for state and local pension plans have been from public equities.

Since the start of 2025, the top 25 state and local pension funds alone have lost an estimated $248.8 billion in public equities.[1] These funds manage money for 63 pension plans, which represent about two-thirds of public pension fund assets in the U.S. Some of these funds will have made moves in the first quarter of 2025 that we can't see yet, so that figure is an estimate based on benchmarks. The $248.8 billion total only applies for the 25 largest funds in our database, meaning the total losses for all U.S. public retirement systems will likely be significantly higher.

Most of those losses have come in the last four trading days. Over the period April 3-8, the top 25 state and local pension funds lost $169 billion.

2. PRIVATE CAPITAL AND FIXED INCOME LOSSES

The initial market reaction to the new tariff policies has most prominently been felt in public markets, but losses have occurred across all asset classes. The Bloomberg U.S. Aggregate Bond Index, a common benchmark for fixed income investments, is down 1.3% since April 2. The share prices of prominent private equity firms like KKR, Apollo Global Management, The Carlyle Group have fallen around 18% to 22% each since April 2—reflecting a widespread concern that the economic value of privately held companies have also been severely affected by the new trade restrictions.

We have not yet estimated how the losses to other asset classes have affected pension funds, but as of fiscal year 2024, state and local pension funds had 58% of their assets in non-public equities — e.g. fixed income, private capital, real estate, commodities, etc. Therefore, we know that the losses public pension funds have experienced are deeper than just the initial public equity declines.

3. UNKNOWN LONG-TERM EFFECTS ON REAL ASSETS AND REAL ESTATE INVESTMENTS

State and local pension funds held 9% of their assets in real estate at the end of 2024, which includes a mix of real assets and real estate investment trusts (REITs). It isn't clear yet whether these holdings are going to have upward or downward pressure on their value resulting from the new tariff policy.

One by-product of the tariffs could be that existing property prices increase over time as the costs of materials for building new homes or commercial real estate is driven upward by the additional costs on importing construction materials. However, in the near-term, the value of REITs have on average declined, as reflected in a common benchmark index of all U.S. REITs, called the FTSE Nareit All Equity REITs Index, which has declined 7.4% since April 2.

4. ADDITIONAL CASH FLOW CONCERNS IN THE COMING YEARS

Beyond portfolio losses, state and local pension funds could experience changes in cash flow in the coming years if these tariffs lead to a prolonged economic recession—whether this is related to economic uncertainty, price increases as a reaction to tariff hikes, liquidity constrains due to market declines, or all of the above. If the U.S. economy goes into a recession later in 2025 and if that leads to a decline in state and local government revenues, this would likely have two effects: (1) a reduced ability to increase contribution rates as necessary to respond to investment losses, and (2) a reduction in public sector workforces. If both of these occur, it could reduce cash flow for public retirement systems while their investment returns are minimal or negative. A reduction in cash flow would be a particular concern for pension funds with high retiree-to-active member ratios (e.g., plans with high benefit payment outflows), and pension funds with low funded status levels.

CONCLUSION

State and local pension funds have been struggling with pension debt paralysis over the past several years, with some reasonably positive incremental improvements in funded status but still a persistently high level of unfunded liabilities. Coming into 2025, state and local pension funds were fragile, with just an average 80.2% funded ratio and $1.37 trillion in pension debt. The financial market shock of the last few days is exactly the kind of negative scenario that fragile pension funds should be concerned about. It will also be very important to monitor individual pension funds that were already distressed in some capacity coming into this year.

NOTES & CITATIONS

[1] Most of the top 25 pension "investment funds" manage commingle assets from multiple pension "plans," such as New York City Public Pension Funds managing money for five different NYC pension plans. Fourteen of the top 25 pension funds last reported their asset values and asset allocations as of 12/31/24. Five pension funds publicly reported their asset values and allocations as of January 31, 2025 (New York City Public Pension Funds, Florida Retirement System, New Jersey Common Pension Fund, University of California Retirement System, and Los Angeles County Employees Retirement Association). Four other pension funds publicly reported asset values and allocations as of February 28, 2025 (CalPERS, CalSTRS, Ohio State Teachers' Retirement System, and Massachusetts Pension Reserves Investment Management). The Texas Teachers Retirement System last reported its actual asset values as of September 30, 2024. The Georgia Teachers Retirement System last publicly reported its asset values as of June 30, 2024. For all of these funds, we projected forward the value of their public equities from their last actual-assets reported date up through April 8 using an S&P 500 benchmark. This approach does not capture actual changes in positions that will have happened during the first quarter of 2025, and it also doesn't measure the specific ways that any given pension fund might have its public equity portfolio invested. However, as a benchmark this approach generally is within a 99% accurate measurement of the change in public plan assets for state and local plans, as a whole.