

1 STATE OF CONNECTICUT

2 STATE EMPLOYEES RETIREMENT COMMISSION

3 ACTUARIAL SUBCOMMITTEE

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5 DATE: January 15, 2025

6 HELD VIA Zoom

7 CONVENED AT 3:00 P.M.
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9 Present (Via Zoom):

10 Trustees Participating:

11 Claude Poulin
12 Tim Ryor

13 Other Participants:

14 Peter Adomeit, Chairman Retirement Commission
15 John Herrington, Director, Retirement Services Division
16 Larry Langer, Cavanaugh Macdonald Consulting LLC
17 Ed Koebel, Cavanaugh Macdonald Consulting LLC
18 Jean Reid, Accounting Specialist, Retirement Services Division
19 Cindy Cieslak, Rose Kallor, General Counsel to the Commission
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2 (Proceedings commenced at 3:02 p.m.)
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4 CHAIRMAN ADOMEIT: This is a meeting of the State
5 Employee Retirement Commission, Actuarial Subcommittee being
6 held remotely using Zoom technology. And then, Cindy, do you
7 have the attendance, please.

8 MS. CIESLAK: Yes. Good afternoon, this is Cindy
9 Cieslak. Present today we have Chairman Peter Adomeit,
10 Actuarial Trustee Claude Poulin, Actuarial Trustee Tim Ryor.
11 From Cavanaugh Macdonald we have Ed Koebel and Larry Langer.
12 From the Retirement Services Division, Jean Reid, and I'm Cindy
13 Cieslak, General Counsel from Rose Kallor.

14 CHAIRMAN ADOMEIT: Okay. We have one item on the
15 agenda. GASB Statement Number 68.

16 MR. KOEBEL: All right. Well, welcome to the post
17 John Garrett Cavanaugh Macdonald presentations. If you all
18 don't know by now, but John Garrett retired at the end of 2024.
19 He has graciously accepted our pleas to keep him on as a
20 contract employee. So even though he is retired, he is kind of
21 working with us and helping us on the Connecticut SERS and MERS
22 accounts. So he's here in spirit. I told him he didn't need to
23 join us today, but he's certainly still involved even though he
24 is officially retired from us.

25 So we're going to be real quick today. We've got just

1 the one report to go through.

2 I think back in November we went through the
3 Connecticut SERS valuation report and GASB 67. GASB 68 just
4 kind of takes GASB 67 up a notch and provides more information
5 for all the accountants in the world. There are so many numbers
6 in this report for y'all to see, but really it's the accountants
7 and the CFO's who are really interested in these numbers.

8 Connecticut SERS is a single employer pension plan,
9 however, it does have some component units that like to see
10 these numbers for their comprehensive financial reports that
11 they post, so we do provide this and then it kind of gets
12 divvied up for those groups. But basically this is for the
13 State's Annual Comprehensive Financial Reporting.

14 This is basically the summary of principal results.
15 We take the 2024 valuation and use those numbers in the
16 determination of the GASB, the accounting numbers. So
17 everything you saw and see here is kind of what we went through
18 during the valuation before. We have the same membership data,
19 we have the same long term expected rate of return of 6.9%.

20 We do some projections to see if that rate is
21 applicable for all years and that the plan doesn't go insolvent.
22 If it did, we would have to use a municipal bond index rate at
23 the time of insolvency to the future. This plan doesn't have to
24 worry about that, thank goodness. So, you know, the
25 liability -- the total pension liability is basically the

1 accrued -- the actuarial accrued liability that you saw for the
2 SERS funding valuation. The only difference between GASB and
3 the funding is when we compare the assets to the liability we
4 have -- GASB requires the actuaries to use the market value of
5 assets. There's no smoothing of assets over a 5 year period, so
6 they call that the fiduciary net position. So you can see that
7 towards the bottom of this page, which was actually higher than
8 the actuarial value of assets as of June 30, 2024.

9 So the net pension liability, or in funding terms, the
10 unfunded actuarial accrued liability is just under 19 billion
11 dollars for SERS. The funded ratio is about 55.75%. And then
12 you get into a lot of the other accounting terminology and the
13 calculations that we do, basically the pension expense and any
14 deferred outflows and inflows. And basically, you can kind of
15 think of this as the accountings contribution amount and the
16 amortization of the gains and losses and the assumption changes
17 and the investment gains and losses that occur. That's
18 basically what this is in an accounting perspective. And I'll
19 skip down a couple of pages here, just to kinda show you. This
20 is -- what we do is kind of a reconciliation from last year to
21 this year. We get all the asset information here in the middle
22 column, but we kind of roll forward our assets and we come up
23 with, you know, the liabilities before the year and after the
24 year, and we come up with a loss or gain here of actual
25 experience. And so this plan had a little bit of an experienced

1 loss for this year, that's why it's a positive number. If a
2 year where we did an experience study, you'd see a number here
3 for any change of assumption. If we did a plan change, you'd
4 see a number here for change to benefits, but most of the time
5 we only see assumption changes every five years for experience
6 studies and very rarely do we see any benefit plan changes
7 anymore with these plans.

8 So it's a basic straightforward roll forward and we
9 come up with our liabilities there to develop all of the numbers
10 that go in the back here. Again, this is all the deferred
11 inflows outflows calculations. Here's the 234 million dollar
12 loss that the plan experienced. We're amortizing that over a
13 period where we're recognizing 44 million dollars a year. We
14 keep track of all these past years experience. This plan has
15 seen -- experienced losses for the year, but where it has seen
16 gains is on the investment side of things. The last three out
17 of the five years have seen nice investment gains for this plan.

18 So, again, a lot of numbers here. The one thing I
19 really wanted to point out to the Actuarial Subcommittee is why
20 we're excited for the future for this plan especially is, you
21 know, we go back to 2016, and on a market value basis this plan
22 was basically 31% funded. This plan has gotten up to 55.75%.
23 So while you think that is a pretty low funded ratio, and it is,
24 we've come a long way in eight years, so that's kudos to the
25 state, to y'all and the Commission and everybody there. But,

1 you know, that's kind of where we're at today from an accounting
2 perspective. I would be happy to let Larry chime in if he has
3 anything else to add that I missed, but we'd be happy to answer
4 any questions you guys had at this time.

5 MR. LANGER: I have nothing to add. Ed did a really
6 nice job there.

7 MR. KOEBEL: This next table, just to finish up --
8 again, I should have pointed this out. This next table does
9 show the three years, the last three years of the
10 contribution -- this should say excess, I'll fix this, but the
11 excess are the negative numbers here where we had -- where the
12 state -- the SERS was getting all that additional money in from
13 the State there. That's been a big driver in that funded ratio.
14 So, happy to answer any questions you guys have.

15 MR. RYOR: Tim Ryor, this might be a question for
16 John, I don't know if you know off the top of your head. I just
17 -- the one thing -- I don't know why this never jumped out at me
18 when you did the val report, but the administrative expense, I
19 mean, historically had been either zero or a number under a
20 million dollars, and I don't know if that's because, you know,
21 for the first time we're actually -- you guys are getting the
22 detail to split it out more explicitly, but just a jump from
23 either zero or under a million to 21 million was notable.

24 MR. HERRINGTON: Yeah, I don't have an answer to that.
25 That's something that we would have to look in. I mean, I

1 certainly don't want to put Jean Reid on the spot, but she may
2 have an idea, but, yeah, we would certainly need to look into
3 that and report back. I'm not certain whether that's something
4 that I can have answered by the morning, but I will make an
5 attempt to do so.

6 MR. RYOR: Yeah. No, no, super -- it just, it jumps
7 out 'cause you look at the numbers and they're, you know, this
8 plan is big enough that a lot of the numbers are fairly
9 consistent over time and that one --

10 MR. KOEBEL: Yeah, I think, we're getting the numbers
11 from CHFA now for the accounting for Michael Delaney there, and
12 I think it's just maybe a more accurate breakdown.

13 MR. RYOR: And that's what I was suspecting, I just
14 didn't remember you ever talking about it. A lot of times, you
15 know, it might have been buried in the investment expense, so it
16 was netted out of the return previously --

17 MR. KOEBEL: Yeah.

18 MR. RYOR: And now you were able to clearly identify
19 certain things as administrative, so they're being reported that
20 way.

21 MS. REID: Yeah. Yes, hi, this is Jean Reid. I can
22 contact them for additional information if you would like.

23 MR. RYOR: Yeah. I mean, if it's not too much
24 trouble, it'd be nice to know the answer just so we know, yeah,
25 there was a -- so if anyone ever asked the question, you know,

1 it was -- it wasn't that all of a sudden, you know, the fund is
2 paying more in expenses, it's just things got recategorized,
3 which is what I'm suspecting, but it would be nice to get
4 confirmation on that.

5 MS. REID: Okay. I will work on that answer for you.

6 MR. RYOR: Thank you.

7 CHAIRMAN ADOMEIT: Anything further? We need to have
8 the draft removed.

9 MR. KOEBEL: Yep.

10 CHAIRMAN ADOMEIT: And --

11 MR. KOEBEL: And into a final copy, I'll make that
12 little --

13 CHAIRMAN ADOMEIT: Yeah, they couldn't vote to that.

14 MR. KOEBEL: Yep, yep.

15 CHAIRMAN ADOMEIT: Yeah. And we need a motion to
16 recommend that the Commission accept this report. Claude?

17 MR. POULIN: Mr. Chairman, this is Claude Poulin. I
18 move to accept the Connecticut State Employees Retirement System
19 GASB 68 report prepared as of June 30, 2024.

20 CHAIRMAN ADOMEIT: You meant recommend it to the
21 Commission?

22 MR. POULIN: Will recommend it to the full Commission
23 tomorrow.

24 CHAIRMAN ADOMEIT: Thank you. Is there a second? Tim
25 Ryor, where are you when we need you? We need a second.

1 MR. RYOR: Sorry, I was trying to -- I went off the
2 screen, I couldn't find unmute. But, Tim Ryor, second.

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

5 Okay. I guess we need a motion to adjourn then.

6 MR. POULIN: I move to adjourn.

7 MR. RYOR: Tim Ryor, second.

8 CHAIRMAN ADOMEIT: All in favor say aye or raise your
9 hand. It's always unanimous, the ayes have it. Thank you.

10 (Adjourned at 3:15 p.m.)

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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 January 15, 2025 to the best of my ability.

Wendy Malitsky
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