

FINANCIAL-COMPLIANCE AUDIT
 Teachers' Retirement System

For the Two Fiscal Years Ended June 30, 2012

JANUARY 2013

12-09A

REPORT SUMMARY

In fiscal year 2012, the Teachers' Retirement System (system) paid out \$99.4 million more in benefits than it collected in contributions. During the audit period, the system's financial position decreased by \$40 million because investment earnings did not cover the difference between the \$152 million of contributions collected and \$251 million in benefit payments.

Context

The Teachers' Retirement System is a component unit of the state of Montana. It was established in 1937. Currently 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 to be members of the system.

A six member board governs the system. The Executive Director and system personnel are responsible for the daily administration of the system. At June 30, 2012, the system had 18 full-time equivalent employees.

At July 1, 2012, the system had more than 18,300 active members and approximately 13,300 retirees or beneficiaries receiving benefits. The system had \$2.9 billion of assets.

The Montana Constitution requires the Teachers' Retirement System to be funded on an actuarially sound basis. To be funded on an actuarially sound basis, the system must be able to amortize its unfunded liability in 30 years or less.

Results

The July 1, 2012, actuarial valuation indicated the system's unfunded liability does not amortize. In eight of the last nine valuations, the system's unfunded liability has not amortized within the 30 year requirement. Table 1 on page 3 shows the historic trend of the system's actuarial soundness.

We issued an unqualified opinion on the system's financial statements, and this report contains one recommendation related to 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 (12-09A) 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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