



## Stockton Pension Ruling (10/2/14)

*Judge rules that pension payments owed to Stockton, CA public workers may not necessarily trump payments to bondholders in bankruptcy.*

- Yesterday, a U.S. Bankruptcy judge stated that the plan for the city to exit bankruptcy could include reduced payments to CALPERS for pension liabilities.
- This ruling gives further credence to the legal argument that federal law will trump any state constitution or statute in a municipal bankruptcy filing.
- Despite this ruling, we do not believe that bankruptcy filings by municipalities will be given a green light or increase. There may be a few distressed municipalities that could follow suit.
- Muni bankruptcies are extremely rare and should remain so.
- Judges rarely allow municipalities to proceed with bankruptcy filings.
- Bankruptcies carry stigmas and are not an avenue to reduce pension liabilities in and of themselves. Additionally, the costs often outweigh the benefits.
- This preliminary ruling should not have a noticeable impact on bond prices in the municipal market.

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