

RESEARCH BRIEF

The State of Pensions 2025 | October Update

America's Pensions are Surviving, Not Thriving

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The State of Pensions Remains Fragile in 2025.

The funded status of public retirement systems in the U.S. has continued improving as of September 30, 2025—thanks both to strong financial market performance and record high contribution rates from state and local governments. In fact, the growth from 74.9% in 2022 to an estimated 83.1% in 2025 represents over three-quarters of the total improvement in funded status since 2015. And yet, there is still over \$1.2 trillion in unfunded pension liabilities, even with financial markets around the globe collectively at record highs.

To put this in context, consider that after investment returns of nearly 25% in 2021 the national average funded ratio had improved to 83.9%. If public plans had been able to steadily grow from there, it's possible that the national funded ratio could even be above 90% today. Instead, public plans whipsawed from sharp losses in 2022 to strong gains again in 2024 and 2025. The result of this volatility combined with the fragility of pension funds has meant unfunded liabilities today remain stubbornly below the levels reached at the end of 2021.

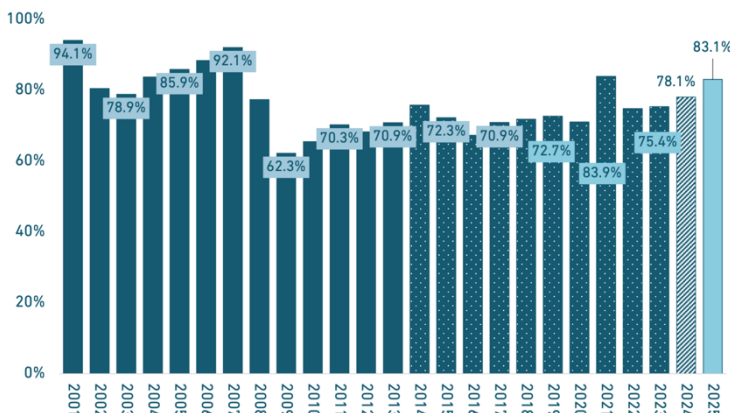
The good news is that the massive growth of 2021 and decline of 2022 decline largely averaged out, and the net result is a positive upward trend in funded status since the Covid-19 pandemic. The bad news is that the last time funding levels looked this strong—in 2021—plans lost ground the following year. Today, with recession concerns swirling with every tariff announcement and jobs report, it is valid to be concerned that a decline in pension asset values could be coming in fiscal year 2026 or 2027.

State policymakers won't want to keep putting dollars toward paying down pension debt, but reliance solely on market performance isn't a realistic strategy. Investment returns averaged 8.6% in fiscal 2025—if that's not enough to break through pension debt paralysis, future returns alone are unlikely to restore full funding. Additional pension contributions are an unavoidable necessity. Public pension funds today are surviving, but they are not thriving.

The national funded ratio average is projected to increase from 78.1% in 2024 to 83.1% in 2025.

Strong public equity returns globally have driven positive investment returns in 2025. Among 17 of the largest state and local pension funds (who together have over half of public plan assets), the average reported public equities return for FY 2025 is 15.9%. If public equity returns continue growing as they have through the rest of this year, then we expect the 2025 funded status to further improve by December.

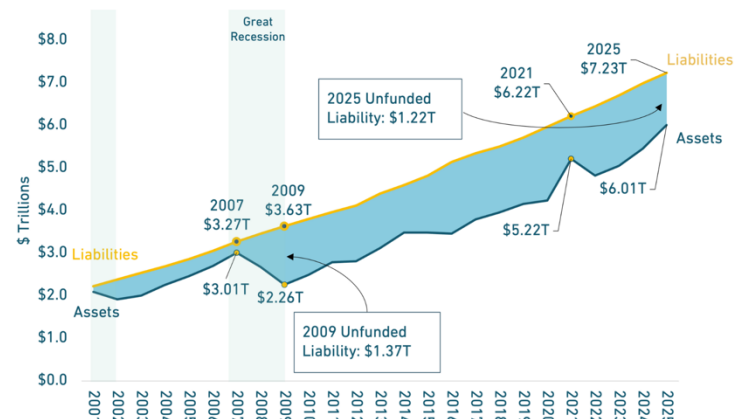
FUNDED RATIO AVERAGE
FOR STATE & LOCAL PENSION PLANS | 2001-2024 + 2025 Estimate



The total pension funding shortfall will decline to \$1.2 trillion in 2025, down from \$1.5 trillion in total unfunded liabilities in 2024.

Unfunded liabilities are meaningfully lower in 2025 relative to the previous year, though still above the most recent low point of \$1 trillion at the end of 2021. Unfunded liabilities have declined for a second year in a row, but there haven't been three straight annual declines since the Global Financial Crisis.

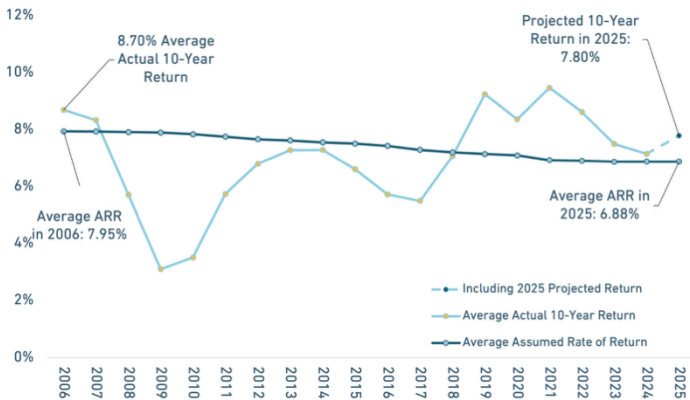
TOTAL UNFUNDED LIABILITIES
FOR STATE & LOCAL PENSION PLANS | 2001-2024 + 2025 Estimate



An 8.6% average investment return for the 2025 fiscal year has helped the funded status of public plans improve.

The 138 plans that published preliminary actuals for the full fiscal year have a 9.92% average return. Including benchmark returns for the 115 other plans with a fiscal year end date after September 30, the average falls to 8.6%. This suggests the actual average return is likely to be higher when the year ends.

INVESTMENT RETURN AVERAGES COMPARED TO ASSUMED RATES OF RETURN | 2006-2025

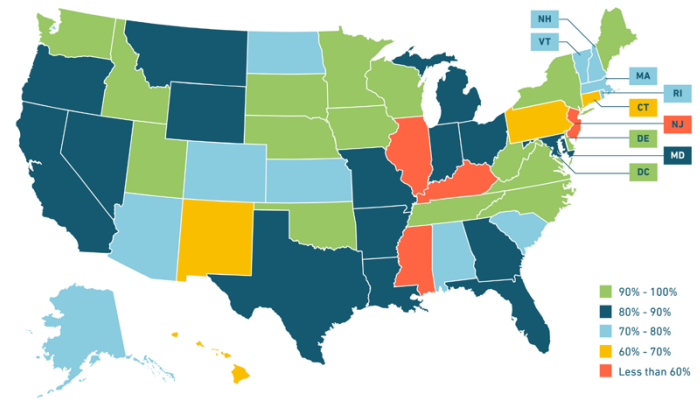


The average return for 2025 exceeds the national average assumed rate of return for a third consecutive year. And, notably, the rolling 10-year average return increased for the first time since 2021. This trend was expected (see our October updates from 2023 and 2024) as it is both a product of strong returns the last four out of five years and some particularly poor investment returns rolling off the 10-year lookback.

A majority of U.S. state and municipal pension plans are distressed or fragile.

Within the states, funded ratios and unfunded liability levels continue to vary considerably from state to state. The vast majority of plans have a Fragile (90% to 60%) or Distressed (60% or less) funded status. There are 17 states where the average funded ratio is Resilient (90% or higher), while 30 states have a Fragile funded status and 4 states are Distressed.

2025 ESTIMATED FUNDED RATIOS BY STATE BASED ON ESTIMATED ASSETS FOR STATE & LOCAL PENSION PLANS



Note: The funded status of a pension plan is not the only benchmark of fiscal health. It is also important to consider the reasonableness of actuarial assumptions and funding policies, the size of contribution rates as share of state budgets, and cash flows (among other factors).

How This Update Changes Our Findings for State and Local Pension Plans:

- The average 2025 estimated rate of return shifted from 5.41% to 8.59% after factoring in reported preliminary returns, additional Q3 public equity returns, and updated private equity data for Q2 of 2025.
- The average 2025 estimated funded ratio shifted from 81.4% to 83.1% based on updated return data.
- The total 2025 unfunded liability *estimate* shifted from \$1.35 trillion to \$1.22 trillion based on updated data.
- The average 2024 *actual* funded ratio shifted from 78.3% to 78.1% based on additional reported plan data.
- The total 2024 *actual* unfunded liability reported shifted from \$1.51 trillion to \$1.53 trillion based on additional reported plan data.

To read more about State of Pensions visit Equable.org/StateofPensions2025

WHAT IS INCLUDED IN THIS UPDATE?

When we published State of Pensions in July 2025, there were still 32 state or local retirement systems that had not released data for the fiscal year ending 2024. These plans amounted to 15.5% of anticipated accrued liabilities for 2024. Further, our July report relied in part on estimated investment returns using benchmarks for the various reported asset classes that pension funds were using as of 2024.

Over the last three months several retirement systems have released new and updated data, including preliminary investment return reports. This October 2025 fact sheet uses those reports to includes the following:

- Updated 2024 actual financial data, including the addition of actuarial valuation report data from 25 retirement systems. There are still outstanding 2024 reports from nine plans across four state systems (CalPERS, Michigan Municipal, Pennsylvania Municipal, and Tennessee PERP) and three municipal systems (Miami Fire and Police, Chicago Transit, and Dallas PFRS).
- Updated 2025 estimates use preliminary investment returns from retirement systems, pension fund trusts, and state treasurer or comptroller offices. As of this update, 140 (55.3%) out of the 253 retirement systems included in our data use either reported actual assets or reported actual returns to produce their 2025 estimates. Among the 140 plans with 2025 actuals, 66 (26.1% of all plans, 47.1% of those with 2025 actuals) are use reported preliminary returns for their full fiscal 2025 to estimate their 2025 assets while 74 (29.3% of all plans, 52.9% of those with 2025 actuals) have reported a preliminary asset total as of the close of fiscal 2025. For the remaining 113 retirement plans in our data, 51 plans (20.2%) have reported partial investment returns during the 2025 fiscal year, meaning our estimate combines partial year preliminary actual returns and benchmarks. Another 35 plans (13.8%) have reported preliminary assets for part of the 2025 fiscal year, meaning our estimate combines partial year preliminary assets with benchmark returns. The remaining 27 plans (10.7%) have not reported any investment performance or preliminary asset totals for fiscal 2025, meaning that their estimates are based entirely on market benchmarks and their respective asset allocations.

The Equable Public Retirement Research Database includes 253 retirement plans; however, data were insufficient to include eight of these plans in State of Pensions analysis because of delayed reporting.

ABOUT STATE OF PENSIONS

State of Pensions is Equable Institute's annual report on the status of statewide public pension systems, put into a historic context. Governments face a wide range of challenges in general – and some of the largest are growing, and often unpredictable, pension costs. State of Pensions analyzes trends in public pension funding, investments, contributions, cash flows, and benefits for 253 of the largest statewide and municipal retirement systems in all 50 states to illuminate the scale and effects of these challenges. [Click here](#) to access previous editions of State of Pensions, as well as additional data and resources.

ABOUT EQUABLE INSTITUTE

Equable Institute is a bipartisan nonprofit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions.

ABOUT THE AUTHORS

Anthony Randazzo (Executive Director) is a national expert on public sector pension policy and has provided technical assistance to more than a dozen states and cities on ways to improve retirement plan sustainability.

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