TRA | TEACHERS RETIREMENT ASSOCIATION

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GASB IN BRIEF

- **The GASB disclosures are 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 2.32 percent of total state and local government spending, compared to an average 4.71 percent in all other states. (Source: National Association of State Retirement Administrators (December 2019)
- **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 the 2018 reforms that reduced Minnesota pension benefit liabilities by $3.4 billion, credit ratings agencies had positive things to say about the state's handling of pension obligations:
    - Fitch (July 2020): The state's AAA bond rating reflects Minnesota's solid and broad-based economy and the state's "low long-term liability burden"—including pension obligations.
    - Moody's (July 2020): Moody's (July 2020) assigned the state an Aa1 bond rating and reported that the state's financial outlook is stable. Moody's looks for, among other things, "a continuation of pension contributions that remain above the tread-water level."
- **Minnesota has a highly successful investment program.** The State Board of Investment has averaged 8.6 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.