

STATE OF CONNECTICUT
STATE EMPLOYEES RETIREMENT COMMISSION
ACTUARIAL SUBCOMMITTEE

AUGUST 17, 2022 MEETING
HELD VIA ZOOM
CONVENED AT 3:09 p.m.

Board Members Present:

Peter Adomeit, Chairman
Michael Bailey, Trustee
John Flores, General Counsel to the Treasurer's Office,
Ex-Officio Member
Karen Nolen, Trustee
Claude Poulin, Actuarial Trustee
Tim Ryor, Actuarial Trustee

Also Present:

John Garrett, Cavanaugh MacDonald
John Herrington, Retirement Services Division Director
Jean Reid, Retirement Services Division
Katheryn Balut, Retirement Services Division
Matthew Hunt, Clifton Larson Allen
Cindy Cieslak, Rose Kallor LLP, General Counsel to the
Retirement Commission

TRANSCRIPTIONIST: Karin A. Empson

1 (Proceedings commenced at 3:09 p.m.)

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5 CHAIRMAN ADOMEIT: Okay. This is the meeting
6 of the State Employees Retirement Commission Actuarial
7 Subcommittee being held on August 17th, 2022 by Zoom
8 technology.

9 Cindy, do you have the attendance, please?

10 MS. CIESLAK: Yes, thank you, Peter. This is
11 Cindy Cieslak. Present today, we have Chairman Peter
12 Adomeit; Actuarial Trustee Claude Poulin; John Flores,
13 General Counsel to the Treasurer's Office and Ex-
14 Officio Member of the Retirement Commission; Trustee
15 Michael Bailey; Actuarial Trustee Timothy Ryor; Trustee
16 Karen Nolen. We have Jean Reid and Katy Balut from the
17 Retirement Services Division, John Garrett from
18 Cavanaugh Macdonald. I'm Cindy Cieslak, General
19 Counsel for the Retirement Commission.

20 We also have Matthew Hunt. And Matthew, if
21 you wouldn't mind, for the record, stating where you're
22 from.

23 MR. HUNT: Yes, hi. Matthew Hunt, Signing
24 Director with Clifton, Larson, and Allen, CLA.

25 MS. CIESLAK: Peter, I believe that is

1 everyone.

2 CHAIRMAN ADOMEIT: Okay, thank you. We only
3 have one item on the agenda, Connecticut Municipal
4 Employees Retirement System Schedules of Employer
5 Allocations and Pension Amounts by Employer for the
6 Year Ending June 30th, 2021.

7 Mr. Garrett, take it away. Oh, you're muted.
8 You're still muted. There (inaudible).

9 MR. GARRETT: I should be muted, Mr.
10 Chairman. So this is the work of Clifton Larson and
11 Associates. And Matthew Hunt is really here to present
12 the schedules. We've prepared the GASB information
13 behind that. They take that, they do all their checks,
14 and then write their opinion, which, you know, I think
15 that's what he's here to present. So, the actuary is
16 going to shut up.

17 MR. HUNT: It's usually a good thing, but
18 then it's not a good thing for the auditor to then
19 speak up. So anyway, with that bad joke aside, again,
20 Matthew Hunt, CLA. So I will briefly go over the
21 report, just give you some of the highlights, and then
22 open it up for questions, if that works for everybody.

23 Assuming that it does, we'll jump right into
24 it. So to just take it a step back, what is this audit
25 of? It is of your employer allocations of the pension

1 amount, your net pension liability, deferred inflows,
2 outflows of the State Retirement System. The State
3 Retirement System is responsible for the schedules that
4 are reported, and then our responsibility is to audit
5 the information and present an opinion. So just to be
6 clear, we didn't audit the State Retirement System
7 financial statements, but were relying on the audit of
8 the financial statements of the retirement system.

9 So jumping into the report, on Pages 1 and 2
10 is our opinion on the schedules. That opinion is
11 considered an unmodified opinion. So that's the best
12 opinion available in an audit. So what that means is
13 that based on our audit, we do not see any material
14 misstatements within those schedules.

15 Jumping into the report itself, as I said,
16 it's sort of broken out into two different schedules.
17 One is employer allocations and showing what the
18 different percentages are, by employer, by plan type.
19 And so with that section of the report, all the
20 different allocations were done with the same
21 methodology that's been done in previous years, which
22 is a proportionate share of actuarial payroll. So
23 consistent methodology. And nothing during our audit -
24 we didn't come across anything that would lead us to
25 believe those allocations were misstated.

1 Then the next section of the report is the
2 actual pension amounts themselves on Pages 11 through
3 20. So again, all of the different employers with the
4 different four types of plans, and all the different
5 pension amounts that need to be reported on their
6 financial statements. In terms of the system as a
7 whole, the total number of all the different four types
8 of plans, overall net pension liability was \$710
9 million. This is as of June 30, 2021. That is a
10 pretty significant decrease from the previous year in
11 which it was about \$1.1 billion.

12 So, very common for that period of time to
13 see the net pension liabilities go down quite a bit
14 because the investment markets had a great year for
15 that year end of June 30, '21. So that's the primary
16 cause for the significant decrease.

17 Then with the differed outflows and inflows,
18 there's very different categories of those types of
19 inflows and outflows that aren't recognized immediately
20 to the liability; they're amortized over time. The one
21 thing to point out there is that now you have a net,
22 overall net inflow of about \$185 million. The reason
23 being again is that great year in the investment
24 markets. A lot of that - those gains have to be
25 amortized, and because of that, now it's jumped to a

1 deferred inflow net.

2 And then lastly, your pension expense overall
3 was \$150 million. Again, that's a pretty significant
4 decrease from the previous year, and that correlated
5 directly with the liability.

6 So again, overall, I'd say that's pretty much
7 the summary of the main key points of the report, and
8 I'll sort of pause here and open it up for any
9 questions.

10 Any questions from the group?

11 CHAIRMAN ADOMEIT: Well, we're waiting for
12 our actuaries to formulate the next move.

13 MR. RYOR: Yeah, I didn't have any - I didn't
14 have any - it's pretty straightforward. So it's-

15 CHAIRMAN ADOMEIT: Okay.

16 MR. RYOR: --the divvying up the (inaudible).

17 MR. POULIN: I don't have any questions.

18 MR. RYOR: Yeah. It was - well done.

19 CHAIRMAN ADOMEIT: Okay.

20 MR. POULIN: This is Claude.

21 CHAIRMAN ADOMEIT: Claude.

22 MR. POULIN: I don't have any questions
23 either.

24 CHAIRMAN ADOMEIT: Okay.

25 MR. RYOR: I'm sorry. That was Tim. Sorry.

1 CHAIRMAN ADOMEIT: Yeah. So is there any
2 other discussion on the report?

3 Okay. In terms of procedures now—

4 MR. POULIN: This is Claude.

5 CHAIRMAN ADOMEIT: I'm sorry. Claude?

6 MR. POULIN: I'm sorry, Chairman. I had a
7 meeting with a representative of CLA at the end of the
8 month and it was on the risk assessment inquiries. And
9 it was - you know, there is no - most of the risk
10 assessment dealt with the actual assumptions. But I
11 think it is of note that the GASB has added an
12 additional item recently, which is - it's called a
13 contribution risk. And this is the probability that
14 the employer does not pay one hundred percent of the
15 required contribution. And of course, in our case,
16 since the employer has always paid one hundred percent,
17 it is a very minimal risk.

18 So it was - I just wanted to mention it so
19 that in addition to mortality and, of course, the
20 investment return, the assumptions, you know, all of
21 our assumptions are middle of the road. And so there
22 is no extra risk, and there is no risk because of the
23 employer contribution not being paid.

24 CHAIRMAN ADOMEIT: Okay. Is the nature of
25 this report such that we should ask the Subcommittee

1 recommend that the Commission accept it? Is that what
2 we've done in the past with this type of report?

3 MR. POULIN: I do vote to accept the report.

4 CHAIRMAN ADOMEIT: Okay.

5 MR. BAILEY: Michael Bailey will second.

6 CHAIRMAN ADOMEIT: That was Claude Poulin
7 moving, Bailey seconding. All in favor, say aye or
8 raise your hand.

9 UNIDENTIFIED SPEAKERS: Aye.

10 CHAIRMAN ADOMEIT: Opposed, nay or raise your
11 hand. The ayes have it.

12 Okay. So should we amend the agenda then,
13 Cindy, and have this on for tomorrow? Or is this
14 something that could wait until the next meeting?

15 MS. CIESLAK: This is Cindy Cieslak. I
16 believe past practice has been when this Subcommittee
17 makes a recommendation, then, you know, being that the
18 meeting is tomorrow and always the next day,
19 traditionally, I believe Claude has moved to amend the
20 agenda to include those items so that they are reviewed
21 and likely accepted the following day.

22 CHAIRMAN ADOMEIT: Okay. So we'll follow
23 that procedure then.

24 MR. FLORES: Should we share the rest of the
25 - this documentation with the rest of the Board?

1 CHAIRMAN ADOMEIT: Oh, yeah. We have to;
2 don't we? Yeah.

3 MR. FLORES: Right. So that'll be sent out
4 even though it's not on the agenda?

5 MS. CIESLAK: I can ask John Herrington to
6 send it out. I know he, in the past, has sent it out
7 with his Director's Report.

8 CHAIRMAN ADOMEIT: Okay.

9 MS. CIESLAK: And for the record, that was
10 Cindy Cieslak.

11 CHAIRMAN ADOMEIT: Okay. Peter Adomeit here.
12 And so I will ask Claude to move to amend the agenda at
13 the Commission meeting.

14 Okay. This is probably the shortest
15 Actuarial Subcommittee meeting I've ever sat in.
16 Nicely done.

17 MR. GARRETT: It might be because the actuary
18 shut up.

19 MR. POULIN: I didn't know that actuaries
20 used to be verbose.

21 CHAIRMAN ADOMEIT: Are we still recording,
22 Cindy?

23 MS. CIESLAK: We are recording.

24 CHAIRMAN ADOMEIT: Why don't we end the
25 meeting by - well, I have to make a comment. End the

1 meeting.

2 MS. CIESLAK: This is Cindy Cieslak. We are
3 recording. John Herrington is with us now—

4 CHAIRMAN ADOMEIT: Oh, he's here. Okay.

5 MS. CIESLAK: --if you have any questions for
6 him before we adjourn.

7 CHAIRMAN ADOMEIT: You missed all nine
8 innings, John.

9 MR. HERRINGTON: Okay.

10 CHAIRMAN ADOMEIT: We went over the report
11 and there's going to be a motion to accept it at the
12 meeting tomorrow.

13 MR. HERRINGTON: Perfect. And will there be
14 a presentation to the Commission tomorrow?

15 CHAIRMAN ADOMEIT: There has to be, yes.

16 MR. HERRINGTON: All right.

17 CHAIRMAN ADOMEIT: Who will make it, Mr.
18 Garrett, Mr. Hunt?

19 MR. HUNT: I am expected to attend. I just
20 don't have the link yet.

21 MR. HERRINGTON: Yep.

22 CHAIRMAN ADOMEIT: Okay.

23 MS. CIESLAK: This is Cindy Cieslak.

24 Actually, this is very administrative. So, John, you
25 and I can connect after the meeting.

1 MR. HERRINGTON: Yep.

2 MS. CIESLAK: But Mr. Hunt, I will make sure
3 either John or I get you the link.

4 MR. HUNT: Great. Thank you.

5 MR. GARRETT: And, Cindy, I'd like to attend
6 too just in case there's any questions about the
7 actuarial work behind what CLA performed.

8 CHAIRMAN ADOMEIT: So you'll be here tomorrow
9 then.

10 MR. FLORES: John, we volunteered you to -
11 this is Flores. We volunteered you to submit to the
12 rest of the Board members all the documentation with
13 your Director's Report.

14 MR. HERRINGTON: Okay. No problem.

15 CHAIRMAN ADOMEIT: Yeah, I'm reluctant to say
16 it on the record, so I won't, but the meeting should be
17 over soon, Cindy.

18 Is there a motion to adjourn?

19 MR. BAILEY: So moved, Bailey.

20 CHAIRMAN ADOMEIT: All in favor, say aye,
21 raise your hand.

22 UNIDENTIFIED SPEAKER: Aye.

23 CHAIRMAN ADOMEIT: Unanimous, the ayes have
24 it. Stop the recording, Cindy.

25 (Adjourned at 3:21 p.m.)

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I, Karin A. Empson, do hereby
certify that the preceding pages are an accurate
transcription of the Connecticut State Employees
Retirement Commission, Actuarial Subcommittee Board
meeting held electronically via Zoom, conducted at 3:09
p.m. on August 17, 2022.

Karin A. Empson

Karin A. Empson

09/19/2022

Date