GASB IN BRIEF

- **The information disclosed under the new GASB rules is not new.** Pension liabilities have always been disclosed by the pension plans. What's new is:
  - the allocation of pension costs to local governments, and
  - moving those costs from the pension system's 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 expenses are not crowding out essential services.** Local government employers and school districts have always budgeted pension payments. Employer pension contributions in Minnesota are only 2 percent of state and local government spending, compared to an average of 3.7 percent in other states. (Census Bureau)
- **Pension costs 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: Minnesota's "relatively well funded pension system" is a "credit strength."
  - Fitch: "On a combined basis, the burden of debt and unfunded pension liabilities is well below the median for U.S. states rated by Fitch."
  - S&P: "Minnesota's pension plans are reasonably well funded relative to those of other states and there have been significant reform measures. ... We would expect these changes to improve funded ratios over time."
- **Minnesota exercises financial discipline,** 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 10.3 percent annual returns over the past 30 years, consistently outperforming its peers. Investment returns produce 70 percent of the revenue to finance pensions.