STATE OF CONNECTICUT

STATE EMPLOYEES RETIREMENT COMMISSION

ACTUARIAL SUBCOMMITTEE

FEBRUARY 15, 2023 MEETING
HELD VIA ZOOM
CONVENED AT 3:03 p.m.

Trustees Participating:
Claude Poulin
Tim Ryor
Karen Nolen

Other Participants:
Peter Adomeit, Chairman, Retirement Commission
John Herrington, Director, Retirement Services Division
Jean Reid, Accounting Specialist, Retirement Services Division
Ted Wright, Office of the State Treasurer, Ex Officio Member
John Garrett, Cavanaugh Macdonald Consulting LLC
Ed Koebel, Cavanaugh Macdonald Consulting LLC
Cindy Cieslak, Rose Kallor, General Counsel to the Commission
Charlotte Moller, Director, Office of the State Comptroller

TRANSCRIPTIONIST: Karin A. Empson

1 (Proceedings commenced at 3:03 p.m.)
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5 MR. RYOR: Sorry about that. Zoom needed
6 to update apparently so (inaudible).
7 MR. GARRETT: Tim, that happens to me all
8 the time.
9 CHAIRMAN ADOMEIT: Okay, here we go.
10 Call the meeting to order. This is the February the
11 15th, 2023 meeting of the State Employees Retirement
12 Commission Actuarial Subcommittee being held remotely
13 using Zoom technology.
14 Cindy, do you have the attendance,
15 please?
16 MS. CIESLAK: Yes. Good afternoon. This
17 is Cindy Cieslak. Present today, we have Chairman
18 Peter Adomeit; Trustee Karen Nolen; Actuarial Trustee
19 Claude Poulin; Actuarial Trustee Tim Ryor; Ted Wright,
20 Ex Officio Member of the Retirement Commission, Office
21 of the Treasurer; John Herrington from the Retirement
22 Services Division; Jean Reid from the Retirement
23 Services Division; Charlotte Moller from the Office of
24 the Comptroller; John Garrett and Ed Koebel from
25 Cavanaugh Macdonald; and Cindy Cieslak, General Counsel

1 from Rose Kallor.
2 CHAIRMAN ADOMEIT: Okay. Thank you.
3 Item Number 1, CMERS System Report of the
4 Actuary.
5 MR. GARRETT: Mr. Chairman, while - this
6 is John Garrett. And while Ed's bringing up the
7 reports here on a PDF that we can all see, I just
8 wanted to kind of revisit, because it's been a month.
9 So with MERS, we had the losses that we saw typical of
10 the State employees plans and the other statewide
11 systems. We had the investment return loss. We had
12 significantly higher COLAs than what we expected.
13 And really what kind of worsened the
14 impact for MERS is that we have been on a five-year
15 smooth-in of rates since the last experience study.
16 Well, this was the last year of that smooth-in, which
17 means that there was nothing to smooth in; right? It's
18 whatever the ending rate was is what we got to. So it
19 really captured both the step rates that were being
20 kind of deferred and that wasn't captured during the
21 five years, so we had a little piece of increase in
22 rates due to that. Plus the losses now were being
23 captured and spread over the one base that we had of 17
24 years.
25 So what we talked about in the last

1 meeting was to look at doing a layered approach for the
2 amortization, like we do with SERS and the Connecticut
3 teachers plan. And so set up a new base based on any
4 unexpected change to the UAL in a valuation. We put
5 that into a new 25-year base. So that could be from
6 sources like gains and losses, changes to assumptions.
7 We, of course, wouldn't recommend that we use that for
8 purposes of benefit improvements, but I don't know who
9 in the world right now is looking at benefit
10 improvements.
11 But for those other two, certainly for
12 experience study changes and for the gains and losses
13 that occur in each valuation, we'd set up a new base.
14 And then we would, you know, kind of assist the
15 Subcommittee on monitoring those bases. There will be
16 some points in time in the future where bases were
17 going to offset each other.
18 We can eliminate some of these bases,
19 simplify the amortization method, and it'll have really
20 no short-term effect on the cost or very little short-
21 term effect on the cost, but it kind of avoids us going
22 through an elbow maybe 15, 20 years down the road. You
23 know, the rate's going to go up one year and then
24 straight back down the next year. If we can combine
25 those two bases that might cause that, it would flatten

1 that out, and really not really change the short-term
2 funding.
3 So with that, we redid the '22 valuation.
4 We have the rates. On Page 1 is a comparative summary
5 of the total rates. See, pretty modest changes again
6 because we're keeping the current base, the base that
7 we'd expect at '22. We're keeping that at the 17-year
8 funding period, and just adding a new layer of 25-year
9 amortization level-dollar method for the piece that we
10 didn't expect this year, so the piece due to the
11 investment loss, the COLA loss, the ending – all those
12 losses.
13 In fact, on Page 12, we kind of show that
14 separately where the bases come from. And this - you
15 know, these tables could get quite extensive over the
16 years as we add new experience basically. You see,
17 like look at the top one, general employees with social
18 security, we have a transitional base and that's what
19 we expected the UAL to be in 2022. And so that's still
20 being amortized over the 17-year funding period. And
21 so we still have the costs associated with that of 30-
22 million-point-two-million.
23 And then we add this year, a 2022
24 experience base. And this is the 57-million-dollar UAL
25 due to the gains and losses for this year. So this

1 base gets spread over its own 25-year period of time.
2 So the net effect is that instead of having one base
3 we're now spreading over 17 years, these two bases
4 combined kind of give us a weighted average of around
5 18 years' amortization period.
6 So that's kind of the basics of it. It
7 doesn't really - you know, it doesn't have any kind of
8 wholesale difference in rates when we looked at the
9 rates. And, Ed, I think in a couple more pages down,
10 we'll see - here's a comparison of the amortization
11 costs. So just to kind of fall back on what we had
12 provided before, looking at general employees with
13 social security - and let me grab that - that was on
14 Page 14, Ed, I think?
15 MR. KOEBEL: Are you going to compare
16 what we showed them last month?
17 MR. GARRETT: Yeah, yeah, just to see
18 that it was a pretty positive—
19 MR. KOEBEL: I actually put that together
20 for you, John.
21 MR. GARRETT: Ed, you know, you are the
22 best CEO ever. Okay, here is—
23 MR. KOEBEL: This is what we provided
24 them last month.
25 MR. GARRETT: Yeah. So you can see it's

1 less than a one-percent drop. I mean, it's 33 basis
2 points for general without social security. It's -
3 what is that? Maybe 57—
4 MR. KOEBEL: Forty (inaudible).
5 MR. GARRETT: --for general with social
6 security.
7 Go ahead, Ed.
8 MR. KOEBEL: Yeah, no, go ahead. You got
9 it.
10 MR. GARRETT: Oh, yeah, 43; is that
11 right? Forty-three with - police and fire with social
12 security. And, I don't know, if I could take a shoe
13 off, I could get this one really quick. But this one
14 does have the biggest impact. So it's like 79 basis
15 points.
16 MR. RYOR: This is Tim Ryor. And is -
17 that's just because the police and fire with social
18 security had the biggest experience loss? I presume
19 that's—
20 MR. GARRETT: And - yeah.
21 MR. KOEBEL: (Inaudible) yes.
22 MR. GARRETT: That and, you know, there's
23 also going to be some - some part of it is going to be
24 that their UAL is a percent of their payroll too. So
25 some are going to be impacted greater or larger just

1 because, you know, they have a larger UAL (inaudible).

2 MR. RYOR: Okay. Got it. Thank you.

3 MR. POULIN: This is Claude. Going back

4 to Page 1, John and Ed, in the absence of a new

5 amortization period, the single equivalent period, the

6 amortization period (inaudible) would have been 17;

7 correct?

8 MR. GARRETT: Right.

9 MR. POULIN: And now it's 18.2 on Page 1?

10 MR. GARRETT: Right.

11 MR. POULIN: Right. Now, does it mean

12 that because of the single equivalent period that the

13 amortization period is likely to increase every year

14 gradually to 25?

15 MR. GARRETT: I would say no.

16 MR. POULIN: Then hypothetically, you

17 know, over time?

18 MR. GARRETT: No. Well, yeah, no, you're

19 right. I mean, it's probably going to - I would think

20 it's going to decrease early, but then it's going to

21 tend to right - as soon as the 17-year base is gone, we

22 do have a 25-year, right. I mean, as it is right now,

23 there's two bases. One is for 17; one is for 25. So

24 once the 17 is paid off, we'd have an eight-year base

25 left for the other one.

1 So, you know, what I would say is that
2 this blending is – you know, this is – we're using the
3 GASB's way of blending. What I would say is that you
4 really have a 25-year amortization period. So you
5 could be making amortization payments for 25 years. So
6 – and we could certainly change that. We could remove
7 this language talking about a single equivalent period
8 to just saying what – you know, what – how long are you
9 going to be making amortization payments for is another
10 way to look at it, which is 25 years.
11 But I don't think it's going to really –
12 I don't think it's going to move directly to 25. You
13 know, you might move very – I would think it's going to
14 go down initially, and then it's going to move toward
15 that longer period.
16 MR. KOEBEL: Well, it also depends,
17 Claude, on the experience.
18 MR. POULIN: Yeah.
19 MR. KOEBEL: You know, we've got a big
20 loss here for 2022 that we're recognizing. But we're
21 going to have - 2023 has an experience base, 2024. And
22 the hope is that all of these bases will—
23 MR. GARRETT: Offset.
24 MR. KOEBEL: --offset each other,
25 exactly.

1 MR. GARRETT: Yeah.
2 MR. KOEBEL: So, you know, that is the
3 hope and the reason for doing this. You know, we know
4 we're going to have some gains and losses each year,
5 but if they offset, then the true period is this
6 initial - this transitional piece over this time.
7 MR. GARRETT: Yeah.
8 MR. KOEBEL: Again, if we have a 57-
9 million-dollar loss next year, that period is going to
10 be very close to – or a 57-million-dollar gain next
11 year to offset this loss, then the amortization period
12 is going to be very close to 16 years next year.
13 MR. GARRETT: Yeah.
14 MR. KOEBEL: But it'll just depend on
15 what we get each year in our gains and losses.
16 MR. POULIN: Thank you.
17 MR. RYOR: This is Tim Ryor. So, I mean,
18 if you run it out, you know, if you assume all
19 assumptions are exactly realized, it's really just the
20 fact that we've got unrecognized asset losses that have
21 to work their way through.
22 MR. GARRETT: Right.
23 MR. KOEBEL: Exactly. Right.
24 MR. GARRETT: Yeah, which are like, you
25 know, I think it's like – well, it's pretty significant

1 with this last piece. I mean, we're - we opened up a
2 pretty big gap between actuarial value and market
3 value. But going back to that, where the future
4 experience is going to set up new bases again, that's
5 another tool that the Subcommittee can use to manage
6 cost as, you know, you're quite capable of combining
7 bases that really have a net very little short-term
8 impact. But it can save you the problem of, again, as
9 I said earlier, having one base impact too greatly in
10 one year and then drop off.
11 But, you know, just one thing to point
12 out is that certainly the biggest piece of all of this
13 is still the 17-year base. And the rest of this, you
14 know, again - and hopefully it's going to offset in the
15 gains and losses. You know, the magnitude of those
16 bases are going to be pretty close to netting out. But
17 this - what we do know is we're always going to have
18 this 17-year base as we're rolling through. That's why
19 I always say I think it would tend kind of down, and
20 then of course, with experience, well, it could go
21 anywhere with experience to be honest with you.
22 CHAIRMAN ADOMEIT: Any more questions or
23 comments?
24 MR. HERRINGTON: Yeah, so this is John
25 Herrington. So John Garrett and Ed Koebel, I have on

1 the meeting, we have Charlotte Moller, who is an
2 economist in the Comptroller's Office. And we've had
3 some discussions on some of these changes that we're
4 seeing in the MERS plan. And I was wondering if you
5 could kind of walk us through kind of the cash flow
6 issue that you highlighted last month that's
7 problematic.
8 MR. GARRETT: Right. And you know, I
9 don't know if we actually break into the report into
10 detail enough, but let's look at - I guess the retired
11 lives, Page 5, Ed, kind of up front. The only plan
12 that we see kind of, you know, that we're worried about
13 as far as cash flow goes, I mean, they're really in
14 pretty decent shape as far as cash flow goes, except
15 for the general employees without social security, I
16 think is the one.
17 Trying to check in - I'm sorry, John, Ed.
18 Great to talk to an economist. I think that's the only
19 profession that makes more guesses than we do. But it
20 is great to have another set here. Yeah, so the
21 negative - no, let's see. Ed, I'm trying to find the
22 tab in here where we're—
23 MR. KOEBEL: Yeah, it's past that tab.
24 MR. GARRETT: There you go, negative cash
25 flow. So, yeah, we have the negative external cash

1 flow. So the way the actuaries look at it is, right,
2 negative external cash flow is the money coming in and
3 out of the plan not generated internally. So this is
4 just contributions coming in minus the benefit payments
5 going out. And we use that as a metric. And all plans
6 should be negative eventually and all four of these
7 groups are.
8 The one that has kind of jumped a little
9 bit further out is again general employees - I'm sorry
10 - without social security. They have a negative coming
11 up on three percent is what I'm looking at.
12 Ed, is that - looking back in at the
13 evidence of that. So, I mean, all plans again would -
14 what we would say is this something we'd want to kind
15 of keep an eye on. Once it gets around like negative
16 three or four - and depending on how fast it moves too.
17 Now, it's going to go up when the market values go down
18 because this is as a percent of market value. Cash
19 flow doesn't really change as quickly as the market
20 value does.
21 So this is going to be somewhat volatile
22 against the ups and downs of the market, but as a
23 percent of market value, we'd want to monitor that.
24 And again, when it gets to like three or four percent,
25 then the issue there is that, you know, we could

1 actually be contributing not enough money to actually
2 keep the plan sustainable. It might not show in a
3 valuation report, but because that future negative cash
4 flow is going to be eroding how much of the investment
5 return we actually get to keep in the assets to grow
6 the assets to pay the benefits in the future, then that
7 could be a problem.
8 So a great tool to look at that is an
9 open-group projection, but also with an asset/liability
10 model attached to it. So again, what we do for SERS
11 every year are open-group projections, and we can
12 easily jump into an ALM if it's ever needed. But those
13 open-group projections at least let us kind of track
14 what expected cash flow long-term looks like against
15 even a deterministic investment return.
16 So we can see that, you know, just based
17 on getting the assumed rate of return here at seven
18 percent per year, if we do have a growing issue with
19 negative cash flow - and my suspicion is these general
20 employee plans, particularly the smaller one, the
21 general employees without social security, that one
22 seemed like it's paying a lot of benefits out to
23 retirees versus the contributions it's getting in on
24 the active membership. And I think that's the one that
25 is probably looking to kind of trend worse than the

1 others.
2 So that's just a concern of ours as far
3 as looking at this. We'd recommend, you know, if
4 you're redoing a contract, to add the scope to MERS to
5 do an open-group projection, maybe even annually. You
6 probably don't need them as often as you need them for
7 SERS because SERS, you know, is not just seen by the
8 Subcommittee or the Commission, but also OPM takes a
9 look at them and the Treasurer's Office. And so
10 they're probably a lot more useful for SERS.
11 But again, they're a great tool. They're
12 going to give us that ability to kind of look down the
13 road to see if there is just mechanically a cash flow
14 problem with one of these groups.
15 And, John, is that what you were—
16 MR. HERRINGTON: Yeah, that was. And
17 then, you know, not necessarily for this meeting, but
18 you know, hopefully this is an introduction to
19 Charlotte. But I think the next issue would be to
20 explore our options for, you know, changes that may
21 result in lower employer contributions going forward.
22 And, I mean, to that end, have you ever
23 done any study for the impact to the benefit
24 enhancements that were enacted back in 2001? Because -
25 and I just mention that because I'm looking at a

1 historical chart of what the employer rates were back
2 in 2001, which is, you know, a lifetime ago in terms of
3 expectations.
4 MR. GARRETT: Right.
5 MR. HERRINGTON: But the contributions,
6 the employer contributions were three percent, 2.75
7 percent, 2.75 percent, and 3.75 percent. And at that
8 time, we instituted COLAs across the board where there
9 were no COLAs prior to that.
10 MR. GARRETT: Yeah.
11 MR. HERRINGTON: And we applied a five-
12 year vesting as opposed to 10.
13 MR. GARRETT: Yeah, well, you know, all
14 those plans back coming out of the 90's, all plans
15 looked great; all plans had pretty low cost. The tech
16 bubble kind of reversed some of that 2001 to 2003.
17 But, you know, it would make sense that anybody who
18 looked at benefit improvements coming off, you know, in
19 the early part of this century, kind of 2000, 2001,
20 might have overdone it.
21 And certainly, looking at the COLA
22 provisions in MERS, I would say they probably overdid
23 it because, you know, it's a pretty expensive - it's
24 not expensive when COLAs are - with CPI's cooperating
25 and staying around, you know, what the Fed says the

1 target is. But CPI is becoming unruly. It’s not
2 listening to the Fed anymore for some reason.
3 But – so, you know, that – this period of
4 time is going to be significant losses, just like we
5 saw for SERS, you know. So any plan that has a CPI-
6 based COLA and CPI spikes like it has, we’re exposed to
7 a lot of additional liabilities that we weren’t
8 anticipating.
9 MR. HERRINGTON: Mm-hmm. Okay.
10 MR. POULIN: This is Claude. In the 90’s
11 and early 2000’s, there was (inaudible) is that there
12 were huge gains. There was a surplus. And this
13 surplus was amortized so that instead of a UAL, we had
14 the surplus, which made a big difference. Because for
15 many years, the actual cost was less than the normal
16 cost because it was amortized, until at one point, we
17 decided (inaudible) that the normal cost would be a
18 minimum.
19 So the normal cost is nothing compared to
20 the liabilities, compared to the unfunded liabilities
21 today.
22 MR. GARRETT: Yep.
23 MR. POULIN: So that’s why we had these
24 very huge – we had very huge increases and some
25 resistance for many, many years to these increases

1 because there was some sort of a funding holiday for
2 over a decade.
3 MR. GARRETT: Well, and there used to be
4 - if I - like - I think what happened in 2001 was, and
5 I might not have read the history entirely correctly,
6 but, you know, we started in maybe 2010 with MERS. But
7 it looked like what they did is they took a COLA that
8 was limited to - it was limited by investment returns.
9 You had to have beat the market returns or the natural
10 return in order to get a COLA.
11 So even if CPI spikes - so that's kind of
12 how the teachers' plan is. The teachers set their COLA
13 that way back in the 90's. And, you know, for them to
14 get any kind of significantly-above-the-expected-COLA,
15 their plan has to return on market value three percent
16 above the target. So they have to have over, you know,
17 almost a 10-percent return in order for them to get any
18 type of sizable COLAs, which they did that in '21. But
19 of course, in '22, we didn't. So we had a very high
20 CPI, but a very low market return.
21 So, you know, having that kind of
22 eliminates half the - right, if we just base it on
23 having investment gains, you have to have an investment
24 gain to pay a COLA. And actuarily, we'd expect half
25 the time we get gains and half the time we get losses.

1 So we really have eliminated half the potential of
2 paying additional COLAs by sending into, you know, that
3 requirement that you first have to have, you know, a
4 market return gain or an actuarial gain.
5 So that change in 2001, I think tied it
6 just straight to a CPI-type COLA up to five percent, I
7 think or—
8 MR. HERRINGTON: Right, right. Yep, yep.
9 MR. GARRETT: So it's—
10 MR. HERRINGTON: But there are also
11 people under the age of 62 that weren't entitled to
12 COLAs, period.
13 MR. GARRETT: Ah. Okay. You know, and
14 so - and there's - the integration between social
15 security and these plans, you know, I think there are
16 cleaner ways to integrate. Here, it's just that if
17 you're not covered by social security, you get, you
18 know, the higher benefit from your retirement date
19 forever, whereas if you are covered by social security,
20 you have a reduction to the retirement benefit at your
21 social security age.
22 So, you know, to me it looks like that
23 difference could be greater, the difference between the
24 social security and non-social-security-covered groups.
25 But - and the other thing, of course, is we can look at

1 the normal cost of these plans and we can see that, you
2 know, an employee would fund 6.2 percent of their
3 social security side, and the employer would match
4 that. And here, we don't have that spread; right?
5 We're not - so obviously, the benefits are not, you
6 know, differentiated enough because the plan that has
7 no social security coverage is not costing 12.4 percent
8 of pay more than the other one.
9 CHAIRMAN ADOMEIT: Is there any further
10 discussion?
11 MR. GARRETT: You know, Mr. Chairman -
12 this is John Garrett again. We did look at one other
13 thing. I mean, just - you know, this was pretty modest
14 reductions. And I know there is probably some concern
15 about the cities. We know we've had more and more
16 cases where towns and entities have kind of voluntarily
17 stopped putting members into MERS because of the
18 expense of it. And as these expenses go up, I'm sure
19 there's going to be just more and more incentive for
20 that to occur.
21 We did also look to see, I mean, is there
22 anything in a reasonable range of changes that could be
23 made methodology-wise that could reduce some of the
24 cost of these cities. And the only thing we said,
25 let's look at a 20-year. So instead of doing that

1 transitional base at 17 years, push that back up to 20.
2 And that is kind of similar to what was
3 done with teachers and MERS, is that we had really two
4 separate bases at the beginning. One was a 14-year
5 base, and I think the other one was a 30-year base.
6 And they ended it like a year after we went to that new
7 amortization methodology. They ended up moving that
8 old statutory base up to a 30-year base as well.
9 So in light of that, I mean, if we
10 extended this out to a 20-year amortization period on
11 the transitional base, keeping the 25-year layers all
12 along, just to kind of give you an idea of what that
13 does, that reduces costs, I would say, on average about
14 one percent of payroll for each of these employers'
15 amortization costs.
16 So, you know, once again, I mean, I think
17 the net is they're still higher, probably even higher
18 than what we would have anticipated before the losses
19 of 2022. But there are some things that - you know,
20 the key to remember too for amortization is that, you
21 know, the worry or what the concerns are for plans that
22 have long amortization periods is that they generate
23 too much negative amortization, meaning that payments
24 that we're making are not even paying the interest that
25 accumulates on the unfunded liability, your principal

1 amount.

2 So that's not really a concern with a
3 level dollar because, you know, level dollar is just
4 like, you know, a loan payment. It has a principal and
5 interest component. So although the principal piece
6 can be very, very small in these early years of an
7 amortization of a lengthy period, there is a principal
8 payment. So there's zero negative amortization
9 occurring with a level dollar.

10 MR. POULIN: This is Claude. I have two
11 comments. It's interesting that before ERISA, the IRS
12 requirement was that the unfunded liability was not
13 allowed to increase year-after-year, so that you had to
14 have a payment in addition to the normal cost that
15 would make sure that it would not increase. But with
16 the level percentage, immediately there is a reduction
17 in the first five, six, seven years and sometimes
18 longer; the unfunded liability will increase.

19 And my second comment on the funded
20 ratio, it's shown in the actuarial value of assets.
21 But I think - we talked about this - I think we used to
22 show the market value as well.

23 MR. GARRETT: Yeah, and Claude—

24 MR. POULIN: (Inaudible)

25 MR. GARRETT: --the report we're going to

1 send after - whatever the Subcommittee - whatever
2 changes we're going to make to it, will have that
3 market value and funded ratio. So what's being shown
4 here by Ed on the page is the actuarial value. The
5 market value - so for instance, for 2022, the market
6 value funded ratio is 68.4, I think. Yeah, 68.4.
7 And so there'll be two lines there. One
8 says funded ratio, and then in parentheses, actuarial
9 value of assets, and that's the numbers you see there.
10 And then right below that, we'll have funded ratio, and
11 in parentheses, market value of assets. And those
12 numbers are 68.4 for '22 and 82.3 for '21. Again,
13 remember how volatile these last two years were. I
14 mean, had a huge up - 25-percent return in '21 and a
15 negative-nine-percent return roughly in '22. So it's
16 the opposite sides of the experience dyad.
17 But so that is going to be in the report
18 that we're going to send later today, Claude. Thank
19 you.
20 CHAIRMAN ADOMEIT: All right. Any
21 further discussion?
22 Okay, hearing none, we're going to get a
23 report, which we can present to the Commission. We
24 should probably take a vote on whether we can accept
25 it; correct? Just to accept it, that's all we really

1 need. You don't have to approve it, just accept it.
2 Is there a motion? I can't hear you,
3 Claude.
4 MR. POULIN: Mr. Chairman, I move to
5 accept the CMERS Report of the Actuary on the Valuation
6 Prepared as of June 30th, 2022.
7 MR. RYOR: Tim Ryor, second.
8 CHAIRMAN ADOMEIT: Any further
9 discussion? Hearing none, all in favor, say aye or
10 raise your hand.
11 MS. NOLEN: Aye.
12 CHAIRMAN ADOMEIT: Opposed, nay or raise
13 your hand. It's unanimous.
14 And you can get this to us, John, when?
15 John H. I'm sorry, the Actuary.
16 MR. GARRETT: I'm sorry, Mr. Chairman.
17 John Garrett. We'll have it out tonight. We'll have
18 it out tonight to John.
19 CHAIRMAN ADOMEIT: Okay, very good. And
20 then we'll amend tomorrow's agenda to add this item to
21 the agenda, Claude.
22 MR. POULIN: Okay.
23 CHAIRMAN ADOMEIT: Okay. Number 2 on the
24 agenda, GASB Statement 67, MERS as of June 30, 2022.
25 MR. GARRETT: And if I recall, we kind of

1 went through that at the last meeting. I know we had
2 said we're just going to push off the MERS valuation.
3 So I think that was actually covered in the last
4 meeting. I don't know if it got to the Commission. So
5 we'd like – we can present that at the end.
6 MR. KOEBEL: I'm bringing it up now,
7 John.
8 MR. GARRETT: Thanks, Ed. This change to
9 the valuation basis has zero effect on the GASB 67
10 reporting. So the numbers that we sent prior are the
11 same. It will affect in a future year the development
12 of the expected actuarially determined employer
13 contribution, but that has no historical effect yet
14 because it hasn't been adopted. So - actually, no, it
15 would have changed, but that's not really going to be
16 affected by this report.
17 So again, GASB 67 is the accounting
18 measures required for the plan's reporting. These then
19 are incorporated into the GASB 68 for the employers'
20 reporting. And so really the primary measurements in
21 GASB 67 is the total pension liability, which is going
22 to pretty much match the actual accrued liability that
23 we determined in the funding valuation.
24 The difference primarily between the
25 funding valuation and this accounting disclosure is the

1 measurement of the assets used. So here, the fiduciary
2 net position is the market value, whereas when we're
3 funding the plan and looking at the funding valuation,
4 we really focus on the actuarial value, a smooth value
5 of the assets.
6 So here we develop a net pension
7 liability of 1.4, roughly 1.4 billion. That, compared
8 to, you know, the 1.1 billion is really the difference
9 between using actuarial value of assets and market
10 value as of June 30, 2022. So here the funded ratio is
11 68.7, a little different, again, pure market versus
12 what we have in the - yeah, we have the market value at
13 22, at a little bit lower than that. And the
14 difference is how the receivable is treated.
15 For accounting purposes, we carry the
16 receivable - the contributions being made on the
17 initial unfunded liabilities, people coming into the
18 plan for prior service cost. We carry that as a
19 present value of that, those future payments in the
20 valuation. But in the accounting standard, we carry it
21 as just the sum of the future payments, so no
22 discounting, much larger value.
23 So you can see here, it's about 12
24 million in the funding value. I think the offset is
25 seven million. So a little bit different as far as

1 what we consider this receivable contribution in the
2 assets.
3 So once again, this will really be kind
4 of incorporated into our work by each group; we're
5 going to look at it by each group now. This measure is
6 really for the total of MERS, all four groups, the two
7 general employee groups and the two police and fire
8 groups. We'll look at it separately, and then break
9 out the allocations of those separate measures to the
10 individual employers in GASB 68. And that's a pretty
11 big effort, which is upcoming, and we hope to have that
12 finished up typically in the May timeframe.
13 The reporting, of course, is for June.
14 We want to get it done well before June so your
15 auditors can take a look at it and have it approved and
16 finalized for their - I guess, an opinion. And that's
17 then used in the reporting for all the employers as of
18 June 30, 2023. So, you know, we need to have it all
19 completed hopefully by the end of August is kind of the
20 timeframe we typically follow. But our pieces will be
21 ready for the auditors, again, by that May timeframe.
22 So with that, any questions on the GASB
23 67 of MERS for the June 30, 2022?
24 CHAIRMAN ADOMEIT: It doesn't sound like
25 it. I don't want to cut people off in the middle of

1 thinking.

2 I guess we're satisfied with it then. So

3 we'll probably need a motion to accept it and pass it

4 on to tomorrow's meeting.

5 MR. POULIN: This is Claude. Mr.

6 Chairman, I move to accept the CMERS GASB 67 Report

7 Prepared as of June 30th, 2022.

8 MR. RYOR: Tim Ryor, second.

9 CHAIRMAN ADOMEIT: Any further

10 discussion? Hearing none, all in favor, say aye or

11 raise your hand.

12 MS. NOLEN: Aye.

13 CHAIRMAN ADOMEIT: Opposed, nay. It's

14 unanimous. The ayes have it.

15 Item Number 3, GASB Number 68, MERS,

16 CMERS.

17 MR. GARRETT: Mr. Chairman, John Garrett.

18 And again, that reporting is really going to be ready

19 in, I would say, May, April at the earliest. May is

20 the typical, I think, timing for that to be presented

21 to the—

22 So our GASB 68 reporting, you know, we

23 will do our report for the Board. And I'm sorry, that

24 probably - we can do the report for the Board, CMERS in

25 total, but the actual allocation work that we do is

1 going to be done in May.

2 So, Ed, yeah, I don't think we've done

3 the 68 reporting just because we know we have to get

4 the assets perfect by the splits—

5 MR. KOEBEL: Right.

6 MR. GARRETT: --in order to actually put

7 that together. I know we haven't quite finished that

8 work yet.

9 So, I'm sorry, Mr. Chairman, the GASB 68

10 reporting is not prepared for CMERS. We will attempt

11 to have that report ready for the next Board meeting -

12 the next Subcommittee meeting.

13 CHAIRMAN ADOMEIT: Okay. So the GASB

14 Number 68 is not ready?

15 MR. GARRETT: No, sir.

16 CHAIRMAN ADOMEIT: Okay. Well, that

17 makes it easier. I don't need a motion.

18 MR. HERRINGTON: Yeah, and I guess - this

19 is John Herrington. So in the past years in connection

20 with the MERS valuation, we had an additional schedule,

21 a schedule age with additional information per the

22 municipality, where we had the number of retirees at

23 age and monthly benefits broken out by entity.

24 Is that something that we have abandoned

25 going forward?

1 MR. GARRETT: No. It was actually in the
2 last version of the MERS report. So it wasn't ready
3 when we delivered the report initially, but we got a
4 version to you later that had schedule age in the back
5 of it.
6 MR. HERRINGTON: Okay.
7 MR. GARRETT: I don't know if that's not
8 the one that's maybe published on your website, but
9 just sometimes that thing is really - it's a lot of
10 data to put together, and especially with the
11 amortization payments and the new amortization
12 schedules and all those kind of changes.
13 So it did lag last year. Our hope is
14 that we'll have another version of schedule age.
15 I know we have an initial cut of it;
16 don't we, Ed; that James has this?
17 MR. KOEBEL: Yeah.
18 MR. GARRETT: And so we're trying to
19 finalize that and make sure the amortization amounts
20 and all that flow into there. But we'll have that
21 version to you with schedule age in the back, you know,
22 soon.
23 MR. HERRINGTON: Okay. All right. Yeah,
24 and so I might have to connect with you for a version
25 with schedule age from last year as well.

1 MR. GARRETT: Oh, all right. We'll—
2 MR. KOEBEL: I have that, John. I can
3 send that to you.
4 MR. HERRINGTON: Perfect, perfect. Thank
5 you.
6 MR. KOEBEL: Yeah.
7 CHAIRMAN ADOMEIT: Okay. No further
8 discussion? It sounds like - are we ready to adjourn?
9 To do that, I need a motion.
10 MR. POULIN: Mr. Chairman, this is
11 Claude. I move to adjourn.
12 MR. RYOR: Tim Ryor, second.
13 CHAIRMAN ADOMEIT: All right. All in
14 favor, say aye or raise your hand.
15 MS. NOLEN: Aye.
16 CHAIRMAN ADOMEIT: Yeah, it's unanimous.
17 The ayes have it.
18 Thank you all very much.
19 MR. RYOR: (Inaudible)
20 MR. GARRETT: Thank you all very much.
21 (Adjourned at 3:42 p.m.)
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25

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 3:03 p.m. on February 15, 2023.

Karin A. Empson

Karin A. Empson

03/10/2023

Date