STATE OF CONNECTICUT

STATE EMPLOYEES RETIREMENT COMMISSION

ACTUARIAL SUBCOMMITTEE MEETING

SEPTEMBER 20, 2023 MEETING
HELD VIA ZOOM
CONVENED AT 3:05 p.m.

Present (via Zoom):

Peter Adomeit, Chairman
Karen Nolen, Trustee
Claude Poulin, Actuarial Trustee
John Garrett, Cavanaugh Macdonald
Ed Koebel, Cavanaugh Macdonald
John Herrington, Retirement Services Division Director
Jean Reid, Retirement Services Division
Cindy Cieslak, Rose Kallor LLP

TRANSCRIPTIONIST: Karin A. Empson

1 (Proceedings commenced at 3:05 p.m.)
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5 CHAIRMAN ADOMEIT: Okay. This is a
6 meeting of the Actuarial Subcommittee of the
7 Connecticut State Employees Retirement Commission.
8 And, Cindy, would you read the
9 attendance, please?
10 MS. CIESLAK: Yes. This is Cindy
11 Cieslak. Present today, we have Chairman Pater
12 Adomeit, Trustee Karen Nolen, Actuarial Trustee Claude
13 Poulin. From the Retirement Services Division, we have
14 Division Director John Herrington and Jean Reid. From
15 Cavanaugh Macdonald, we have John Garrett and Ed
16 Koebel. And I'm Cindy Cieslak, General Counsel from
17 Rose Kallor. Thank you.
18 CHAIRMAN ADOMEIT: Okay. We'll turn the
19 meeting over to the actuaries. Please proceed.
20 MR. KOEBEL: All right. So the first
21 agenda item we're going to go through is a review of
22 the Connecticut Probate Judges and Employees Retirement
23 System Report as of December 31st of 2022. This is the
24 one plan that has an actual December 31st valuation
25 date. All the other ones have a June 30th date.

So we worked on this over the spring, and good to report that this plan - I'm going to go to Page 1 of the report and go through the summary of principal results - but this plan has maintained a funded ratio over a hundred percent as of December 31st, 2022. So you can see kind of the highlights here: active members, about 320 with 21.7 million dollars of annual compensation. It is a rather large increase in salaries that were provided to these probate judges and the members of it. And we'll kind of go through that average, but it was more than what we had assumed. So we're going to see a little bit of an actuarial loss when it comes to salary expectations.

So market value did drop. Twenty-twenty-two was a negative year on investment, even on the calendar-year basis. I know June 30th, 2022 numbers were negative as well. So you can see the market value dropped from 143 million to about 125 million dollars. But the smoothing works. So the smoothing actuarial value assets actually increased by a little over two million dollars.

So the unfunded actuarial accrued liability did increase. Although those are negative numbers, there is an increase there, but we still are showing a surplus of just over a million dollars for

1 this fund. So – and then the funded ratio there of
2 100.8 percent. And when we look down at what the
3 contribution that's required for this next fiscal year,
4 we have normal costs, which is the ongoing costs of
5 this plan, of the benefits for active members. And
6 then we amortize the unfunded over the amortization
7 period.
8 And there you see, it's still a negative
9 number. However the funding policy of this plan that
10 the Actuarial Subcommittee adopted a few years ago is
11 to say that the contribution could never go below the
12 normal costs. So even though we do have a surplus,
13 we're not going to recognize that surplus as far as the
14 contribution requirements. So the total actuarially
15 determined contribution is the normal costs, or 3.076
16 million dollars there, a little bit - about 150-
17 thousand-dollar increase from the previous valuation.
18 Just to kind of go through the rest of
19 the report quickly, just wanted to point out, here is
20 just kind of a summary of the last few valuations of
21 membership and liabilities. And you can look in the
22 left part of this table, the active membership, going
23 back to the average salary that I was referring to
24 earlier, you can see there was an increase of about 7.2
25 percent increase to the average salary. So now their

1 average is about just under 68 thousand dollars there.
2 So again, we're going to show you that in a second, a
3 salary loss for this plan.
4 But again, memberships stayed pretty
5 level. We have retiree lives, about 377 retirees that
6 we're paying out benefits of about 6.6 million dollars.
7 Their average benefit is about 17.6 thousand dollars a
8 year. And their average age is 75.
9 And then I'll take you kind of down to
10 the gain/loss analysis. Where is that? Here at the –
11 probably at the end. Yeah, here it is. Here's our
12 analysis of the gain/loss for the year. So we kind of
13 look at what actually happened versus what we expected
14 to happen. And we really didn't see much movement as
15 far as all the demographic experience, retirements,
16 disabilities, death, and withdrawals. You know, a
17 little bit of a gain there. Positive numbers are
18 gains, therefore death and withdrawals.
19 But the big number there is obviously the
20 pay increases, a loss of about 3.2 million dollars, and
21 the investment earnings of about three million dollars.
22 So that's where we show most of our loss, and that's
23 basically the change that occurred in the unfunded
24 accrued liability there where we went from about a
25 negative seven-million-dollar surplus to now a negative

1 one-million-dollar surplus.
2 So that's really the story of this plan.
3 Again, maintains a hundred percent funded ratio, which
4 we like to see. And again, we do expect, you know,
5 gains and losses here. This was the return; the asset
6 return on the market value for the year was negative
7 10.5 percent. So just to show you that.
8 But we'll be happy to open to any
9 questions. John, do you want to add anything?
10 MR. GARRETT: No.
11 MR. KOEBEL: Okay, good.
12 Any questions on anything? Claude?
13 CHAIRMAN ADOMEIT: Anybody have any
14 questions?
15 MR. GARRETT: Claude, you're muted.
16 MR. POULIN: Yeah, this is Claude. It's
17 not a question. It's really a comment. That decision
18 that we made about ten years ago to, in the employer
19 contribution, if there is a negative - if there is a
20 surplus, not to take the surplus into account and make
21 sure that the minimum will be the normal cost. And
22 this is the result of all this. There have been good
23 years and bad years, but the result of all this is that
24 we're still a little bit overfunded. Otherwise, there
25 would have been a deficit.

1 MR. KOEBEL: Yeah. And like a lot of
2 plans did back in the late nineties when they were in
3 this position, they took contribution holidays when
4 they had a large surplus. So that's good that this
5 subcommittee decided to do that many years ago.
6 MR. GARRETT: You know, and that decision
7 was made well before they became in surplus, you know.
8 So it was good.
9 MR. KOEBEL: Yeah.
10 MR. POULIN: Yes.
11 CHAIRMAN ADOMEIT: Okay.
12 MS. NOLEN: I have a question, more out
13 of curiosity. Because I know that, as you mentioned,
14 this plan goes through as of December 31st ending date,
15 and then SERS and the other ones are June 30th, now, I
16 know that for SERS, the returns for the past year were
17 good. So I'm just curious, is this plan invested
18 differently, or is it just that most of the positive
19 returns we've seen in the other plans were from January
20 through June 30th?
21 MR. GARRETT: SERS is June - so '21 was a
22 big positive year. And calendar year '21 here was a
23 positive year as well.
24 MR. KOEBEL: Right.
25 MR. GARRETT: But June 30, '22 and

1 December 31, ’22 both were bad negative.
2 MR. KOEBEL: Yeah.
3 MS. NOLEN: Yeah, but I’m talking June
4 30, 2023 was a good year for SERS.
5 MR. KOEBEL: Yeah, but if you go through,
6 the markets turned—
7 MR. GARRETT: That January, February of—
8 MR. KOEBEL: --positive in that January,
9 February range.
10 MR. GARRETT: Yeah.
11 MR. KOEBEL: It really had really good
12 returns if you look at the last six months - or the
13 first six months of 2023.
14 MS. NOLEN: Okay.
15 MR. KOEBEL: The returns were in the
16 double digits positive.
17 MR. GARRETT: Yeah.
18 MR. KOEBEL: So it kind of offset a lot
19 of those losses that we saw in the first six months of
20 the fiscal year.
21 MS. NOLEN: So it’s not so much that this
22 plan is invested differently; it’s just the timing?
23 MR. GARRETT: Yeah.
24 MS. NOLEN: Okay.
25 MR. KOEBEL: (Inaudible) it’s invested

1 differently.

2 MR. GARRETT: Yeah, a little bit. And,

3 you know, I mean, we have some clients that are

4 calendar year too, and you'll see those little bit of

5 differences. And it's really striking when like the

6 market, you know, black Tuesday or whatever it was,

7 October of - right - whatever, when you have a big

8 market event at, you know, a specific time, that it

9 sits between, you know, June 30 and December 31st, it

10 can make a dramatic difference on the market returns

11 for those two plans.

12 But, you know, with five-year smoothing,

13 it pretty much kind of levels stuff out pretty

14 (inaudible).

15 MS. NOLEN: Thank you.

16 CHAIRMAN ADOMEIT: Are there any other

17 questions or comments? Hearing none, I guess we'll

18 need a motion to accept the Connecticut Probate Judges

19 and Employees Retirement Report of the Actuary on the

20 Valuation Prepared as of December 2022.

21 MR. POULIN: Okay, Mr. Chairman, this is

22 Claude. I move to accept the Connecticut Probate

23 Judges and Employees Retirement System Report of the

24 Actuary on the Valuation Prepared as of December 31,

25 2022.

1 CHAIRMAN ADOMEIT: Okay.
2 MS. NOLEN: Second.
3 CHAIRMAN ADOMEIT: Any further comments?
4 Hearing none, all in favor, say aye or raise your hand.
5 MS. NOLEN: Aye.
6 MR. POULIN: Aye.
7 CHAIRMAN ADOMEIT: It's unanimous; the
8 ayes have it.
9 Okay.
10 MR. KOEBEL: All right. So we've got one
11 more item on the agenda that we wanted to share with
12 you all. And there's been a revision to one of the
13 Actuarial Standards of Practice that is impacting
14 pension plans, public pension plans, across the
15 country. So we just kind of wanted to, you know, give
16 you a little bit of update of what you should or will
17 expect to see in the June 30th, 2023 valuations that
18 we'll be, you know, presenting later on in the year and
19 at the beginning of next year.
20 So just to give you a little bit of
21 background, you know, ASOPs is basically what all
22 actuaries follow. There's 56 of them that are kind of
23 spread throughout the practice area and the different
24 four areas there, life, health, casualty, and pension.
25 And so on the pension side of things, we deal with

1 these major ones, as far as, you know, looking at when
2 we do experience studies, we look at the assumptions
3 through ASOP 27 and 35. Our asset method that John
4 talked about, the smoothing, you know, there's guidance
5 for us in ASOP 44. And then we do, you know, risk and
6 modeling in the later ASOPs as well.
7 But ASOP 4 is, you know, where we measure
8 all of the liabilities that kind of give us guidance,
9 and it covers about everything that we do regarding
10 measuring those liabilities and calculating the cost.
11 So it helps - it tells us, you know, about costs
12 methods, you know, amortization, all those things that
13 go into calculating the costs and contributions for
14 those plans.
15 So, again, the Actuarial Standards Board
16 revised ASOP 4, so we just wanted to go through those
17 changes. There are some significant changes to the
18 ASOP, but one particular part of it really impacts you
19 all's plans going forward. So again, it's going to be
20 in the July - or June 30th, 2023 valuation report, so
21 it kind of was effective for all plans after February
22 15th. So that's why you didn't see it in the probate
23 judges' plan because we don't need to do it until next
24 year.
25 So one of the big things is we have to

1 disclose a low-default-risk obligation measure, and
2 you're going to hear another acronym from actuaries, or
3 a couple more, like we didn't have enough with ADEC and
4 GASB and all the UAL and all that stuff. But we've got
5 a new one called LDROM, and we'll get into those in the
6 next few slides.
7 Some of the other changes from ASOP 4 is
8 we have to disclose a reasonable actuarially determined
9 contribution. Now, they give us new guidance on what
10 kind of periods, what kind of methodologies we have to
11 use on the amortization of the unfunded liabilities.
12 We are pleased to say that all four of the plans that
13 are, you know, through Connecticut, SERS, are
14 reasonable, have reasonable expectations and
15 methodologies put in place already. We have closed
16 amortization. We have level-dollar on some of the
17 plans already.
18 MR. GARRETT: Level-dollar.
19 MR. KOEBEL: So we'll have to kind of add
20 commentary that your methodology or the funding policy
21 is reasonable. So really it's for a lot of - what they
22 put this in is for a lot of fixed contribution rate
23 plans, a lot of plans that just have, you know,
24 statutory contributions that go in that don't calculate
25 an actuarially determined contribution. That's what

1 they kind of added it for.
2 So not really a change here for
3 Connecticut, but we will kind of make note that the
4 methodology that you all use is reasonable. And,
5 again, we'll have to assess implications of funding
6 policy, again, more commentary around that. If we do
7 projections, we're going to have to make commentary on
8 how the funding policy impacts these projections.
9 And then other changes that would have
10 come into effect for the MERS plan is output smoothing
11 methods, or direct rate smoothing, that we were doing
12 for MERS. But thankfully, we got to the last year of
13 doing that direct rate smoothing, but we would have had
14 to make some significant changes to that direct rate
15 smoothing and some commentary around that as well. So
16 thankfully we don't have to worry about that aspect of
17 this part of it.
18 But let's get - really dig into the LDROM
19 section of it. So what basically the new ASOP 4 is
20 requiring actuaries to do in public sector plans is to
21 disclose a new liability that is based on - or is tied
22 to low-default-risk fixed income securities, such as
23 U.S. treasury yields, highly rated tax-exempt municipal
24 bonds. So right now, we use a 6.9 percent discount
25 rate, but these U.S. treasury yields fluctuate pretty

1 significantly from year to year if you look back
2 historically.
3 Now, we've got higher rates right now,
4 but we've seen rates in the one to two percent range
5 not too long ago. So what we're going to have to do is
6 rerun all of the funding valuation liabilities at these
7 low-default measures. Again, we'll give an example of
8 what we're talking about here. So, for example, the
9 current ten-year U.S. treasury yield was 2.7 about a
10 year ago. Again, it's a little bit higher now. Long-
11 term rates were about 2.9 at that same time.
12 So here's your projection - or an example
13 of a projection of benefit payment stream that is
14 typical for most public pension plans where we're
15 paying our retiree benefits right now, and then we'll
16 be paying out future retirees going forward. But then
17 eventually, 60, 70, 80 years from now, you know, all
18 those folks in the plan will have passed away. Well,
19 we discount all of these benefit payment streams back
20 today to come up with the liability.
21 So we do that at 6.9 percent. We come up
22 with a liability. That's the liabilities we share in
23 our reports. But now, we're going to have to discount
24 these all back at something much lower. So here's an
25 example of one of my plans that we just did where we

1 did this, and they used a six-and-a-half percent
2 discount rate. So their pension plan liability was
3 about 1.1 billion dollars. The low-default-risk
4 obligation measure at 2.75 percent basically runs their
5 liabilities at almost 1.9 billion dollars. That's a
6 difference of about 723 million dollars that is going
7 to be a liability put in the report.
8 Now, what's important to note is that
9 there is no – that's just a liability that's going to
10 be put in your report. We're still going to fund the
11 plan at the 6.9 percent—
12 MR. GARRETT: Discount rate.
13 MR. KOEBEL: --discount rate. Okay?
14 This is just a number that we have to disclose in the
15 report that shows this LDROM, or this low-default-risk
16 obligation measure. Okay? So it's really important to
17 know that we're still going to be funding at the lower
18 liability or the higher discount rate.
19 MR. POULIN: Ed, this is Claude.
20 MR. KOEBEL: Yes.
21 MR. POULIN: In our case, at 6.9 percent,
22 the difference percentagewise, the difference would be
23 even greater; correct?
24 MR. KOEBEL: Yeah. It – it—
25 MR. POULIN: Yeah.

1 MR. GARRETT: Well, yeah. The current -
2 you know, the current Treasury yield curve is higher
3 than what it was when those numbers were put into that.
4 So, you know, now, it's at like 3.9, 3.7 maybe.
5 MR. KOEBEL: Yeah.
6 MR. POULIN: Oh.
7 MR. GARRETT: So, I mean, you know, it's
8 significantly up because of the tightening the Fed's
9 do. So those Treasury yields are higher.
10 So it's not going to be as bad now, but
11 you're right on that, and because you're 6.9 versus
12 that 6.5, it would have been a bigger gap when that,
13 you know, example was performed.
14 MR. KOEBEL: Yeah, these are not your
15 numbers of any plan. It's just an example of that
16 plan. I just wanted to—
17 MR. POULIN: Yeah.
18 MR. KOEBEL: --just to kind of illustrate
19 that it's going to be a much significantly higher
20 liability.
21 MR. GARRETT: I mean, it's still going to
22 probably be a 40, 50 percent larger liability. But,
23 you know, it's an item that's disclosed. We have a lot
24 of text around it about why—
25 MR. KOEBEL: Yeah, right.

1 MR. GARRETT: --it's not important to
2 look at for funding purposes, and it's not any true
3 measure. But, you know, you're still going to have the
4 media, like Connecticut Yankee; is that what it's
5 called? Those guys up there, they read a lot of
6 pension reports and they're going to say, aha, finally,
7 they gave us the true measure of the liabilities to the
8 plan. Well, we're going to put text around there that
9 says this is - you know, this is not the true measure
10 of the liability; this is just an alternative measure
11 based on this idea of low-default.
12 MR. KOEBEL: Yeah, so that's how we got
13 to - we're working on language for all of our plans'
14 reports, that kind of spinning, kind of spin the
15 difference here to say, you know, so this difference in
16 liability is the savings—
17 MR. GARRETT: Yeah.
18 MR. KOEBEL: --that Connecticut's SERS
19 plans have for investing in a prudent diversified
20 portfolio.
21 MR. GARRETT: Yeah.
22 MR. KOEBEL: This is the savings versus
23 what - like John said, what we're thinking the critics
24 are going to say, the Pew group, the Arnold Foundation,
25 they're going to - and then this other—

1 MR. GARRETT: Reason Foundation, yeah.
2 MR. KOEBEL: --Reason Foundation.
3 MR. GARRETT: Yeah.
4 MR. KOEBEL: They're going to come out
5 and say that this is the true cost of the pension
6 promises to (inaudible).
7 MR. GARRETT: Well, you know, yeah, this
8 has been going on for a long - you know, there was a
9 whole market value of liability segment that, you know,
10 it's been going on for about 10 or 12 years now trying
11 to get public plan actuaries to have to disclose these
12 types of measures.
13 So this is just representing that public
14 plan actuaries, most of us, who were against this type
15 of measure lost, and so this is the - you know, the
16 concession is that we have to put it into a valuation
17 report with the numbers, but we still get to put it in
18 the context that we think is correct.
19 MR. KOEBEL: Yeah.
20 MR. GARRETT: You know, one of the things
21 about it too though is the basis - you know, a public
22 plan is typically an ongoing plan. And it's almost
23 impossible, and I think it is impossible in the State
24 of Connecticut because of constitutional protections,
25 to terminate a plan just on day one; right? I mean,

1 you can't say, on June 30, we're going to close the
2 plan because you have, you know, constitutional
3 protections on the vested rights of the benefits. But
4 this methodology really fits better with a private
5 sector plan where that could occur, because it says
6 that on this date, there's no future accruals of
7 benefits in the plan, which is not realistic for most
8 public sector plans.
9 But again, it's a methodology that's kind
10 of used more widespread out in the private sector
11 world, so—
12 MR. KOEBEL: So one of the good things -
13 and again, John said, we fought against this. Our
14 firm, Cavanaugh Macdonald, wrote letters to the
15 Actuarial Standards Boards, you know, saying - you
16 know, with our concerns for this number, this
17 disclosure, being put into valuation reports.
18 And again, they went through the process
19 and listened to a lot of folks over the last few years.
20 And one of the things that was in the initial
21 disclosure that actually got taken out was there's no
22 need to compare to assets.
23 MR. GARRETT: Mm-hmm.
24 MR. KOEBEL: So we don't have to
25 calculate an unfunded accrued liability based on this

1 liability. We don't have to calculate a funded ratio
2 or, you know, ratio of assets to this liability. They
3 were thrown out. So it's just the liability measure
4 that needs to be disclosed.
5 Now, there's other assumptions here and
6 methods that you have to disclose around it, but that
7 was, I guess, a little bit of a win for us.
8 MR. GARRETT: Right.
9 MR. KOEBEL: Because we didn't want to
10 have a funded ratio tied to that.
11 MR. GARRETT: Yeah. It's not going to
12 prevent those media organizations or those, you know,
13 folks that are on the side that want to show public
14 pension plans to be, you know, exorbitantly expensive
15 and unsustainable. They're still going to take that
16 number, they're going to compare it to your assets,
17 they're going to come up with a funded ratio, and
18 somehow they're going to come up with what—
19 MR. KOEBEL: They're going to do with
20 what—
21 MR. GARRETT: --what the actual
22 contribution rate should be. But all that, you know,
23 is going to be on them. And again, in our disclosure
24 of this number, we're going to be stating that really
25 any use of this number as a measure of funded status or

1 funding requirements is not appropriate.

2 MR. KOEBEL: Yeah, and we intend to put

3 it in the ASOP 51 section of each of those reports,

4 where we kind of do a risk assessment, stress testing,

5 those kinds of measures already. So we're going to put

6 it in there, so that's where it will be found. Some of

7 - they'll find it for sure, but just so you—

8 MR. POULIN: They'll find it, but they

9 will have to work on it—

10 MR. KOEBEL: Right.

11 MR. GARRETT: Right.

12 MR. POULIN: --to get the number.

13 MR. GARRETT: And what—

14 MR. POULIN: Now, does this new low-

15 default-risk obligation measure replace the traditional

16 - show the liabilities, unfunded liabilities, if the

17 investment return rate was, say, minus one percent and

18 plus one percent, or is it in addition to?

19 MR. KOEBEL: No, this - that's - yeah, go

20 ahead.

21 MR. GARRETT: Well, that's the GASB

22 reporting that requires you to show—

23 MR. KOEBEL: Plus one.

24 MR. POULIN: Right.

25 MR. GARRETT: --(inaudible) liabilities

1 to plus one and minus one on the discount rate.
2 MR. KOEBEL: Yeah, we don't have to do
3 that.
4 MR. GARRETT: That's the GASB reporting.
5 This has to be in the actuarial valuation. And the
6 only thing we're showing is that, under this ASOP 4
7 LDROM measure, this is what the liability amount would
8 be, the total pension (inaudible).
9 MR. KOEBEL: Again, what we're thinking
10 is just it's going to be another paragraph with an ASOP
11 51 that illustrates what the liability is and what the,
12 you know, assumptions and methods that go into it. And
13 then we'll have some commentary on what it means and
14 what it doesn't mean really. So—
15 MR. GARRETT: Yeah. And we'll put it in
16 six-point font so it will just look like a smudge on
17 the page, yeah.
18 MR. KOEBEL: Like some other fonts,
19 cryptic fonts.
20 MR. GARRETT: No, but, you know, I mean,
21 it's information, and I think it is - it's not bad
22 information, but it's, you know, on the basis that you
23 could close a plan on a certain date - you can't - on
24 the basis that you're going to cash match the cashflow
25 of the benefit payments using, you know, risk-free

1 bonds. Again, these things are just not really
2 reasonable as far as a method to fund a public sector
3 pension plan, to the point that nobody is doing stuff
4 like that; right?
5 So again, this was just - you know, to be
6 honest with you, the organization behind the ASOPs,
7 right, is pension actuaries represent a very, very
8 minor part of that. And public pension actuaries are a
9 minor part of the minor part.
10 MR. POULIN: Yeah.
11 MR. GARRETT: So it was just that our
12 voices - oh, we all yelled about it and were screaming.
13 It was kind of like the Whos in Whoville, you know,
14 that Horton couldn't hear. So—
15 MR. POULIN: Now, is there in the new
16 ASOP Number 4, is there a section dealing - or about
17 funding, committing a level percentage of pay versus a
18 level payment for funding?
19 MR. GARRETT: Well, so a new—
20 MR. KOEBEL: Yeah.
21 MR. GARRETT: Yeah, you are required - so
22 if you have a funding policy, so for instance, like 30-
23 year level percent of payroll funding, if you had that
24 type of funding policy, the actuary would have to make
25 a comment on whether or not that is reasonable to

1 accumulate sufficient assets to pay off the
2 obligations. And really, because that has a - a 30-
3 year level percent of payroll method has a significant
4 period of negative amortization that, you know, that
5 you have to make comments about that, and perhaps in
6 that case, even determine what a reasonable actuarial
7 contribution would be that would satisfy that - you
8 know, that ability to, you know, have the assets be
9 sufficient to cover the obligations.
10 But as Ed pointed out earlier, none of
11 the plans in Connecticut - with the changes that have
12 been made over the last ten years, there is zero
13 concern that we're going to have to make a comment that
14 the current funding policies would be unreasonable.
15 MR. POULIN: Thank you.
16 CHAIRMAN ADOMEIT: So have they made a
17 change that makes no difference? The change, it makes
18 no changes.
19 MR. GARRETT: Yeah.
20 MR. KOEBEL: Yes. That's a good way to
21 put it.
22 MR. GARRETT: But when you have the
23 number out there - and you're going to hear a lot of –
24 you know, you're going to hear – you're going to read a
25 lot about it. There's going to be a lot of – who's the

1 group that comes out every year and they rank the
2 unfunded, the big - who - what states have the biggest
3 unfunded liability? So, you know, they've been using
4 GASB measures, but now this is going to be widely
5 available; right? It's going to be a number that -
6 every system is going to have to produce an evaluation.
7 So they're just going to pull those
8 numbers out, and then they're going to put up, well,
9 look, Connecticut is the third worst, you know, ranked
10 state, or the seventeenth worst or - it's going to be
11 all that kind of stuff; the Reason Foundation is going
12 to it, and Pew is going to be in there; they're all
13 going to have report cards of, you know, oh, look,
14 we're going to give Connecticut a B or a C or, you
15 know, whatever it's going to be.
16 But, you know, again, we argued that
17 that's how it's going to be used. The pushback was,
18 well, that's not what we intend it to be used for, but
19 that doesn't mean we're still going to have those
20 organizations out there that are going to use it, you
21 know, inappropriately to do those rankings. And so,
22 aha, see, California is horrible, and Illinois, we need
23 to cut out Illinois and give it to Canada or something.
24 It's going to be ridiculous. So—
25 MR. POULIN: Now, in your opinion, do you

1 feel that there is still a strong movement from the
2 financial markets, from pension advisors, to go from a
3 defined benefit plan for public employee plans to
4 defined contribution plans, as we see a little bit over
5 the last several years in the municipal plan?
6 MR. GARRETT: Well, you know, I think
7 there will be just because - so here's this liability
8 measure, and if it's going to be pushed out as being
9 the true measure of the liabilities of these plans,
10 what is the employer's liability to a defined
11 contribution plan? It's zero. The only liability is
12 next year's contributions amounts.
13 So, you know, here's a comparison. You
14 could have a 37 billion dollar - you know, it's going
15 to be - on this basis, it's going to be enormous
16 compared to what we've shown in valuations. They're
17 going to say, you know, here's your true liability, and
18 if you had a DC plan for these people, it would be
19 zero; so which way do you want to go in the future?
20 So, I mean, it is going to be misused for
21 that, but I don't think it really is any true
22 ammunition for anybody just because it's so unproven to
23 try to fund a public sector pension plan under this
24 methodology. So, you know, you can't say that this is
25 really the true measure just because it's a measure

1 that wouldn't work anywhere.
2 MR. KOEBEL: Right.
3 MR. POULIN: No. I agree.
4 CHAIRMAN ADOMEIT: Okay.
5 MR. KOEBEL: That's all we've got here,
6 Mr. Chairman. That's all we've got on this.
7 CHAIRMAN ADOMEIT: All right. Very good.
8 MR. KOEBEL: So – yeah.
9 MR. GARRETT: You know, when we send out
10 draft reports, in the email, we'll note where this ASOP
11 4 disclosure is. Again, it will typically be in the
12 portion now that's called the risk assessment, as Ed
13 pointed out. And, you know, we can discuss it, refine
14 it, however you all, you know, think if there's a
15 better way to do it than what we're doing it, we're
16 happy to hear it.
17 There is only a certain, you know – on,
18 that's one other thing is that, you know, actuarial
19 standards of practice have always been suggested or
20 guidance, not, you know, prescriptions on what the
21 actuaries have to do. And this is one of the first
22 instances that the standards board is really saying,
23 well, these things are things you have to do. Usually
24 it's, we suggest you do this, or this is a reasonable
25 one; this is not reasonable.

1 But we're hoping that, you know, this is
2 as far as it goes as far as them becoming more
3 prescriptive on what actuaries do in valuations. But,
4 you know, once again, it's a work in progress. So this
5 will be the first year it's going to be disclosed. If
6 you all have some better ideas, we're happy to include
7 them.
8 MR. HERRINGTON: This is John Herrington.
9 So have you actually issued any reports that include
10 this disclosure and your commentary?
11 MR. GARRETT: Our first ones are going
12 out the next—
13 MR. KOEBEL: Our first ones are going
14 out, I think, this week. Yeah, our first June 30th
15 val's are going out this week. So, yeah, we can send
16 you that language, John, if you want us to.
17 MR. HERRINGTON: Yeah, right. And how
18 similar is the language that you're using from, kind
19 of, the standard language that NCPERS and NASRA have
20 made widely available?
21 MR. KOEBEL: It's a little bit different.
22 Yeah, it's a little bit different. We're taking the—
23 MR. GARRETT: We didn't feel that those
24 organizations really kind of were thinking ahead about
25 how it's going to be misused. I think we try to be a

1 little bit more protective and a little bit more
2 saying, you know, it's not appropriate.
3 MR. HERRINGTON: Okay. All right. Okay.
4 All right. So you're taking a harder line. Okay.
5 MR. KOEBEL: Yeah.
6 MR. GARRETT: Yeah.
7 MR. KOEBEL: Yeah.
8 CHAIRMAN ADOMEIT: So do we have a copy
9 of the actuarial valuation we could give to the
10 commission tomorrow?
11 MR. GARRETT: We will forward it if
12 there's no changes to it.
13 MR. KOEBEL: There's no changes - if
14 there's no changes, I think John has the final pdf.
15 MR. GARRETT: Yeah, I don't think we had
16 that one marked up draft, yeah.
17 CHAIRMAN ADOMEIT: Okay. If we can get
18 that before the members of the commission, John—
19 MR. HERRINGTON: Yep.
20 CHAIRMAN ADOMEIT: --we could have Claude
21 make the motion to accept.
22 MR. HERRINGTON: Yep, no problem.
23 MR. POULIN: Yes, I will, Mr. Chairman.
24 CHAIRMAN ADOMEIT: All right. Are we all
25 done?

1 MR. KOEBEL: That’s all we got, Mr.
2 Chairman.
3 CHAIRMAN ADOMEIT: Okay. Well, thanks.
4 Much appreciated.
5 MR. GARRETT: Thank you.
6 MR. KOEBEL: No problem.
7 CHAIRMAN ADOMEIT: We need a motion to
8 adjourn.
9 MR. POULIN: I move to adjourn.
10 MS. NOLEN: Second.
11 CHAIRMAN ADOMEIT: All in favor, say aye
12 or raise your hand.
13 MS. NOLEN: Aye.
14 CHAIRMAN ADOMEIT: Unanimous. Have a
15 great rest of the day, guys.
16 MR. KOEBEL: You too. Take care.
17 MS. NOLEN: You too.
18 CHAIRMAN ADOMEIT: All right.
19 (Adjourned at 3:40 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 3:05 p.m. on September 20, 2023.

Karin A. Empson

Karin A. Empson

10/04/2023

Date