Teachers Retirement Association

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GASB IN BRIEF

- **The information disclosed under GASB is not new.** Pension liabilities have always been disclosed by pension plans. What's new is the allocation of pension obligations to local governments and moving those obligations from pension system books to the employer's books.
- The new rules affect accounting and reporting, not the funded status of PERA or TRA.
- New GASB rules have no impact on funding, employer contributions or local tax levies.
- **Pension obligations are not crowding out essential services.** Local government employers and school districts have always budgeted pension payments. In Minnesota, government pension contributions are only 2.1 percent of total state and local government spending, compared to an average 4.1 percent in all other states. (Census Bureau)
- **Pension obligations are not bankrupting the school district/city/county.** Employers' pension liabilities will continue to be paid down through annual contributions to the pension funds over many years, much like the amortized portion of a home mortgage.
- After 2010 and 2013 reforms that reduced Minnesota pension benefit liabilities by $6.44 billion, credit ratings agencies (Moody's, Fitch, Standard & Poor's) have had positive things to say about the state's handling of pension obligations:
    - Moody's (August 2016): "Minnesota's retirement liabilities are below average, which affords it more financial flexibility than most other states."
    - S&P (August 2016): "Given that the state's funding is based on a statutory formula, rather than contributing an actuarially determined amount … this could place increased pressure on the state to the extent that its liability growth outpaces funding."
    - Fitch (August 2015) offered favorable comments about Minnesota's unfunded pension liability being below average as a percent of personal income compared to other states.
- **Minnesota is financially disciplined,** correcting problems as they occur and proactively proposing benefit reforms when needed. Public employees contribute half the cost of their pensions. Minnesota has a highly successful investment program: The State Board of Investment has averaged 8.9 percent annual returns over the past 30 years, consistently outperforming its peers. Investment returns produce more than 70 percent of the revenue to finance pensions.

TRA Comprehensive Annual Financial Report, 1990-2016