AUDITORS’ REPORT
TEACHERS’ RETIREMENT BOARD
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN  ROBERT J. KANE
# Table of Contents

INTRODUCTION .................................................................................................................... 1
COMMENTS ............................................................................................................................ 2
FOREWORD ........................................................................................................................ 2
   Significant Legislation....................................................................................................... 4
RÉSUMÉ OF OPERATIONS ............................................................................................... 5
   Fund Accounting .............................................................................................................. 5
   Teachers' Retirement Fund ............................................................................................. 5
   General Fund ..................................................................................................................... 8
STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS ........................................... 9
   Unclaimed Contributions................................................................................................... 9
   Improper Disability Benefits .......................................................................................... 10
   Incorrect Calculation of Installment Payments ............................................................... 11
   Outdated State Regulations ............................................................................................. 12
RECOMMENDATIONS ......................................................................................................... 13
ACKNOWLEDGEMENT ....................................................................................................... 15
CONCLUSION ....................................................................................................................... 16
INTRODUCTION

AUDITORS' REPORT
TEACHERS' RETIREMENT BOARD
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017

We have audited certain operations of the State of Connecticut – Teachers’ Retirement Board in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2016 and 2017. The objectives of our audit were to:

1. Evaluate the board’s internal controls over significant management and financial functions;

2. Evaluate the board’s compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and

3. Evaluate the effectiveness, economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department, and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient,
Auditors of Public Accounts

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the board's management and the state’s information systems, and was not subjected to the procedures applied in our audit of the board. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions;
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors’ Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Teachers’ Retirement Board.

COMMENTS

FOREWORD

Section 10-183l of the General Statutes established the Teachers' Retirement Board (TRB). The board is responsible for managing the teachers' retirement system, which operates generally under the provisions of Title 10, Chapter 167a of the General Statutes. The 14-member board consists of:

- Three ex-officio members – Commissioner of the Department of Education, State Treasurer, and Secretary of the Office of Policy and Management (or their designees)
- Six system participants (4 active and 2 retired members) elected by their peers
- Five gubernatorial appointees

Pursuant to Section 10-183l of the General Statutes, board members serve without compensation, but any expenditures or loss of salary or wages incurred through their service on the board is reimbursable.

The following persons were members of the Teachers' Retirement Board as of June 30, 2017:

Elected Teachers’ Retirement System Members:

Retired Members:
   Clare H. Barnett, Chairperson
   Rosalyn B. Schoonmaker
Active Members:
   Al Bredehorst
   Maureen Honan
   Lisa Mosey
   William Myers

Public Members:
   Charles Higgins
   Jonathan Johnson
   Elaine T. Lowengard
   2 Vacancies

Ex Officio Members:
   Dianna R. Wentzell, Commissioner, State Department of Education
   Denise L. Nappier, Treasurer, Office of the State Treasurer
   Benjamin Barnes, Secretary, Office of Policy and Management

Darlene Perez has served as board secretary (administrator) since September 20, 2004.

The board administers a state-subsidized defined benefit retirement system for public school educators who work at least half-time. These educators are not covered by Social Security. The retirement system offers normal, prorated, and early retirement after certain vesting periods. The board also provides health insurance for some retired members and their spouses and partially reimburses towns that provide health insurance for retirees and spouses not covered by the board's health plan.

Public school teachers employed at least half-time in a position requiring State Board of Education certification must participate in the teachers’ retirement system. The professional staff of the State Board of Education and the constituent units of the state's higher education system can also participate or they can belong to the State Employees Retirement System. Alternatively, certain eligible higher education employees may participate in an alternate retirement program authorized by subsections (u) and (v) of Section 5-154 and subsection (g) of Section 5-160 of the General Statutes.

According to the board's administrative report, as of June 30, 2017, there were 64,220 non-retired members, of whom 50,234 were actively teaching. Active teachers must contribute 7.25% of their pensionable salary to the retirement fund with 6% helping to finance retirement benefits and 1.25% helping to finance retiree health insurance. The 6% is credited to the members' account balance and is refundable to members leaving the system, but the 1.25% is not.

Retired members and their spouses participating in Medicare Part A and B may join the health insurance plan offered by the Teachers' Retirement Board. The retired members pay a set premium for their coverage. This premium is subsidized by the aforementioned 1.25% contribution of active members, state appropriations, and investment income. Retired members and their spouses not eligible for Medicare Part A and B may continue their health insurance coverage through the last municipal or regional school system they worked for. The municipal or regional school system must charge the retired member the same premium assessed for active
members. To offset their cost, the employers, typically boards of education, are subsidized by TRB. As of June 30, 2017, the subsidy payment for retired members is up to $220 monthly plus up to $220 monthly for their enrolled spouse. The subsidies reduce the cost that retired members have to pay their former employer.

The board annually adds interest to active and inactive members' account balances, except for inactive vested members who have not taught for over 25 years and inactive non-vested members who have not taught for over 10 years. The board utilizes a smooth market value basis method of calculating interest, averaging out year-to-year interest variances over a number of years, thereby decreasing large annual swings of interest earned. Those interest rates for the 2 audited years compared to the previous year are as follows:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>%</th>
<th>Account balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year 2015-2016</td>
<td>5.1%</td>
<td>Computed on the June 30, 2017, member's account balance</td>
</tr>
<tr>
<td>Fiscal year 2014-2015</td>
<td>5.0%</td>
<td>Computed on the June 30, 2016, member's account balance</td>
</tr>
<tr>
<td>Fiscal year 2013-2014</td>
<td>6.7%</td>
<td>Computed on the June 30, 2015, member's account balance</td>
</tr>
</tbody>
</table>

In the event a member's participation in the retirement system is terminated during the fiscal year, the interest rate is prorated monthly and applied to the member's balance as of the previous June 30th.

The retirement system is funded by member contributions, state contributions, and investment earnings. As discussed more fully in the Résumé of Operations section below, required state funding is actuarially determined, whereas member contributions are defined by statute as a set percentage of members' salaries. Section 10-183z of the General Statutes provides for a phase-in of full funding. Beginning in the 1992-1993 fiscal year, annual state funding was to be at 100% of normal (current service) cost and the unfunded past liability was to be amortized over 40 years. In addition, state contributions include amortization, over 30 years, of the unfunded liability attributed to benefit-enhancing legislation enacted after June 30, 1980.

Pursuant to subsection (b) of Section 10-1831 of the General Statutes, the board is required to employ an actuary. At least once every 2 years, an actuarial analysis is prepared for valuation of the assets and liabilities, including the normal cost and unfunded liability. The June 30, 2016, actuarial evaluation reported an unfunded accrued liability for retirement benefits at that date of $13,127,607,000, compared with $10,802,693,000 at June 30, 2014.

**Significant Legislation**

Public Act 16-91 made the following changes, effective July 1, 2016:

- Section 2 of this act allowed the teachers’ retirement system to stop crediting interest on the contributions of inactive non-vested members after 10 years, rather than 25 years, of inactivity.

- A retired member may be reemployed in the Connecticut public school system and receive no more than 45% of the maximum salary for the assigned position. Section 3 of this act removed, until July 1, 2018, the 45% limit on the compensation of a reemployed
member who (A) is receiving retirement benefits from the system based on 34 or more years of credited service, (B) is reemployed in a district designated as an alliance district, and (C) was serving in that district on July 1, 2015. Also, Section 3 removed the 45% limit for retired members that opt not to receive retirement benefits while reemployed. The member may receive compensation, health benefits and other employment benefits provided to active members employed by the school system.

RÉSUMÉ OF OPERATIONS

Fund Accounting

The Teachers' Retirement Board's financial transactions are accounted for through various state funds and within the General Fund by specific appropriation accounts within the budget established by the state legislature, as required by generally accepted accounting principles (GAAP) for government. Unless changed, the budget establishes spending limits. Section 10-183r of the General Statutes provides for funding of the system as follows:

1. Administrative expenses, exclusive of benefits, are paid out of legislative appropriations from the General Fund.

2. Benefits are paid out of the Retirement Fund by member contributions, General Fund contributions, and investment earnings.

Teachers' Retirement Fund

A comparison of the 3 major recurring revenue sources of the Teachers' Retirement Fund is presented below for the audited period.

<table>
<thead>
<tr>
<th>State Actuarial Funding</th>
<th>Member Contributions</th>
<th>Investment Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2017</td>
<td>$1,012,162,000</td>
<td>$246,819,382</td>
</tr>
<tr>
<td>2015-2016</td>
<td>$975,578,000</td>
<td>$242,381,560</td>
</tr>
</tbody>
</table>

Member contributions consisted primarily of the previously mentioned 7.25% salary deduction. Employers collect these deductions and remit them to the board.

In addition to the state's actuarial funding transfer to the Retirement Fund, which is discussed below, state General Fund contributions were made for the health insurance cost subsidy provided pursuant to Section 10-183t of the General Statutes. State health insurance contributions totaled $18,829,361, $19,959,757 and $19,922,013 for the 2014-2015, 2015-2016 and 2016-2017 fiscal years, respectively.

Pursuant to Section 10-183z of the General Statutes, the required annual state contribution to the Teachers' Retirement Fund is determined each year by the board's actuary. The state's contribution equaled the required contribution for the audited period, as follow:
Auditors of Public Accounts

Teachers’ Retirement Board 2016 & 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially Determined Funding</td>
<td>$984,110,000</td>
<td>$975,578,000</td>
<td>$1,012,162,000</td>
</tr>
<tr>
<td>Actual State Contributions</td>
<td>984,110,000</td>
<td>975,578,000</td>
<td>1,012,162,000</td>
</tr>
<tr>
<td>Percentage Funded</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

In addition to the actuarial funding by the state, various towns funded an early retirement program pursuant to Section 10-183j of the General Statutes. Under that program, a town may pay for the cost of some unserved additional credited service time for participating members. Receipts attributed to the early retirement program totaled $668,924, $510,391, and $495,853 for the fiscal years ended June 30, 2015, 2016 and 2017, respectively.

A summary of fund expenditures for the fiscal years ended June 30, 2015, 2016 and 2017, is presented below for comparative purposes:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Benefits</td>
<td>$1,773,408,533</td>
<td>$1,842,941,671</td>
<td>$1,889,248,290</td>
</tr>
<tr>
<td>Health Insurance Benefits</td>
<td>124,992,114</td>
<td>129,654,313</td>
<td>133,159,614</td>
</tr>
<tr>
<td>Contribution Refunds</td>
<td>50,328,762</td>
<td>46,125,368</td>
<td>73,284,401</td>
</tr>
<tr>
<td>Totals</td>
<td>$1,741,837,879</td>
<td>$2,018,721,352</td>
<td>$2,095,692,305</td>
</tr>
</tbody>
</table>

The number of retirees and beneficiaries receiving payments increased from 35,745 in June 2015 to 36,274 in June 2017. The rise in retirement benefits is partially attributable to this increase, but it also reflects annual cost of living adjustments (COLA).

Pursuant to Section 10-183g of the General Statutes, retirees may be eligible to receive annual cost of living adjustments beginning in the June or January following 9 months of their retirement anniversary. Section 10-183g provides for differing COLA levels, depending upon the member’s retirement date. Members who retired prior to September 1, 1992 are eligible for an annual COLA in line with increases to the Consumer Price Index; subject, however, to a minimum COLA of 3% and a maximum COLA of 5%. The calculation differs for those who retired on or after September 1, 1992, and the payment of such COLA has been conditional. Subsection (l) of Section 10-183g of the General Statutes states that the COLA will be calculated using the Social Security Administration percentage, provided no COLA shall exceed 6%, and if the return earned by the pension assets for the preceding fiscal year is less than 8.5%, the COLA shall not exceed 1.5%.

A summary of the COLA increases granted during the audited period is presented below:

<table>
<thead>
<tr>
<th>COLA Dates</th>
<th>Prior to September 1992</th>
<th>After August 1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2017</td>
<td>3.0%</td>
<td>0.3%</td>
</tr>
<tr>
<td>July 2016</td>
<td>3.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>January 2016</td>
<td>3.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>July 2015</td>
<td>3.0%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>
As noted, health insurance benefits paid on behalf of retirees increased from $124,992,114 in the 2014-2015 fiscal year to $133,159,614 in the 2016-2017 fiscal year. This increase partially reflects additional retirees and beneficiaries and an increased cost of providing healthcare benefits.

Contribution refunds are paid to non-retired members who terminate from public school teaching and wish to withdraw their cumulative account balances. These balances consist of accumulated member contributions with credited interest. By withdrawing such funds, the member forfeits the right to any retirement benefit. If the former member returns to public school teaching, the member will have the option of repurchasing the forfeited service. As indicated, contribution refunds totaled $50,328,762, $46,125,368 and $73,284,401 in the 2014-2015, 2015-2016, and 2016-2017 fiscal years, respectively. In fiscal year 2016-2017, legislation ceased crediting interest on member accounts after 10 years, rather than 25 years, of inactivity. This resulted in a large increase in members requesting refunds of their account balances.

The Health Insurance Premium Account helps to provide subsidized health insurance for retired members and their spouses. Active members must contribute 1.25% of their annual pensionable salary to this account. Retired members, the state, and the Health Insurance Premium Account are each required to pay one-third of the costs for the board's basic health insurance plan. During the audited period, the Health Insurance Premium Account was maintained within the Teachers' Retirement Fund. According to the agency, the account balance was $95,361,399, $78,022,437, and $60,844,482 at June 30, 2015, 2016, and 2017, respectively.

The State Treasurer is custodian of the Teachers' Retirement Fund investments. A comparative summary of the cost and market values of the fund's investments is presented below:

<table>
<thead>
<tr>
<th>As of June 30</th>
<th>Cost</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$10,153,387,512</td>
<td>$16,109,803,388</td>
</tr>
<tr>
<td>2016</td>
<td>$9,771,669,535</td>
<td>$15,584,564,214</td>
</tr>
<tr>
<td>2017</td>
<td>$9,717,295,187</td>
<td>$17,126,802,473</td>
</tr>
</tbody>
</table>

The Teachers' Retirement Fund assets consist of the investments listed above. Per the State Comptroller's Comprehensive Annual Financial Reports, the net position (assets less liabilities) amounted to $16,120,053,000, $15,594,872,000, and $17,134,326,000 at June 30, 2015, 2016, and 2017, respectively. The net position figure includes fund liabilities, but does not include the actuarially determined unfunded accrued liability for retirement benefits discussed in the Foreword section of this report. Instead, that information is presented, pursuant to governmental accounting standards, in a Schedule of Changes in Net Pension Liability and Plan Net Position table that accompanies the financial reports.
General Fund

The Teachers’ Retirement Board pays administrative expenses, state funding contributions, and the state health insurance subsidies out of General Fund resources appropriated by the General Assembly. A summary of expenditures for the fiscal years ended June 30, 2015, 2016, and 2017 is presented below for comparative purposes:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Funding</td>
<td>$984,110,000</td>
<td>$975,578,000</td>
<td>$1,012,162,000</td>
</tr>
<tr>
<td>Health Insurance Subsidies</td>
<td>18,829,361</td>
<td>19,959,757</td>
<td>19,922,013</td>
</tr>
<tr>
<td>Total Transfers</td>
<td>1,002,939,361</td>
<td>995,537,757</td>
<td>1,032,084,013</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>2,013,686</td>
<td>2,065,708</td>
<td>2,058,630</td>
</tr>
<tr>
<td>Totals</td>
<td>$1,004,953,047</td>
<td>$997,603,465</td>
<td>$1,034,142,643</td>
</tr>
</tbody>
</table>

Administrative expenses consisted primarily of personal service payments to employees that totaled $1,671,275, $1,686,764, and $1,653,278 for the fiscal years ended June 30, 2015, 2016, and 2017, respectively.
STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS

The following recommendations resulted from our current review of the Teachers’ Retirement Board:

Unclaimed Contributions

**Background**
As of June 30, 2016, the teachers’ retirement system included 12,667 non-vested, inactive members with account balances totaling about $250 million. The Teachers’ Retirement Board deems approximately 50% of those accounts abandoned due to inactivity.

**Criteria:**
Section 10-183ee of the General Statutes requires the board to send a notice to non-vested members after 10 years of inactivity to notify them their account is considered abandoned and no additional interest will accrue.

**Condition:**
We revealed that 4,391 non-vested, inactive members’ accounts abandoned as a result of the legislative change.

Our review identified:

- Twenty-five members accrued interest, totaling $9,115, even though they had not taught in over 10 years.
- TRB did not notify more than 50% of those members that their account was no longer eligible to accrue interest

**Effect:**
TRB paid members unauthorized interest on their balances. In addition, TRB did not notify members of their account activity. As a result, they might not have been aware they had abandoned funds with TRB.

**Cause:**
The query TRB used to obtain a listing of members ineligible for interest improperly excluded a certain category of retiree. Also, the board does not receive change of address notification from retirees.

**Recommendation:**
The Teachers’ Retirement Board should implement a process to ensure members are notified of changes to their accounts. (See Recommendation 1.)
Agency Response: “We agree with this recommendation. The original query condition used to identify member’s ineligibility for interest improperly excluded a certain type of retiree. The query was corrected. The interest incorrectly posted was reversed. An updated list was published to the website.

There is a process in place to catch incorrect interest prior to a refund being issued to the member.

The Teachers Retirement Board (“TRB”) has purchased a people locator software. The software enables the TRB to locate addresses of its members to notify them of abandoned funds.”

Improper Disability Benefits

Criteria: Section 10-183aa (f) of the General Statutes states that for the first 24 months in which a member receives disability benefit payments, 20% of the member’s outside earned income should be offset against the disability allowance payment.

Per Section 10-183b (13) of the General Statutes, the definition of disabled changes from “inability to perform the usual duties of his occupation” to “inability to engage in any substantial gainful activity” after 24 months of receiving a disability allowance. The Medical Review Committee is responsible for evaluating medical evidence and making recommendations to the board regarding the continued eligibility of persons receiving disability allowances. Section 10-183aa (d) of the General Statutes states that disability benefits shall cease if and when the disability ends.

Condition: We noted the following items in our review of members receiving disability benefits:

- Two members earned outside income that was not offset in their disability allowance, totaling $24,939.
- One member returned to work, but continued to receive disability payments for 5 months, totaling $9,167.
- The Medical Review Committee did not perform biennial reviews for 2 members who continued to receive disability benefit payments, totaling $32,796 through June 30, 2017.

Effect: TRB paid $46,951 in disability benefits to members who were not entitled to them.
Cause: TRB did not review outside earnings of members who either went on disability after November 1st, or members who had a conversion date prior to June 1st of the following year.

The board was understaffed by several employees, which limited its ability to perform thorough reviews of every process.

Recommendation: The Teachers’ Retirement Board should comply with the requirements of the disability allowance program. (See Recommendation 2.)

Agency Response: “We agree with this recommendation. The scope of the original query conditions did not capture the entire population. The query has been corrected and the recoupment of funds is in process.”

Incorrect Calculation of Installment Payments

Criteria: Section 10-183jj of the General Statutes allows a local or regional board of education to establish an early retirement incentive plan (ERIP) for members of the teachers’ retirement system. For each additional credited service year purchased, the board of education is required to pay the actuarial present value of the difference between the member’s retirement benefit with and without the purchased service.

Condition: The Teachers’ Retirement Board calculated the installment payments for a local board of education’s ERIP without using the actuarial tables, which resulted in a total payment understatement of $53,732.

Effect: TRB did not receive the interest associated with the installment payments.

Cause: The board had no procedure in place to verify the accuracy of the payment calculations.

Recommendation: The Teachers’ Retirement Board should develop procedures to ensure that early retirement incentive plan payments are accurately calculated by local boards of education. (See Recommendation 3.)

Agency Response: “We agree with this recommendation. The local board of education has agreed to remit the calculated actuarial difference through the remaining installment payments. We have updated our procedure in calculating ERIP payments including a review process to verify the accuracy of the payment calculation.”
Outdated State Regulations

Criteria: State agency regulations should reflect current information to help clarify the General Statutes.

Condition: The Teachers’ Retirement Board has not updated its regulations in over 10 years. We noted certain regulations that do not reflect current law or board procedures.

Effect: The lack of accurate data in the board’s regulations can lead to inefficiencies and practices that are in conflict with the General Statutes.

Cause: TRB focused its resources on other matters that took priority.

Recommendation: The Teachers’ Retirement Board should review its regulations to determine whether modifications or additions are necessary to reflect current statutory language and internal procedures. (See Recommendation 4.)

Agency Response: “There are two phases to updating the agencies regulations. The first is to update the statutes, which have been submitted for the 2019 legislative session. The second is to update the regulations based on the updated statutes. Approval by the legislators of our 2019 legislative package will reduce the effort required to address the regulations, as many of them would self-correct and the number of updates to the regulations would be reduced, providing an overall cost savings to the agency as well as updated statutes and regulations.”
Auditors of Public Accounts

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit examination resulted in 2 recommendations, 1 of which is being repeated in the current audit report. The following is a summary of those recommendations and the action taken by the Teachers’ Retirement Board.

- The Teachers' Retirement Board should implement procedures to ensure health benefits are not provided to rehired teachers who are not eligible to receive such benefits. This recommendation has been implemented.
- The Teachers' Retirement Board should review its regulations to determine the necessary modifications or additions to reflect current statutory language and internal procedures. This recommendation is being repeated. (See Recommendation 4.)

Current Audit Recommendations:

The following recommendations resulted from our current review.

1. The Teachers’ Retirement Board should implement a process to ensure members are notified of changes to their accounts.

   Comments:
   
   Some member accounts had accrued interest on ineligible contributions. Also, TRB did not notify a significant number of non-vested, inactive members that their accounts were no longer eligible to accrue interest.

2. The Teachers’ Retirement Board should comply with the requirements of the disability allowance program.

   Comments:
   
   TRB paid $46,951 in disability benefits to members who were not entitled to them.

3. The Teachers’ Retirement Board should develop procedures to ensure that early retirement incentive plan payments are accurately calculated by local boards of education.

   Comments:
   
   TRB incorrectly calculated the installment payments for a local board of education’s early retirement plans (ERIP), because it did not use the actuarial table.
4. The Teachers’ Retirement Board should review its regulations to determine whether modifications or additions are necessary to reflect current statutory language and internal procedures.

Comments:

TRB has not updated its regulations in over 10 years. We noted certain regulations that do not reflect current law or board procedures.
ACKNOWLEDGEMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

Brian M. Grabel
Sarah Mazzoni
Brianna Kathleen Passero
Jaimey L. Sherman
CONCLUSION

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Teachers’ Retirement Board during the course of our examination.

Sarah Mazzoni
Associate Auditor

Approved:

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor