

FINANCIAL AUDIT

Teachers' Retirement System

For the Fiscal Year Ended June 30, 2013

DECEMBER 2013

12-09B

REPORT SUMMARY

In fiscal year 2013, the Teachers' Retirement System had a net investment income of \$373.7 million, which contributed to an increase of net position of \$252.9 million. In July 2013, the actuarial evaluation indicated the system is actuarially sound and able to amortize the unfunded accrued liability within a 20-year period.

Context

The Teachers' Retirement System (system) 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.

During fiscal year 2013 members contributed \$62.8 million with total contributions totaling \$154.4 million. In contrast, \$268.2 million in benefits paid were paid out to approximately 13,868 members or their beneficiaries during the fiscal year.

The Montana Constitution requires the 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 actuarial accrued liability (UAAL) in 30 years or less. The UAAL is the excess of the actuarial accrued liability over the actuarial value of the assets, which is typically the present value of the benefits earned to date that are not covered by the system's current plan assets. At July 1, 2013, the system's UAAL was \$1,524,800,000. At June 30, 2012, the system did not amortize. During the 2013 Legislative Session, three bills were passed that created significant changes to

the system. The major changes were to increase the employee and employer contribution rates and decrease the guaranteed annual benefit adjustment (GABA). The July 1, 2013, actuarial evaluation indicated the system's amortization period is 20 years. There is currently a lawsuit pending regarding the decrease in GABA. However, if the parties to the lawsuit prevail, the remaining amortization period is still expected to be less than 30 years.

This audit's primary objective was to determine if the fiscal year 2013 financial statements are presented in all material respects in conformity with Generally Accepted Accounting Principles (GAAP). We performed a variety of analytical tests over the financial information to determine that the amounts presented on the financial statements were fairly presented. These tests included verifying eligibility, benefit calculations, and employer and employee contribution calculations. We also tested selected state laws that have a direct impact on the financial statements. We also verified that the financial statement presentation was in accordance with GAAP.

Results

We have no recommendations and issued an unmodified opinion on the system's financial statements for fiscal year 2013.

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

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