



A Report on

# The Audit of the Teacher Retirement System's Fiscal Year 2019 Employer Pension and Other Post Employment Benefit Liability Allocation Schedules

June 12, 2020

Members of the Legislative Audit Committee:

We have issued two audit reports dated June 5, 2020, related to the Teacher Retirement System's (System) pension and other post employment benefit (OPEB) liability schedules for fiscal year 2019.

## Pension Liability Schedules

We concluded that the System's Schedule of Employer's Proportionate Shares (Allocations) and the total for all entities of the columns titled net pension liability end of year, total deferred outflow of resources, total deferred inflow of resources, and total pension expense (specified column totals) included in the Schedule of Pension Amounts by Employer and the related notes as of August 31, 2019, were materially correct and presented in accordance with accounting principles generally accepted in the United States of America (see text box for pension liability reporting requirements).

## OPEB Liability Schedules

We concluded that the System's Schedule of Employer's Proportionate Shares (Allocations) of the Collective Net Other Post Employment Benefits (OPEB) Liability and the total for all entities of the columns titled net OPEB liability end of year, total deferred outflow of resources, total deferred inflow of resources, and total OPEB expense (specified column totals) included in the Schedule of OPEB Amounts by Employer and the related notes as of August 31, 2019, were materially correct and presented in accordance with accounting principles generally accepted in the United States of America (see text box for OPEB liability reporting requirements).

The System intends to post the Pension Liability Schedules and the OPEB Liability Schedules and our audit reports on its website at <http://www.trs.texas.gov/>.

### Pension and OPEB Liability Reporting Requirements

#### Pension 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.

#### OPEB Reporting Requirements:

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which became effective for fiscal years beginning after June 15, 2017, requires governments to begin recording on the face of their financial statements a liability for OPEB plans administered through trusts, rather than disclosing those amounts in the notes to their financial statements.

Employers in the respective plans will need to recognize their portion of the reported pension and OPEB liability in the financial statements they produce.

Sources: GASB 68 and 75 and the American Institute of CPAs State and Local Government Expert Panel Pension Whitepapers Series, *Governmental Employer Participation in Cost-Sharing Multiple Employer Plans: Issues Related to Information for Employer Reporting*.

SAO Report No. 20-033

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

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.

Sincerely,

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

cc: The Honorable Greg Abbott, Governor  
Teacher Retirement System Board of Trustees  
Mr. Jarvis V. Hollingsworth, Chairman  
Ms. Nanette Sissney, Vice Chair  
Mr. Michael Ball  
Mr. David Corpus  
Mr. John Elliott  
Mr. Christopher Moss  
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Mr. Robert H. Walls  
Mr. Brian Guthrie, Executive Director, Teacher Retirement System



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