



**Cavanaugh Macdonald**  
CONSULTING, LLC  
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**GASB STATEMENT NO. 67 REPORT**  
**FOR THE**  
**CONNECTICUT STATE EMPLOYEES' RETIREMENT SYSTEM**  
**PREPARED AS OF JUNE 30, 2023**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

February 14, 2024

State of Connecticut  
State Employees' Retirement Commission  
165 Capitol Avenue  
Hartford, CT 06106

Members of the Commission:

Presented in this report is information to assist the Connecticut State Employees' Retirement System in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67. The information is presented for the period ending June 30, 2023. This report reflects a revision to the amount of employer contributions to be consistent with the State's financial reporting.

The annual actuarial valuation used as a basis for much of the information presented in this report was performed as of June 30, 2023. The valuation was based on data, provided by the Retirement Division staff for active, inactive and retired members along with pertinent financial information.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

These results are only for financial reporting and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB 67 and GASB 68 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as changes in plan experience or changes in economic or demographic assumptions.



Members of the Commission  
February 14, 2024  
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The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the System, and on actuarial assumptions that are, individually and in the aggregate, internally consistent and reasonably based on the actual experience of the System. In addition, the calculations were completed in compliance with the laws governing the System and, in our opinion, meet the requirements of GASB 67. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely yours,

A handwritten signature in blue ink that reads 'John J. Garrett'.

John J. Garrett ASA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Edward J. Koebel'.

Edward J. Koebel EA, FCA, MAAA  
Chief Executive Officer



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**REPORT OF THE ANNUAL GASB STATEMENT NO. 67  
REQUIRED INFORMATION FOR THE  
CONNECTICUT STATE EMPLOYEES' RETIREMENT SYSTEM  
PREPARED AS OF JUNE 30, 2023**

**SECTION I – INTRODUCTION**

The Governmental Accounting Standards Board issued Statement No. 67 (GASB 67), “*Financial Reporting For Pension Plans*”, in June 2012. This report, prepared as of June 30, 2023 (the Measurement Date), presents information to assist the Connecticut State Employees’ Retirement System (System) in meeting the requirements of GASB 67. Much of the material provided in this report is based on the data, assumptions, and results of the annual actuarial valuation of the System as of June 30, 2023. The results of that valuation are detailed in a report dated November 30, 2023.

GASB 67 requires a measurement of the Total Pension Liability (TPL) utilizing the Entry Age Normal actuarial funding method. The Net Pension Liability (NPL) is then set equal to the TPL minus the System’s Fiduciary Net Position (FNP) (basically the market values of assets) as of the measurement date. The benefit provisions recognized in the calculation of the TPL are summarized in Schedule B.

Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan’s provision applicable to the membership and beneficiaries of the System on the Measurement Date. Future contributions were projected to be made in accordance with the laws governing the Retirement System. If the FNP is not projected to be depleted at any point in the future, as the results currently indicate, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If however, at a future measurement date the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System. We have determined as of the Measurement Date that use of a 6.90 percent discount rate meets the requirements of GASB 67.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 67 for note disclosure and Required Supplementary Information (RSI).



## **SECTION II – FINANCIAL STATEMENT NOTES**

The actuarial related information presented herein will follow the order presented in GASB 67. There are other non-actuarial items required which are not included in this report. Paragraph numbers are provided for ease of reference.

**Paragraph 30(a) (4):** The data required regarding the membership of the Retirement System were furnished by the Retirement Division staff. The following table summarizes the membership of the system as of June 30, 2023, the Valuation Date.

### **Membership**

	<b>Number</b>
Retired Members Or Their Beneficiaries Currently Receiving Benefits	57,327
Inactive Members Entitled To But Not Yet Receiving Benefits	3,417
Active Members	47,269
Total	108,013

**Paragraphs 31(a) (1)-(4):** As stated above, the NPL is equal to the TPL minus the FNP. That result as of June 30, 2023 is presented in the table below (\$ thousands).

	<b>Fiscal Year Ending June 30, 2023</b>
Total Pension Liability (TPL)	\$41,981,067
Fiduciary Net Position (FNP)	<u>21,236,541</u>
Net Pension Liability (NPL)	\$20,744,526
Ratio of Fiduciary Net Position to Total Pension Liability	50.59%

The FNP as of June 30, 2023 includes amounts transferred from both the Budget Reserve Fund and General Fund Surplus totaling \$1,046,548,093 (receivable).



**Paragraph 31(b) (1)(a)-(f):** This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The actuarial assumptions utilized in developing the TPL are outlined in Schedule C. The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.00 – 11.50 percent, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

The Pub-2010 Mortality Tables projected generationally with scale MP-2020:

Non-Hazardous

- Service Retirees: General, Above-Median, Healthy Retiree.
- Disabled Retirees: General, Disabled Retiree.
- Beneficiaries: General, Above-Median Contingent Annuitant.
- Active Employees: General, Above-Median, Employee.

Hazardous

- Service Retirees: Public Safety, Above-Median, Healthy Retiree.
- Disabled Retirees: Public Safety, Disabled Retiree.
- Beneficiaries: Public Safety, Above-Median Contingent Annuitant.
- Active Employees: Public Safety, Above-Median, Employee.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.4%
Developed Market Intl. Stock Fund	11.0	6.4
Emerging Market Intl. Stock Fund	9.0	8.6
Core Fixed Income Fund	13.0	0.8
Emerging Market Debt Fund	5.0	3.8
High Yield Bond Fund	3.0	3.4
Real Estate Fund	19.0	5.2
Private Equity	10.0	9.4
Private Credit	5.0	6.5
Alternative Investments	3.0	3.1
Liquidity Fund	2.0	-0.4

*Discount rate.* The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Paragraph 31(b) (1) (g):** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of 6.90 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate (\$ thousands):

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
System's net pension liability	\$25,748,053	\$20,744,526	\$16,573,532





**Paragraph 31(c):** June 30, 2023 is the actuarial valuation date upon which the TPL is based. In order to provide the experience gain or loss, an expected TPL is determined as of June 30, 2023 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments, and refunds for the plan year and then applies the expected investment rate of return for the year. The change in the assumptions from prior Measurement Date is then calculated, if applicable. The procedure was used to determine the expected TPL as of June 30, 2023, as shown in the following table:

<b>TPL Roll-Forward</b> <b>(\$ in thousands)</b>	
(a) Interest Rate	6.90%
(b) Actual TPL as of June 30, 2022	\$40,656,964
(c) Service Cost for the Year July 1, 2022 – June 30, 2023	\$463,636
(d) Actual Benefit Payments for the Year July 1, 2022 – June 30, 2023	\$2,605,221
(e) Expected TPL as of June 30, 2023 = [ (b) x 1.069 ] + (c) – [ (d) x 1.0345]	\$41,230,829
(f) Experience (Gain)/Loss for Year	\$750,238
(g) Actual TPL as of June 30, 2023	\$41,981,067
(h) Assumption Change for Year	\$0
(i) Final TPL as of June 30, 2023	\$41,981,067



### **SECTION III – REQUIRED SUPPLEMENTARY INFORMATION**

There are several tables of Required Supplementary Information (RSI) that need to be included in the System’s financial statements:

**Paragraphs 32(a)-(c):** The required tables are provided in Schedule A.

**Paragraph 34:** In addition, the following should be noted regarding the RSI:

#### ***Changes of benefit terms:***

- 2017
  - A 3-year freeze on all salary increases for fiscal years ending 2017, 2018 and 2019.
  - The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in CPI-W from 0.0% to 2.0%, plus 60% of the annual rate of increase in CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA rate of 7.5%.
  - A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.
  - Increase to all non-Tier IV members’ contribution rates by 1.5% of compensation effective July 1, 2017 and an additional 0.5% of compensation effective July 1, 2019.
  - In years where employer contribution increase due to poor asset returns, half the increase is applied to Tier IV member contribution rate of up to 2% in total.
  - Tier IV Hybrid Plan Structure for All New Hires (Non-Hazardous and Hazardous) after July 1, 2017:
    - i. Non-Hazardous has same retirement eligibility as Tier III
    - ii. Non-hazardous benefit multiplier is 1.30% with no breakpoint
    - iii. Hazardous duty requires 25 years of service to retire
    - iv. Employees contribute 3% more than Tier III employees into the DB Plan.
    - v. Employers contribute 1% and employees must contribute at least 1% to DC portion of Hybrid Plan.



***Changes in Assumptions:***

- 2021
  - Wage Inflation assumed rate changed from 3.50% to 3.00%.
  - Assumed Salary Scale changed to reflect experience in above wage inflation rates of increase.
  - Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale.
  - Assumed rates of withdrawal, disability, and retirement have been adjusted to reflect experience more closely.

***Method and assumptions used in calculations of actuarially determined contributions.*** The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 for the fiscal year ending two years after the valuation date (fiscal year ending June 30, 2023 contributions are based on June 30, 2021 valuation). The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed 5-year phase into level dollar
Single equivalent amortization period	24.8 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.00 – 11.50 percent, including inflation
Investment rate of return	6.90 percent, net of investment related expense



**SCHEDULE A**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
GASB 67 Paragraph 32(a)  
(\$ in Thousands)**

<b>Fiscal Year Ending June 30</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total pension liability</b>										
Service Cost	\$ 287,473	\$ 310,472	\$ 322,114	\$ 480,350	\$ 429,321	\$ 391,941	\$ 388,671	\$ 396,602	\$ 434,436	\$ 463,636
Interest	1,998,736	2,052,651	2,105,947	2,255,533	2,212,890	2,290,633	2,416,577	2,474,161	2,563,570	2,715,450
Benefit changes	0	0	0	(1,444,220)	0	0	0	0	0	0
Difference between expected and actual experience	0	0	772,762	0	482,904	1,224,344	208,138	778,249	1,697,023	750,238
Changes of assumptions	0	0	4,959,705	0	0	0	0	(48,241)	0	0
Benefit payments	(1,563,029)	(1,650,465)	(1,729,181)	(1,847,715)	(1,955,985)	(2,026,793)	(2,120,811)	(2,217,508)	(2,369,853)	(2,593,589)
Refunds of contributions	(3,935)	(7,124)	(7,098)	(7,972)	(7,659)	(6,350)	(9,377)	(9,955)	(12,656)	(11,632)
<b>Net change in total pension liability</b>	<b>719,245</b>	<b>705,534</b>	<b>6,424,249</b>	<b>(564,024)</b>	<b>1,161,471</b>	<b>1,873,775</b>	<b>883,198</b>	<b>1,373,308</b>	<b>2,312,520</b>	<b>1,324,103</b>
<b>Total pension liability - beginning</b>	<b>25,767,688</b>	<b>24,486,933</b>	<b>27,192,467</b>	<b>33,616,716</b>	<b>33,052,692</b>	<b>34,214,163</b>	<b>36,087,938</b>	<b>36,971,136</b>	<b>38,344,444</b>	<b>40,656,964</b>
<b>Total pension liability - ending (a)</b>	<b>\$26,486,933</b>	<b>\$27,192,467</b>	<b>\$33,616,716</b>	<b>\$33,052,692</b>	<b>\$34,214,163</b>	<b>\$36,087,938</b>	<b>\$36,971,136</b>	<b>\$38,344,444</b>	<b>\$40,656,964</b>	<b>\$41,981,067</b>
<b>Plan net position</b>										
Contributions - employer	\$ 1,268,890	\$ 1,371,651	\$ 1,501,805	\$ 1,542,298	\$ 1,443,053	\$ 1,578,323	\$ 1,616,312	\$ 1,786,903	\$ 2,849,181	\$ 3,261,874
Contributions - member	144,807	187,339	135,029	132,557	193,942	489,099	192,716	194,775	202,270	223,062
Net investment income	1,443,391	294,412	(100)	1,509,862	875,944	710,861	295,737	3,301,219	(1,513,318)	1,754,898
Benefit payments	(1,563,029)	(1,650,465)	(1,729,181)	(1,847,715)	(1,955,985)	(2,026,793)	(2,120,811)	(2,217,508)	(2,369,853)	(2,593,589)
Administrative expense	0	0	(651)	(674)	(391)	(693)	(782)	(568)	0	0
Refunds of contributions	(3,935)	(7,124)	(7,098)	(7,972)	(7,659)	(6,350)	(9,377)	(9,955)	(12,656)	(11,632)
Other	0	0	85,608*	(371)	(3,139)	3,704	0	776,286	2,367,461	(1,797)
<b>Net change in plan net position</b>	<b>1,290,124</b>	<b>195,813</b>	<b>(14,588)</b>	<b>1,327,985</b>	<b>545,765</b>	<b>748,151</b>	<b>(26,205)</b>	<b>3,831,152</b>	<b>1,523,085</b>	<b>2,632,816</b>
<b>Plan net position - beginning</b>	<b>9,182,443</b>	<b>10,472,567</b>	<b>10,668,380</b>	<b>10,653,792</b>	<b>11,981,777</b>	<b>12,527,542</b>	<b>13,275,693</b>	<b>13,249,488</b>	<b>17,080,640</b>	<b>18,603,725</b>
<b>Plan net position - ending (b)</b>	<b>\$10,472,567</b>	<b>\$10,667,380</b>	<b>\$10,653,792</b>	<b>\$11,981,777</b>	<b>\$12,527,542</b>	<b>\$13,275,693</b>	<b>\$13,249,488</b>	<b>\$17,080,640</b>	<b>\$18,603,725</b>	<b>\$21,236,541</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$16,014,366</b>	<b>\$16,524,087</b>	<b>\$22,962,924</b>	<b>\$21,070,915</b>	<b>\$21,686,621</b>	<b>\$22,812,245</b>	<b>\$23,721,648</b>	<b>\$21,263,804</b>	<b>\$22,053,239</b>	<b>\$20,744,526</b>



**SCHEDULE OF THE NET PENSION LIABILITY**  
**GASB 67 Paragraph 32(b)**  
**(\$ in Thousands)**

Fiscal Year Ending June 30	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability	\$26,486,933	\$27,192,467	\$33,616,716	\$33,052,692	\$34,214,163	\$36,087,938	\$36,971,136	\$38,344,444	\$40,656,964	\$41,981,067
Plan net position	10,472,567	10,668,380	10,653,792	11,981,777	12,527,542	13,275,693	13,249,488	17,080,640	18,603,725	21,236,541
Net pension liability	\$16,014,366	\$16,524,087	\$22,962,924	\$21,070,915	\$21,686,621	\$22,812,245	\$23,721,648	\$21,263,804	\$22,053,239	\$20,744,526
Ratio of plan net position to total pension liability	39.54%	39.23%	31.69%	36.25%	36.62%	36.79%	35.84%	44.55%	45.76%	50.59%
Covered payroll*	\$ 3,487,577	\$ 3,618,361	\$ 3,720,751	\$ 3,850,978	\$ 3,428,068	\$ 3,686,365	\$ 3,672,443	\$ 3,847,146	\$ 3,787,016	\$ 4,168,950
Net pension liability as a percentage of covered payroll	459.18%	456.67%	617.16%	547.16%	632.62%	618.83%	645.94%	552.72%	582.34%	497.60%

\* Covered payroll equals the total active annual compensation from each year's valuation report.



**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**GASB 67 Paragraph 32(c)**  
**(\$ in Thousands)**

Fiscal Year Ending June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	\$ 2,143,325	\$ 1,993,151	\$ 1,806,708	\$ 1,616,302	\$ 1,574,537	\$ 1,443,110	\$ 1,569,142	\$ 1,514,467	\$ 1,379,189	\$ 1,268,935
Actual employer contributions	<u>3,261,874</u>	<u>2,849,181</u>	<u>1,786,903</u>	<u>1,616,312</u>	<u>1,578,323</u>	<u>1,443,053</u>	<u>1,542,298</u>	<u>1,501,805</u>	<u>1,371,651</u>	<u>1,268,890</u>
Annual contribution deficiency (excess)	<u>\$(1,118,549)</u>	<u>\$(856,030)</u>	<u>\$ 19,805</u>	<u>\$ (10)</u>	<u>\$(3,786)</u>	<u>\$ 57</u>	<u>\$ 26,844</u>	<u>\$ 12,662</u>	<u>\$ 7,538</u>	<u>\$ 45</u>
Covered payroll*	\$ 4,168,950	\$ 3,787,016	\$ 3,847,146	\$ 3,672,443	\$ 3,686,365	\$ 3,428,068	\$ 3,850,978	\$ 3,720,751	\$ 3,618,361	\$ 3,487,577
Actual contributions as a percentage of covered payroll	78.24%	75.24%	46.45%	44.01%	42.82%	42.10%	40.05%	40.36%	37.91%	36.38%

\* Covered payroll equals the total active annual compensation from each year's valuation report and may differ from actual annual payroll for the year.



## **SCHEDULE B**

### **SUMMARY OF BENEFIT PROVISIONS EVALUATED**

The Connecticut State Employees Retirement System (CT SERS) is a defined benefit pension plan established by the Connecticut General Assembly for the purpose of providing retirement allowances and other benefits for State employees in Connecticut, and their survivors and other beneficiaries.

#### **Eligibility Requirements**

Tier I	All State Employees, Elected Officials and their Appointees hired prior to July 1, 1984. Those employees hired between July 1, 1982 and January 1, 1984 could elect to move to Tier II.
Tier II	All State Employees, Elected Officials and their Appointees hired on or after July 1, 1984.
Tier IIA	All State Employees, Elected Officials and their Appointees hired on or after July 1, 1997.
Tier III	All State Employees, Elected Officials and their Appointees hired on or after July 1, 2011.
Tier IV	All State Employees, Elected Officials and their Appointees hired on or after July 1, 2017.

#### **Final Average Earnings (FAE)**

Tier I, II, and IIA	Average Salary of the three highest paid years of service. Effective January 1, 1986, no one year's earnings can be greater than 130% of the average of the two preceding years in calculating the Final Average Earnings.
Tier III and IV	Average Salary of the five highest paid years of service. No one year's earnings can be greater than 130% of the average of the two preceding years in calculating the Final Average Earnings.

#### **Normal Retirement Benefit**

Eligibility	<u>Tier I Hazardous</u> – 20 years of credited service.
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Tier I Plans B and C – Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service.

Tier II Hazardous – 20 years of credited service.

Tier II and IIA – For those who will be eligible for retirement on or before July 1, 2022, the earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997.

For those who will not be eligible for retirement on or before July 1, 2022, the earliest of age 65 with 10 years of vesting service, age 63 with 25 years of vesting service, age 70 with 5 years of vesting service.

Tier III Hazardous – Earlier of Age 50 and 20 years of benefit service or 25 years of benefit service.

Tier III and IV – Age 63 and 25 years of benefit service or Age 65 and 10 years of benefit service.

Tier IV Hazardous – 25 years of benefit service.

## Benefit

Tier I Hazardous – 50% of FAE plus 2% for each year of service in excess of 20.

Tier I Plan B – 2% of FAE times years of service up to age 65. Thereafter, 1% of FAE up to \$4,800, plus 2% of FAE in excess of \$4,800 times years of service. At age 70, greater of 1.25% of FAE up to \$4,800 plus 2.5% of FAE in excess of \$4,800 times years of service (maximum 20 years) or 1.0% of FAE up to \$4,800 plus 2% of FAE in excess of \$4,800 times year of service. Minimum benefit with 25 years is \$833.34 per month.

Tier I Plan C – 2% of FAE times years of service. At age 70, greater of 2.5% of FAE times years of service (maximum 20 years) or 2.0% of FAE times years of service. Minimum benefit with 25 years is \$833.34 per month.





Tier II, IIA, III and IV Hazardous – 2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any. Minimum benefit with 25 years is \$360 per month.

Tier II, IIA and III All Others – 1.40% of FAE plus 0.433% of FAE in excess of year's breakpoint\*, times years of service from October 1, 1982 up to 35 years plus 1.625% of FAE times years of service in excess of 35 years, if any. Minimum benefit with 25 years if \$360 per month.

\* \$10,700 increased by 6% each year after 1982, rounded to nearest \$100 but not greater than Social Security Covered Compensation.

Tier IV All Others – 1.30% of FAE times years of service. Minimum benefit with 25 years if \$360 per month.

## Early Retirement Benefit

### Eligibility

Hazardous – None.

Tier I – Age 55 with 10 years of service.

Tier II and IIA – Age 55 with 10 years of service.

Tier III and IV – Age 58 with 10 years of service.

### Benefit

Tier I – Benefit is Normal Retirement Benefit reduced for retirement prior to age 60 with less than 25 years of service.

Tier II, IIA, III and IV – Benefit is Normal Retirement Benefit reduced 0.25% (effective July 1, 1991) for each month prior to age 60 if at least 25 years of service or age 62 if at least 10 but less than 25 years of service.

For those who retire on or after October 2, 2011 but prior to meeting the age and service requirements for a normal retirement, will be subject to a benefit reduced by 0.50% for each month prior to Normal Retirement.



## Disability Retirement Benefit

### Tier I

For non-service disabilities occurring prior to age 60 with at least 5 years of service, benefit is 3% of FAE times years of service; maximum benefit is 1.667% of FAE times year of service projected to age 65.

For service disabilities occurring prior to age 60, benefit is 1.667% of Salary times years of service projected to age 65 (maximum 30 years).

Exception: State Police benefit is equal to the normal retirement benefit if more than 20 years of service. State Police also receives an additional benefit of \$360 per month plus \$300 to spouse plus \$300 to a surviving dependent child.

### Tier II, IIA, III and IV

Prior to age 65 for service related disability or at any age with at least 10 years of service, benefit is 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint, times service projected to age 65 (maximum 30 years).



## Deferred Vested Retirement Benefit

### Eligibility

Tier I - 10 years of service.

Tier II and IIA – Effective July 1, 1997, 5 years of actual state service, 10 years of vesting service, or age 70 with 5 years of service.

Tier III and IV – 10 years of benefit service.

### Benefit

Tier I – Benefit is payable at Normal Retirement Age or an Early Retirement Benefit is payable at age 55.

Tier II and IIA – Benefit is payable at Normal Retirement Age or an Early Retirement Benefit is payable at age 55.

Tier III and IV – Benefit is payable at Normal Retirement Age or an Early Retirement Benefit is payable at age 58.

## Pre-Retirement Spouse's Benefit

### Tier I

State Police – Survivor benefits to spouse of \$670 per month plus \$300 to a surviving dependent child.

If eligible for early or normal retirement, 50% of the average of the Life Benefit and the 50% Joint & Survivor Benefit the member would have received.

If not eligible for retirement but with 25 years of service, the same benefit calculated as though age 55 using service and earnings at death.

If not eligible for retirement, return of contributions (5% interest).

### Tier II, IIA, III and IV

If eligible for early or normal retirement, 50% of the 50% Joint & Survivor Benefit the member would have received.

If not eligible for retirement but with 25 years of service, the same benefit calculated as though age 55 using service and earnings at death.



If not eligible for retirement, return of contributions (5% interest).

Tiers I, II, IIA, III and IV

If death is due to employment and there are dependent children under age 18, spouse will be paid \$100,000 in 10 annual installments while living and not remarried. In addition, \$50 per month will be paid to each child while under age 18.

If death is due to employment and there are no dependent children under age 18, spouse will be paid \$50,000 in not less than 10 annual installments.

### **Payment Options**

50% or 100% Joint and Survivor (Normal Form if married).

Straight life annuity (Normal Form if not married).

10 or 20 year certain and life annuity.

### **Cost of Living Adjustments (COLA)**

Annual adjustments each July 1 of up to 5% for retirements prior to July 1, 1980; 3% for retirements after July 1, 1980. For members (and beneficiaries) not covered by Social Security and age 62 and over, the maximum increase is 6%.

For employees retiring after June 30, 1999, the annual adjustment will be 60% of the increase in CPI up to 6% and 75% of the increase in the CPI over 6%. This adjustment will be no less than 2.5% and no greater than 6%.

Employees retiring between July 1, 1997 and June 30, 1999 made an irrevocable choice between the above formula and a fixed 3% annual adjustment.

An employee from Tier IIA must have at least 10 years of actual state service or directly make the transition into retirement in order to be eligible for annual adjustments.

For employees retiring on or after October 2, 2011, the minimum COLA shall be 2.0% and the maximum COLA shall be 7.5%.



For employees retiring on or after July 1, 2022, the annual rate of increase will be the CPI-W from 0.00% to 2.00%, plus 60% of the annual rate of increase in CPI-W from 3.33% to 6.00%, plus 75% of the annual rate of increase in CPI-W above 6.00%, with a cap on the COLA rate of 7.50%. In addition, a COLA moratorium for those retiring on or after July 1, 2022 will be on the first 30 months of retirement. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied would be reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.



## Member Contributions\*

Tier I – Hazardous	6% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level.
Tier I – Plan B	4% of earnings up to Social Security Taxable Wage Base plus 7% of earnings above that level.
Tier I – Plan C	7% of earnings.
Tier II – Hazardous	6% of earnings.
Tier II – All Others	2% of earnings.
Tier IIA & III – Hazardous	7% of earnings.
Tier IIA & III – All Others	4% of earnings.
Tier IV – Hazardous	8% of earnings.
Tier IV – All Others	5% of earnings.

\* In years where asset losses require further increases in contributions, Tier IV employees' contributions may increase by half the necessary increase in rates (up to 2.0%). Finally, all Tier IV employees must contribute 1% to the Defined Contributions (DC) portion of the Hybrid Plan and may elect additional contribution of up to 3% of salary to the DC portion.



**Hybrid Defined Benefit/Defined  
Contribution Plan for Employees  
of Higher Learning**

Individuals hired on or after July 1, 2011 otherwise eligible for the Alternate Retirement Plan (“ARP”) shall be eligible to be members of the new Hybrid Plan in addition to their existing choices. Individuals who are currently members of the ARP shall be eligible to join the Hybrid Plan on a one time option at the full actuarial cost. The Hybrid Plan shall have defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011 but shall require employee contributions 3% higher than the contribution required from the Applicable Tier II/IIA/III Plan. An employee shall have the option, upon leaving state service, of accepting the defined benefit amount, or electing to receive a return of his/her contributions to the Hybrid Plan, plus a 5% employer match, plus 4% interest (“cash out option”). In the event the employee elects the cash out option, he/she shall permanently waive any entitlement they may have to health insurance as a retired state employee unless they convert the cash out option to a periodic payment as would be required under the current ARP Plan.



## SCHEDULE C

### STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

Adopted or reaffirmed by the Commission on September 16, 2021 for the June 30, 2021 and later valuations based on the experience investigation report for the five-year period ending June 30, 2020 which can be found at on the Office of the State Comptroller - Retirement Services Division website.

**VALUATION INTEREST RATE:** 6.90% per annum, compounded annually, net of expenses, comprised of a 2.50% price inflation assumption and a 4.40% real return assumption.

**SALARY INCREASES:** The assumptions for salary increases are as follows:

Years of Service	Hazardous Rate*	Non-Hazardous Rate*
0	11.50%	10.50%
1	11.50%	10.50%
2	7.50%	7.50%
3	5.50%	5.50%
4	5.25%	5.25%
5	5.00%	5.00%
6	4.75%	4.75%
7	4.75%	4.75%
8	4.75%	4.75%
9	4.75%	4.75%
10	4.50%	4.50%
11	4.50%	4.25%
12	4.25%	4.25%
13	4.25%	4.25%
14	4.00%	4.00%
15	3.50%	3.50%
16	3.50%	3.25%
17	3.50%	3.25%
18	3.25%	3.25%
19	3.25%	3.25%
20+	3.00%	3.00%

\*includes Wage Inflation of 3.00%





**COST OF LIVING ADJUSTMENTS (COLA):**

<b>Group</b>	<b>Rate</b>
Pre July 1, 1980 Retirees	3.25%
July 1, 1980 – June 30, 1997 Retirees	3.00%
July 1, 1997 – October 1, 2011 Retirees	2.60%
Post October 1, 2011 Retirees	2.25%
Post July 1, 2022 Retirees	1.95%

We have also assumed a COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement. We assume the first COLA received is increased by 0.15% to reflect the possible additional COLA in the event the annualized rate of increase in the CPI-W is greater than 5.5% during the first 18 months of retirement.

**SOCIAL SECURITY WAGE BASE INCREASES:** 3.50% per annum.

**PAYROLL GROWTH ASSUMPTION:** The phase-in to a level dollar amortization method has been completed and beginning with this valuation, a payroll growth assumption is no longer necessary. Based on the experience study, the expected rate of payroll growth would have been 3.0% annually.



**SEPARATIONS BEFORE SERVICE RETIREMENT:** Representative values of the assumed annual rates of separation before service retirement are as follows:

**WITHDRAWAL**

Annual Rates of Withdrawal								
Age	Years of Service							
	0	1	2	3	4	5	6-9	10+
<b>Hazardous Males</b>								
20	8.00%	4.25%	4.25%	4.00%	3.00%	2.50%	1.25%	1.00%
25	8.00	4.25	4.25	4.00	3.00	2.50	1.25	1.00
30	8.00	4.25	4.25	3.50	2.75	2.50	1.25	1.00
35	8.00	4.00	4.00	3.25	2.75	2.50	1.25	1.00
40	8.00	4.00	4.00	3.00	2.50	2.50	1.25	0.80
45	8.00	4.00	4.00	3.00	2.50	2.50	1.25	0.80
50	8.00	4.00	4.00	3.00	2.50	2.50	1.25	0.80
55+	8.00	4.00	4.00	3.00	2.50	2.50	1.25	0.80
<b>Hazardous Females</b>								
20	11.00%	7.00%	7.00%	7.00%	4.00%	3.30%	2.50%	1.75%
25	11.00	7.00	7.00	7.00	4.00	3.30	2.50	1.75
30	11.00	6.00	6.00	6.00	4.00	3.30	2.50	1.75
35	11.00	5.50	5.50	5.50	4.00	3.30	2.50	1.75
40	11.00	5.50	5.50	5.50	4.00	3.30	2.00	1.00
45	11.00	5.50	5.50	5.50	4.00	3.30	2.00	1.00
50	11.00	5.50	5.50	5.50	4.00	3.30	2.00	1.00
55+	11.00	5.50	5.50	5.50	4.00	3.30	2.00	1.00
<b>Nonhazardous Males</b>								
20	45.00%	35.00%	17.00%	13.00%	11.00%	11.00%	4.50%	4.50%
25	25.00	22.00	17.00	13.00	11.00	11.00	4.50	4.50
30	20.00	15.00	14.00	10.00	7.50	7.50	4.50	4.50
35	17.00	10.00	12.00	9.00	6.50	5.00	4.50	3.00
40	17.00	10.00	10.00	8.00	6.50	5.00	4.00	2.75
45	17.00	10.00	9.00	8.00	6.50	5.00	4.00	2.50
50	17.00	10.00	9.00	8.00	6.50	5.00	3.00	2.50
55+	17.00	10.00	9.00	8.00	6.50	5.00	3.00	2.00
<b>Nonhazardous Females</b>								
20	40.00%	40.00%	40.00%	35.00%	20.00%	20.00%	10.00%	5.00%
25	25.00	22.00	17.00	12.00	10.00	10.00	7.00	5.00
30	18.00	15.00	12.00	10.00	8.00	7.00	5.00	4.50
35	16.00	10.00	11.00	9.00	6.00	5.00	4.00	3.25
40	16.00	10.00	10.00	8.00	6.00	5.00	3.50	2.00
45	16.00	10.00	10.00	7.00	6.00	5.00	3.25	2.00
50	16.00	10.00	10.00	7.00	6.00	4.00	3.25	2.00
55+	16.00	10.00	10.00	7.00	6.00	4.00	3.25	2.00



**DISABILITY**

Annual Rates of Disability		
Age	Hazardous	Non-Hazardous
30	0.05%	0.04%
35	0.09	0.05
40	0.15	0.07
45	0.25	0.12
50	0.33	0.22
55	0.42	0.40
60	0.50	0.50
65	0.60	0.50
70	0.80	0.50
75	1.00	0.50

**RETIREMENT:** The assumed annual rates of retirement are shown below.

Annual Rates of Retirement						
Hazardous						
Age	Tier I, II & IIA		Tier III & IV			
	First Year Eligible	All Years After	Years of Service			
			20	21 - 24	25	26+
40 - 49	45%	25%			45%	25%
50	45	25	45%	45%	45	25
51 - 56	45	25	45	25	25	25
57	60	25	60	25	25	25
58 - 61	60	30	60	30	30	30
62	65	30	65	30	30	30
63	65	30	65	30	30	30
64	65	40	65	40	40	40
65 - 66	75	50	75	50	50	50
67	75	45	75	45	45	45
68	75	40	75	40	40	40
69	75	35	75	35	35	35
70 - 73	75	30	75	30	30	30
74 - 79	100	30	100	30	30	30
80	100	100	100	100	100	100



Annual Rates of Retirement						
Nonhazardous						
Age	Tier I		Tier II & IIA		Tier III & IV	
	Early	Other Years	Early	Other Years	Early	Other Years
55	12.0%	30.0%	4.0%			
56	12.0	30.0	4.0			
57	12.0	30.0	4.0			
58	12.0	30.0	4.0		4.0%	
59	12.0	30.0	4.0		4.0	
60		30.0	4.0	20.0%	4.0	
61		30.0	4.0	20.0	4.0	
62		30.0		20.0	4.0	
63		30.0		20.0	4.0	25.0%
64		30.0		20.0	4.0	25.0
65		30.0		20.0		25.0
66 - 70		30.0		25.0		25.0
71 - 79		30.0		22.5		25.0
80		100.0		100.0		100.0

**MORTALITY:** The Pub-2010 Mortality Tables projected generationally with scale MP-2020:

Non-Hazardous

- Service Retirees: General, Above-Median, Healthy Retiree Mortality Table.
- Disabled Retirees: General, Disabled Retiree Mortality Table.
- Beneficiaries: General, Above-Median Contingent Annuitant Mortality Table.
- Active Employees: General, Above-Median, Employee Mortality Table.

Hazardous

- Service Retirees: Public Safety, Above-Median, Healthy Retiree Mortality Table.
- Disabled Retirees: Public Safety, Disabled Retiree Mortality Table.
- Beneficiaries: Public Safety, Above-Median Contingent Annuitant Mortality Table.
- Active Employees: Public Safety, Above-Median, Employee Mortality Table.

In our opinion, the generational projection of the mortality rates with scale MP-2020 provide a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience.



**ASSET METHOD:** Market Value of Assets

**VALUATION METHOD:** Entry Age Normal cost method.

**IMPACT OF LONGLEY DECISION:** Benefits for members retiring from service on or after the *Longley* decision date are assumed to increase by 0.084% as a result of the revised treatment of longevity pay. Retroactive application of *Longley* has been reflected in this valuation to the extent impacted retiree benefits have been recalculated.

**SPOUSES:** For members who have elected spouse coverage, husbands are assumed to be three years older than their wives.

**PERCENT MARRIED:** 80% of active members are assumed to be married with an average of two children who are on average age 12.

**OTHER ASSUMPTIONS:**

- Pre-Retirement deaths and disabilities assumed to be service related:
  - 30% for non-hazardous duty members
  - 60% for hazardous duty members
  
- To take into account State Police Supplemental Benefits and the offset of Workers Compensation, Social Security, and Non-Rehabilitation Earnings, the following minimum and maximum benefits as a percent of salary are assumed for disability benefits:

	<u>Minimum</u>	<u>Maximum</u>
Tier I State Police	60%	80%
All Other Members	40%	60%



## **SCHEDULE D**

### **GLOSSARY OF TERMS**

<b>Actual employer contributions</b>	Cash contributions recognized as additions to a pension plan's fiduciary net position.
<b>Actuarially determined employer contribution</b>	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
<b>Covered employee payroll</b>	The payroll of employees that are provided with pensions through the pension plan.
<b>GASB</b>	Governmental Accounting Standards Board is an independent organization that establishes and improves standards of accounting and financial reporting and is recognized as the official source of generally accepted accounting principles ( GAAP) for U.S. state and local governments.
<b>Measurement Date</b>	The date the Total Pension Liability, Fiduciary Net Position and Net Pension Liability are determined. Generally it will be the pension plan's fiscal year end, can be no earlier than the end of the employer's prior fiscal year and must be consistently applied from year to year.
<b>Net Pension Liability</b>	The liability of employers to employees for benefits provided through a defined benefit pension plan, calculated as the difference between the Total Pension Liability and the pension plan's Fiduciary Net Position (assets) that are set aside in a qualified pension plan to pay benefits to current employees, retirees and their beneficiaries.
<b>Service cost</b>	The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.



**Single Equivalent Interest Rate**

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1) above, calculated using the municipal bond rate (a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher [or equivalent quality on another rating scale]).

**Total Pension Liability:**

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service determined under the Entry Age Actuarial Cost Method calculated using the Discount Rate.