

FINANCIAL-COMPLIANCE AUDIT

Teachers' Retirement Board

For the Fiscal Year Ended June 30, 2016

DECEMBER 2016

16-09A

REPORT SUMMARY

The July 2016 actuarial valuation of the Teachers' Retirement System indicated the system is actuarially sound. The actuary has estimated that plan assets are 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. The net pension liability for fiscal year 2016 is approximately \$1.8 billion. Employers participating in the Teachers' Retirement System will report their proportionate share of this net pension liability in their financial statements.

Context

The Teachers' Retirement Board (board) administers the Teachers' Retirement System (system) which is a multiple-employer, cost-sharing, defined-benefit, public pension plan. The board is a component unit of the state of Montana. Full-time members of the public teaching profession, including administrative and professional staff, are required, by law, to be members of the system. Certain employees of the Montana University Systems hired after July 1, 1993, are not required to be members.

There were more than 19,000 active members at July 1, 2016. Members contributed \$72.7 million while employers contributed \$88.6 million. In total, \$205.3 million was contributed to the system, including supplemental contributions. A total of \$320.8 million was paid in benefits to the 15,164 retirees and beneficiaries receiving benefits. Investment earnings are used to make up the difference between contributions and benefit payments. There was a market rate of return for investments of 2.08 percent.

The total pension liability and net pension liabilities were approximately \$5.5 billion and \$1.8 billion, respectively for fiscal year 2016.

The fiscal year 2015 total pension liability and net pension liability were approximately \$5.4 billion and \$1.6 billion, respectively.

Our audit work included reviewing support for contribution receipts and benefit payments, and considering the reasonableness of investment balances. We considered the control systems throughout the audit and evaluated compliance with selected laws and regulations. We reviewed the system's financial statements and note disclosures to determine if they were supported by the underlying accounting records and the actuarial valuation as of June 30, 2016. Additionally, testing was performed over key employee data for retirement system members used by the actuary to calculate the total pension liability.

Results

The report does not contain any recommendations. We issued an unmodified opinion on the system's financial statements for fiscal year 2016. A reader can rely on the information presented in the financial statements.

For a complete copy of the report (16-09A) 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>

Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE

Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.