STATE OF CONNECTICUT

STATE EMPLOYEES RETIREMENT COMMISSION

ACTUARIAL SUBCOMMITTEE MEETING

FEBRUARY 14, 2024 MEETING
HELD VIA ZOOM
CONVENED AT 3:02 p.m.

Present:

Peter Adomeit, Chairman
Michael Bailey, Trustee
Karen Nolen, Trustee
Claude Poulin, Actuarial Trustee
Tim Ryor, Actuarial Trustee
Mark Sciota, Municipal Liaison
Ted Wright, Office of the Treasurer, Ex-Officio member
John Garrett, Cavanaugh Macdonald
Ed Koebel, Cavanaugh Macdonald
John Herrington, Retirement Services Division Director
Jean Reid, Retirement Services Division
Ann Marie Rheault, Town of Winchester
Cindy Cieslak, Rose Kallor LLP

TRANSCRIPTIONIST: Karin A. Empson

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

CHAIRMAN ADOMEIT: Okay. This is the meeting of the Actuarial Subcommittee of the Connecticut State Employees Retirement Commission being held remotely using Zoom technology.

And, Cindy, do you have the attendance, please?

MS. CIESLAK: Yes. Good afternoon. This is Cindy Cieslak. Present this afternoon, we have Chairman Peter Adomeit; Trustee Michael Bailey; Actuarial Trustee Claude Poulin; Municipal Liaison Mark Sciota; Chief Investment Officer, Office of the Treasurer, Ex Officio Member of the Retirement Commission, Ted Wright; Actuarial Trustee Tim Ryor; from the Retirement Services Division, Jean Reid; Director of Finance from the Town of Winchester, Ann Marie Rheault; John Garrett and Ed Koebel, both from Cavanaugh Macdonald; and Cindy Cieslak, General Counsel from Rose Kallor.

CHAIRMAN ADOMEIT: Thank you. The agenda, Item Number 1, Municipal State Employees Retirement System Experience Study.

MR. GARRETT: Thank you, Mr. Chairman and members of the Subcommittee. This one was not—

CHAIRMAN ADOMEIT: This is Ed Koebel speaking, because we have to transcribe these.

MR. GARRETT: I'm sorry. This is John. Yeah, I'm sorry. It's John Garrett speaking.

CHAIRMAN ADOMEIT: Oh, I thought it was Ed.

MS. REID: I'm sorry to interrupt. This is Jean Reid. John Herrington is having a little technology issue, and he will be along as soon as he can.

CHAIRMAN ADOMEIT: Oh, thank you.

MS. REID: Thanks. Sorry.

CHAIRMAN ADOMEIT: That's all right.

MR. GARRETT: Well, it looks like I am too because my video feed went out. Well, sorry. I'm here. I was on video a little while ago, but I don't know what happened. Everybody hear me okay?

CHAIRMAN ADOMEIT: Sure. I can.

MR. GARRETT: Okay. This is John Garrett again with Cavanaugh Macdonald. With me is Ed Koebel. You'll hear from Ed whenever I say something wrong, I'm sure, I hope. But so this is the final version of the experience study investigation. We've gone through a couple of presentations of it along the way. And so this is the basis for the assumptions that we are using in the June 30, 2023 valuation that we're going to present here in some of the upcoming reports.

We would like to apologize that we kind of dumped a lot of the GASB reporting in there today. We'd like to go ahead and have that discussed today and considered by the Subcommittee. Assets have been - we've, you know - I guess there's been a lot of turnover in the Comptroller's staff of the people who do the financial reporting, and we've kind of been working through the statements that they've been providing. And we just got an updated version; actually this morning was the latest update.

So with that, we thought we'd want to jump in there and get some of those differences that were existing between what we were showing for the Governmental Accounting Standard Board assets, which we'd like to match up with what's going to be reported in the financial report for the State of Connecticut. And so we had to make some adjustments to some of those. It also impacted some of the other little valuation reports we have today as well.

So with that, the experience study, I don't know if you want me to go through any of it. It kind of - the only thing that changed was, as discussed in the prior meeting earlier this month, was we are grading in the 2.65-percent COLA for those retirees in MERS that retired from January 1, 2002 up to June 30, 2025. The old assumption was two-and-a-half percent. We are recommending we grade into a 2.65-percent COLA for that group, and this first valuation in 2023 will use a 2.55-percent rate of cost-of-living adjustments for those - for that group. And then the following one, we'll use 2.6, and then finally, the 2025 valuation, we'll be using the 2.65-percent, which again, was a good fit for what the expectation of that COLA will be long-term.

I believe that was the only material change in the assumptions. We have gone through the report a few times and made a couple of edits. I hope we've caught all the typos. But with that, I'll open it up to any questions or comments anybody might have.

Well, then I'll - I guess we can put that one to rest, and maybe jump on over to the valuation report. Is that good with everyone?

CHAIRMAN ADOMEIT: It sounds like they're not jumping in, so—

MR. GARRETT: Okay, good, good. So what's in front of you is the report. We're sorry again. This kind of got to you all late. We were still adjusting assets this week. But anyhow, this is the MERS Draft Actuarial Valuation Report for June 30, 2023. This does incorporate the new assumptions that we've recommended through the experience study. Some of that is discussed in the report, and of course, the tables in the back relying on some of the, you know, tabular views of those assumptions are changed as well.

So this was the experience. You know, this is kind of a summary of the results for the entire MERS program, and we see that the number of active members actually grew 502 people, and we see the compensation up over 718 million from just under 670. Number or retirees, a little bit of a surprise there, 300 more retirees, I think - well, actually, there were 340. We had some deaths along the way. There were 347 new retirees and we only expected about just over 300, so a little bit of a loss we'll see on some of those.

Market value, we had a pretty decent return, over eight percent. Of course, this plan assumed seven percent. That gain is going to be recognized over the next five years. However, as you can see, the difference between the market value and the actuarial value, we're still deferring about 180 million dollars of losses from the '22 results that have yet to work their way through the smoothing.

The liability is – the unfunded portion of the liability, you can see, grew. A lot of this, of course, was expected in the experience study. About pretty close to 1.2 billion was what our estimate was with that new COLA assumption. We see we're higher by 53 million. Some of that is, you know, the new group, the new people, more active members, and certainly some of it was the experience picked up asset losses, and we'll go through gain/loss here in a little bit.

We see that, you know, when we're using this layered approach, you know, which we just went to with the revised '22 valuation, we went from the old, closed amortization period to a new layered approach that started with 25-year layers. Well, those two layers that exist from '22 now have 24 years left on them in this new base that we're adding for the change in the UAL that was not expected, or due to the assumption changes. That's going on its own 25-year base, and we'll look at the layers here in a little bit.

So with that, let's go on to – well, the funded ratio, you can see, just declined, just 75.8 in the last valuation on the actuarial-value-of-asset basis, and down to 73 now. Again, that was somewhat pretty close to what we were expecting with the experience study as well.

The rates, which are probably where the rubber meets the road, certainly for the towns, the rates actually came out – three out of four of them actually came out a little better than what we were expecting. So general employees with social security, we were anticipating that, with the COLA change, to be about 16.83 percent, came in about 15 basis points less. General employees without social security, we were anticipating that to be about 20.85 and it's 20.59, so pretty close to 36 - right at 36 basis points less – I'm sorry, 26 basis points less.

Police and fire with social security was the only disappointment. We were anticipating that to be around 23.7 percent and it's 24.1, so about 40 basis points higher. And then police and fire without social security, which is the much larger – police and fire with social security is the smallest group in MERS. Police and fire without social security is the second largest. We were expecting that to be 27.23, and it came in at 26.44, so quite a bit less than what was anticipated.

MR. POULIN: This is Claude.

MR. GARRETT: Yes, sir.

MR. POULIN: I have a question, John. So this column, June 30^{th}, 2025, does it incorporate the assumption, the new assumption, for the COLA—

MR. GARRETT: Yes.

MR. POULIN: --2.55? Now, in 2025, it would be at 2.6?

MR. GARRETT: Right. But so the ’23 valuation sets the funding for the towns that begins July 1, ’24. So, you know, the fiscal year - there’s a delay in the contribution amounts versus the valuation. But so the ’23 valuation is using a 2.55 percent assumption for that, and that determines that cost that they’re going to fund in fiscal year ending ’25.

MR. POULIN: Okay. At the bottom, so the June 30^{th}, 2025 would be 2.65, the ultimate amount?

MR. GARRETT: Well—

MR. POULIN: I mean, two-point – yeah, 2.65.

MR. GARRETT: These costs are based on the 2.55 percent.

MR. POULIN: Five-five.

MR. GARRETT: Yeah. And when we actually do the June 30, 2025 when we’ll be at the 2.65, that will reflect the funding that we expect to come in in fiscal year ending ’27.

MR. POULIN: Okay. Thank you.

MR. GARRETT: Yes, sir.

Let's go over to, I guess, the asset section, Ed, if we can roll down to that. It would go – well, I'm – so here was the actual – the summary of the market value of the receipts and disbursements we saw for the plan. This, again, is based on the latest statements from the Office of the Comptroller, the section that does financial reporting. So these are pretty close to what the CAFR is and, again, part of why we were still a little bit behind on getting these done. That can't be completely the reason.

But if we roll on down to the bottom line, we had an 8.62-percent rate of return. Again, we expect a seven-percent rate of return. So the assets did add some investment income that wasn't expected. We used smoothing so - I guess, the page before that, Ed. When we look at the smoothing, we smoothed kind of based on the difference between what we expect the assets to be on an actuarial basis and where they actually come into. And on the market end, we kind of move twenty percent towards market.

So with that, we see an actuarial rate of return of 5.63. And we still have – you know, again, there is that 178-million-dollar difference that is yet to be either offset by future gains, or recognized in the UAL to the extent that it's not offset by gains.

So with the 5.63-percent return for this valuation, and the expectation of seven percent, we did have increases to the UAL due to the investment income being less than what we expected.

So, I guess, let's go up, Ed, to the breakouts of the individual plans. So part of the experience study, and what we saw, was that, with the new assumptions, and especially when we lowered the salary-increase assumptions, the mirrored component of those, we saw a pretty sizeable decrease in the normal cost for the employers. And here you can see the two general employee plans. You know, the normal cost is really - you know, is down from what we would have seen without these changes, and that certainly helps.

You know, when we're reducing the normal cost, that means that, you know, that's first offset by how much the employees contribute, and here we're at – this is the last year that we're showing increases in the employee contributions that have been scheduled. So the employees in the social-security-covered groups are putting in five-and-a-quarter percent, and the non-social-security-covered groups are putting in eight percent. And so what's left for the employer is right there in the employer normal-cost rates, and we see under five percent for the without-social-security general employees and 5.6 percent with.

The amortization costs again are up. The larger the amortization - the larger the UAL is, the costs are going to be pushed a little. And here, we get those bottom-line numbers, 16.68 for general employees with social security, and 20.59, general employees without social security. And both these rates were a little less than what we would have forecast from ’22, based on the new assumptions.

The police and fire groups, you can see in front of you now, once again, that phase-in of those increased employee contributions, this is the last year. So we’ve reached the ultimate rate of eight percent for the plans without social security, and five-and-a-quarter percent, with social security. The remaining normal cost for the employers, you can see, is a little – 8.21 for the police and fire with social security, and 7.88 without, pretty close.

The amortization of the UAL, again, you know, with the increased UALs, we’re going to see this cost increase, partially offset by decreases in the normal cost, but the police and fire without social security is up to 26.44. Again, that’s – you know, we were anticipating that to be around 27.23. So, you know, it's over - I'm sorry, yeah, over like 79 basis points less than what we expected. The police and fire with social security though was, however, the only surprise group. That came in about 40 basis points higher than what we expected.

This is a smaller group. Their retirement, you know, when we expect like ten people to retire and 14 do, that actually drives a little bit bigger cost, even though this is the smallest group. So, you know, because it's smaller, I think, you know, when we're divvying up these costs by group, it's going to be a little more volatile.

Ed, we can finish up with gain/loss. Here we go. So this is kind of in total, but it still kind of tells a story of what we see in the individual groups too. There is always a lot of volatility between the groups, but - so we expected the UAL to come in. And again, this was before we looked at the assumption changes, so about one - just over a billion. We expected adding about 188 million to that due to the new assumptions. So we were expecting a UAL of around 1.19 billion. It came in 1.253, so about 62.4 million dollars larger than what we expected. Most of that is driven by that investment income, about two-thirds, over two-thirds of it, was investment income. And we see there the source of losses.

So a little bit of a surprise. We just changed to the new, upgraded mortality table, and three of the four plans showed pretty minor losses, and one was even a smaller gain. So – now, part of this new mortality assumption, though, it has really built-in generational increases. So next year, the rates we'd expect to be a little bit less. So, you know, we're not going to have to worry. If we had done this the old way, where we set static rates, we'd be worried right now, because the first year, you typically want to see a pretty sizable gain because you put a lot of margin in that table for future improvement. But with the generational method, we'd want to see this number near zero.

This is actually, you know, not a bad outcome. It's close to zero. For us, as – you know, it's not a shock. It's just we weren't anticipating that it would be with parentheses around it. We were kind of anticipating a little bit of a gain with the new tables.

Cost-of-living adjustments last year, we know that CPI was still lingering a bit higher. We did have higher changes in the retirees' benefits than expected, and that pushed about a two-million-dollar loss. Salary increases, a little bit of a gain, but it's not - three of the four plans had gains. The only plan that really had a salary loss was police and fire without social security, and that was about a five-million-dollar loss that, you know, is partially offset by the gains to the other plans, and when we looked at them in total.

And then the other demographic experience, this is really the compounding effect of all the differences. It falls into what’s - well, it’s actually retirement in service, and disability experience, active member death, and probably the largest component of that was we did have retirement losses, not across-the-board. I believe we actually had a gain for general employees with social security - I’m sorry - yeah, general employees with social security.

General employees without social security was a loss, as well as a loss for the police and fire with social security, that smallest group we had. Again, the expectation was, I think we expected to have about 11 retirees, 12 or 11 retirees, and we had actually 14. So a little bit of a loss gets driven there.

The new members that came into the group, because they come in with a partial year of service, when we see them in the next valuation, this is 2.7 million dollars. To us, it's not really a loss. It's just an additional liability because, you know, these new members that weren't in the plan in '22 now show up in '23 with a little bit of service, and therefore, a little bit of an accrued liability.

So again, that total loss, 62.4 million. As a percent of the liabilities of the plan, you can see up in Item 11 there, it's 11.45 percent, knowing that two-thirds of that is driven by the investment gain and loss. We have really a less-than-a-half-of-a-percent of liability gain/loss due to all the non-investment related experience of the plan, which is really, you know, kind of an expected outcome.

So with that, I'll - Ed, anything else you want to add about the MERS—

MR. KOEBEL: No, I think you hit all the highlights.

CHAIRMAN ADOMEIT: That's Ed Koebel speaking.

MR. KOEBEL: Sorry, Ed Koebel.

CHAIRMAN ADOMEIT: That's all right.

MR. GARRETT: And this is John again.

And I think I - if I hit all the highlights, then I also hit all the lowlights too. So it was a little bit of a disappointment in here, in that we do see at least one of the plans, it was - you know, one of the plans was a little higher than what we were anticipating from the projection of the '22 valuation with the new assumptions. But overall, it was pretty close.

So any questions concerning the '23 MERS Valuation Report?

CHAIRMAN ADOMEIT: I hear the sound of silence. Peter Adomeit. So shall we move on?

MR. GARRETT: Yes, sir.

CHAIRMAN ADOMEIT: On to Number 3.

MR. GARRETT: We have a few other reports to hit with - and I'll (inaudible) over to Ed to go through these.

MR. KOEBEL: All right. One of the other plans that kind of goes along with the MERS Valuation Report is the Police and Fire Survivor's Benefit Fund, and many of the municipalities that are in this fund are in MERS as well. So when we do this valuation, we're kind of implementing the same assumption changes that you saw in the MERS plan.

So, remember, this is a survivor's benefit fund. It's basically a life insurance fund.

And it almost has an opposite effect of the changes that we made, especially in mortality. By thinking that folks are going to live longer, life insurance benefits are kind of put off, and we lower liabilities. So we actually see the opposite effect for this plan than in MERS.

And here's - Page 1 is the summary of principal results. You know, like MERS, active participants are up just slightly, and payroll is up; number of retirees are up as well. The number of annuitants are those folks who, you know, are receiving this survivor's benefit fund as part of the deaths of the members. So about 1.8 million dollars in benefits going out to the annuitants in this plan.

Well, you see the funded ratio there really increased, from 72.5 percent to 83.9 percent, and we'll show you the impact of that, but it basically is due to the assumption changes. And our employer normal contribution rate, where we were always asking for, you know, around 1.3 percent in years past, 1.4 percent in a couple years, now, we're down to 0.19 percent of pay that is always needed for this plan, which uses a frozen initial liability cost method, which basically just comes up with one rate. It doesn't have an unfunded accrued liability to it, but, you know, just has one rate.

So what we're seeing from the assumption changes, again, due mostly to the mortality change, that it decreased liabilities by 11.2 million dollars, and it decreased the contribution rate by 1.24 percent. So this rate here, 0.19, would have been 1.43 percent had it not been for the assumption changes, so right at - kind of in line with what we saw last year.

Again, since we're extending out, you know, mortality, or improvements in the future, it really lowers the liability here for the present active members, the participants who are anticipated to maybe their annuitants get - their contingent annuitants get a benefit from this plan many years into the future. By extending that mortality means that we can extend that liability, present value of that liability, so it lowers it pretty significantly.

So here are the liabilities from this year to last year, and you see we're down about five million dollars there. We had a good investment year, like John said earlier, very comparable for this plan as well, eight percent return. So you see, when we come down here, the present value of the costs is really significantly lower than a year ago. So that's why our employer contribution rate is down to 19 basis points. That is for the fiscal year '25, so same time period as MERS.

So I'll stop there, see if there's any questions.

MR. GARRETT: You know, it is - and I know this looks kind of strange, but you've got to remember, as Ed pointed out, we're using a different funding method here. This is frozen initial liability, which the funding is really spread over the future expected salaries of the members. And, of course, members - as that showed, the members are paying one percent toward this. So, you know, in total, we're getting 1.19 percent of pay, when before, we were getting 2.3.

So, you know, on that basis, it looks a little different, but that method, the frozen initial liability method, we're really funding, you know, the marginal portion of the liability. And so when we see it decrease, present value of future salaries, you can see in Item 6 there on that table Ed has in front of us, it still went up, as would be expected. And so, that kind of drives a dramatic increase on what percent of all those future salaries we need to fully fund this plan. So it's pretty surprising.

The unfortunate thing, of course, is

there's only, what, ten towns that are in this, and one of them isn't even a MERS employer. So is that nine? Nine plans, yeah.

CHAIRMAN ADOMEIT: Peter Adomeit here. I have a question. It's not about the numbers. It's about the name, Policemen and Firemen. How do we change that to Police and Fire? Do we just do it?

MR. GARRETT: You know, I think that's tied to how it is in statutes too though. So we're happy to call it Police Officers and Firefighters, if you'd like for us to do that. You're right, and that's kind of an old style of describing the group. But, yeah, I think actually the fund is called that in statutes. In fact, I was looking earlier at the Treasurer's Office - actually it's called on the Treasurer's Office reporting, like the investment policy statement I was looking at earlier, is Police and Firemen. So I guess they are considering different gender for police, but pretty much firefighters—

But we'll be happy to change this. I mean, maybe we'll be the first, Mr. Chairman. We can go ahead and change it here to Police Officers and Firefighters, and maybe that pushes a discussion further.

CHAIRMAN ADOMEIT: Yeah, I think that'd

be very useful in the year 2024.

MR. GARRETT: So for the next report, we'll – or would you like us to change this one?

CHAIRMAN ADOMEIT: If it's possible, you can change this one. If not, we'll wait.

MR. KOEBEL: We could change that tonight for tomorrow's (inaudible).

CHAIRMAN ADOMEIT: Okay. Yeah, thank you.

MR. KOEBEL: Yep. No problem.

MR. GARRETT: Yes, sir.

CHAIRMAN ADOMEIT: Okay. I guess we have, what, one more item?

MR. POULIN: I think we have two.

MR. KOEBEL: I've got two more items, Mr. Chairman. This is Ed Koebel.

CHAIRMAN ADOMEIT: Okay. What's the next one?

MR. KOEBEL: I've got the Connecticut SERS GASB 67 Report. This is for all the accountants in the room.

So we went over the valuation back in, I guess, December. So a good improvement in the assets and the contributions that were put into this plan. So we've really seen the funded ratio increase for this plan as well. And under the GASB Accounting Standards Board, we're basically using the same liability methodology to calculate this total present - total pension liability. It's comparable to the accrued liability in the funding report.

But when we compare the assets to the liabilities, we have to use the market value of assets, or what they call the fiduciary net position, or this FNP here, which is basically the market value of assets. So when we value that, we get a net pension liability of just about 20.7 billion dollars in this plan, and a ratio of about 50.59 percent. And this did include about a million - a billion dollars that was transferred over this year, or after the val year, but it does include that as a receivable.

Just wanted to point out, this was kind of - as we were going through this plan, I really thought this was a great table to show, and I'll make it bigger because it's a little bit small. But, you know, this is a ten-year history of this plan comparing liabilities, total pension liability here, to the plan net position. And back in 2014 - and this is our tenth year of doing GASB 67 reports for all of our plans; we started in 2014. So now, this table is finally filled out entirely for all of our plans, including yours.

So when we started out, we had 16 billion in net pension liability, and we have 20 billion now. So we think, you know, it's not been too great, but this ratio has gone from 39 percent all the way up to 50 percent. So this is just - you know, kudos to this Actuarial Subcommittee and the Commission for - you know, and the State, for putting in additional contributions. We're making great progress in this funding of this plan.

Again, back here, it was one of the worst – or lowest funded plans in the country, and now, you know, we're getting there. It's a marathon; it ain't a sprint. But we're getting there, where, you know, we're seeing a marked improvement in this funded ratio, especially over these last three or four years. So I really thought that was great and wanted to point that out.

But, again, this is, again, more for the accountants that go into the ACFR. All these numbers will go into their report, so we have to provide that. And we will, for GASB 68, which is for the employers, for some of the employers of this plan that do their own financial reporting, we will be breaking their liabilities down and providing GASB 68 numbers for them, and we'll be working on that over the next month.

But I'll stop there and open it up to any questions.

MR. GARRETT: Yeah, there's one – you know, this is a single-employer plan, and, you know, there have been some decisions by some of the component units, like the Connecticut Housing and Finance Authority, and there's about, I think, eight or nine different – the airport, the lottery. There's quite a few little units that want their reporting as if they're in a cautionary plan.

So those allocations - I know the Connecticut Housing and Finance Authority, they have a calendar year-end, unlike all the rest are all, you know, June 30 fiscal years. So they're really anxious to get their – so we're probably going to produce those allocations here within the next few days, and hopefully get their – it'll be a draft until the Commission approves the 68 report, but I think they typically hang together pretty tight, and we don't see any more changes.

The only twist that we would see going forward after today would, again, be another update to the assets from the financial reporting staff of OSC.

MR. POULIN: This is Claude. Does this request from these units happen every year, or it's the first time?

MR. GARRETT: Yeah, we've been doing that, God, I think probably about seven or eight years. And it was somewhere decided along the way - it was after our initial reporting that - I think it's the auditors of any of these individual places. They issue their own stand-alone reporting, I believe. And so they want, again, to be considered as if they're cautionary in this plan instead of just a unit that the State is funding the plan.

So I don't think it changes how the State records their assets, or their - you know, their financial reporting for the State. It's still kind of incorporated as if it's a single-employer plan, which it is. It's just these units now kind of pull out their own numbers for their own financial report that shows their portion of the net pension liability, their portion of the pension expense, kind of based on the allocation of their contribution compared to the total contribution in the State employees' plan.

MR. POULIN: Thank you.

CHAIRMAN ADOMEIT: Okay.

MR. KOEBEL: All right, Mr. Chairman. This is Ed Koebel. I've got one more GASB report to go over, and this is for the Judges, Family Support

Magistrates, and Compensation Commissioners Retirement System, again, as of June 30th, 2023. And, again, we went through this valuation—

MS. CIESLAK: Ed. Ed, I apologize for the interruption. I just don't think this is on the agenda.

MR. KOEBEL: Oh.

MS. CIESLAK: So I would recommend to the Chairman that he request a motion to amend the agenda to include this report.

CHAIRMAN ADOMEIT: Thank you, Cindy. Motion to amend, please?

MR. BAILEY: So moved.

CHAIRMAN ADOMEIT: That's Bailey.

MR. BAILEY: Bailey, sorry. Bailey, so moved.

MR. RYOR: Tim Ryor, second.

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

MR. BAILEY: Aye.

MS. NOLEN: Aye.

CHAIRMAN ADOMEIT: It's unanimous; the ayes have it.

Thank you, Cindy.

MR. KOEBEL: This is Ed Koebel again.

This is (inaudible).

MS. NOLEN: Ed, before you go on – I'm sorry. This is Karen Nolen. I just wanted to note for Cindy that I joined late, but I am here.

CHAIRMAN ADOMEIT: Okay. Thank you.

MS. CIESLAK: Thank you, Karen. Yes, for the record, Karen Nolen joined us, and John Herrington joined us. I think that's everyone. Tim Ryor joined us. I think I got him on the initial roll, but in any event, better safe than sorry.

MR. KOEBEL: All right. This is Ed Koebel again with Cavanaugh Macdonald. The Connecticut Judges GASB 67 Report as of June 30th, 2023, we have a membership date of 526 total members. Their total pension liability is about 557.5 million dollars, and a fiduciary net position of about 298 million. So the net pension liability is about 259 million and the ratio of funded - fiduciary net position ratio is about 53 percent for this plan.

Again, we did the funding valuation a couple of months ago, so, you know, we've seen those contributions that are needed for the fiscal year ending 2025. We did have a little bit of an experience loss for this plan, a little bit higher than we have normally seen. You can see here on Page 8, these are the experience gains or losses over the years, and we did see a big significant loss for this year, and that was due to basically payroll increases that were provided to these members that were much higher than expected, which added a pretty significant amount of liability to this plan.

But, again, this plan has been hovering, and it kind of stayed, over this ten-year period, about this 53 percent ratio. We did get up to about 61 percent after 2021, but again, you remember this is using market value of assets; it is not using a smoothed value. So it is a little bit more volatile from year to year. So when we - you know, 2021 was a great investment year, so we went from 48 percent to 61 percent; 2022 was not a great investment year, so we dropped back down to 54 percent; and now we're at 53 percent for this year.

This plan, over the last ten years, made every actuarily-determined contribution that has been asked of it, so that's great news. We like to see that, no deficiencies in the contributions that are being provided.

So I'll stop there and open it up to any questions.

CHAIRMAN ADOMEIT: We don't hear any.

MR. KOEBEL: All right. Mr. Chairman, that ends Cavanaugh Macdonald's reports for today.

CHAIRMAN ADOMEIT: Okay. We will need a motion at the meeting tomorrow, SERS meeting tomorrow, to amend the agenda.

So, Claude, can you take care of that, please?

MR. POULIN: Sure, I will. Now, do you want me to move to accept today, and then to amend the agenda tomorrow to be included—

CHAIRMAN ADOMEIT: That is the usual way we are doing it; right?

MR. POULIN: Yes.

CHAIRMAN ADOMEIT: Okay.

MR. POULIN: This is Claude. I move to accept the CMERS Experience Investigation for the Five-year Period Ending June 30th, 2022, and I move to accept the CMERS Actuarial Valuation Report Prepared as of June 30th, 2023. And I move to accept the Connecticut Judges, Family Support Magistrates, and Compensation Commissioners Retirement System Prepared June 30th, 2023 on the GASB 67 Report. I move to accept the Police Officers and Firefighters Survivors' Benefit Fund Actuarial Valuation Report at June 30th, 2023. And I move to accept the Connecticut SERS GASB 67 Report as of June 30^{th}, 2023 - two; it's '22; correct?

MR. GARRETT: Three.

MR. KOEBEL: Three.

MR. GARRETT: Three.

MR. POULIN: No, 2023.

MR. BAILEY: Bailey, second.

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

MR. BAILEY: Aye.

CHAIRMAN ADOMEIT: It's unanimous; the ayes have it.

Okay, so tomorrow, Claude, we can make that motion to amend the agenda, please.

MR. POULIN: (Inaudible)

CHAIRMAN ADOMEIT: Then, I guess that concludes the agenda. We are down to adjournment.

MR. POULIN: I move to adjourn.

MR. BAILEY: Bailey, second.

CHAIRMAN ADOMEIT: Okay. All in favor, say aye or raise your hand. It's unanimous; the ayes have it.

Thank you all very much.

(Adjourned at 3:44 p.m.)

I, Karin A. Empson, do hereby certify that the preceding pages are an accurate transcription of the Connecticut State Employees Retirement Commission, Actuarial Subcommittee Meeting held electronically via Zoom, conducted at 3:02 p.m. on February 14, 2024.

Karin A. Empson

Karin A. Empson

03/03/2024

Date