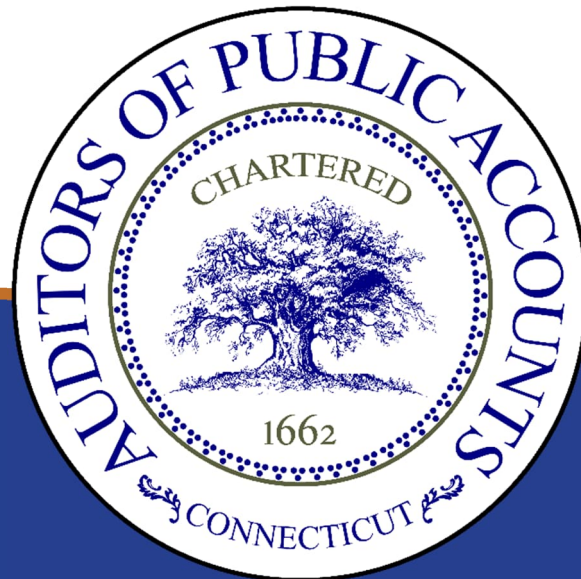


AUDITORS' REPORT

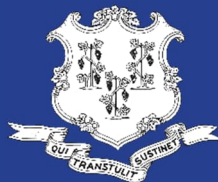
Teachers' Retirement Board

FISCAL YEARS ENDED JUNE 30, 2023 AND 2024



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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October 6, 2026

INTRODUCTION

We are pleased to submit this audit of the Teachers' Retirement Board (TRB) for the fiscal years ended June 30, 2023 and 2024 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified one finding involving an internal control deficiency and an instance of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Teachers' Retirement Board during the course of our examination.

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

Jaimey Makie
Roberto Sanchez

A handwritten signature in cursive script that reads "Jaimey Makie".

Jaimey Makie
Associate Auditor

Approved:

A handwritten signature in cursive script that reads "John C. Geragosian".

John C. Geragosian
State Auditor

A handwritten signature in cursive script that reads "Craig A. Miner".

Craig A. Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Teachers' Retirement Board disclosed the following recommendation, which was not repeated from the previous audit.

Finding 1

Internal Controls Over the Commitment of Funds

Criteria	Section 4-98 of the General Statutes states that no budgeted agency shall incur any obligation except by the issuance of a purchase order transmitted to the Office of the State Comptroller to commit the agency's appropriations to ensure that funds are available for the purchase.
Condition	We reviewed 20 vouchers related to 15 purchase orders totaling \$138,693. We identified six vouchers, totaling \$113,476, for which the corresponding purchase orders lacked sufficient funds as of the invoice date.
Context	TRB made \$739,040 in non-payroll and non-pension related expenditures in fiscal years 2023 and 2024. We judgmentally selected 20 vouchers totaling \$138,693 for review, focusing on higher-dollar transactions and expenditures we considered higher risk based on fluctuations in expenditure types from the prior fiscal year.
Effect	Incurring an obligation without properly committing funds circumvents budgetary controls and increases the risk that funding may not be available at the time of payment.
Cause	TRB lacked sufficient internal controls to ensure that adequate funds were available prior to ordering goods and services.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	The Teachers' Retirement Board should strengthen internal controls over purchase orders to ensure funds are committed in compliance with Section 4-98 of the General Statutes.

Agency Response

"Management is in agreement with this finding. Each item with existing approved vendors and expenses related to our approved annual budget. As each item was included in our annual budget, management feels that funds were available at the time of each purchase and included in the agencies allotted funds for the period, however purchase orders were not initiated timely as evidence the funds were available. Management will strengthen internal controls to ensure purchase order funds are approved in line with Section 4-98 of the General Statutes."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Teachers' Retirement Board contained no recommendations.

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the 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, 2023 and 2024. The objectives of our audit were to evaluate the:

1. Board's internal controls over significant management and financial functions;
2. Board's compliance with policies and procedures internal to the board or promulgated by other state agencies, as well as certain legal provisions; and
3. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included revenue and cash receipts, expenditures, and information technology. We also determined the status of the findings and recommendations in our prior audit report.

The Department of Administrative Services administers payroll and personnel functions for the Teachers' Retirement Board. Our audit reviewed these functions, based on assessments of risk and significance, as they relate to the Teachers' Retirement Board. Our review did not include reviewing other aspects of the Department of Administrative Services' operations.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the board and certain external parties. We also tested selected transactions. Our transaction selections were designed to provide sufficient and appropriate evidence to support our findings, conclusions, and recommendations. This testing was not designed to project to a population unless specifically stated. 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the board's management and state information systems. It was not subject to our audit procedures. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and
3. Did not identify a need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Teachers' Retirement Board.

ABOUT THE AGENCY

Overview

Section 10-183l of the General Statutes established the [Teachers' Retirement Board](#). 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 board administers a state-subsidized defined benefit retirement system for public school educators who work at least half-time. Public school teachers are not covered by Social Security. The retirement system offers normal, prorated, early, and vested deferred retirement benefits 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 can otherwise belong to the State Employees Retirement System. Certain eligible higher education employees can also participate in an alternate retirement program authorized by Sections 5-154(u), 5-154(v), 5-156, 5-158f, and 5-160(g) of the General Statutes.

According to the board's administrative report, as of June 30, 2024, there were 39,276 retired members and 68,985 nonretired members (53,421 who were actively teaching). Effective January 1, 2020, active teachers must contribute 8.25% of their pensionable salary to the retirement fund with 7% helping to finance retirement benefits and 1.25% helping to finance retiree health insurance. Health contributions are not required for employees who completed the vesting service necessary to receive retiree health benefits or do not participate in any retired teacher group health insurance plan. The 7% is credited to the member's account balance and is, together with credited interest, refundable to members leaving the system. The 1.25% is not refundable. Members with five or more years of credited service are paid interest on their mandatory and voluntary contributions.

Retired members and their spouses participating in Medicare Part A and B may enroll in a Medicare Advantage or Medicare Supplement plan offered by TRB. The retired members pay one-third of the monthly premium costs of the basic plan and the full cost for any additional benefits. The premiums are subsidized by the 1.25% active member contribution, state appropriations, and investment income. Retired members and their spouses who are not eligible for Medicare Part A and B may continue their health insurance coverage through their last school system. The school system must charge the retired members the same premium as active members. The employers, typically boards of education, are subsidized by TRB to help offset their costs. As of June 30, 2024, the subsidy payment was generally up to \$220 monthly for individual coverage and up to \$440 monthly for member and spouse coverage. The subsidies reduce the amounts that retired members must 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 ten years. The credited interest is paid to members who withdraw their contributions from the fund. Interest rates for mandatory contributions for the two audited years compared to the previous year are presented as follows:

Interest Posting Date	Interest Rate for Regular/ Supplemental Contributions	School Year Balances
June 30, 2022	4%	2020-2021
June 30, 2023	4%	2021-2022
June 30, 2024	4%	2022-2023

If 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 Financial Information section, state funding required is actuarially determined but member contributions are defined by statute as a set percentage of member salaries. Section 10-183z of the General Statutes provided for a phase-in of full funding. Beginning in the 1992-1993 fiscal year, annual state funding was to cover 100% of normal (current service) cost plus the amount required to amortize the unfunded past liability over 40 years. In addition, state contributions include the 30-year amortization of the unfunded liability attributed to benefit-enhancing legislation enacted after June 30, 1980.

Organizational Structure

In accordance with Section 10-183l of the General Statutes, the [16-member board](#) consists of:

- Three ex-officio members - the Commissioner of the Department of Education, the State Treasurer, and the Secretary of the Office of Policy and Management (or their designees)
- Eight system participants (four active and four retired teachers) elected by their peers
- Five public members appointed by the Governor

The Teachers' Retirement Board, under Section 10-183l(b) of the General Statutes, has the authority to employ a chief administrator who serves as secretary of the board, an administrative officer, and necessary staff. Helen Sullivan has served as chief administrator since May 29, 2018, and continues to serve in that capacity.

Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- **Public Act 23-63 (Section 1)**, effective June 26, 2023, added two Teachers' Retirement Board members to serve four-year terms starting on or before October 1, 2023, and every four years thereafter. Both members must be retired teachers receiving pensions from the system and are elected by retired members.
- **Public Act 23-204 (Section 318)**, effective July 1, 2023, amended the definition of teacher with respect to the Teachers' Retirement System eligibility to include (1) a member of the professional staff employed at the State Board of Education, the governing body of the public school, kindergarten to grade twelve, inclusive, who is currently a member in the system and maintains a certification, and (2) a member of the professional staff employed in an educational role at the Office of Early Childhood, the Board of Regents for Higher Education or any of the constituent units and the Technical Education and Career System.

Financial Information

Pursuant to Section 10-183l(b) of the General Statutes, the board is required to employ an actuary. The actuary prepares an annual actuarial analysis for valuation of the assets and liabilities of the teachers' retirement system, including the unfunded liability. The June 30, 2024, actuarial evaluation reported an unfunded actuarial accrued liability for retirement benefits as of that date of \$15,926,345,000, compared with \$16,422,061,000 as of June 30, 2023. The total actuarial accrued liabilities as of those dates were \$42,259,956,000 and \$40,877,027,000, respectively.

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 General Assembly, as required by generally accepted accounting principles (GAAP) for state and local governments. The budget establishes spending limits which can be amended. 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 General Fund appropriations.
2. Benefits are paid out of the Teachers' Retirement Fund and the Other Post Employments Benefits (OPEB) Teachers' Fund, which are funded by member contributions, state General Fund appropriations, bond proceeds, and teachers' retirement system earnings.
3. Professional fees associated with the administration of the health plans are paid for out of the OPEB Teachers' Fund.

Teachers' Retirement Fund

A comparison of major revenue sources of the Teachers' Retirement Fund for the audited period and the preceding year follows:

Fiscal Year Ended June 30,			
	2022	2023	2024
State Contributions	\$ 2,347,299,000	\$ 2,406,101,000	\$ 1,973,681,000
Member Contributions	337,150,000	340,033,000	368,299,000
Net Investment Income/(Loss)	(2,024,736,000)	1,933,853,000	2,672,900,000
Other	-	-	9,958,000
Total Additions	\$ 659,713,000	\$ 4,679,987,000	\$ 5,024,838,000

Pursuant to Section 10-183z of the General Statutes, the board's actuary determines the required annual state contribution to the Teachers' Retirement Fund. The state's contribution equaled or exceeded the required contribution for the audited period as presented as follows:

Fiscal Year Ended June 30,			
	2022	2023	2024
Actuarial Determined Funding	\$ 1,443,656,000	\$ 1,578,038,000	\$ 1,554,542,000
Actual State Contribution	\$ 2,347,299,000	\$ 2,406,101,000	\$ 1,973,681,000
Percentage Contributions	162%	152%	127%

Prior to July 1, 2024, Section 4-30a(c)(1)(A) of the General Statutes caps the States' Budget Reserve Fund (BRF) at 15% of net General Fund Appropriations. After July 1, 2024, Section 4-30a(c)(1)(B) of the General

Statutes caps the State's Budget Reserve Fund (BRF) at 18% of net General Fund Appropriations. In the event the BRF exceeds this limit due to a surplus, the Treasurer has the authority to appropriate the excess funds as additional contributions to the Teachers' Retirement Fund or the State Employees Retirement Fund.

Since the Budget Reserve Fund exceeded the statutory thresholds in fiscal year 2023 and 2024, the State Treasurer transferred \$828,100,000 and \$419,200,000 to the Teachers' Retirement Fund, respectively.

In addition to the actuarial funding by the state, various towns funded an early retirement incentive program pursuant to Section 10-183jj of the General Statutes. Under that program, a local or regional board of education may pay for at least 50% of the cost of unserved additional credited service time for participating members, with any remaining costs funded by the participating members. Receipts attributed to the early retirement program totaled \$12,045 for both fiscal years 2023 and 2024.

A summary of fund expenditures for the audited period follows:

Fiscal Year Ended June 30,			
	2022	2023	2024
Benefit Payments and Refunds	\$ 2,227,080,000	\$ 2,359,977,000	\$ 2,405,827,000
Other	-	-	-
Total	\$ 2,227,080,000	\$ 2,359,977,000	\$ 2,405,827,000

The number of retirees and beneficiaries receiving payments, as shown in the board's administrative report, increased from 38,689 as of June 30, 2022, to 39,276 as of June 30, 2024. The rise in retirement benefits is partially attributable to this increase but also reflects annual cost of living adjustments.

Pursuant to Section 10-183g of the General Statutes, retirees may be eligible to receive annual cost of living adjustments beginning in either June or January following nine months of their retirement anniversary, with differing COLA levels depending upon the member's retirement date.

A summary of COLA increases granted during the audit period follows:

COLA Dates	Retirement Date Prior to September 1992	Retirement Date on or After September 1992	
		Joined the system prior to July 1, 2007	Joined the system on or after July 1, 2007
July 2024	3.3%	3.2%	3.0%
January 2024	3.0%	3.2%	3.0%
July 2023	3.6%	1.5%	1.0%
January 2023	5.0%	1.5%	1.0%
July 2022	5.0%	5.9%	5.0%

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, they have the option of repurchasing the forfeited service. During the audited period, contribution refunds totaled \$54,981,562 and \$58,394,428 in fiscal years 2023 and 2024, respectively.

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

As of June 30,	Cost	Market
2022	\$ 11,055,724,620	\$ 22,200,625,660
2023	\$ 12,211,239,220	\$ 20,632,471,844
2024	\$ 13,554,419,320	\$ 23,024,902,071

Per the State Comptroller's Annual Comprehensive Financial Report, the net position (assets less liabilities) amounted to \$21,549,721,000, \$23,869,731,000, and \$26,488,742,000 as of June 30, 2022, 2023, and 2024, respectively. The net position figure includes fund liabilities but does not include the actuarially determined accrued liability for retirement benefits discussed in the Overview 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 statements.

Other Post-Employment Benefits (OPEB) Teachers' Fund

A comparison of the major revenue sources of the OPEB Teachers' Fund, for the audited period and the previous fiscal year follows:

	State Contributions	Member Contributions	Net Investment Income
2022	\$ 20,419,000	\$ 50,630,000	\$ 49,586,000
2023	\$ 21,474,000	\$ 57,687,000	\$ 21,989,000
2024	\$ 21,765,000	\$ 59,113,000	\$ 12,939,000

State General Fund contributions were made for the health insurance cost subsidy provided pursuant to Section 10-183t of the General Statutes.

A summary of fund expenditures for the audited period and previous fiscal year follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
OPEB Teachers' Fund Expenditures	\$ 118,887,000	\$ 97,178,000	\$ 97,296,000

OPEB expenditures consisted primarily of medical insurance and prescription drugs. The decrease in expenditures in fiscal year 2023 was because the board transitioned to a fully integrated Medicare Advantage Plan with prescription drug coverage on January 1, 2022. The decrease in fiscal year 2023 relates to the self-funded claims paid in the first half of FY 2022. TRB was fully insured for the entire 2023 and 2024 fiscal years, resulting in expenditure amount inconsistencies.

The OPEB Teachers' Fund provides 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 and the state are each required to pay one-third of the cost of the board's basic health insurance plan, with the remaining cost of the basic plan absorbed by the resources of the fund. The fund's balance, as shown in the board's administrative report, was \$169,269,914, \$217,819,510, and \$260,453,591 as of June 30, 2022, 2023, and 2024, respectively.

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 audited period and previous fiscal year follows.

Fiscal Year Ended June 30,			
	2022	2023	2024
Transfers to:			
Teachers' Retirement Fund	\$ 1,443,656,000	\$ 1,578,038,000	\$ 1,554,542,000
OPEB Teacher's Fund	22,843,014	21,473,714	21,765,293
Total Transfers	1,466,499,014	1,599,511,714	1,576,307,293
Administrative Expenses	2,118,290	2,358,279	2,422,273
Total	\$ 1,468,617,304	\$ 1,601,869,993	\$ 1,578,729,566

Administrative expenses consisted primarily of personal services payments to employees. These personal services payments to employees totaled \$1,721,419, \$1,964,441, and \$1,971,034 for fiscal years 2022, 2023, and 2024, respectively.