Montana Legislative Audit Division

Financial Audit
Teachers' Retirement Board
For the Fiscal Year Ended June 30, 2015

December 2015 14-09B Report Summary

The Teachers' Retirement Board administers the Teachers' Retirement System, a multiple-employer, cost-sharing, defined-benefit, public pension plan. In fiscal year 2015, the system had 365 reporting employers. Total membership in the system for the fiscal year was approximately 47,600, which includes 14,839 retirees and beneficiaries receiving benefits. The July 2015 actuarial valuation indicated the system is actuarially sound, meaning the plan's assets are estimated to be sufficient to fund benefit payments for all existing members and the cost of amortizing unfunded liabilities over a period of no more than 30 years.

Context

Teachers' Retirement Board (board) is a component unit of the state of Montana, responsible for administering the Teachers' Retirement System (system). Statutorily, full-time members of the public teaching profession, including administrative and professional staff, are required to be members of the system. Certain employees of the Montana University System hired after July 1, 1993, are not required to be members.

At July 1, 2015, the system had more than 18,300 active members. During fiscal year 2015, members contributed $72.2 million, employers contributed $87.3 million, and in total, including supplemental contributions, $202.9 million was contributed to the system. The system had net investment income of $165.7 million. In contrast, $303.7 million in benefits were paid to 14,839 members or their beneficiaries during the fiscal year. The Montana Constitution requires the system to be funded on an actuarially sound basis. This is defined as having contributions sufficient to pay benefits and the cost of amortizing unfunded liabilities over a period of no more than 30 years. The July 1, 2015, actuarial valuation indicated the system's amortization period is 26 years.

For fiscal year 2015, the total pension liability and net pension liability were approximately $5.4 billion and $1.6 billion, respectively. This is an increase from fiscal year 2014 in which the total pension liability and net pension liability were $5.1 billion and $1.5 billion, respectively.

Effective fiscal year 2015, a new accounting standard changed financial reporting requirements for employers of pension plans. Because board employees are members of the Public Employees' Retirement System–Defined Benefit Retirement Plan (PERS–DBRP), the system was required to present an allocated proportion of PERS–DBRP's net pension liability, deferred outflows and deferred inflows of resources, and pension expense in the financial statements, notes, and required supplementary information.

Our audit work included sample testing of contributions and benefits and testing significant internal controls. As part of our audit, we also reviewed the presentation of