A REPORT TO THE MONTANA LEGISLATURE

FINANCIAL AUDIT

Teachers' Retirement System

For the Two Fiscal Years Ended June 30, 2011

DECEMBER 2011

LEGISLATIVE AUDIT DIVISION

10-09B

Financial Audits

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2009, was issued March 1, 2010. The Single Audit Report for the two fiscal years ended June 30, 2011, will be issued by March 31, 2012. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
Helena, MT 59620-0802

Legislative Audit Division
Room 160, State Capitol
P.O. Box 201705
Helena, MT 59620-1705

Audit Staff

Frank A. Cornwell
Paul J. O'Loughlin
John Fine

Reports can be found in electronic format at:
http://leg.mt.gov/audit

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Angie Grove

December 2011

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial audit of the Teachers' Retirement System, a component unit of the state of Montana, for the two fiscal years ended June 30, 2011. This report contains one recommendation regarding actuarial soundness of the system.

Based on the July 1, 2011, actuarial valuation of the system, current contributions are not sufficient to fund the system on an actuarially sound basis. To be considered actuarially sound, the amortization of the Unfunded Actuarially Accrued Liability or UAAL, must not exceed 30 years. The July 1, 2011, valuation reported the amortization period at 71 years.

The system's response to our audit is on page B-1. We thank the Executive Director and his staff for their cooperation and assistance during the audit.

Respectfully submitted,

Tori Hunthausen, CPA
Legislative Auditor

Room 160 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
Phone (406) 444-3122 • FAX (406) 444-9784 • E-Mail lad@mt.gov

Table of Contents

Figures and Tables

Tables

Appointed and Administrative Officials

			Term Expires
Teachers' Retirement Board	Kari Peiffer, Chair	Kallispell	July 2012
	Darrell Layman, Vice Chair	Glendive	July 2016
	Scott Dubbs	Lewistown	July 2013
	Robert Pancich	Great Falls	July 2014
	James Turcotte	Helena	July 2015
	Jeff Greenfield	Shepherd	July 2016

Administrative Officials

David L. Senn, Executive Director

Tammy Rau, Deputy Executive Director

Dan Gaughan, Accounting Manager

For additional information concerning the Teachers' Retirement System, contact:

David L. Senn, Executive Director
1500 Sixth Avenue
P. O. Box 200139
Helena, MT 59620-0139

e-mail: dsenn@mt.gov

Montana Legislative Audit Division

Financial Audit
Teachers' Retirement System
For the Two Fiscal Years Ended June 30, 2011

December 2011 | 10-09B | Report Summary

At July 1, 2011, the Teachers' Retirement System (system) served 18,484 active members and 12,899 retired members or beneficiaries. The system is funded by employer and member contributions, state contributions, and investment income. In the 2011 biennium, those contributions totaled $305,575,775 and net investment income totaled $839,982,887. Benefit payments for the biennium totaled $455,316,162. The Montana constitution requires the system to be actuarially sound. To be actuarially sound, resources derived from contributions and investment performance must be sufficient to fund member benefits and maintain the amortization period of the unfunded liability at or less than 30 years. The July 1, 2011, actuarial valuation indicates the system is not actuarially sound.

Context

All full-time members of the public teaching profession, except for eligible employees of the Montana University System hired after July 1, 1993, are required by law to be members of the retirement system.

State law established a six-member retirement system board, appointed by the governor, to oversee the system. The board members each serve five-year terms. The Executive Director and other personnel conduct the daily administration functions of the system.

Results

The audit report contains a recommendation to the Teachers' Retirement System to ensure the retirement system is actuarially sound as required by the Montana constitution. The results of the July 1, 2011, actuarial valuation indicate the system is not actuarially sound.

The Board's funding policy recognizes the constitutional requirement to ensure the system is actuarially sound and acknowledges that the legislature has the full and final authority to enact proposed legislation.

The Board sponsored legislation in the 2011 Legislative Session to address funding shortfalls. One of the proposed measures that became law is projected to make some improvement in the actuarial soundness of the system.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (10-09B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at http://leg.mt.gov/audit
Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE
Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.

Chapter I – Introduction

Audit Scope

We performed a financial audit of the Teachers' Retirement System (system) for the two fiscal years ended June 30, 2011. The objectives of our audit were to:

1. Determine if the system's financial statements present fairly, in all material respects, the financial position of the system and the results of operations for each of the two years ending June 30, 2011.
2. Obtain an understanding of the system's controls to the extent necessary to support our audit of system's financial statements and, if appropriate, make recommendations for improvement in the internal and management controls of the system.
3. Determine if the system has complied with selected applicable laws.

Our financial-compliance audit of the system for the fiscal year ended June 30, 2010, was issued in December 2010 (10-09A). The financial statements are prepared by system personnel from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) with required adjustments to present financial activity in accordance with GAAP. This report contains one recommendation relating to the actuarial soundness of the system.

Background

The system is a component unit of the state of Montana. A component unit is a legally separate organization for which the state of Montana is financially accountable. The system, established by state law in 1937, had 18,484 active members not yet receiving benefits at July 1, 2011. Retirees or their beneficiaries receiving benefits as of July 1, 2011, numbered 12,899.

A six-member board, appointed by the Governor for five-year terms, governs the system. In addition to providing oversight to system personnel, the board's responsibilities include:

- Establishing rules and regulations necessary for the proper administration and operation of the retirement system.
- Determining the eligibility of a person who is applying for membership in the system.
- Designating an actuary to provide consultation on the technical actuarial aspects of the retirement system.

The Executive Director and system personnel are responsible for the daily administration of the system. All full-time members of the public teaching profession, except for eligible employees of the Montana University System hired after July 1, 1993, are required by law to be members in the retirement system.

Prior Audit Recommendations

The financial-compliance audit report of the Teachers' Retirement System (10-09A) for the two fiscal years ending June 30, 2010, did not contain any recommendations, however, the report noted the continued actuarial unsoundness of the system.

Chapter II – Findings and Recommendations

System Not Actuarially Sound

The results of the July 1, 2011, actuarial valuation show the Teachers' Retirement System is not actuarially sound.

Article VIII, Section 15, of the Constitution of the state of Montana, requires public retirement systems to be funded on an actuarially sound basis. To be actuarially sound, resources derived from contributions and investment returns must be sufficient to fund member benefits and maintain the amortization period of unfunded liabilities at a maximum period of 30 years.

The most recent actuarial valuation, performed as of July 1, 2011, indicates the system is not actuarially sound. Below is a chart of the actuarial soundness of the system for the last nine valuations.

Table 1
History of Plan Soundness

Valuation Date	Actuarially Sound	Amortization Period
July 1, 2002	Yes	23.4
July 1, 2004*	No	71.3
July 1, 2005	No	Does not amortize
July 1, 2006**	No	Does not amortize
July 1, 2007***	Yes	28.6
July 1, 2008	No	31.3
July 1, 2009	No	Does not amortize
July 1, 2010	No	49.5
July 1, 2011	No	71

*Prior to 2004, valuations were performed every two years.

**Legislature appropriated $100 million from the General Fund. (Chapter 1, 2005 Special Session)

***Legislature appropriated $50 million from the General Fund (Chapter 305, 2007 Regular Session)

Source: Compiled by the Legislative Audit Division.

The July 1, 2011, actuarial valuation projected a contribution increase of 2.82 percent (from 17.11 percent to 19.93 percent) effective July 1, 2013, would be necessary to achieve the amortization of UAAL over 30 years. Current contributions as a percent of pay are as follows: members 7.15 percent, employer 9.85 percent, General Fund 0.11 percent.

The funding policy of the Teachers' Retirement System Board (Board) recognizes the constitutional requirement to ensure the system is actuarially sound and acknowledges that the legislature has the full and final authority to enact any recommended changes in funding proposed by the Board. The Board sponsored legislation in the 2011 Legislative Session. One of the proposed measures that became law effective July 1, 2011, is anticipated to make some improvement in the actuarial soundness of the system. As indicated in Table 1 on the previous page the amortization period from July 1, 2010, to July 1, 2011, increased from 49.5 years to 71 years.

Recommendation #1

We recommend the Teachers' Retirement System continue to take necessary measures to ensure the retirement system is funded on an actuarially sound basis as required by the Montana Constitution.

Independent Auditor's Report

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors
Cindy Jorgenson
Angie Grove

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Fiduciary Net Position of the Teachers' Retirement System, a component unit of the state of Montana, as of June 30, 2011, and 2010, and the related Statement of Changes in Fiduciary Net Position for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Teachers' Retirement Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System as of June 30, 2011 and 2010, and its changes in net position for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Schedule of Funding Progress, and the Schedule of Contributions from the Employer and Other Contributing Entities are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Teachers' Retirement System. The Supporting Schedule of Administrative Expenses, Schedule of Investment Expenses, and Schedule of Payments to Consultants are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has

Room 160 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
Phone (406) 444-3122 • FAX (406) 444-9784 • E-Mail lad@mt.gov

been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

At July 1, 2011, the Teachers' Retirement System was not actuarially sound. The amortization period for the Unfunded Actuarial Accrued Liability is 71 years. The maximum allowable amortization period is 30 years.

Respectfully submitted,

Cindy Jorgenson, CPA
Deputy Legislative Auditor

October 27, 2011

Teachers' Retirement System
Management's Discussion and Analysis, Financial Statements, Required Supplementary Information, and Supplementary Information

TEACHERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial activity of the Montana Teachers' Retirement System (TRS) for the fiscal year ended June 30, 2011, with comparative totals for the fiscal years ended June 30, 2010 and 2009. Please read this in conjunction with the financial statements, accompanying footnotes, required supplementary information with notes, and supporting schedules.

Overview of the Financial Statements

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the System's ongoing plan perspective.

The financial section consists of two financial statements with footnotes, two schedules of historical trend information with footnotes, and three supporting schedules. The Statement of Fiduciary Net Position reflects the resources available to pay benefits to retirees and beneficiaries. The Statement of Changes in Fiduciary Net Position presents the changes that occurred in those resources for the fiscal year ended.

The Schedule of Funding Progress presents historical trend information about the actuarially funded status for the TRS plan from a long-term, ongoing perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Contributions from the Employer and Other Contributing Entities displays historical trend data of the annual required employer contributions and the actual contributions made by employers in relation to the requirement.

The Schedule of Administrative Expenses and the Schedule of Investment Expenses are a presentation of what comprises the administrative expense item and the investment expense item as reported on the Statement of Changes in Fiduciary Net Position. The Schedule of Payments to Consultants represents our fees paid to outside professionals.

Financial Highlights

- The TRS fiduciary net position increased by $451.0 million for 2011 and $221.0 million for 2010, representing an increase of 17.9% and 9.5% respectively.
- Net investment income (fair value of investments plus investment income less investment expense) increased in 2011 by 82.7% and 2010 by 148.1% representative of the continued positive rebound of the overall stock market.
- Pension benefits paid to retirees and beneficiaries increased 6.8% and 4.9% for the last two fiscal years respectively.

Condensed Financial Information (in millions)

Fiduciary Net Position	FY2011	FY2010	FY2009	2011 Percent Inc/(Dec)	2010 Percent Inc/(Dec)
Cash/Short-term Investments	$ 48.9	$ 44.4	$ 25.5	10.1	74.1
Receivables	23.2	24.0	22.6	(3.4)	6.2
Investments (fair value)	3,047.0	2,615.3	2,463.9	16.5	6.1
Other Assets (net)	0.2	0.3	0.3	(0.3)	0
Total Assets	3,119.3	2,684.0	2,512.2	16.2	6.8
Liabilities	146.8	162.5	210.6	(9.7)	(22.8)
Net Position	**$2,972.4**	**$2,521.4**	**$2,301.6**	**17.9**	**9.5**
Changes in Fiduciary Net Position					
Additions:					
Employer Contributions	$ 72.9	$ 72.2	$ 66.9	1.0	7.9
Plan Member Contributions	63.0	62.8	57.3	0.3	9.6
Other Contributions	17.4	17.2	14.1	1.2	22.0
Net Investment Income	539.0	295.0	(613.0)	82.7	148.1
Total Additions	692.4	447.3	(474.8)	54.8	194.2
Deductions:					
Benefit Payments	235.1	220.2	209.9	6.8	4.9
Withdrawals	4.4	4.2	5.2	4.8	(19.2)
Administrative Expenses	1.8	1.9	1.9	(5.3)	0
Total Deductions	241.4	226.3	217.0	6.7	4.3
Net Inc/(Dec) in Net Position	**$ 451.0**	**$ 221.0**	**$(691.8)**	**104.1**	**131.9**

Financial Analysis

- The change from year-to-year in cash/short-term investments is due mostly to the change in the number of shares held, at a per share value of $1, in the Short Term Investment Pool.
- The increase in receivables for 2010 reflects the increase from 2% to 2.38% in the supplemental payment from the general fund. The decrease in receivables for 2011 represents a $0.8 million less in contributions due at fiscal year end.
- The increase in investments for 2011 and 2010 represents the recovery in the economy and capital market conditions.
- The significant fluctuation in liabilities is primarily due to the security lending collateral activity conducted by the Montana Board of Investments.
- The dramatic increase in net investment income for 2011 and 2010 was due to an overall increase in the market value of our investment holdings.
- The increase in benefit payments from year-to-year reflects an increase in the number of retirees and beneficiaries plus the 1.5% guaranteed annual benefit adjustment.

Overview of the Actuarial Funding

The TRS plan experienced an asset gain over the last year. The market assets had a positive return of 21.67% net of investment and operating expenses. The actuarial assets earned a negative (0.13%) which is (7.88%) less than the actuarial assumption of 7.75%. Actuarial gains or losses result when the return on the actuarial value of assets differs from the actuarial investment return assumption. The following table compares the annual returns for the past six years.

Fiscal Year	Market Return	Actuarial Return	Actuarial Return over 7.75 %
7/1/2005 to 6/30/2006	8.91%	8.46%	0.71%
7/1/2006 to 6/30/2007	17.64%	10.22%	2.47%
7/1/2007 to 6/30/2008	(4.88)%	7.18%	(0.57)%
7/1/2008 to 6/30/2009	(20.80)%	(10.26)%	(18.01)%
7/1/2009 to 6/30/2010	12.87%	9.78%	2.03%
7/1/2010 to 6/30/2011	21.67%	(0.13)%	(7.88)%

The chart above shows that overall the actuarial return on assets has underperformed the assumption in the last six years.

Contributions as a Percent of Pay

	Members	Employer Rate	State Contribution	Total
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 - June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 and after	7.15%	9.85%	0.11%	17.11%

The State's General Fund picked up the increase in the employer rate of 2% effective July 1, 2007 and 2.38% effective July 1, 2009 in lieu of the contributions being paid by the school district and community college employers.

Section 19-20-201, MCA, requires the actuarial report to show how market performance is affecting the actuarial funding of the Retirement System. The July 1, 2011 market value of assets is $105.9 million more than the actuarial value of assets. If the market value of assets was used, the amortization period would be 58 years, and the Funded Ratio would be 63.81%. Based on market assets, a contribution increase of 2.82% of pay (17.11% to 19.93%) effective July 1, 2013, is projected to maintain an amortization of the unfunded actuarial accrued liability over a 30 year period.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash/Cash Equivalents-Short Term		
Investment Pool (Note B)	$ 48,885,812	$ 44,365,041
Receivables:		
Accounts Receivable	18,726,665	19,916,535
Interest Receivable	4,462,165	4,110,813
Total Receivables	$ 23,188,830	$ 24,027,348
Investments, at fair value (Note B):		
Mortgages	$ 0	$ 16,342,528
Investment Pools	2,899,968,475	2,426,072,098
Other Investments	687,861	10,826,623
Securities Lending Collateral (Note B)	146,389,177	162,097,378
Total Investments	$ 3,047,045,513	$ 2,615,338,627
Assets Used in Plan Operations:		
Land and Buildings	$ 193,844	$ 193,844
Less: Accumulated Depreciation	(150,545)	(150,545)
Equipment	142,697	142,697
Less: Accumulated Depreciation	(70,489)	(49,458)
Prepaid Expense	6,401	7,380
Intangible Assets, net of amortization	28,443	106,371
Total Other Assets	$ 150,351	$ 250,289
TOTAL ASSETS	$ 3,119,270,506	$ 2,683,981,305
LIABILITIES		
Accounts Payable	$ 86,396	$ 111,324
Securities Lending Liability (Note B)	146,389,177	162,097,378
Compensated Absences (Note B)	180,541	182,728
OPEB Implicit Rate Subsidy (Note E)	193,342	144,155
TOTAL LIABILITIES	$ 146,849,456	$ 162,535,585
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 2,972,421,050	$ 2,521,445,720

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions:		
Employer	$ 72,879,950	$ 72,179,128
Plan Member	62,993,192	62,844,529
Other	17,437,366	17,241,610
Total Contributions	$ 153,310,508	$ 152,265,267
Misc Income	$ 16,539	$ 65,233
Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	$ 455,020,967	$ 199,503,703
Investment Earnings	99,119,730	109,898,071
Security Lending Income (Note B)	1,200,925	1,253,635
Investment Income/(Loss)	$ 555,341,622	$ 310,655,409
Less: Investment Expense	15,978,901	15,350,943
Less: Security Lending Expense (Note B)	334,365	349,935
Net Investment Income/(Loss)	$ 539,028,356	$ 294,954,531
Total Additions	$ 692,355,403	$ 447,285,031
DEDUCTIONS		
Benefit Payments	$ 235,122,805	$ 220,193,357
Withdrawals	4,364,713	4,165,835
Administrative Expense	1,843,368	1,905,124
OPEB Expenses	49,187	47,181
Total Deductions	$ 241,380,073	$ 226,311,497
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	**$** 450,975,330	$ 220,973,534
NET POSITION HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR	2,521,445,720	2,301,618,671
Prior Period Adjustment		(1,146,485)
END OF YEAR	**$** 2,972,421,050	$ 2,521,445,720

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

NOTE A. DESCRIPTION OF THE PLAN

The Teachers' Retirement Board is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan, which provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The system was established by the State of Montana in 1937 to provide retirement, death, and disability benefits and is governed by Title 19, chapter 20, of the MCA. TRS as an employer does not participate in the plan and acts only as the administrator of the plan.

At June 30, 2011, the number and type of reporting entities participating in the system were as follows:

Local School Districts & Coops	352
Community Colleges	3
University System Units	2
State Agencies	9
Total	366

At July 1, 2011, the date of the most recent actuarial valuation, system membership consisted of the following:

Retirees and Beneficiaries Currently Receiving Benefits	12,899
Terminated Employees:	
Vested	1,580
Non-vested	10,727
Current Active Members:	
Vested	11,912
Non-vested	6,572
Total Membership	43,690

The pension plan provides retirement, death, and disability benefits. Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. A Guaranteed Annual Benefit Adjustment (GABA) of 1.5% is payable each January if the retiree has received at least 36 monthly retirement benefit payments prior to January 1 of the year in which the adjustment is to be made.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The TRS, a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity, prepares its financial statements using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period when due pursuant to statutory requirements and investment income is recognized when earned. Benefit and withdrawal payments are recorded in the period in which the liabilities are due and payable.

Compensated Absences

Compensated absences represent 100 percent of accrued vacation and 25 percent of accrued sick leave for TRS personnel at June 30, 2011 and June 30, 2010.

Cash/Cash Equivalents and Investments

The Montana Board of Investments (BOI) manages the State's Unified Investment Program, which includes the TRS plan investments as required by Section 19-20-501, Montana Code Annotated. Per the Montana Constitution, Article VIII Section 13(3), investment of TRS assets shall be managed in a fiduciary capacity in the same manner that a prudent expert acting in a fiduciary capacity and familiar with the circumstances would use in the conduct of an enterprise of a similar character with similar aims. Investments administered by the BOI for the TRS are subject to their investment risk policies. Information on investment policies, investment activity, investment management fees and a listing of specific investments owned by the pooled asset accounts can be obtained from Board of Investments at P.O. Box 200126, Helena, MT 59620-0126.

Information about the primary government's (State of Montana) investments, including credit risk classification, can be obtained from the Department of Administration, State Accounting Division, at P.O. Box 200102, Helena, MT 59620-0102.

Cash and cash equivalents consist of funds deposited in the State Treasurer's pooled cash account and cash invested in the Short-Term Investment Pool (STIP). Pooled investments other than STIP are reported at the fair value of each unit times the number of units owned. STIP is recorded at $1 per unit for each unit held. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most recent external managers' valuation reports.

The TRS investments include: STIP; Retirement Funds Bond Pool (RFBP); Montana Domestic Equity Pool (MDEP); Montana International Equity Pool (MTIP); Montana Private Equity Pool (MPEP), Montana Real Estate Pool (MTRP). Effective May 1, 2011, the real estate buildings and residential mortgages, previously reported as other investments and mortgages, are included in the MTRP and RFBP portfolios. Other Investments consist of a portfolio of Structured Investment Vehicles (SIVs) at June 30, 2011.

The TRS Investment Portfolio is listed below:

TRS Cash Equivalent and Investment Portfolio
June 30, 2011

Investment	Book Value	Fair Value
STIP	$ 39,826,062	$ 39,826,062
RFBP	676,694,083	726,164,390
MDEP	469,900,673	1,074,185,991
MTIP	341,942,013	544,950,429
MPEP	231,772,017	362,293,218
MTRP	227,674,109	192,374,448
Other Asset Backed	687,861	687,861
Total	$ 1,988,496,818	$ 2,940,482,399

Securities Lending – Under the provisions of state statutes, BOI is authorized to lend its securities and has contracted with the custodial bank to lend the BOI securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The BOI and the custodial bank split the earnings, 80/20% respectively, on security lending activities. The BOI retains all rights and risks of ownership during the loan period. At June 30, 2011, the BOI had no credit risk exposure to borrowers. The private equity and real estate pools do not participate in securities lending. There were no failures by any borrowers to return or pay distributions thereon during the period that resulted in a declaration and notice of Default of the Borrower.

The investment risks for the pooled investments that TRS participates in are described in the following paragraphs.

Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the BOI may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investments made. The managers are not allowed to engage in currency speculation, such as over-hedging, reverse hedging, cross-hedging or other trading activity not specifically aimed at minimizing risk versus their benchmark or preserving the U.S. dollar value of investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement No. 40, the BOI selected the effective duration method to disclose interest rate risk. STIP interest rate risk is determined using the weighted average maturity (WAM) method.

All securities in pools are held in the name of the Montana BOI, or were registered in the nominee name for the Montana BOI and held in the possession of the BOI's custodial bank. MDEP, MTIP, MPEP, and MTRP do not invest in debt securities, so interest rate risk, credit risk, and concentration of credit risk do not apply to these holdings. According to GASB Statement No. 40, interest rate disclosures are not required for STIP since STIP is a 2a7-like pool. STIP, as an external investment pool, has not been rated.

The TRS investments subject to credit and interest rate risk at June 30, 2011 are categorized below:

Investment		Fair Value 6/30/11	Credit Quality Rating 6/30/11	Effective Duration 6/30/11	WAM in Days
RFBP	$	726,164,390	AA-	4.56	
STIP		39,826,062	NR		35

MPEP, MTRP, MTIP, and RFBP include assets subject to foreign currency risk. The MPEP and MTRP investments in EURO currency had a carrying value of $35,547,652 and a fair value of $25,581,114 at June 30, 2011. The MTIP and RFBP had cash and securities with a foreign currency value of $599,933,893 at June 30, 2011. The TRS position in those pools was approximately 37% at June 30, 2011.

NOTE C. CONTRIBUTIONS

The TRS funding policy provides for monthly employee and employer contributions at rates specified by state law. Plan members are currently required to contribute 7.15% of their earned compensation and the employer contribution rate for fiscal year 2011 was 9.85% of earned compensation. The State's General Fund contributed 2.38% of the employer contributions for school district and community college employers of their members earned compensation and an additional .11% of total earned compensation of all members. Each employer in the Montana university system shall contribute to the TRS a supplemental employer contribution currently at a rate of 4.72% of the total compensation of employees participating in the Optional Retirement Program (ORP). An actuary determines the actuarial implications of the funding requirement in annual actuarial valuations. The actuarial method used to determine the implications of the statutory funding level is the entry age actuarial cost method, with both normal cost and amortization of the accrued liability determined as a level percentage of payroll.

NOTE D. FUNDED STATUS and FUNDING PROGRESS

Our most recent actuarial valuation may be accessed on our website at:
www.trs.mt.gov/Board/ActuarialValuations/ActuarialValuations.

The funded status of the TRS plan as of July 1, 2011, the most recent actuarial valuation date is as follows (dollar amounts in millions):

Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
$2,866.5	$4,658.6	$1,792.1	61.5%	$746.7	240.0%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation date	July 1, 2011
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	71 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%
Guaranteed annual benefit adjustment	1.50%
Inflation rate	3.50%

The actuarial valuation prepared as of July 1, 2011, the most recent valuation date, indicates the statutory rate is insufficient to fund the normal cost and to amortize the unfunded accrued liability under the entry age actuarial cost method over 30 years.

On a market value basis the TRS earned $116.1 million more than anticipated by the 7.75% assumption for the year ended June 30, 2010 and $345.1 million more than anticipated by the 7.75% assumption for the year ended June 30, 2011. The net result as of July 1, 2011 is that the market value of assets is $105.9 million more than the actuarial value of assets. This $105.9 million in unrecognized asset gains will cause the contributions needed to amortize the UAAL in future valuations to decrease. However, to remain financially sound in the future, TRS will need either (1) future gains such as asset returns greater than the 7.75% assumption, (2) an increase in contribution rates, (3) a reduction in liabilities, or some combination thereof.

NOTE E. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

TRS employees and dependents are eligible to receive health care through the State Group Benefits Plan administered by the Montana Department of Administration (MDOA). In accordance with Section 2-18-704, MCA, the State provides optional post-employment medical, vision and dental health care benefits for retirees and their dependents and beneficiaries that elect to continue coverage and pay administratively established premiums. Plan coverage is on a calendar year basis. For GASB 45 reporting, the State Group Benefits Plan is considered an agent multiple-employer plan and TRS is considered to be a separate employer participating in the plan. Information about the State of Montana Other Postemployment Benefits (OPEB) can be obtained from the Department of Administration, State Accounting Division, at P.O. Box 200102, Helena, MT 59620-0102.

The plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the TRS.

Funding Policy

The contribution requirements of plan members are established and may be amended by the MDOA. The monthly premium for plan members ranges from $285 to $982 for calendar year 2011 depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between $34.90 and $59.36 and vision premiums vary between $7.64 and $22.26 depending on the coverage selected. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost

The annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual OPEB Cost

	TRS
Annual required contribution/OPEB cost	$ 43,060
Interest on net OPEB obligation	6,127
Annual OPEB cost	49,187
Contributions made	-
Increase in net OPEB obligation	49,187
Net OPEB obligation – beginning of year	144,155
Net OPEB obligation – end of year	193,342

The 2011 ARC is calculated for all the plan's employers and then allocated to each participating employer. The TRS 2011 ARC is $49,187 and is based on the plan's current ARC rate of 6.24% percent of total annual covered payroll for all employers. The 2011 ARC is equal to an annual amount required each year to fully fund the liability over 30 years. The amount of the estimated OPEB actuarial accrued liability was determined in accordance with GASB Statement 45, and the liability for TRS is estimated at $519,203. (The actuarial accrued liability is the present value of future retiree benefits and expenses.) For fiscal year 2011, the TRS allocated annual OPEB cost (expense) of $49,187 was equal to the ARC. The TRS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended		Annual OPEB Cost	% of Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2009	$	49,496	0%	$	96,974
6/30/2010		47,181	0%		144,155
6/30/2011		49,187	0%		193,342

Funded Status and Funding Progress

The funded status of the TRS allocation of the plan as of January 1, 2009, the most recent valuation date was as follows:

Actuarial accrued liability (AAL)	$519,203
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$519,203
Funded ratio (actuarial value of plan assets/AAL)	0
TRS Covered payroll (active plan members)	$764,771
UAAL as a percentage of covered payroll	67.89%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting progress are based on the substantive plan (the plan as understood by the employer and the plan members), and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial Methods and Assumptions

As of January 1, 2009, the TRS actuarially accrued liability (AAL) for benefits was $519,203, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $519,203, and the ratio of the UAAL to the covered payroll was 67.89%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the January 1, 2009, actuarial valuation, the projected unit credit funding method was used for the State. The actuarial assumptions included a 4.25% discount rate and a 2.50% payroll growth rate. The projected annual healthcare cost trend rate is 10.0% for 2009 and decreases by 1% per year down to 5% for 2014 and beyond for medical and 9.5% for prescription drugs decreasing a .5% to 2012 and then decreases by 1% down to 5% at 2015 and beyond.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION

TRS PLAN
SCHEDULE OF FUNDING PROGRESS
(All dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)[1]	Present Value of Future University Supplemental Contributions	Unfunded Actuarial Accrued Liabilities (UAAL)[2]	Funded Ratio[3]	Covered Payroll[4]	UAAL as a Percentage of Covered Payroll
July 1, 2006	2,745.8	3,733.6	124.7	863.1	76.1%	636.0	135.7%
July 1, 2007	3,006.2	3,928.5	153.4	768.9	79.6%	664.1	115.8%
July 1, 2008	3,159.1	4,110.8	157.1	794.6	79.9%	689.5	115.2%
July 1, 2009	2,762.2	4,331.0	157.2	1,411.6	66.2%	683.2	206.6%
July 1, 2010	2,956.6	4,518.2	158.7	1,561.6	65.4%	747.0	209.0%
July 1, 2011	2,866.5	4,658.6	155.1	1,792.1	61.5%	746.7	240.0%

(1) *Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method. Effective July 1, 2010, the System's AAL includes the present value of future university supplemental contributions.*

(2) *Actuarial accrued liabilities less actuarial value of assets and present value of future university supplemental contributions. Effective July 1, 2010, the System's UAAL is not offset by the present value of future university supplemental contributions. Instead, the ORP contributions are used as additional contributions toward the System's amortization of the unfunded liability.*

(3) *Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future university supplemental contributions. Effective July 1, 2010, the System's UAAL is not offset by the present value of future university supplemental contributions. Instead, the ORP contributions are used as additional contributions toward the System's amortization of the unfunded liability.*

(4) *Covered Payroll includes compensation paid to all active employees on which contributions are calculated.*

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION

TRS PLAN
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

(All dollar amounts in thousands)

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2006	81,287	195.6%
June 30, 2007	96,228	117.1%
June 30, 2008	93,142	87.4%
June 30, 2009	80,998	100.0%
June 30, 2010	90,947	98.3%
June 30, 2011	91,859	98.3%

A $50 million one-time contribution made by the State in FY 2007 and a $100 million one-time contribution made by the State in FY 2006 are included in the calculation of the percentage of ARC contributed.

Since the System is a Cost Sharing Multiple Employer Plan, there is no Net Pension Obligation (NPO).

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Cost Method

The actuarial valuation was prepared using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The normal cost was first calculated for each individual member. The normal cost rate is defined to equal the total of the individual normal costs, divided by the total pay rate.

The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized as a level percentage of the projected salaries of present and future members of the System.

The ultimate cost of any pension program over time equals the benefits paid and expenses incurred while administering the program. The source of revenue used to pay for this cost is equal to the contribution from employers and employees to fund the program, plus investment return earned on contributions made through pre-funding the benefit payments.

Valuation of Assets - Actuarial Basis

The actuarial asset valuation method spreads asset gains and losses over four years. The expected return is determined each year based on the beginning of year market value and actual cash flows during the year. Any difference between the expected market value return and the actual market value return is recognized evenly over a period of four years. The gains and losses are measured starting with the year ended June 30, 2007. The actuarial value of assets is not allowed to be greater than 120% or less than 80% of the market assets. (Adopted July 1, 2007)

Inflation Rate

The assumed inflation rate is 3.50% per annum, compounded annually (adopted July 1, 2004).

Investment Earnings

The annual rate of investment earnings of the assets of the System is assumed to be 7.75% per year, compounded annually. (Adopted July 1, 2004)

Guaranteed Annual Benefit Adjustment Increases

On January 1 of each year, the retirement allowance payable must be increased by 1.5% if the retiree's most recent retirement effective date is at least 36 months prior to January 1 of the year in which the adjustment is to be made.

Future Salaries
The rates of annual salary increases assumed for the purpose of the valuation include an assumed 4.5% annual rate of increase in the general wage level of the membership plus a variable merit and longevity rate from 0% to 4.51%. The merit and longevity increases for the Montana University System (MUS) members did not show a pattern of increasing or decreasing with service at the time of our most recent study. Therefore, the MUS members have a flat 1% merit and longevity assumption. The general wage increase assumption was adopted July 1, 2004 and the merit and longevity scales were adopted July 1, 2002.

MUS members are assumed to have a 0.63% higher average final compensation to account for the larger than average annual compensation increases observed in the years immediately preceding retirement.

Amortization Method
The unfunded actuarial accrued liability created by this method, including gains and losses, is amortized as a level percentage of the System's projected payroll.

Amortization Period
The amortization period of the unfunded actuarial liability over an open period is 71 years as of July 1, 2011.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits Plan Information
Schedule of Funding Progress
(All dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of covered Payroll ((b-a/c)
1/1/2007	-	$ 449,321	$ 449,321	0%	$ 519,969	86.41%
1/1/2009	-	357,664	357,664	0%	526,794	67.89%

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Valuation date	January 1, 2009
Actuarial cost method	Projected unit credit funding
Amortization method	Level percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 45
Actuarial assumptions:	
Projected salary increases	2.50%
Participation	
Future retirees	55.0%
Future eligible spouses	60.0%
Inflation rate	4.50%

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
SUPPORTING SCHEDULES
FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

SCHEDULE OF ADMINISTRATIVE EXPENSES

Expenses for the administration of the plan, excluding compensated absences, depreciation and amortization, are budgeted and approved by the TRS Board. The administrative costs of the TRS are financed through realized investment income. The expenses, less amortization of intangible assets, may not exceed 1.5% of retirement benefits paid. Administrative expenses for the fiscal years ended June 30, 2011 and 2010 are outlined below:

	2011	2010
Budgeted Expenses:		
Personnel Services:		
Salaries	$ 833,867	$ 832,848
Other Compensation	3,150	2,200
Employee Benefits	264,087	255,300
Total Budgeted Personal Srvs	$ 1,101,104	$ 1,090,348
Operating Expenses:		
Contracted Services	$ 373,821	$ 416,226
Supplies & Material	57,394	26,890
Communications	60,050	56,833
Travel	17,635	16,267
Rent	61,051	62,931
Repair & Maintenance	11,182	40,178
Other Expenses	64,358	68,069
Total Budgeted Operating Exp	$ 645,491	$ 687,394
Non-Budgeted Expenses:		
Compensated Absences	$ (2,187)	$ 8,554
Depreciation	21,032	9,356
Amortization of Intangible Assets	77,928	109,472
Total Non-Budgeted Expenses	$ 96,773	$ 127,382
Total Administrative Expenses	**$ 1,843,368**	**$ 1,905,124**

SCHEDULE OF INVESTMENT EXPENSES

Investment	BOI	Custodial Bank	External Managers	Total
STIP	$ 8,951	$ 2,510	$	$ 11,461
RFBP	196,460	68,513	560,488	825,461
MDEP	218,754	215,954	3,564,447	3,999,155
MTIP	215,714	72,031	1,617,853	1,905,598
MPEP	201,350	34,466	5,810,740	6,046,556
MTRP	172,154	18,780	2,939,135	3,130,069
Mortgages/Real Estate	55,632		4,969	60,601
	$ 1,069,015	**$ 412,254**	**$ 14,497,632**	**$ 15,978,901**

SCHEDULE OF PAYMENTS TO CONSULTANTS (included in administrative contracted services on previous page)

	2011	2010
Actuarial Services	$ 102,231	$ 129,345
Personnel Services	3,465	959
Legal Services	11,574	15,678
Medical Evaluations	275	700
Information Technology Services	77,700	58,360
Total Consultant Payments	**$ 195,245**	**$ 205,042**

Teachers' Retirement System

System's Response

TEACHERS' RETIREMENT SYSTEM

1500 E. SIXTH AVENUE
PO BOX 200139
HELENA, MONTANA 59620-0139 (406) 444-3134 BRIAN SCHWEITZER, GOVERNOR

STATE OF MONTANA

December 6, 2011

RECEIVED
DEC 06 2011
LEGISLATIVE AUDIT DIV.

Tori Hunthausen, Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

Dear Ms. Hunthausen:

Thank you for the opportunity to reply to the 2010-2011 financial audit report of the Teachers' Retirement System.

Recommendation # 1:
We recommend the Teachers' Retirement System continue to take necessary measures to ensure the retirement system is funded on an actuarially sound basis as required by the Montana Constitution.

Response: Concur

The ultimate decision on how to address TRS's unfunded liability rests with the Montana legislature, as only the legislature can set contribution and benefit rates. Prudent, relatively small changes now can avert the need for more drastic measures later. The TRS Board has identified a number of corrective measures adopted by other states, and our actuaries have calculated the likely effects of implementing them here in Montana. Any such changes can be phased in gradually and be subject to triggers so that contribution and benefit rates are responsive to the funded status of the plan.

The Board has directed staff to schedule meetings around the State in 2012 to solicit ideas to help address the unfunded liability. The Board is exploring all reasonable alternatives, and will have legislation prepared for consideration in the 2013 legislative session.

Sincerely,

David L. Senn
Executive Director