
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

February 23, 2024

FOMC MINUTES

This week, the Fed released the minutes from the January FOMC (Federal Open Market Committee) meeting. The minutes confirmed most participants see no pressing need to cut rates in the near term. Participants noted that although the risks of achieving both their unemployment and inflation goals are “moving into better balance,” they remain “highly attentive to inflation risks.” They added that despite upside risks to inflation having “diminished,” inflation continues to run above the committee’s goal. Members are looking for greater confidence inflation is moving sustainably towards its 2% target before they decide to normalize rates.

Our Take: There was nothing surprising in the minutes. For months the Fed has stated, clearly and consistently, that it expects rates to stay higher for longer and the minutes outlined the need for continued improvement in inflation before the Fed will take the first steps in cutting rates.

MUNICIPALS

Illinois Governor J.B. Pritzker included a pension funding proposal within his 2025 budget presentation, which raises the funding ratio goal to 100% by fiscal year 2048. The present goal is 90% by fiscal year 2045, which was enacted in 1994 as part of a 50-year plan. Currently, the funding ratios for the five state pensions range from 23.5% to 47.2%.

Our Take: Even though Illinois continues to struggle with pension costs after years of inadequate contributions, the state is slowly improving its pension funding ratios. This year’s levels are 1.5% to 2% higher than last year. Pritzker’s budget documents indicated that a 90% target is not sufficient, thus proposing the goal of 100% by 2048. 100% funding may seem like a lofty goal for Illinois, the nation’s lowest rated state, but it is the right target to use.



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