



The Road Ahead

Navigating Public Pension Strategy in a Shifting Environment

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Public pension funds are in better shape than they've been in years. But as Meketa Investment Group's Pension Practice Group leaders gathered recently for a candid roundtable discussion, one theme came through clearly: the environment that got plans here is changing, and the decisions made now will define outcomes for beneficiaries for years to come.

Steve Voss, Managing Principal and Chair of Meketa's Pension Practice Group, was joined by colleagues Colin Bebee, Mika Malone, and Mary Mustard for a wide-ranging conversation covering funded status, return assumptions, liquidity, governance, and the emerging questions keeping board chairs up at night.

Starting from a Position of Strength

The good news is real. After more than a decade of recovery from the financial crisis, most public pension funds are meaningfully better funded than they were 10 to 15 years ago.



“ If you told everyone, 'over the next 15 to 16 years, you're going to get 7 to 9%,' everyone would have signed up for that. They're really on the path they were hoping to be on.”

But funded status alone doesn't capture the full picture. Contribution rates have risen in many places, assumed rates of return have come down, and some plans have made structural changes like adding tiers or adjusting COLAs. The health of any given system really depends on your perspective.

Return Assumptions: Proceed with Caution

One of the more consequential questions facing plans today is where assumed rates of return go from here. The average statewide retirement system's discount rate now sits at roughly 6.9%, down from the 8% figure that defined the industry for decades. With the 10-year Treasury yield hovering around 4.2%, some may be tempted to revisit those assumptions.



“ We don't want to let 2025 or 2026 determine what we think we're going to get out of equity markets or fixed income markets over the next 30 years. We shouldn't be whipsawing just because interest rates move up or down.”

The concern is that the same improved funded status that allowed plans to lower their assumed rates in recent years could be quietly undermined if rates are ratcheted back up prematurely.



“ Part of the reason funds were able to move their actuarial assumed rate down is based on that healthier position. We have to be careful about trying to raise actuarial assumed rates back up too quickly when the future looks like it might be more volatile.”

Risk on the Margins

With equity risk exposure at or near all-time highs across public pension portfolios, the broad recent trend has been toward trimming risk, though modestly. Capital market assumptions improved meaningfully after 2022's rate environment, giving plans some breathing room. Still, the moves have been measured.



“ If I had to identify one broad theme over the past few years, it has been to trim risk, but very much on the margins. For those clients who had perhaps been fairly equity heavy, and are considering growing cash needs in the future, maybe plus or minus 5%, we're looking to trim from equity assets and move to higher-quality fixed income.”

Most plans, despite improved funded ratios, are still technically underfunded. That reality keeps boards anchored to the need for return.



“ Oftentimes at the board level, there's still a desire to sit with that buffer over their assumed rate of return versus taking too much risk off the table.”

Liquidity: The Real Risk Is How You Think About It

Perhaps no topic generated more nuance than liquidity. With many public funds carrying 40% or more in illiquid or semi-liquid assets and running average cash flows of around negative 2%, it would be easy to assume liquidity is a pressing concern. The more useful framing, though, is subtler.



“ You can take on far more liquidity risk than you think, but that doesn't mean you necessarily should. From a true liquidity standpoint, meaning do we have assets to pay benefit payments, most everyone is in a perfectly fine spot.”

The more pressing issue is the lack of distributions coming out of private markets.



“ The lack of distributions within private markets broadly is a major topic. It hits both your ability to rebalance and your realized returns over time.”

Selling an asset in three years rather than today is not just a timing inconvenience; it directly affects realized returns.

Looking further out, plans should start thinking now about what their cash flow picture looks like in 10 years, particularly as contribution schedules shift and funds approach full funding.



“ If you don't begin to think about the exit lane, you're far more limited once you get there.”

Complexity: Who Is It Really For?

The proliferation of complex investment strategies competing for space in public pension portfolios deserves honest scrutiny.



“There's definitely a complexity premium fee out there. The real winners are often on the other side of the table, because the absolute returns that investors actually receive don't always justify those fees.”

Her framework for cutting through the noise centers on governance. Who is making the decisions? How much time and expertise do they have?



“If you can't comfortably explain it in plain English, it's probably not the best strategy to be invested in.”

For boards willing to take a different approach, outsourcing complexity through an OCIO arrangement can streamline both accountability and cost. But the fundamental question is the same regardless of structure: does the complexity serve the plan's goals, or does it serve someone else's?

Governance: The Foundation Everything Else Rests On

Governance came up repeatedly throughout the discussion, and with good reason. Clear role definition remains essential.

The increasing complexity of board reporting is another pressure point. As portfolios have grown more sophisticated, so has the volume of information being presented to trustees, many of whom hold investing as a secondary responsibility. The goal should be clarity:



“Making sure we focus on key metrics that are clear and easy to follow.”

Governance also connects directly to competitive advantage. Plans that have delegated authority, paired with high-quality internal staff and external partners, are simply better positioned to execute over time.



“That can drastically help a long-term perpetual entity actually execute. If there isn't delegated authority but you're still trying to add complexity, that can end up hurting more than helping.”

What Board Chairs Are Asking About Right Now

For board chairs right now, one topic is driving more inbound questions than any other: artificial intelligence. Questions run the full range from portfolio exposure to how Meketa itself is using AI in day-to-day work.



“ That has been the dominant theme over the last couple of quarters.”

Alongside AI, private credit and geopolitical risk are the other major preoccupations.



“ In any crisis or market volatility, everybody wants to know what's in their portfolio. And I think that's critical. It's our job to provide that information.”

The broader point is one of preparation. The goal is not just to have answers when questions arise, but to build enough shared understanding in advance that boards can respond from a position of confidence rather than anxiety.



“ I'd like for people to have the confidence that Meketa's watching these things, your staff is watching these things, and as trustees, hopefully you have the confidence that you've got a diversified portfolio to withstand a lot of different market environments.”

Looking Ahead

The through line across every topic in this discussion, from return assumptions to liquidity to governance, is that the margin for error is narrowing. Plans have worked hard to get to this point, and the decisions made in the next few years will determine whether that progress holds.

The fundamentals still matter most: a realistic return assumption, a well-governed portfolio, a clear-eyed view of cash flow, and an investment committee that understands what it owns and why. Those things are less exciting than the latest market theme or complex strategy, but they are what will carry plans through whatever comes next.



“ The goal is to be able to pay benefits with the highest degree of certainty we can over the next 10, 20, 30 years. Everything else flows from that.”

If you would like to learn more about Meketa's approach to building mission-driven portfolios or explore how we support clients in aligning capital with climate and community outcomes, we invite you to connect with us at: <https://meketa.com/contact-us/>

Meet the Moderator



Steve Voss

Managing Principal
Consultant

Mr. Voss joined Meketa in 2024, and has 30 years of experience in the institutional investment industry. He serves as a consultant for public fund clients with a focus on matters of asset allocation, policy, governance, and investment program structure. In addition to his consulting responsibilities, he is a member of the Consulting Leadership Committee and the Pension Practice Group. Mr. Voss graduated from Seattle University with a Bachelor of Arts degree in accounting.

Meet the Panelists



Colin Bebee

Managing Principal
Consultant

Mr. Bebee is a consultant and has 14 years of industry experience. Mr. Bebee joined the firm in 2019 as part of the merger between Meketa and Pension Consulting Alliance (PCA). Mr. Bebee has a wide range of responsibilities, including consulting responsibilities, manager due diligence, and the design and implementation of proprietary risk models and econometric modeling. Additionally, he works with our capital market research team on the development of capital market assumptions as well as the creation of proprietary modeling approaches. Mr. Bebee earned a Bachelor of Science in economics and finance from Linfield College as well as a Bachelor of Science in computer science from Oregon State University. He holds the Chartered Financial Analyst® designation and is a member of the CFA Society Portland.



Mika Malone

Managing Principal
Consultant

Ms. Malone joined Meketa in 2003. She currently works as the lead consultant for a select number of clients on their Defined Benefit, Endowment, and Defined Contribution portfolios. Ms. Malone is a member of Meketa's Board of Directors, the Investment Policy and Corporate Responsibility Committees, and Pension Practice Group. She is passionate about helping clients achieve their asset allocation, policy, and governance goals. Ms. Malone received an MBA from the University of San Diego, with a concentration in finance, and an undergraduate degree in English, with honors, from the University of Maryland. Ms. Malone holds the Chartered Alternative Investment Analyst (CAIA) designation and is a member of the CAIA Association®.



Mary Mustard

Managing Principal
Consultant

Ms. Mustard joined Meketa in 2010. She serves as a consultant for various public and private defined benefit, endowment and foundation, non-profit, and investment funds. Her work includes asset allocation and investment policy development, manager evaluation and monitoring, and fund performance analysis. She is a member of Meketa's Marketable Securities Oversight Committee and the Endowment & Foundation Practice Group. She graduated from Bentley University with an MBA degree with honors and a BS in finance and economics. She holds the Chartered Financial Analyst® designation and is a member of the CFA Society Boston and the CFA Institute.

Meet the Members

Below are the Remaining Pension
Practice Group Members



Ted Benedict
Managing Principal
Consultant

Mr. Benedict joined Meketa in 2007 and has been in the financial services industry for over 25 years. Mr. Benedict serves as the lead consultant for various defined benefit and defined contribution funds, foundations and endowments. His consulting work includes investment policy design, asset allocation modeling, governance, and manager research. He received his undergraduate degree in economics from St. Lawrence University. Mr. Benedict holds the Chartered Financial Analyst® designation from the CFA Institute and is a member of the CFA Institute, as well as the CFA Society San Diego. Mr. Benedict also holds the Chartered Alternative Investment Analyst (CAIA) designation and is a member of the CAIA Association®.



Shawn Bowen
Managing Principal
Consultant

Mr. Bowen started his career in the investment industry in 2010 and joined Meketa Investment Group in 2012. He is based in Florida and serves as a consultant and advisor for a variety of plan sponsors, including public, corporate, Taft-Hartley retirement plans, healthcare organizations, operating pools, non US clients, and other institutional investors. His consulting work includes helping clients with investment policy design, asset allocation modeling, investment manager evaluation and selection, and ongoing due diligence of client portfolios invested in public and private markets. He also serves as a member of Meketa's Pension Practice Group. Mr. Bowen earned his bachelor's degree in business management from Assumption University (formerly Assumption College.)



Jonathan Camp
Managing Principal
ALM/LDI Consultant

Mr. Camp joined Meketa in 2019 and has over 20 years of actuarial and investment experience. He serves as a consultant for various defined benefit, defined contribution, worker's compensation, and health & welfare funds, with corporate, public and Taft Hartley plan sponsors. Mr. Camp's consulting work includes asset/liability modeling, enterprise risk management, plan design, investment policy design, plan strategic and performance analysis, and outsourced Chief Investment Officer (OCIO) operations. He is the chair of Meketa's Asset Liability Risk Management and a member of the Strategic Asset Allocation/Risk Management Committees, and the Pension Practice Group. Mr. Camp holds a Bachelor of Arts degree in actuarial science from the University of Illinois, Urbana Champaign, and an Associate designation from the Society of Actuaries (ASA) and is a Fellow of the Conference of Consulting Actuaries (FCA). Mr. Camp served as a director of the University of Illinois Liberal Arts and Sciences Alumni Association Board (2013 - 2018).



Daniel Dynan
Managing Principal
Consultant

Mr. Dynan joined Meketa in 2009 and has been in the financial services industry since 2003. He serves as a consultant for various defined benefit, defined contribution, and endowment funds, with Taft Hartley, public, corporate, and non profit plan sponsors. His consulting work includes investment policy design and asset allocation modeling, in addition to the analysis of investment manager and total fund performance. Mr. Dynan is a member of Meketa's Consulting Leadership Committee and Pension Practice Group. He received his undergraduate degree in economics from the College of the Holy Cross. Mr. Dynan holds the Chartered Financial Analyst® designation and is a member of the CFA Society Boston and the CFA Institute. Mr. Dynan also holds the Chartered Alternative Investment Analyst (CAIA) designation and is a member of the CAIA Association®.



Stephanie Sorg
Managing Principal
Consultant

Ms. Sorg joined Meketa in 2017 and has 8 years of industry experience. She serves as a consultant for various defined benefit, endowment, foundation, defined contribution, and health & welfare funds, with Taft Hartley, public, and non profit clients. Her work includes developing asset allocation and investment policies, as well as providing oversight of client portfolios. In addition to her client responsibilities, she is a member of Meketa's Pension Practice Group. Ms. Sorg received a Master of Science in finance and a Bachelor of Science in finance from Santa Clara University. She holds the Chartered Alternative Investment Analyst (CAIA) designation, is a member of the CAIA Association® and serves as an Executive Board member for the CAIA Southwest Chapter.

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