

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.

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.

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.

| 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>
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