



A Report on

The Audit of the Teacher Retirement System's Fiscal Year 2022 Employer Pension and Other Post Employment Benefit Liability Schedules

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

Independent Auditor's Reports

We have issued two audit reports dated June 2, 2023, related to the Teacher Retirement System's (System) pension and other post employment benefit (OPEB) liability schedules for fiscal year 2022.

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 outflows of resources, total deferred inflows 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, 2022, were materially correct and presented in accordance with accounting principles generally accepted in the United States of America (see text box on the next page 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 Benefit (OPEB) Liability and the total for all entities of the columns titled net OPEB liability end of year, total deferred outflows of resources, total deferred inflows 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, 2022, were materially correct and presented in accordance with accounting principles generally accepted in the United States of America (see text box on the next page for OPEB liability reporting requirements).

The System published our audit reports as part of its Pension Liability Schedules and OPEB Liability Schedules, which it posted on its website at <https://www.trs.texas.gov/>.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters

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.

Other Audit-related Items

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.

As required by auditing standards, we will also communicate to the System's Board of Trustees certain matters related to the conduct of a financial statement audit.

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*.



Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Teacher Retirement System

Members of the Teacher Retirement System Board of Trustees

Mr. Brian Guthrie, Executive Director

This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our website:
<https://sao.texas.gov>.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD); or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government, visit <https://sao.fraud.texas.gov>.

