STATE OF CONNECTICUT

STATE EMPLOYEES RETIREMENT COMMISSION

ACTUARIAL SUBCOMMITTEE

Date: November 20, 2024

HELD VIA ZOOM

CONVENED AT 3:02 A.M.

Trustees Participating:

Claude Poulin
Tim Ryor
Michael Bailey
Karen Nolen

Other Participants:

Peter Adomeit, Chairman Retirement Commission
John Herrington, Director, Retirement Services Division
John Garrett, Cavanaugh Macdonald Consulting LLC
Darby Carraway, Cavanaugh Macdonald Consulting LLC
Larry Langer, Cavanaugh Macdonald Consulting LLC
Jean Reid, Accounting Specialist, Retirement Services Division
Ben Sedrowski, Planning Specialist, Retirement Services Division
Cindy Cieslak, Rose Kallor, General Counsel to the Commission

(Proceedings commenced at 3:02 p.m.)

CHAIRMAN ADOMEIT: This is a meeting of the State Employee Retirement Commission Actuarial --

MS. CIESLAK: Mr. Chairman, this is Cindy Cieslak.

CHAIRMAN ADOMEIT: Should we start over?

MS. CIESLAK: I had, This is the actuarial subcommittee and then I think you somehow became muted. So if you would like to --

CHAIRMAN ADOMEIT: From the top, all right. This is a meeting of the State Employee Retirement Commission Actuarial Subcommittee being held remotely using Zoom technology. Do you have the attendance, Cindy, please?

MS. CIESLAK: Yes. Good afternoon, this is Cindy Cieslak. Present today we have Chairman Peter Adomeit, Actuarial Trustee Claude Poulin, Actuarial Trustee Tim Ryor, Trustee Karen Nolen, Trustee Michael Bailey. From the Retirement Services Division, Division Director John Herrington as well as Jean Reid and Ben Sedrowski. From Cavanaugh MacDonald we have John Garrett, Darby Carraway and Larry Langer. And I'm Cindy Cieslak General Counsel from Rose Kallor.

CHAIRMAN ADOMEIT: Okay, thank you. Item number one, Connecticut State Employees Retirement System report on the actuary on evaluation prepared as of June 30, 2024.

MR. GARRETT: Mr. Chairman, thank you very much. This

is John Garret with Cavanaugh Macdonald, and with me today is Larry Langer, and actuary of principle of Cavanaugh Macdonald and he's now on the SERS/MERS consulting team and Darby Caraway, which is the sharp young analyst that does all the heavy lifting for us, and we are presenting today the Connecticut State Employees Retirement Systems 2024 valuation. And Cindy, do I have permission to share a screen?

MS. CIESLAK: This is Cindy. Let me just change the settings. All right. You should be all set now.

MR. GARRETT: Okay, let me grab it. Can everyone see that, I know it's on a wide screen, but hopefully we'll get through this. Let me know if I need to zoom in more or not, but -- so going through the report, we'd like to start with the summary that's page 1 of the report. You see the active membership, a nice little growth in the active membership, almost 1800 members. Payroll is up almost 300,000,000, the retirees only one up in net, around 300, 301 to be exact, and the allowances paid to them annually is up to just under two 2.7 billion.

CHAIRMAN ADOMEIT: Excuse me, John. Could you make that a little larger, please?

MR. GARRETT: A little larger. Let me see if I can. How is that?

CHAIRMAN ADOMEIT: That's better.

MR. GARRETT: Okay.

CHAIRMAN ADOMEIT: I can see it now.

MR. GARRETT: All right. Well, I have mounted up on top as well, but I'm not -- my version of yours is not on the same page as you are, so I'll stay with you.

MR. GARRETT: All right. So yeah, this is page 1 if anybody's flipping along in the version we sent. This is has been updated. We did find a typo in it. We didn't resend it 'cause there was nothing really major in there, and this has all the logos and all the stuff for our new branding, so this is the latest and greatest draft. So we're at the discussion of the growth in the active and retired members. We have a few more -- a couple 100 more deferred vested members. Their total annual allowances are expected to be, when they go into pay status, around 52,000,000, 52.4 million. You see the start of the show this year was the market value of assets. We see it growing from 21.2 billion last year up to 23.9 billion. This does reflect subsequent to the valuation date some transfers that were made, the total about 513,000,000. We carry for the valuation their discounted value from the date of their anticipated deposits back to June 30. And so that's a 10,000,000 roughly a little over 10,000,000 dollar difference in what the market value as reported by the comptroller's office for the financial reporting there. So we're just about 10,000,000 dollars under what the market value that's going to

show in the financial reporting for the State when that's prepared. The actuarial value you see is actually -- we have flipped it this year, so the smoothing technique we use is we go to the expected actuarial value and then mark toward market by 20% of the difference. And so this year you can see we have almost a $200,000,000 difference in that -- I'm sorry, it's over, it's $207,000,000 difference that the actuarial value is now understating what the market value is. So that gives us a cushion to help alleviate some of the losses that might occur in the future. And then the resulting unfunded liability, when we take roughly 42.9 million dollars of liability, we subtract out that actuarial value of assets and we get an unfunded liability of 19.2 billion. And then that results in a funded ratio improvement from 52 last year up to 55.2, so continuing to make progress towards, you know, improving that funded ratio. At the bottom of the screen, we kind of compare the actuarial report of contributions from last year's valuation, which applies to fiscal year 25, to this year's valuation, which applies to fiscal year 26, and we can see that we -- there's about a $33,000,000 decrease in the actuarial required contributions. As a percent of pay it's going down almost 4%. So we see the normal costs went from 5.58% last year, just down a little bit to 5.53. We'd expect that kind of movement from year to year as more than new members that come into the plan are going into the later tiers that have a lower benefit tier 4 has a lower normal

cost, so just by the shifting of the population in the plan and the lower cost of the new tier, we should see a, you know, more decline in that normal cost rate. The rate that we determine if we're going to fund the accrued liability is the percent of payroll drops from 42.7 down to 38.9. So the total ADEC as a percent 44.4 compared to the last year, 48.31. You see where we've noted the transfer, so 2024 the transfer amount in total, just under 514,000,000. And again, for our purposes, we discount that back, we're using just over 503,000,000.

MR. POULIN: This is Claude. I have a question. At first when I reviewed this, I thought that the impact of the transfer would appear on June 30, 2025 for fiscal year ending June 30, 2025, but I assumed that this is set in concrete, and the first time we see the result of the transfer of 514,000,000 is in 2026. Is that right?

MR. GARRETT: So that's correct. The effect of it will reduce the ADEC as prepared in the '24 valuation, which applies to the '26 fiscal year. That's correct, Claude.

MR. POULIN: Thank you.

MR. GARRETT: Looking in more -- well, let's see, let me go back to where we're at there, and there's a couple of good pages. Here is just a comparison over the years of the number of actives, retired and then the liability and the assets of the plan, but what's pretty apparent here is that we really kinda have been pretty flat with the growth in active members. So we

had almost 50,000 in 2014 and we're just over 49,000 today, so whether that has related to, you know, that persistent short fall of members, I mean, there's more positions open than there are employees filling it. I don't know if that's the continuing cause of that, but we see the retirees have grown from just under 46,000 in 2024 to just under 58,000 now. So that growth, of course, means that we're going to see that the amount of benefits paying to the retirees are growing compared to the payroll of the active members. And we see that in that column benefits as a percent of payroll. So we're up to about 60%. It actually dropped because we had a much larger growth in payroll of actives than we did in benefit payments to retirees this last year, but still, so roughly 60% of the active payroll is what is being paid out to the members, which means if the plan didn't have any assets on hand and we were continuing to pay as you go to fund this as it was many, many, many, years ago, you know, it would cost roughly 60% of payroll to fund the benefits being earned by the retirees under the benefits prescribed in the plan. And then over to the right, just a comparison of the UAL. You see we hit a peak in the UAL at 2020, 22 billion, 730 million, roughly, and it's now down to just under 20 billion. So, again, a lot of that was the effect of the additional funding, the transfers that have been coming in over that period of time, but, you know, I think we certainly see a trend of the UAL moving in the right direction. And let me hop over and

focus in on the assets. So here, this is page 22, this is where we look in the details of the market value. We see the member and state contributions. The federal money that comes in totals about 2.4 billion in contributions coming in. The investment earnings this year, net of investment related expenses, were 2,440,000,000 and there's other contributions there of 95,000,000. That's really kinda unwinding some of the discounts that we had in the transfers in the prior year as well as I think that also contains some additional -- others that were -- is going to be reported in the State Financial Report as well. The disbursements you see how much we paid in benefit payments, 2.6 billion, refunds to members, 11.6 million. The interest on those items 2.5 million, administrative expenses 21.3, 21.2 -- so in net, we had actually a 2.2 billion dollar excess of money coming in in total. That's the contributions, the actual external cash flow that comes in, plus the 2.4 billion dollar investment earnings, and then we subtract out, you know, what is being paid out, and we had an excess really of money coming in -- inflows of two point 2.2 billion. So we see that growth in the market value from last year 21.16 up 2.2 billion to 23.4 -- roughly 23.4 billion dollars. Our market rate of return, again, actuaries, we kinda do this as a, you know, a very rough approximation of what the return is. The treasurer's office produces a more time weighted return, which is going to be far more accurate. The rate of return we calculate is 11.45.

I think the Treasurer's office for SERS was 11.52, so again, theirs is the more accurate, ours, again, is just an approximation that these cash flows occur at the middle of the year. And then we take that end of the year market value, and then we add on to that the 503,000,000 dollar in discounted amounts transferred that are being treated as receivables for fiscal year '24. And that's where we get that final market value of 23,890. Again, that's going to be about just over 10,000,000 dollars less than what's going to be reported as the market value for SERS in the financial reporting of the State. When we then take that over and do the actuarial smoothing, you see we have the beginning of the actuarial value from last year's valuation, 21.846 -- 847. And then we take the contributions. This is not including that transfer. This is just the amount of money that actually came in for the purpose of paying off the ADECs. The others we take the disbursements out. So we have a net cash flow of 218,000,000, which is really, you know, a very favorable net external cash flow for the plan, which is -- certainly there's limits to how much negative cash flow a plan can sustain and this is far below that limited amount.

The investment income, 2.44 billion, we expected 6.9% rate of return, which results in this -- our expectation of getting 1.5 billion in, so we exceeded that by quite a bit. Oh, I'm sorry. Let's see here. I'm finding that if you touch too

many buttons on the screens here -- all right, so what we end up with, it was an expected actuarial value of 23.6 billion. The resulting difference is 260, and we move 20% towards -- 20 percent of that we're going to move toward the market value, which is now greater than the actuarial value, so that results in really having a 207,000,000 dollar buffer -- cushion, really for, you know, to potentially help us offset future returns that may not be as good. So that's the actuarial value of assets.

Next let's look at the liabilities in a little more detail. So this is a lot of detail. So this is the liabilities that we calculated both in the last year's valuation and this year's by tier in the plan. You can see really the older tiers, tier 1, B, C -- those liabilities are really decreasing each year. And that's just as those members who retired under those tiers are no longer with us, but then the later tiers, tier 4, certainly and tier 3, we still see growth in there. Both because the younger members are still accruing benefits and so we're adding to the accrued liability for these groups. And also this is where the new people are going into is the -- the tier 4, all other. So we add to the active liability of 9.9 billion. We add what the liability is for those people that have terminated membership but still have a vested benefit payable in the future, 562,000,000. Then the present value for all the annuities that we're currently in pay status with retirees and beneficiaries of 32,363,000,000. So the total

accrued liability, I mentioned it before, 42.9 billion, we compare that to the actuarial value assets. And, again, we back into what the unfunded portion of the liability is, 19.2 billion. I'm looking at gain/loss this year, so these are the sources of what unexpected changes occurred in what we would have anticipated the liability to be. So this is a first year in a while that we actually had a gain due to service retirements. It's not a big gain, but it is a gain. It's great to see a number without parentheses about it. Disability retirements, slight losses, really slight losses all along the way. Pay increases were the one that was really a little more of a stand out, but still compared to what it has been with, you know, CPI high, we expect that pay increases are probably going to be in excess of what we expect, but this number is coming down. We're turning back towards where we would expect those pay increases to affect the liabilities.

New members is not really a loss. This is just -- we didn't expect members -- when we did the last year's valuation we had no expectation there were going to be new members in the plan because they're not in the data. So when they do show up, they usually show up with a portion of a year of service. So that liability associated with that fractional year of service is, you know, it shows here as an unexpected increase in the liability, and therefore it has parentheses around it like it's a loss, but it's not really a loss.

Investment income. It was a $52,000,000 gain this year, you know, on an actuarial value of assets, the return was 7.06 and we assumed 6.9%, so pretty close. Didn't really result in a major gain, but the good news is, you know, we do have that $207,000,000 of that gain stored to help out in the future.

Post retirement mortality, so deaths after retirement, a loss. This is the first loss in a while. It wasn't, you know, it's not an enormous loss, but this is a first loss. We certainly are going to watch that for the trend to see if, you know, there might be a need to adjust further the plan's mortality assumption. We do use a generational scale of improvement in here, but sometimes that scale doesn't represent the rate of improvement that's actually being experienced. So we'll monitor that in the next experience study. And another surprising change was we had a year that COLA's -- actually we had a gain due to COLA's. So COLA's were a little bit less than the percents that we would expect by the class based on their dates of retirement. So we had roughly a $51,000,000 gain due to the cost of living adjustments in this valuation.

Other is just stuff that really can't be the compounding nature of these things and also things it just can't be identified by a source that we make an assumption for, 2.7 million. So in total, we had a total loss due to actuarial experience of a 139,000,000 and then this is where we say, well, we also got 503.7 million more than we expected in the assets

this year. So, the net gain or loss of the plan is $365,000,000. Any questions on the gain loss?

MR. POULIN: Yeah, John. I do have a question about the post retirement mortality loss. It's 76.4 million, and you said in the previous years there was a gain, right?

MR. GARRETT: Yeah. In almost all the previous years, Claude.

MR. POULIN: What would be the reason in this year, in the last year for a loss? Is it because COVID has killed people, are they -- I'm not kidding. It might be the survival of the fittest? Is that --

MR. GARRETT: Right, right. And so, I mean, when you see a string of gains, right? All those gains were due to the higher incidence of mortality we experienced during those COVID years, and so you're right. So we have now a healthier group of retirees left, and we're probably going to see a little bit of a loss here. But again, what we want to -- you know, this 1 year outcome could be anomalous or it could be, you know, an actual trend that we need to pick up on with the next mortality assumptions for the plan. But right now, we're not worried about it. It's a pretty modest amount. It's like, I think it's 0.4 percent of the liability -- 0.4 percent of the liability. So it's a pretty modest, you know, as far as the range of the magnitude of it, but certainly something that we want to make sure that we don't start seeing these losses grow due to post

retirement mortality. So that'll be a key point in our next experience study, which is actually after next year, I think.

MS. NOLEN: John, I had a question on the COLA gain?

MR. GARRETT: Okay.

MS. NOLEN: Do you think that is mostly due to the fact that now retirees have to wait 30 months before they get their first COLA?

MR. GARRETT: No, because that's really a pretty small portion of the people. It was really the -- I'm trying to think of what group was the -- so, you know, so the largest group are the people that have retired. I think it was the ones that actually have, you know, controlled the liability more than others. Those that retired before 2011, I think? And so their COLA provisions, you know, based on the actual CPI. The CPI, you know, was coming down, you know, so this really more than anything represents that finally we're getting the CPI back into a range that is a closer fit to the assumptions that we've made based on, you know -- our assumptions were built on a 2.5% CPI and then CPI went bananas. So I think what we're seeing both with payroll growth or pay increases and COLAs is just this movement back towards, you know, a realistic long term CPI that is closer to what we've been assuming it to be.

MS. NOLEN: Okay.

MR. GARRETT: But they're actually -- when you look at

the different tiers of COLAs paid to the retirees based on their retirement dates, about two out of the four tiers, the actual rate that was provided to them in the adjustment was less than what we assumed it to be.

MS. NOLEN: Thank you.

MR. GARRETT: All right. Moving off from gain/loss, I'm just kinda looking at historical numbers. This is a great chart. So this is a chart that was required way back in the day in GASB 25 times. We still keep it in here because it is a pretty good indication of trend. We have a funded ratio historically. It goes back here, I think we're reflecting eight valuations, and we can see the, you know, the increase in the assets -- assets have more than doubled since 2016, which is remarkable. So we had under 12 billion in actuarial value in 2016. We're now closing in on 24,000,000,000 and really on market, it's, you know, just 100,000,000 less than 24,000,000, it's 23.9 in market. So the actual accrued liability has gone up about a third from, you know, that 32,000,000 in 2016 to 43 in this year. So it's great to see a plan that was not well funded, see 37% funded in 2016. So, and to unwind that, right? To improve that, you have to have higher growth and assets than liabilities. And we're seeing that, so all the movements that have been made through the years are effective in moving this plan in the right direction.

So as a percent of payroll, you see the UAL is a

percent of payroll, peaked at 618% of payroll in 2020, and we're back down to the 400% range, which is the lowest it's been in this 8 valuation comparison.

Here's a look at the required contributions. And so, you know, 2000, well, this again is going back 10 years. This is a 10 year reflection. It covers a period of time really since there was agreement that the State would fund a 100% of the ADEC in these plans. So you see that they've been true to their word. Any difference, even that one that occurred back in fiscal year 2017, is more of a, you know, difference in payroll versus actual pay, you know, the percent applied to the payrolls. It's not a -- in our view anyway, it was not an intentional understatement or under contribution of the ADEC. It's kind of, you know, it was just really because the percent of pay and payroll in that year did not produce the full ADEC that was required. But I think since then the state has now been really scheduling the ADEC as a dollar amount, and so we don't really have even those differences. We see this year was actually a 100 -- almost a 103% of the requirement was put in, and that does not include the $500,000,000. So it's kinda up to the State whether they want to include that when they do their percent contributed, but, you know, this is just looking at the State's effort to pay the ADECs versus the ADECs and not including those additional transfers that have come in.

MR. RYOR: Do you --

MR. GARRETT: Yes, sir.

MR. RYOR: This is Tim Ryor. Is there a summary somewhere of, like, you know, the different transfers? I mean, 'cause I know they've been significant. It'd be interesting to see how much of the increase in funding is basically just related to more contributions.

MR. GARRETT: Yeah, you know, we actually made a statement. Let me go to that statement. We included in this -- we're actually producing a more detailed letter for the comptroller that shows the impact to the ADECs of the additional -- these transfers through time, but we're still waiting to get a better grasp of what is projected for the teachers side of things for this year. So I might have blown through the --

SPEAKER4: Hey John, I think that's on page 2 comment four.

MR. GARRETT: There you go. I was -- I'm just sitting here wheeling the mouse and blew right through it. There's comment four. So you see that last sentence in comment four was Through the 2024 valuation, accumulated transfers of SERS total 5.61 billion, which, you know, by themselves reflect a $477,000,000 decrease to the annual contribution requirement. So, that's pretty awesome.

MR. POULIN: This is again about the transfer. Can we expect this to be a recurring phenomena?

MR. GARRETT: Well, I certainly have been seeing a trending towards smaller amounts, but, you know, I don't know. You guys, you guys have the money trees up there. We don't have any down here. I don't know where you find them, but you're shaking them quite well and getting all that stuff out of there.

MS. NOLEN: I think we do expect another payment in 20 -- at the end of fiscal year 2025, but that's only, you know, through 4 months of the year. That could change at any time.

MR. GARRETT: Yeah. I mean, it has -- it has, you know, it's kind of defined in code what -- how it's -- you know, how it's derived, and it's just, you know, it's been fortunate that the state has had these amounts to transfer. And really when you think about how much, I think in total between SERS and teachers, they probably put in 8,000,000,000 maybe roughly in that range. And what we're looking at is probably $18,000,000,000 in savings over the funding periods of these plans. So it's pretty good since most governments are kinda required to invest money in short term type of accounts, right? You can't go out and buy Bitcoin with state revenue. So this is a great place for them to get really a bang for the buck when they do have excess because they're really -- they're paying off stuff that has a 7%, 6.9% rate of return or really interest rate embedded in. And then just to finish up -- this is back to page 9 of the report where we determine the components of what

goes into the annual required contribution for the state this year, and you see the total plan normal cost, 10.42 percent of pay, 465,000,000. Of that, the members pay about 218,000,000, just under half, which leaves the employer share of the normal cost at 246 and a half million. The amortization cost for the unfunded liability, which is, you know, the unfunded liability, 19.2 billion, but we're paying 1.7 billion on that, and so those two total together to be the ADEC for 2026 fiscal year of 1.98 billion as a percent of pay. It's down to 44.4%. And then a couple of pages -- God, did it again. Sorry. Let me get back a couple of pages over here is what we projected to be for 2027. So this is our best guess right now of what the '25 valuation would look like. It would show a slight decrease in the normal cost rate. It's up to 254,000,000. We expect the unfunded liabilities to be really about 3,000,000 less in cost because we do have $207,000,000 of asset gains that we're going to flow through a part of that next year. So we see the requirement next year to go up a little bit, driven mostly because of the increase in the normal cost, but 1,984,000,000 is what the number we have next year as a percent of pay is down to 43.2% though. And, Mr. Chairman, that's all we have for the details of the actuarial value.

CHAIRMAN ADOMEIT: Okay. Claude, at this point we make a motion to recommend that the Commission accept this report. You're muted Claude.

MR. RYOR: Could I just ask one more follow up question on that footnote on the note on page number four. This is Tim Ryor again. So I -- and I don't know the tier, when you say through the 2024 valuation, I don't know how far back that goes. I don't know if you know that off the top of your head, but, I mean, you know, on the next -- on the next page you have, you know, the UAL going from roughly 15,000,000 in 2014 to 10 years later, 19,000,000. So if unless I'm reading this wrong, I mean, it's fair to say that the decrease in UAL was completely paid for. That wasn't gains and losses and, in fact, you know, adjusted for that 5,000,000,000, it would have actually increased by -- they would have less than tread water -- if they didn't put in the extra contributions, then the UAL would have gone up, not down.

MR. GARRETT: I absolutely agree, it would have gone up, but you gotta remember, too. Pretty crazy time period. And I'm sorry. This is John Garrett with CavMac. Pretty crazy time period.

MR. RYOR: Oh, yeah. Actually, yeah.

MR. GARRETT: COLA's 9% -- 9% COLA's? I mean, that's a killer right there.

MR. RYOR: Yeah, yeah, yeah, yeah.

MR. GARRETT: So, a lot of losses were paid for with those additional monies that came in that did not impact the

ADEC then because they were kinda covered by those additional contributions. But --

MR. RYOR: Yeah. Sorry. My math was wrong. I was going for -- the UAL did go up going back all the way to 14, so but it's down from, you know, it went up from there. So if you take a later year -- and again, I don't know the timeframe of that --

MR. GARRETT: Yeah, I think the first additional transfer, Tim, came in '21, I believe.

MR. RYOR: Okay. So it's the -- a fair comparison is going back to, like '21 or 2020, and so we're down -- yeah, we're down 3.7 billion, but, so it is still fair to say that the gains were fully paid for with the additional contributions.

MR. GARRETT: The losses? Yes.

MR. RYOR: Yeah, yeah.

MR. GARRETT: Yeah. And there were some pretty tremendous ones if you think back to -- I think it was '22 was both an asset loss and COLA loss that was pretty ugly.

MR. RYOR: Okay. Thank you.

MR. GARRETT: Yes, sir.

MR. RYOR: Sorry, didn't mean to --

MR. GARRETT: No problem.

CHAIRMAN ADOMEIT: Okay. Are we all set? Claude, do we have a motion?

MR. POULIN: This is Claude. I move to accept the

Connecticut State Employee Retirement System Actuarial Evaluation Report prepared as of June 30, 2024.

MR. BAILEY: Bailey, second.

CHAIRMAN ADOMEIT: Okay. Any further discussion? Hearing none, all in favor say aye or raise your hand? It's unanimous, the ayes have it.

CHAIRMAN ADOMEIT: Consideration of updated MERS actuarial factors.

MR. GARRETT: Well, Mr. Chairman, this is John Garret again, and because we still have the magic of sharing my screen, I'm going to go through -- so with the MERS Experience Study that was adopted earlier this year, the next step is really to produce new factors for actuarial equivalents of optional forms of benefits and ERF's and items like that, and so this, we've produced them, we shared them with the Division. And here we just want to show you a comparison of, you know, the changes in those factors. So looking at this, this is the factors for a 100% joint survive at various ages of retiree and spouses, general employees and public safety retirees. Because now this year with the adoption of the Pub General Employee Table and the Pub public safety tables, we have now split back out different rates of mortality for public safety and general employees.

And so we have the old factors on the left columns here for general employees, and then below that, public safety, and then below that we have the newer factors. In the middle,

general employees and public safety, and then the comparison to the right. And we show the comparison really as for every $1000 of benefit being paid, how much does the benefit paid to the retiree change? And you see that, you know, the largest increase about $25 per $1000 dollars of benefit. And that's for a very young retiree and a spouse of equal age 55 and 55. It kinda tends down towards $17 when you have an older retiree and a younger spouse. That's for the general employees. Public safety, we kinda see the same thing. It's actually a little bit of a takeaway when you have those older retirees and younger spouses, but for the most part, it's a pretty modest increase in the benefit to be paid for future retirees under the new assumptions for joint survivor 100% similar. Let me jump over to the 50% joint survivor. It's roughly, you know, pretty close to half of the -- what we saw on the last of the 100%. So we see an increase here for the 55 year old retire and spouse that are general employees, about a $14 dollar increase for every $1000 of benefit they're paid, and then for public safety, about a $10 dollar increase for every $1000 that they're paid. And, you know, with mortality, right? If we use the extreme right that everybody's immortal, nobody dies, then there would be no reductions for them, right? These factors would not reduce anything because one life lives as long as two lives if they live forever. So, as mortality improves, we should see that these rates are going to come down. So mortality goes into play

with these rates, but also the discount rate. So we have a 6.9% discount rate, so the drop from the -- back when it was, you know, 8, 8 and a quarter, and then dropped it down. So when we're down to 6.9, we've been at 6.9 for quite a while now. So, you know, that's not impacting these rates as much. And really, the discount factor is not as big a variable typically than the mortality rates are.

The last set here, the Certain and Life. So plans offer people to elect a 10 year Certain and Life or 20 year Certain and Life. And you see here that a 20 year Certain and Life on an elder retire, 67 year old, is, you know, roughly a 36.5 dollar increase per $1000 of benefit they're going to earn, and then for police and fire, it's only a $9 dollar in increase. So that's the magic of the differences in public safety versus general employee mortality rates. And also, really the comparison, it's really the change from the old mortality rates, which was blended to what this is now distinct by occupation. So the police were actually benefitting to some extent by having blended mortality with general employees in determining the factors before. So splitting them out and having public safety as separate from general employees is a little bit of a drop down for them. And then the other one are the ERFs. The ERFs are going to go down a little bit as life extent -- you know, life expands, a life expectancy is increased due to lower mortality, the reduction for going out a little earlier is not

as much, so it's a pretty slight decrease in the reductions due to early retirement elections.

So all in all, the adoption of these in MERS we think over time, you know, this doesn't affect the actuarial liability 'cause these are, you know, deemed to be actuarial equivalent factors for, you know, the plan develops liabilities based on the normal form of the benefit of single life annuity, so there's no impact to adopting these to the valuations. Just, you know, over time and this version of actuarial equivalents and, you know, we could have instances of gains and losses on every individual in the plan. I would expect an instance of gain or loss on every individual in the plan that retires under the current assumptions as well as the future assumptions. So with that, is there any questions concerning the MERS optional form factors that were based on the new experience study adopted by the Board this year. I'm sorry, adopted by the Commission this year.

Just to add something, Mr. Chairman, this is John Garrett again, that, you know, typically the use of these factors are put off to a date in the future so that retirees that might be impacted by it, you know, I don't see many retirees getting damaged by the change in the factors, but you still -- it's typically, you know, expected to be implemented at a future date. And that date I mean, I would recommend January 1, 'cause it's pretty clean. You could push it to July 1. Once

again, it's -- it has no impact on the MERS valuations, so.

CHAIRMAN ADOMEIT: Claude, is this something we give to the full commission? What is our practice?

MR. POULIN: I make a motion to accept. I move to accept the updated Connecticut MERS optional form factors.

CHAIRMAN ADOMEIT: We recommend that the Commission accept it right?

MR. POULIN: I'm sorry?

CHAIRMAN ADOMEIT: Aren't we recommending that the Commission accept it?

MR. POULIN: Yes.

CHAIRMAN ADOMEIT: Okay. All right. Any further discussion? We need a second. We need a second.

MR. BAILEY: Mike Bailey, I second.

CHAIRMAN ADOMEIT: All right. All in favor say aye or raise your hand.

MS. CIESLAK: Peter, this is Cindy, you somehow muted yourself again.

MR. GARRETT: I'll get some of my junk --

CHAIRMAN ADOMEIT: I must have wandered. Okay.

MS. CIESLAK: Peter, this is Cindy. We heard "All in favor raise your hand" and so the outcome of the vote did not get on the record.

CHAIRMAN ADOMEIT: Okay. All in favor raise your hand, please. Opposed nay. Unanimous, the ayes have it.

Thank you very much. It's the only agenda that doesn't have an end to it.

MR. GARRETT: Well, Mr. Chairman, it's because you have actuaries -- there's actually no pauses for jokes either, you noticed, right?

CHAIRMAN ADOMEIT: Oh, you manage to slip them in. Okay. Then I guess we need a motion to adjourn.

MR. POULIN: I moved to adjourn.

MR. BAILEY: Bailey seconds.

CHAIRMAN ADOMEIT: All in favor say aye or raise your hand. The ayes have it.

(Adjourned at 3:47 p.m.)

CERTIFICATE

I certify that this document is a true and accurate description of the proceedings obtained from the recorded meeting of the State of Connecticut State Employees Retirement Commission Actuarial Subcommittee on November 20, 2024 to the best of my ability.

Wendy Malitsky

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