



# The Audit of the Employees Retirement System's Pension Schedules

February 4, 2016

Members of the Legislative Audit Committee:

Based on our audit work, the State Auditor's Office concluded that the Employees Retirement System (System) presented the following schedules fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America:

- Schedules of Employer Allocation as of August 31, 2013.<sup>1</sup>
- Schedule of Net Pension Liability as of September 1, 2013.<sup>1</sup>
- Schedules of Employer Allocation as of August 31, 2014.
- Schedules of the Collective Pension Amounts as of August 31, 2014.
- Schedules of Employer Allocation as of August 31, 2015.
- Schedules of the Collective Pension Amounts as of August 31, 2015.

The State Auditor's Office conducted audit work on the above schedules based on auditing guidance from the American Institute of Certified Public Accountants (AICPA) regarding Governmental Accounting Standards Board requirements (see text box for additional details).

The System administers the following defined benefit pension plans included in our audit: Employees Retirement System Plan, Law Enforcement and Custodial Officer Supplemental Retirement Plan, and Judicial Retirement System of Texas Plan II. The System intends to post all of the schedules and our audit reports on its Web site at [www.ers.state.tx.us](http://www.ers.state.tx.us).

We also issued reports on internal control over financial reporting of the schedules and on compliance and other matters as required by auditing standards. Our procedures did not identify any material weaknesses in internal control over financial reporting of the schedules or any noncompliance with laws or regulations

#### Pension Liability Reporting Requirements

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which became effective for fiscal years beginning after June 15, 2014, requires governments to begin recording on the face of their financial statements a liability for pension plans administered through trusts, rather than disclosing those amounts in the notes to their financial statements. Specifically, a government will incur a "net pension liability" if the total obligation to members exceeds the value of the net assets the government has set aside to pay those benefits.

Plan participants issuing stand-alone financial statements will need to recognize their portion of the reported pension liability in the financial statements they produce.

The Employees Retirement System (System) prepared the Schedules of Employer Allocation and the Collective Pension Amounts to help state agencies comply with new requirements of GASB 68. Plan participants may use the pension liability schedules the System prepared to aid them in determining their portion of the reported pension liability.

<sup>1</sup> Based on auditing standards, auditors needed to conduct audit work on 2013 information.

that materially affected the schedules. In addition, the major internal controls that we tested for the purpose of forming our opinions on the schedules were operating effectively.

Our procedures were not intended to provide an opinion on internal control over financial reporting of the schedules or to provide an opinion on compliance with laws and regulations. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting of the schedules or on compliance with laws and regulations.

As required by auditing standards, we will also communicate to the System's board of trustees certain matters related to the conduct of this audit.

We appreciate the System's cooperation during this audit. If you have any questions, please contact Verma Elliott, Audit Manager, or me at (512) 936-9500.

Sincerely,

Lisa R. Collier, CPA, CIDA  
First Assistant State Auditor

cc: The Honorable Greg Abbott, Governor  
Members of the Employees Retirement System Board of Trustees  
Mr. I. Craig Hester, Chair  
Mr. Doug Danzeiser, Vice Chair  
Ms. Ilesa Daniels  
Ms. Cydney Donnell  
Mr. Brian D. Ragland  
Mr. Frederick E. Rowe, Jr.  
Mr. Porter Wilson, Executive Director, Employees Retirement System



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