

FINANCIAL AUDIT

Teachers' Retirement Board

For the Fiscal Year Ended June 30, 2017

JANUARY 2018

16-09B

REPORT SUMMARY

During fiscal year 2017 the Teachers' Retirement System had an 11.9 percent rate of return on investments. The fiscal year 2016 rate of return was 2.1 percent. This led to an increase of net investment income of \$355.5 million in fiscal year 2017, from \$71.5 million to \$427 million. This contributed to the \$293.9 million increase in fiduciary net position, and the decrease in the amortization period of the unfunded liabilities in the actuarial valuation from 24 years to 22 years.

### 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 fiduciary 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.

The total and net pension liabilities for fiscal year 2017 were approximately \$5.6 billion and \$1.7 billion, respectively. Employers participating in the system will report their proportionate share of this net pension liability in their financial statements. The total and net pension liabilities for fiscal year 2016 were approximately \$5.5 billion and \$1.8 billion, respectively.

In fiscal year 2017, the approximately 19,000 active members contributed \$74.3 million while employers contributed \$91.9 million, and supplemental contributions from the state totaled \$44.4 million. In total, \$210.5 million was contributed to the system.

The approximately 15,500 retirees and beneficiaries receiving benefits received a total of \$333.6 million. Net investment income of \$427 million is used to make up the difference between contributions received and benefits paid. In fiscal year 2017 the market rate of return was 11.92 percent.

The Montana Constitution requires the system to be actuarially sound. This is defined as the ability to amortize the unfunded accrued liability within a 30-year period. The July 2017 actuarial valuation of the system indicated the system is actuarially sound. The actuary has estimated that the plan assets are sufficient to fund benefit payments, for all existing members, and the cost of amortizing unfunded liabilities over a period of 22 years.

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 actuarial valuation as of June 30,

*(continued on back)*

2017. 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 the fiscal year 2017. A reader can rely on the information presented in the statements.

For a complete copy of the report (16-09B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto: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 [lad@mt.gov](mailto:lad@mt.gov).