



A Report on
The Audit of the **Teacher Retirement System's**
Fiscal Year 2015 Employer Pension
Liability Allocation Schedules

August 1, 2016

Members of the Legislative Audit Committee:

In our audit report dated July 29, 2016, we concluded that the Schedule of Employer's Proportionate Shares (Allocations) and the Schedule of Pension Amounts by Employer as of August 31, 2015, for the Teacher Retirement System (System) are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States of America. The System intends to post the schedules and our audit report on its Web site at <http://www.trs.texas.gov/>.

We also issued a report 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 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.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the System's management.

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 Michael Clayton, Audit Manager, or me at (512) 936-9500.

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.

Employers in the plan will need to recognize their portion of the reported pension liability in the financial statements they produce.

The System prepared the Schedule of **Employer's Proportionate Shares (Allocations)** and the Schedule of Pension Amounts by Employer to help participating employers comply with requirements of GASB 68. Employers may use the pension liability schedules prepared by the System to aid them in determining their portion of the reported pension liability.

SAO Report No. 16-034

Members of the Legislative Audit Committee

August 1, 2016

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Sincerely,

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

cc: The Honorable Greg Abbott, Governor
Members of the Teacher Retirement System Board of Trustees
Mr. R. David Kelly, Chairman
Ms. Dolores Ramirez, Vice Chair
Ms. T. Karen Charleston
Mr. Joe Colonnetta
Mr. David Corpus
Mr. John Elliott
Dr. Greg Gibson
Mr. Christopher Moss
Ms. Anita Smith Palmer
Mr. Brian Guthrie, Executive Director, Teacher Retirement System



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