

# State of Minnesota

## Presentation to the Legislative Commission on Pensions and Retirement

# Deficit Projected for FY 2018-19

- Outlook for economic growth has weakened since our February Forecast
- \$188 million deficit now projected for FY 2018-19
- \$586 million negative balance projected for FY 2020-21

# Forecast for FY 2018-19

(\$ in millions)	FY 2018-19		\$ Change
	June 2017 EOS	Nov 2017 Forecast	
<b>Beginning Balance</b>	<b>\$2,708</b>	<b>\$3,333</b>	\$625
Revenues	45,006	44,447	(559)
Spending	45,557	45,955	398
Cash & Budget Reserves	1,953	1,958	5
Stadium Reserve	40	55	15
<b>Forecast Balance</b>	<b>\$163</b>	<b>\$(188)</b>	<b>\$(351)</b>

*\*End of Session with Court Order*

# A look back...February 2017 Forecast for FY 2018-19

(\$ in millions)	FY 2018-19		\$ Change
	Feb 2017 Forecast	June 2017 EOS*	
<b>Beginning Balance</b>	<b>\$2,723</b>	<b>\$2,708</b>	\$(15)
Revenues	45,663	45,006	(657)
Spending	44,741	45,557	816
Cash & Budget Reserves	1,953	1,953	-
Stadium Reserve	40	40	-
<b>Forecast Balance</b>	<b>\$1,650</b>	<b>\$163</b>	<b>\$(1,488)</b>

*\*End of Session with Court Order*

# Significant Risks with this Forecast

- U.S. policy uncertainty
- Inflation
- Capital gains
- Long, slow-growth expansion

# Minnesota's Economic Fundamentals Remain Strong

- Economy and wages continue to grow, only more slowly
- Minnesota's unemployment rate is lower than the U.S. rate
- Both upside and downside risks with this forecast

# Minnesota's 2017 Bond Rating

<b>Rating Agency</b>	<b>Rating</b>	<b>Outlook</b>
Fitch	AAA	Stable
Moody's	Aa1	Stable
S&P	AA+	Stable

# Current Status of Pension Funds

## 2016 and 2017 Actuarial Valuations

(\$ in billions, market value of assets)

	June 30, 2016		June 30, 2017	
	Funded Ratio	Unfunded Liability	Funded Ratio	Unfunded Liability
MSRS-General	78.4%	\$3.1	86.1%	\$2.0
PERA-General	72.4%	\$6.9	78.5%	\$5.5
TRA	72.7%	\$7.3	77.5%	\$6.2

# Funding Provided in the Governor's 2017 General Fund Budget

## Governor's 2017 Biennial Budget, Pension Funding Summary

\$ in thousands

	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
School Aid Formula	22,851	45,703	45,703	45,703
State Agency Funding	8,274	14,004	14,004	14,004
Direct Aid	4,500	4,500	9,000	9,000
<b>Grand Total</b>	<b>35,625</b>	<b>64,207</b>	<b>68,707</b>	<b>68,707</b>
<b>Biennial Total</b>		<b>99,832</b>		<b>137,414</b>

# Deferred Member Benefit Changes in LCPR Bill

- As the statutorily-designated HR manager for the State, MMB supports policies that establish the State as a model employer.
- Based on demographic trends, the State will need to replace a higher share of retired employees in a more competitive environment.
- MMB is concerned about the impact of proposed deferred member benefit changes on the State's ability to attract and retain more mobile employees and provide those employees with adequate retirement benefits.
- Changes to the deferred member benefit structure should be studied before being enacted.