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MUNICIPAL EMPLOYEESâ€™ RETIREMENT COMMISSION

RE: MONTHLY MEETING

DATE: AUGUST 21, 2025

LOCATION: REMOTE VIA ZOOM TELECONFERENCING

SPEAKERS AT MEETING:

Brian Vahey
Benjamin Sedrowski
Megan Piwonski
Yamuna Menon
David Glidden
Karen McDonough
Kurt Miller
John Herrington
Jeff Arn
Rick Funston
Michelle Boyles
William Neville
Michael Freda
Jason Ostrowski
Larry Langer
Sarah Saunders
Ed Koebel

PROCEEDINGS

(Recording begins 12:55 p.m.)

MR. VAHEY: Ben, could you please take attendance? Yes, Mr. Chairman. Good afternoon, everyone. Today for the Commission we have Chairman Brian Vahey; Trustee David Glidden; Trustee Jeffrey Arn, Trustee Kurt Miller; Trustee Michael Freda; Trustee Michelle Boyles; Trustee Karen McDonough; from the Retirement Services Division we have Division Director John Harrington; Assistant Director Donald Wilkerson; Planning Specialist Megan Piwonski;, and myself, Planning Specialist Benjamin Sedrowski. Also from the Office of the State Comptroller is General Counsel to the Comptroller, Yamuna Menon. And that is it, Mr. Chairman.

MS. VAHEY: Thank you. So, with that, you have approval of the agenda. I'm used to -- I'm not used to having to approve the agenda before the meeting, but it's on here. So, can I get a motion to approve today's agenda?

MR. VAHEY: Okay, Jeff. I saw Jeff Arne with the motion. I saw Michael Freda with the second. All in favor?

MULTIPLE SPEAKERS: Aye.

MR. VAHEY: Any opposed? So moved. Next, we have the consent agenda to approve, which has last month's minutes and the closure of the MERS disability applications past the one-year deadline. Are there any comments on those two items before I put forth a motion to approve the consent agenda? Seeing no hands, I have a motion to approve the consent agenda.

MR. MILLER: So moved.

MR. VAHEY: Kurt, thank you. 2nd by Jeff. All in favor?

MULTIPLE SPEAKERS: Aye.

MR. VAHEY: Any opposed? Seeing none. So moved. Excellent. So I get into the meat of things on the policy, setting our policy priorities. We've -- I think everyone has been completing surveys and having interviews, which I appreciate. Thank you, everyone, for your input. And I think this is where Rick and company are going to walk us through the findings and help us move along. Rick, great.

MR. FUNSTON: Thank you, Mr. Chairman. Yes, thank you all again for your input throughout the surveys. And then we had some follow-up interviews. I think we've completed most of those

interviews now. I think we probably have three outstanding, and we're more than happy to entertain any additional comments that you'd have after this call. But I just wanted to share with you very quickly and just hit the highlights and cover a number of kind of the top priorities with you that you've identified. You should have received the document beforehand. And so what I'll do is I'm just going to hit the highlights because you've already seen the document, and really what you've identified are things having to do with kind of setting the direction and the policy of the organization, such as entrant employer contribution rates and the role in DB and DC, and there may be others. You're going to need to develop a strategic plan, or RSD will need to develop that and bring it back for your approval. We've had concerns raised about the integrity of employer data coming in, which is not unique to you. It's common to a lot of systems. But you've also talked about benchmarking and then coming away from that. What are the lessons learned and what can you leverage, and then engaging stakeholders, which we've talked about previously, as well as developing some tools for municipalities and for beneficiaries. Comments also related to how do you improve your governance effectiveness in terms of better oversight. Also, clarifying the amount of time commitment. Everyone knows that you're all very busy part-time volunteers, and you want to know how much is it going to take to get this across at least the next finish line, recognizing that it's a marathon. And then how can also then RSD improve support to you through things such as a portal and clarifying committee assignments and communications before and following up on meetings. So I'm going to cut right to the chase here, and I'm going to go down to, if you have the document open on Slide 3, and this is only to hit the highlights of it, our proposal is that what we would do is we're going to facilitate a workshop with the RSD staff to come back with their recommendations to you on what they feel the priority would be based on your input, which committee it would belong to appropriately, what's the degree of estimated difficulty, the cost and the timing. We'll put that together for you and come back with a kind of a package of recommendations. And then when we get to the strategy session with yourselves, we ask you just simply to vote on, does that make sense? Do you agree with it, disagree with it? Does further study appear justified? And that's what we would want to come away with, which is a sense of direction from the committee from the Commission, sorry, to the staff about what are the most important things that the commission should be focused on over the next year and following. So that's the idea again is to prepare that package and come back to you with it and the target date. And I don't know, John, if the target date has gone out to everyone, but I believe it's September 18th, which is the next regularly scheduled meeting, but that you have that in person and that you kind of perhaps start earlier and finish later so that we can incorporate that into the strategy session without trying to disrupt your schedules too much. And I don't know again whether you've received any notice or how that fits with people's schedules. But obviously we'll adapt to whatever your schedule is. But that's kind of the general idea at the moment. And so I'll just stop there and just ask if there's any questions about what we're proposing at this point. I'm sorry, Mr. Chair, you're on mute.

MR. VAHEY: Good at that, aren't I? The second time. So maybe to repeat here, what I'm hearing is you're gonna -- that matrix is gonna be put before the staff, and they're gonna parse through it, and then we'll get a gander at what they came up with, and then we'll go from there. That's.

MR. FUNSTON: That's. That's the gist of it, because I think it would be. I know we could - oh, Michael, you have your hand up.

MR. FREDA: No, go finish up, Rick, and I'll come back. Thank you.

MR. FUNSTON: Okay. I was just going to say that to spare you the agony of having to go through each of that line by line, and obviously there may be other items that you would want to add to it, but we thought it would be better to bring you a kind of a recommendation as opposed to have you kind of think through it from just from scratch, if that makes sense.

MR. VAHEY: It does. Thank you, Rick. So I like the matrix, I think it really could be very effective. Just so I thoroughly understand it. So if we're looking from left to right, the priority committee difficulty, cost, timing, staff populates that apparently. Right. And then we. We either agree, disagree, or further study. Is it a 1, 2, 3? How do we enumerate that?

MR. FUNSTON: Well, what we're going to do is you've used that. We used the polling techniques when we first met, and we would do the same thing where we just ask you to say and, and, and then what we would do is, if you say, well, we agree with it, then we go, fine, we'll move on. If there's disagreement, then we'll discuss why. Or if there's further study required, we'll spend the time on that, having a dialogue about what needs to be done to try and figure out what's the commission's will and interest to move forward as quickly as possible. But it's in aid of having a dialogue about it as opposed to attempting to preclude it, but where should we focus it?

MR. FREDA: And then, Rick, lastly, if there's disagreement with the CMER Commission, how do we reconcile, like a split-type of opinion on that through the dialogue you're referring to?

MR. FUNSTON: Yes. Yeah. Okay. And we'll see. Well, you know, is it a question of understanding or language, semantics or whatever it may be, or is there something substantive with respect to that? I think, again, the, the chances are that, I think, as far as the issues are concerned, I've socialized most of those issues with all of you already and tried to get your individual input on that and make sure that it's incorporated. So hopefully it reflects a balanced kind of perspective of what the commissioners feel in general. But now the question is, given that you don't have all the time in the world, and in fact, how do we make the highest and best use of your time about really honing in on what are the most important things that the Commission really needs to focus on to make the best use of your time.

MR. FREDA: And we appreciate that. Thank you. So you've answered the questions. Thank you. I think it's an effective tool. Thank you, Rick.

MR. FUNSTON: Thank you, Michael. Any other thoughts or comments?

MR. VAHEY: I have one. Thinking back to the interviews and discussions, are any of these in the matrix interdependent, meaning? One that I can think of is I know we have like a new system, and we've had existing staffing in the office, as far as I know, and we have new things we're trying to get done, and we still have that existing framework. So I was just looking at capacity, current metrics on what the office is supposed to deliver, and how they are doing on that. And I think, in order to do perhaps some of these other items, if we don't have the correct foundation in place, we might make things a little worse as far as operations, and I guess that's just one example. But I don't know if there's anyone where we can't really know or focus or address it unless we do some of the other items that might be on the list. Has that been thought through, or would it just come up?

MR. FUNSTON: Well, I think that's spot on. I think that's spot on because that's why we want to get at what's the level of difficulty, what's the cost associated with that, the resources that are required, and the timing. Because then I think what we can do is work with John and the staff to then say, okay, is this something that they can handle internally currently, or is it something that they're going to need to staff up for, or is it something you're going to want to outsource, right. So again, that'll be all part of the thinking that will come back to you to really bring some balance in that equation, which is, if this is what you want to accomplish, this is what it's going to take. That goes back to, I think, the third point, which is, what's the strategic plan for RSD in order to be able to support the Commission going forward? Because you're going to be adding things, and there's a lot of change going on. So I think that's why we want to have that strategic plan that would support that, given the resourcing, both internally and externally.

MR. VAHEY: Good, great. Thank you. Because where my head is, since we're brand new and, you know, I think we've been doing just fine, I don't have any complaints. But in a normal, in my experience, a normal setup for a board and an organization is we kind of reset every year. And, by reset, I mean we have one meeting where we take a look at how we did, and then, either that meeting or the next meeting, we sort of set near- and long-term goals and sort of say these are things we want to get done. We didn't get a chance to do that because, you know, we had no idea; we couldn't have done that. But I'm hoping that the timeline on this allows us, perhaps in that January -- February time frame, to be able to do that and have a rhythm set up so that we can continue that in the future.

MR. FUNSTON: That's exactly right.

MR. VAHEY: And I think also, in that whole process, it's also a chance for the committees to sort of do their house-cleaning reporting because a lot of stuff is delegated out. So, anyway, that's really for everyone, and hopefully it gets captured in the minutes. It's just, that's what I'm thinking. If folks have other ideas or experiences, I'm just driving the best I can. More than open to hearing about some other good ideas that folks have seen on boards in the past. Sarah has her hand up?

MS. SAUNDERS: Yes. As we talk about the Retirement Services Division, how are your costs, John, charged? Are they General Fund, or do you charge the MERS Plan for employees that work on MERS? And if we wanted to expand, you know, employees, would that not require a General Fund request, which is, you know -

MR. HERRINGTON: Everything is charged back to the MERS Fund.

MS. SAUNDERS: Okay, good to know.

MR. VAHEY: That is good to know.

MR. HERRINGTON: And I would just like to kind of address the sequencing. So I think that there's two issues here. The first is the establishment of this new board, the establishment of the committee structure, the establishment of the expectations and standards that we would implement in the normal course. There's also, at the same time that we're building this new board, we have to steer this new board through this huge change. And so what I would say is that there's absolutely some very important sequencing of decisions with respect to implementing MERS 2.0. So we're going to have to clear some really big hurdles in the next couple of months to allow us to deal with some of the other issues going forward. And I have kind of an overview of that process that I was going to address in the Director's Report. But the largest thing that's out there is that we need to kind of come up with definitions of regular pay and other pay, and that really needs to be established before we can determine exactly how we're going to program the system and before we can actually draft the plan document for the DC plan. So that's an example of something that we need to shore up much sooner than later.

MR. FUNSTON: And I think that's the kind of thing that we want to capture in the plan itself so that the Commission will then be able to see, here's the plan of kind of what's ahead three months, six months, a year, two years, and what needs to be accomplished, kind of what are the precedent conditions that need to be accomplished in order to make it work.

MR. VAHEY: Yeah, John, you're going to address that like those definite, like these things have to be done by, say, whatever in the next four months because we've got to set up the systems and the paperwork, so you have all those -

MR. HERRINGTON: I have a broad-strokes summary of that. And what we're doing at the same time is where we also need to communicate with the municipalities, and there's going to need to be a great deal of community communication. I think, unfortunately, we aren't going to have each and every question answered now. But I think what we're going to do is that we're going to start that communication and supplement it over time, as opposed to waiting until we have all of our questions answered.

MR. VAHEY: That sounds wise. Any other questions about the policy setting? Well, thank you, Rick. I appreciate that.

MR. FUNSTON: You're welcome. I guess the only the really urgent item for us is a confirmation of the date of September 18th as being the planning session so that we can plan accordingly for that. And I think again, I think pretty much all the conversations that I've had with folks, people have said that they would like to have the next meeting in person and that would help and that also kind of extend the time around that. But also, for those who prior commitments, that we would still have a virtual participation opportunity, and any polling or whatever that we do would be able to be done online just as much as it would be as if you were if you were there in person. So again, I think we want to make sure that we get, give everyone 100% opportunity for participation. But with that in mind, I'll stop there. I have to drop off for another commitment, but Bill's going to stay on, and if you have any other issues that come up, then Bill will be available to you throughout.

MR. VAHEY: Yeah, just do a quick straw poll on that date of next month actually. Anybody know, they're not going to be able to --

MR. ARN: I'll be out of town.

MR. GLIDDEN: I was going to ask what the time frame is that we are looking at - I think we're scheduled for 1:00 to 3:00 p.m. that day. Right. So you said, Rick, a little wider than that. So I'm not sure what a little wider would be.

MR. FUNSTON: I guess if I may, my suggestion would be is they might want to start earlier. Again, I don't know what people's calendars are, but if we start earlier we'll be able to finish earlier. And I think that for our part of the additional part of the agenda, we were planning on no more than three hours to go through all of that and have a proper discussion. Again, trying to be respectful of people's time. But if we started earlier, let's say if you started at 10:00 a.m. for your normal agenda, then you'd be with lunch and so on. You'd be out of there by 3:00 or 4:00 p.m. But I think there was also a suggestion that some folks would like to get together for a dinner afterwards. But I'll leave that up to you. But that was kind of my notion of what it is. And John, I haven't had a chance to discuss that yet. But John, I don't know what your thoughts were.

MR. HERRINGTON: So we have a constraint in terms of how early we can meet because the State Employees Retirement Commission meets that same day and meets at 9:00 a.m. on that day. So I think that we can't start any earlier than 11:00 a.m.

MR. VAHEY: Okay. I'm also going to be out of town moving my son into college.

MR. FUNSTON: Congratulations.

MR. VAHEY: Yeah, thanks. I'll be out in Seattle, but I'll just do virtual and I'm not quite sure that day will bring for me anyway, so. But that's good. So it's just Jeff and I; it seems like everybody else that we know. I know we have some people missing here today. I mean, I will add that 11:00 a.m. would not be doable for me, I couldn't start until noon at the earliest. Not looking to throw a wrench in anything, but that's, I got something booked all morning, so. Okay, well, I mean I think that's good. So, John, we've got some notes being taken here. I mean, I do. I think if it's going to take three hours that probably do want to start as soon as we can, and hopefully Dave can jump right in, but we can get just to let this thing run, because we don't want to go too late. I'll let it-- leave it up to you, though. I just wanted you to have a sense, so

we're not, like, asking this question the week before.

MR. FUNSTON: Good, all right, well that's good, that's helpful then. And it sounds like, then, that people are generally available starting at noon. What I would again try to promise everyone is that we will try to make sure that we have a fulsome discussion. But, as you know, I do tend to speak in gusts of up to 1,500-2,000 words per minute without apparently pausing for breath, and so I'll do my part to keep it moving, and we'll do our part to get you out of there as quickly as we can, assuming that there will still be time for retreat to the local cocktail bar or something afterwards if people are available. Both Bill and I will plan to be there in person, obviously. So thank you for that, and I'll leave you with that, and for the rest of the agenda with Bill, and I'll catch up later in terms of any other discussion. Thanks very much.

MR. VAHEY: Great, thank you. So the next item on the agenda is the contribution rates. And John, I'm assuming that's --

MR. HERRINGTON: That's CAVMAC, so that's Ed Koebel and Larry Langer.

MR. VAHEY: Great.

MR. KOEBEL: Hey, this is Ed. And Larry's on as well, I'm assuming. John, you want us to go through that, our presentation - okay, great. All right, I'm going to bring that up here, the wrong document up. Hold on, okay, so we've got put together a little presentation here that just kind of wanted to go through with the commission, talking about the funding policy going forward for the MERS plan. There's a lot to consider as actuaries and the contributions that we want to make sure are coming in and keeping this plan sustainable. And you know we, we put here our cover page is like a puzzle piece and that's exactly what it is. You know, this is some things that we gotta just have a discussion about how to fund this going forward with the new MERS 2.0. So today, we're just going to talk about the summary of MERS we kind of went through last month with you just kind of refresh y'all. And then we're going to talk about the current policies and policies, consideration of what we're kind of recommending. So it's Larry and I today. So just to give a broad Overview of MERS 2.0, I'm sure you all know this, but this is obviously a new tier of benefits. It's for new members hired on or after July 1st of 2027. They'll be getting participating in 2.0. We would like to have a discussion with this with the commission today or at some point. And so something to consider is should current municipalities be given the option to migrate current members into MERS 2.0? Currently this is not in place right now. It would require statutory change and obviously no commission endorsement has been taken on this question. But just something to kind of consider. We'll go through that a little bit more detail. Larry's going to talk about that, that new municipalities can join MERS 2.0 on or after July 1st of 2026. And that's why we're here today to kind of go through the policy considerations for, you know, for what, you know, needs to come in as contributions into the plan, because we don't want to be, you know, there's consideration about charging new municipalities the cost of the unfunded liabilities going forward and is that responsible and you know, and that kind of stuff. So we're going to talk a lot about that today. The other things here are kind of just the considerations of the plan design changes that were made. And this is this slide just goes through the current plan design that is in place now for general employees and public safety. And we basically have four cohorts here, general with and without Social Security, and then public safety with and without Social Security. So they have different benefits, they have different contribution requirements and all that's going forward currently with MERS 2.0. For general, we're basically kind of combining all the Social Security and non Social Security folks into one cohort where they would, you know, basically get the similar benefits, similar contributions and all that stuff. And again, same for public safety. They would have the same cohort as well going forward, just with slightly different costs. Again, we went through this last month with you. These were just kind of a look at what are the costs. We're looking at for each of these cohorts with the current plan and then the MERS 2.0 group, this is the total normal cost contributions. Some are up, some are down compared to the current plan. And that's again, total. When we take out employee contributions and we just look at the employers, it's much closer to each other. So a little bit higher for MERS 2.0 on a normal cost basis from the employer's perspective. So again, I'm going to. And this is just everything. And this is graphical form, this is table form. Larry's going to take it from here and really go through the meat of kind of what we want to talk about today with the funding going forward.

MR. LANGER: All right, thanks, Ed. Afternoon, everyone. So, just for reference, I don't know if you can see me. The other thing is my camera froze up. So, Ed, I'm looking at the PowerPoint off on the side, so I'm just going to direct you as I go along. We're on the MERS 2.0 funding policy, moving on to Slide 12, the current funding policy. It's important to point this out. Sometimes people become verklempt about the fact that most of the contribution of the plan is for unfunded extra accrued liability, or past service that's not covered with assets. The reality is most public plans are like that. Yeah, there's a few gifted plans out there that are over-funded, but the vast majority of plans have a payment from unfunded liability, and in fact most of the payment is. You can see off to the right we've summarized it for each of the four employer groups. The light blue is the employer normal cost, or the employer share of the cost of benefits accruing during the year, and the dark teal is for the unfunded liability element of MERS. It's a cost-sharing plan, so within each of these four employer groups the risks are pooled and the experience is shared within each rate group.

We're going to talk about things that move a little bit toward an agent-multiple arrangement, and under that type of arrangement the experience is attributed directly to a particular group. We sort of do that right now when plans want to enter into MERS, with the prior service costs, and we might extend those features for other elements.

Slide 13, the current policy for new units joining: we do an actuarial analysis. This is the one which is a little bit more like agent-multiple. If the municipality wishes to join--if a town wants to join--we calculate the cost of the past service specifically for that plan, and if they want to join they need to pay that past service. Then, going forward, they pay whatever the rates are for that particular employer group, so they start off with an agent-multiple type of payment, and then going forward it's cost-sharing.

Some policy considerations--and again, these are considerations for you to mull over because y'all like mulling over things that involve actuaries, I'm sure. On Slide 16, this policy consideration: right now, we have MERS 1.0 with four rate groups--General, Police and Fire, Social Security, and Non-Social Security. While we've eliminated the Social Security, Non-Social Security designation so, going forward, we anticipate having two rate groups, just for general employees, and Police and Fire. The reason for two rate groups is that the cost accrues a little bit differently between the groups because of the benefits involved.

There are other policy considerations. We explored that, and we're going to talk about these a bit: the "closure" of MERS 1.0, migration, the potential migration of municipalities to MERS 2.0, cost for new municipalities, and how to fund future unfunded liabilities.

All right, so I'm leaving Slide 16, going to Slide 17. With new MERS 2.0, 1.0 is closed to new hires, and when actuaries hear that type of thing, we shift gears a little bit. The reason we do that is we want to make sure that this past unfunded liability gets paid up.

Right now, contributions are based upon a percent of salary. Depending upon which of the four groups you're in, the amount can be different, and that employer contribution covers--like we saw earlier--the cost of benefits accruing, the employer normal cost, as well as the UAL payment.

Here's the challenge: at some point, there won't be any salary upon which to base those rates, and if there's no pay there are no contributions. It could very well be that there are no actives in 1.0, and that means no contributions coming in, and the UAL isn't paid off. The other element is, as municipalities drop off--that is, no longer have active members within MERS 1.0--the remaining municipalities are left holding the bag, and they have larger contributions. So, consideration should be given to changing the basis that we use from salaries.

We're going on to Slide 18. We think we have a couple of options here. Instead of basing it upon the salary of the group, we think consideration should be given to changing it to the liability of each of the towns, of each of the municipalities. There's a couple of reasons for that: it's more likely that all the municipalities will share a little bit more fairly in paying off the UAL. That's not to say the past practice was unfair--I want to make that clear--the past practice was reasonable and appropriate for an open plan, but now that we're closing we have to shift gears.

Like any allocation, there's going to be winners and losers, and we have a pretty chart discussing that in a little bit. We are suggesting, in addition, that we might want to consider changing the employer contribution rates for MERS 1.0 people from rates to dollar amounts for each of these municipalities for both normal cost--the employer normal cost--and UAL payments. The reason for that is that the plan is closed and there are fewer and fewer active employees; it's a little bit more difficult to anticipate what will happen with those active groups, and this will provide for more stable contribution requirements from each of the municipalities.

So, we have two funding policy options, which we've named Funding Policy Option One and Funding Policy Option Two. For both of these policies the funding policy is unchanged except for the UAL payments, so the contribution for normal cost is developed the same way, the contribution for prior service costs-- they're all the same--but we're changing how the unfunded liability UAL payments are developed.

For proposed Funding Policy Option One, we're going to develop the UAL as of June 30th, 2027, for each municipality, and each municipality will have liability calculated based on its own membership. This is where we get into--you know--it's specific to that municipality, and a portion of the share of assets is allocated to them based upon the funded ratio of their cohort or whatever group they're in. Effectively, each municipality will have its own UAL as of that date, and then we calculate a dollar amount for each municipality to pay off the UAL over the next 21 years. Why 21 years when the amortization schedule says something a little different? That number got us pretty close to having costs, at least overall, that were reasonably the same as what's going on right now.

We have this wonderful illustrative comparison on Page 20. Just orienting you through this, we have the towns up along the top, and we have this sheet and the next sheet--Slides 20 and 21--laid out this way. We have the town, the plan, what type of plan or what group--Police and Fire, Non-Social Security, General Social Security--and there was a General, Non-Social Security, and Police and Fire Social Security. We wanted to grab one of each, at least for this particular exhibit, and work our way through the current funding policy.

We have the town normal cost rate--so that's after member contributions--and again those are for the particular groups, right now the four cohorts. UAL payment: we get a total contribution amount. We've estimated the salary at the amount shown there. For those entities, there's an administrative charge, the $390 per head; we're not suggesting that change. For some municipalities, there is a prior service payment, and we have the totals there.

So, we have it developed for each of these five plans, and then down below we have the proposed funding policy, Option One. The exhibit's a little different: everyone in the four cohorts is going to share the normal cost rate; we're going to keep that intact. You can see in the first column, for the Police, Fire, Non-Social Security under Town 77F, we're going to use the 8.65% that was developed in the last valuation--obviously that'll be tweaked and updated as we get closer to the date. These numbers are actually developed; the salary amount is the same, but we don't have a contribution for the UAL payment developed as we had in the old way. The UAL contribution is developed down below with an errant asterisk, but it's developed in the way we discussed before, where we allocate it based upon everyone getting assets based upon the funded status of their cohort.

You can see when you get down to the bottom--in the first column--the contribution increases by about $520,000, from 3.4 million to 3.9 million, or about a 15% increase. That suggests that this particular group is holding a little bit more of the liabilities, so maybe they have more retirees than the other municipalities and that's why they got allocated a bit more. In the second column, you can see it's a little less--again, probably more actives compared to retirees is the primary reason for that. It's all based upon the demographics of that particular group and the liability demographics versus salaries.

The percent change is, you know, 15%, negative 1%, negative 7%, 22%, and 2%. So it varies from group to group to group. I haven't heard any questions or any affirmation because I can't see faces, but I'm assuming everyone's there.

MR. HERRINGTON: I have a question. What happens in the second year when there's perhaps a gain but perhaps a loss, what do we do with any future accumulated liabilities?

MR. LANGER: A few slides down the road.

MR. HERRINGTON: Gotcha.

MR. LANGER: Yeah. I thank you for your indulgence because I will probably get dizzy if I go back and forth. We cover that in a little bit. Thank you, John. That's a great question. Because this is just our estimate of the first year, going down to Slide 21. Again, Funding Policy Option One. But we picked five other plans for purposes of development, and when you look here, the difference here, a couple of these. We tried to pick plans that have different features to them or maybe look like outliers when you apply the new policy. So the first column, we have Town 15B. And you can see down at the bottom, the percent change in dollars is, like, 92%. Right. And the next column, it's minus 56%. And we know we're not going to match when we change the basis upon which we allocate the total contributions, but we'd certainly like to be a little bit, a little bit closer than that. And, as we'll see in a little bit, part of that is due to, for 15B, you know, you're going to see that the big difference. That difference almost completely ties to the amount of prior service payment this particular town has entered MERS and still hasn't paid off. It's a cost to join, as it were. All right.

[CROSSTALK]

MS. SAUNDERS: So, we went over this in the Finance Committee. This is my second chance, but it is complex, and I understand what you're doing with the UAL. We each, you know, municipality, responsible for their own demographic responsibility for the unfunded liability. But did I hear you say that the normal cost would still be done on a pooled basis? What's the theoretical reason for keeping that on a pooled basis? Is that what you said?

MR. LANGER: Yeah. The normal cost would still be done on a pooled basis. I think part of what we heard was the pooling of liabilities. You know, the desirable feature of that is that it provides for a little bit more cost stability for the municipality. The same reason why we pool the unfunded liability initially is because, when we use the rates, it provides for a little bit more stability. We've worked on a couple plans where you do the agent multiple, and it's like doing an individual valuation for each of these entities. When you have a relatively small local, small town, what ends up happening is that, for those small towns, there can be a lot of contribution volatility. By pooling that risk across the whole cohort, you end up with a little bit more stability in the contributions. We're only introducing this, you know, once of the unfunded liability because we just need a new basis to make sure that the unfunded liability is paid off. Did that answer?

MR. LANGER: I can see a hand raise there -

MR. VAHEY: Yeah. So this is just a follow-on, thanks. This is a follow-on to that question, which is, you know, looking at the samples that you've pulled, are some of the biggest swings in the smaller plans just because the loss of that pooling effect hits them the most? Yeah.

MR. KOEBEL: Well, I just... You can follow up, Larry. Yeah, just for 15B. And what we found was that a lot of the bigger percent changes were due to demographic differences. So, for 15B, which is the Bridgeport Port Authority, they have no actives in this plan; they just have retirees. So, right now, they're not paying any of the 16.71%, but they still have retirees in the plan. They just have zero actives; that's why their FY26 salary is zero. Under this proposed method, Option 1, we're giving them a share of the unfunded for their retirees.

MR. VAHEY: Got it.

MR. KOEBEL: They're getting - we're basically saying that, you know, they're 70-something percent funded, but so that doesn't cover all of their retiree liabilities. So they have a UAL contribution here. So actually the total number is incorrect. That should - it doesn't add the 14,456, the prior service payment, but that number is going to be a little bit larger than even 92%. So that's where we found the biggest difference in some of the outlier in the winners and losers. And that's why we came up with a Funding Policy, Option 2 again for consideration, which is done a little bit differently in order to, you know, combat maybe this issue for the Bridgeport Port Authority. So, Larry, you want to go through that?

MR. MILLER: I'm on Slide 20. Yeah. The answer was really wonderful. I'm jealous. All right, Slide 22. So as I said, looking at. For different outcomes, you know, the, the All Liabilities the same for the second policy. We treated the this like the unfunded liability payments, sort of like solvency tests under private pension rules where they have, you know, we fund up 100% retiree liability, invested term liability. You know, we work our way up. And so that if you mostly have retiree liability, we pretend that we allocate it so that that's funded up. And so the majority of active liability has no assets. The rationale is under the third sub, the majority of active liability, there's no assets assigned to it. I think we're somewhere around 10% funded on active liability basis. Once you fund up retiree liability, invest term liability. So, and so we want to focus on that. But so similar to Option 1, we calculate $ amount of the amount to pay off the UAL over 21 years. And we have this, we have numerical examples on 23 and 24 hanging out here. And the only difference on when you look at the proposed Funding Policy option is the Option 2 versus Option 1 is the amount of the unfunded liability contribution that's hanging out there. It's because we've allocated it in a different way. So we're still risk-pooling on that normal cost rate. And we still have the same administrative charge, but we've allocated the unfunded liability contribution in the way we discussed earlier. So 24 is probably more the one we wanted to take a look at.

MR. KOEBEL: That's where I'm at.

MR. LANGER: You're on 24. Okay, so you can see the dollar change for Bridgeport there in the first column is 0. They have to, because under this analysis, as a policy issue, if you want to say, hey, we funded up the retiree liability, so we just want to focus on unfunded active liability. And Bridgeport has no active liability, but they certainly have this prior service payment. We want them to finish paying off the prior service payment. Right. And as it turns out, all these have a reduction when you look on slide 24. But it's a little bit more of a mixed bag when you look at slide 23 in terms of the distribution of the changes, the positives and negatives. We have a summary on page 25. And this is going to be hard because we're looking at things going from left to right now. We're going from north to south but the plan that we looked at are the dollar amounts of the funding policy and then the Funding Policy Option One and Funding Policy Option Two. The dollar amount of contributions are there, and then we show the percent change, the percent increases. All those numbers in the top third of the exhibit you've seen before; we just put them all on one page. And the thing I walk away with is, when you look at the percent increases on Funding Policy Option One versus Funding Policy Option Two, you can see that there is not as wide a dispersion under Funding Policy Option 2. They seem to be somewhat better fit, not perfect. You know, there are certainly some winners and losers, but the amounts are not quite as big. And then down below, we have the amount of the subtotals for each of the four employer groups there: General, Non-Social Security; General Social Security; Police and Fire; Non-Social Security; and Social Security. And you show the current funding policy amounts of. And then we show the amounts under Policy Option One and Policy Option Two, and they're reasonably close. The reason they're a little different: we didn't just allocate the current amortization contribution, but we wanted sort of a fresh start, and we amortized the amounts for the two funding policy options over 21 years, and it just turns out to be a little different. All right, there's like three. Three. Someone is raising their hand twice, so I'm anticipating that's both the left and the right hand. So, questions?

MR. VAHEY: Sarah? I'll let you.

MS. SAUNDERS: Well, I'm sorry, I just don't get Option Two. Option One, I understood, where each town is taking on its own demographics as if it had its own plan for its unfunded liability. Is there a way you can put it in more plain English, given that we'd have to explain this to a lot of people, how Option Two is different? You're using some terms, but it's splitting that unfunded liability in two pieces. Is that it? And can you take another shot at putting it in plain English for Option Two?

MR. LANGER: Yep. So I'll give it a whirl, and then Ed's going to correct me by giving him about 20, or is Ed going to do it?

MR. VAHEY: So, hold on a sec. So let me add.

Yeah, so I'm similarly somewhat confused, and my head is trying to do it probably incorrectly in a -- hate to use the word fairness, but the way I see the unfunded liability is that, for whatever reason. Right. The actuarial assumptions -- it didn't pan out. Right. And we've gone over time, and now we're -- now we're like, okay, well, we gotta -- like, somehow we gotta fix this or true it up. And it just seemed to me, even though the numbers are somewhat worse in the first scenario, it seemed to me like, though that was a more, I thought that was more fair. I mean, the second one, it seems to be a little bit of a benefit. You're like oh well, you know, you know, you know, especially for the one example. So that might be why I'm doing this where they're like hey, I don't have any more actives. I mean, so I don't have to contribute anymore. Even though things didn't pan out the way we had modeled, but now it's kind of everybody else is going to carry more of that load. And I, once again, may be completely not interpreting the methodology is correct, but it seemed like on the first one it just seemed a little more fair, which I think is probably a poor word choice, but. So those are the two. I don't know if anyone else has any questions, but I mean, I figured you're, you're answering the same sort of question with both the bar.

MR. LANGER: Yeah, so I think you covered it rather well in terms of the differences. I'm not going to talk about fairness because it's just, you know, you all make policy; we just try to provide different options, and fairness is a term everyone has their own definition of. The first one is, yeah, if we don't prioritize the unfunded liability, we just take all the unfunded liability and allocate it based upon each municipality's liability, so everyone gets a bite of the sandwich, and this is -- I don't know who spoke because I can't recognize voices real well yet. But the Funding Policy Option 2 sort of prioritizes the debt, and it does if you, you know, if you don't have any active liabilities as a municipality, it's deemed that you've paid it off and you're done contributing to the plan now. I like how that was described earlier. I mean, you are off the hook, and the reality is you probably contributed to it as a municipality. Right now you don't have any actives, but along the way you certainly contributed to it. The fit is closer in terms of the change in contribution; that's just one of many elements to take a look at. Did that help, or do we need Ed to mop that up?

MS. SAUNDERS: I still don't understand the mathematical difference between -

MR KOEBEL: For two, we're saying right now there is enough assets all of the retired liability and the vested term liability, which is much smaller, but basically we look at those two liabilities for all of the retirees within MERS and all of the vested terms for those who left active service but are not yet retired, and we take all that liability, and we compare it to the assets, and we say, okay, we have enough assets to cover all of that liability, so none of that liability is unfunded. For Bridgeport Port Authority, their group is all that liability -- retired liability -- so we're saying you don't have any unfunded liability. But for everybody else still staying in Option 2, we say, okay, how much is left over in assets? There's about $100 million left over in assets after we take out the vested terms and the retired liability, and we say, okay, now what percentage of the active liability can we cover? That's about 10%. So for Option 2 we're saying the unfunded is only 90% of the active liability, which is equal to the current unfunded; it's just breaking it up into different pieces. Option 1 just looks at all the liability together and says, you know, the funded percentage is 75%. We just take 25% of all the liability, and then everybody gets a chunk of it. That's where Bridgeport Port Authority is getting a chunk of it, even though they don't have any active liability. Option 2 is more of, like Larry said, retirees are gone; they're going to argue they funded for it; they don't need to make contributions. Option 1 is, we're going to say, you know what? No, unfortunately, like Brian said, there's been bad experience; we still need a chunk of your retirees still have a chunk of unfunded liability there; you need to pony up some money to cover that. So again, we went through Option 1, we saw some of these variations, like Bridgeport Port Authority. There are others out there that have different demographics, and we said, well, is that fair? I don't know. Again, we're not policymakers. That's, you know, but that's just one of the things we wanted to show you is the difference between Option 1 and Option 2. They're both equally paying the exact same amount, almost $171 million for everybody. There's just different winners and different losers. You can see 77F under Option 1 is a loser, but under Option 2, they're a winner. So again, just --

MS. SAUNDERS: Can we say Option 2 is a variation on Option 1 because it recognizes the nuance of active employees and allocates more Unfunded Liability to active employees? Is that-

MR. KOEBEL: Yeah, that's -- that's fair. Yeah.

MS. SAUNDERS: Okay, I kind of get it, and I kind of think that might be fair. So, anyway.

MR. VAHEY: I just, one: so I view it as -- because I started my career in the insurance industry -- you designed a product with some assumptions, and you had it out there for a while, and it had an annual cost to it, right? A premium or something. And then at some point you're like, woof, we did not price this right, and so you stop making it, and you design a new one, and you tweak it so it does cover it, but now it doesn't make your obligation to the customers go away. So now you're looking at the assets you have and the liabilities you have. And, number two, you're like, well, you know, the ones that, you know, don't have the thing anymore, like, we'll just -- we're going to fund that all up and true it up. But then we have this remaining piece, the gap, and we're going to spread it across the other folks who still sort of are, like, making the premium payments continue. And I -- just me -- so I get it. It's a divvying up of the assets and liabilities. And I think that, like, long-term care and some other stuff that I had to deal with in the past about how, because, you know, you push through a premium increase after you've closed it, because you have to figure out a way to close this gap. And this one just seems like, I don't know, it's not winners or losers; I guess it's just sort of like what, you know, we are a policy group, and how do you want to, you know, how do you want to allocate it? And then we have to somewhat, I think, defend how we came to that conclusion. So I'll let people continue to ask their questions. I see Michael's got one, and Michelle has one. Given there's an actuary asking the question, that ought to be a good one. So -

MR. FREDA: So, Michelle, this is Mike, but I'll be happy to have you go first, if you like.

MS. BOYLES: That's up to you. Mine is a little bit of a reaction commentary, expanding the conversation. So if you're going to a new topic, then I would love to go first. But if you're expanding on this, then you can go first.

MR. FREDA: All right. I just wanted to comment on this, and I think what we've seen here, and I fall into this category, this afternoon, it took us as some of us, as professionals here, to really understand Option 2. And the first thing that I was thinking of, I have a greater understanding now after going through, like, the second or third explanation. But if we had a tough time explaining it or interpreting it, how are we going to explain it? So we really have to work on the method of presentation, Option 2, because if some of us are concerned or confused, the rank and file are going to be confused. But I've come around Option 2 because, after listening to a couple of the versions here, I can see the point, but it's the delivery and how it's presented without creating total confusion to some of these members here. That's all I had to say.

MS. BOYLES: So what I think the struggle with Option 1, and as an actuary, I kind of like Option

1 because you're like, okay, everyone is going to pay what is theirs, what belongs to their people. But -- and that's what happens for each municipality that has its own pension plan -- that's what they have to do. They have their own liability; they have to pay their benefits. That's the way it works. And so, if we were to move towards Option 1, I think that is a fundamental change in philosophy for how people participate in this plan and then how the funding goes. So I think Option 1, while we can argue it's the most equitable because everyone's paying their fair share, I think it's also the most different from what we've been doing historically because everyone has always paid the same percentage. So that's where I struggle with Option 1 because it's such a fundamental shift in perspective and how we want to fund the plan. Option 2 is a little bit more of a middle ground because it is giving some of that okay, and here's the liability that belongs to you, but it's focusing on only the active portion. So that is still very similar to what we've been doing because it's always been a percent of payroll. So that's where Option 2 is something that we can -- it's a little bit of a middle ground where it's

acknowledging that we want to fund this a little bit differently, we need to treat it a little bit differently, but without fully stepping away from the philosophy that we've been looking at with MERS 1.0 the whole time. And then there's still that issue -- I'm putting air quotes around the word issue -- of we know there are people, there are retirees in this plan for whom there are no contributions being made because they've been retired due to union negotiations, hiring, who knows what's happened along the way, but there's just no more active employees that belong to those retirees, so there's no payroll that belongs to them. And that's kind of what we were talking about with the 1.0. Eventually, there will be no active employees in 1.0, and so how the heck do we fund this going forward? And so we'll have that similar issue still with Option 2, where there could be municipalities with people receiving benefits that aren't contributing towards that. I don't know that that's necessarily a problem, but it's something that we should be aware of as we're discussing an appropriate funding policy going forward.

MR. FREDA: Yeah, this is Mike again. I think that's an excellent point that Michelle just made and I know I may have brought this up before I got picked up by a rating agency, S&P 500, a few years ago, because we had a policy of percentage of payroll versus percentage of what the budgets in our municipal government had authorized and had been voted on. Is that something that's considered here? Moving it, not only not from or from a percentage of payroll, to a percentage of the total employees that are budgeted, who may not exist yet due to vacancies or whatever.

MR. LANGER: So we haven't. We haven't factored in vacancies in here. And in fact, it's based upon the declining number of actives over the course of time going forward. So it's not based upon any vacancies or things like that. I don't know if that answered or not, but.

MR. FREDA: It does. So if we were to kind of segmented just to municipal organizations were part of CMERS, if S&P 500 and Fitch in the past have picked us up as a municipality of doing a percentage of payroll as an incorrect mechanism, we made the adjustment. Now we do it as a percentage of. If 92% of our employees are on the payroll, there's 8% that we're trying to fill as new employees in concert with a municipal budget. That's why I brought this up, because that's a way to fund it a little bit more, knowing that the budgets show that employees are going to be hired during that fiscal year.

MR. HERRINGTON: What I would say is, given the number of entities that participate and the difference in the information that we receive from them, just in terms of the report-required contributions and earnings, I think it would be very difficult for us to apply that type of policy, kind of, with any precision going forward. I mean, at best, I think that perhaps there could be some way that we could come up with a fudge factor that we would apply to that, but I don't know how. And we don't have necessarily just full towns, for we have, you know, certain, you know, unions within a town. And so I don't know how we could track that information in terms of the vacancies for all of those varying entities.

MR. FREDA: That's understandable. I understand. What--I understand your point. Thank you.

MR. VAHEY: I just want to say, Michelle, actually, you're--the way you described it, I liked it because, in my head, the whole I'll get, I use fair again. But it's like, I think actually it's mathematically, number one, made sense to me. But the whole reason of being this pooled multi-employer plan, right? It's supposed to have some--you could get into this thing because of that big effect which I think, hey, that's just how it shakes out. That's why number two, I mean we basically say, oh, we told you to get into this because you know you're gonna be, you're one of many. And so everything's kind of pooled and then we're like, oh yeah. But now we've shut that, you know, we've shut this version down and we got to pay it off. And so much for that pool defect. Here's your bill. Yeah, whoops. But number two sort of keeps that thing intact. And I--I would not have gotten there without your point out. And Mike, Michael, you're--I think there's more than one way to address what you're thinking of. We don't think, we haven't. We've done it here in Fairfield. But we--we went from being pretty overfunded to whoops, we weren't and didn't make contributions for many years for market and assumptions and stuff like that. And we said we get the actuarial math and the smoothing and coming

up with the liability, but we're like, you don't do that at home when you're planning for your own retirement. You got good years, you got bad years. But the thumb rule is you tuck away 10 to 15% every year regardless and it's all going to smooth out at the end. And so we said here as a municipality, just because the market went baffo for two years, we probably should be tucking away a minimum every--even if the ARC goes way down. We want to set it at a certain level so that the system doesn't get shocked and we end up with a string of very bad. I mean it's sort of like taking the blending to the extreme or the multi-year thing to the extreme. But I--a lot of people nodded and they get that, like you, like a normal person keeps saving; you just be like, oh, it's a good year, we're not putting anything away for retirement. It's like, duh, what. So there should be a way to import that sort of a mechanism within here. You know, hey, if it ends up--they're like, we're really getting ahead of ourselves on this. We're super overfunded. Well, no one's going to complain about that either because maybe we, you know, then we revisit it. But that some mechanism like that probably could be done without getting all this

really granular, you know, detail that might be necessary on the, like, vacancies and stuff, which you're, which is you're pretty smart. You do that at the local level because you're essentially saying, we are going to hire. So it's not like that liability is not accruing. So, you know, let's--let's just, let's be real and let's save for it. So that's actually pretty. I like that Newtown did that. I'm sorry, I'll stop talking. So, I mean, we're--so when do we have to make this decision? And--and I and a couple people have spoken. But does everybody sort of understand, you know, how, you know, because please, it's--this is not for people who haven't been around pensions or insurer. Like, this is not. This is not simple. So please, if you have questions or you try and explain it another way for folks who just aren't getting what we're trying to do to wrap up 1.0 here.

MR. MILLER: If I could just off that point, could we get maybe a cheat sheet of some kind? So we're all saying the same thing, so at least the message is consistent. The concern I would have as well, we all have a pretty decent understanding of it. I'm going to explain it differently than you're going to explain it, and you're -- going to explain it differently than Mike's going to explain it, and God forbid we get somebody that talks to all three of us, they're going to say, oh, these guys don't -- know what they're talking about so can we get some type of -- you know, turn this into a political campaign, for lack of a better term, and just have a cheat sheet that we can use in talking points and so on, I think, would be really helpful.

MR. VAHEY: I would hope that, because John said, you know, communicate and communicate and communicate some more as far as their office, whatever their document is, whatever the summary page, where they're going out to do the communication, that should be the only way we, you know, regardless how my head works, I'm like, no, this is this, this is how we explain it. And then I don't know, if people have problems with that, then it could be revisited. But I think your point is very well taken because I guarantee you that all of us would have a different way of saying it. Maybe the actuaries will all be the same, but we would not -

MR. MILLER: - I got a guy you can call hold on.

MR. HERRINGTON: Yeah, so I think that there are a couple of issues here, right? So, I think in terms of timing, that this is as large a decision as has been made in MERS in any number of years. So I think what's important is that everyone fully understands both the underlying concepts here, but also what the effects would be for the different populations and entities. And so, what I would say is it would be easier for me if I had an answer today and we could start marketing this to new entities going forward, but I don't think that should be the priority. I think that the priority should be that this is the most informed decision that we can make and that we are on solid ground in terms of thinking through all of the downstream effects of that decision. So, I think this is a very helpful discussion. I hope that we can have discussions with other groups outside of this group here, and that we can come back with perhaps more questions for the actuaries going forward. Because again, we've made a number of decisions in the recent past with all the best intentions, but there is definitely some resistance to some of the decisions that we've made with all of the best intentions. And, you know, it looks here that, no

matter what we do, the rate is going to change for entities. Some are going to have their rates increase; some will have them decrease. So I think that we need to be very solid, and I would prefer that we push this out to a point that we know exactly what we're doing, exactly what the outcomes would be, and that it's a fully knowing decision of this board going forward.

MR. VAHEY: Just one question. Can you go back to it just real quick? Because, you know, you guys did a little -- you did a sampling. And, you know, I think the bottom actually is very helpful. I was just kind of looking at. So, if I quickly summarize by dollar amount of the top, it looks like something around, was that like 20 million maybe tops of the 170 million in dollar terms? So, you know, we're looking at 1, 9 to 18 the population as far as the sample, which is a pretty robust sample. But if I'm looking down here, it is stunning. In the first one, it's only minus 1% differential in that one category, but it's still not even very large. I think that's a great takeaway because you kind of get wrapped up in these small little volatility individual parts. But really, we're saying general employees with no

Social Security get dinged the most, but it's by like less than a million bucks, right?

MR. KOEBEL: Yeah. It's the reason why option one in total for all of the four groups is the same, or very close to the same, is because we're allocating the unfunded based on their individual funding ratio. So we're taking the general non-Social Security group, who is, again, maybe not 73.5% funded, but 76% funded. Maybe they're better funded than the other groups, and we're taking that funded ratio, and so that's why it's a little bit less volatile when you add everybody up. But option one does come with a little bit more volatility on an individual basis. And we put together this chart here that kind of looked at option one and option two and said how many were greater than 50% and, you know, higher of costs 50%. And there's a good number of the groups that were higher than 50%. And, again, majority look at, again, Bridgeport Police and Fire, they're at 92%. So they're in that greater to 50% the dollar amount, not much difference. But, percentage-wise, they're in this category up here at the top. Whereas when option two, they're at 0%, they're in this orange group here between 0 and 5%. So we

found that option two provided for less volatility on an individual municipality group. But, you know, there's again a slightly difference when you add up everybody because, again, this option two comes down to the demographics of the group more than option one.

MR. VAHEY: That, that bar chart was actually -- I mean, it's good for planning purposes as far as what -- whatever your talking points and, yeah, and trying to sort it mentally. The orange bars in my head.

MR. LANGER: It's - is a little hard to see. But when I look at the, you know, option one, the blue bars are just sort of more spread out across the whole spectrum. Maybe, maybe if we've done it, you know, vertically instead of horizontally because now you have to turn your laptop to see it, but you can see sort of the orange; it's a little bit more of a pseudo-bell curve with a brack in it as opposed to a plateau. Yeah, we should have gone horizontal. I'm sorry, I don't know what we were thinking. We were all hung up on making sure the bars match -- the dart, the dartboard was more.

MR. VAHEY: It is your point about a bell curve with whatever, a little, you know, bimodal

distribution or whatever. But it is, it's interesting that that's occurring at, like, basically the zero, which, you know. Yeah, but you know, whatever. That's, that's fine. Then it sort of distributes around the - okay, thank you. This is just good.

MR. KOEBEL: And then again, just to finish up quickly, you know, the migration we talked about, obviously this is another. Maybe for another meeting, just discussion item, you know, should, should we allow municipalities to elect MERS 2.0 for all -- for their current members? So again, and how we would go about doing that. But again, then getting back to the cost to join MERS 2.0 for new units only. And what we're kind of suggesting is, you know, if, if they, if they don't bring in past service, we would just charge the normal cost amounts or rates of payroll at the time of entry. So they would not have any share of the unfunded liability that's currently in place. That doesn't necessarily mean that they would, they wouldn't be responsible for any future unfunded pieces. But for them coming in and bringing them in right now, new municipalities, we would just charge them whatever their normal cost amount was for their accruals for their members. So if they had 150 members, we would calculate a normal cost for those 150 active members. If they had two active members, we would charge them their normal cost. So there'd be no cost sharing there. They would get their own normal cost for their group of people that they would bring in. And we can put it in a dollar amount, or we can make it a rate of pay -- really negligible there really what they would do. And if they wanted to bring in past service, we would kind of do it like it's done now. We would say, okay, you want to. We will calculate what the liability is for that group of people for all of their past service and then you would charge them an additional amount over a closed 20 or 25 year period. Right now we use 30. We'd like to get, you know, down to a lower period to pay it off faster. But again, it would just be a dollar amount that they would add to their contributions into MERS to pay off that additional past service level liability. So that would really be, you know, and then. And then again, any future unfunded liability we would kind of allocate towards all municipalities going forward that were in the plan. So we would kind of calculate what that future unfunded would be. And potentially these new MERS units would have a piece of the new unfunded liability, but they wouldn't have any responsibility for any of the past unfunded liabilities from 1.0. So that's kind of where we're at this point. You know, happy to answer any more questions.

MR. VAHEY: Silence. That last thing, the last part about the new units and stuff. Sarah, since you were on that, I'm trying to remember. I thought we had conversation about that specifically at the Finance Committee. Do you remember? I thought we were saying something like we wouldn't- there's some contemplation like that there. You know, there's a - and maybe you brought it up, John. It's like sort of a. We were envisioning. This is a bright line and the old is the old and the new is the new. Might remember this incorrectly. I mean, Ed, you were on the call. I can't remember exactly what.

MS. SAUNDERS: Well, my thought is, if the goal is to bring in new participants to keep it going and make it healthy, not saddling them with the unfunded liability of a plan that they were never part of is going to be very helpful. In fact, I'm not sure we can get them without doing, you know, maybe that's impeded our ability to bring in new participants.

MR. VAHEY: Yeah, I think you're right. All right, so what's the timeline for the decision here, John?

MR. HERRINGTON: Again, I mean, I'd like a decision today, if that was possible. That would be perfect in terms of me having a long runway to work on the communications. But I think that this has to be the right decision. And so, I mean, realistically, I think we probably could have a, you know, we need to come up with a process for fielding any questions for us to go back. But I think that, you know, I'd be surprised if we could be in a position where we would have an absolutely defensible policy decision before October. And I'd want us to all have, you know, some very long and hard discussions and perhaps, you know, have more data in terms of how this is actually going to impact people. I mean, there are people here that have, you know, entities that, you know, that they're representing that, and we don't necessarily know where they fall on the line. I would hope that that's not necessarily what's going to drive each person's vote, but if I were voting on that, I at least want to understand that information.

MR. VAHEY: Yeah, I get that. Michelle?

MS. BOYLES: I just wanted to comment and react to before John started with that. I like the spirit of the bright line with not being saddled by 1.0, but that will still get us, fast-forward 5 years, 10 years. There will be a point in the future than where we have no funding mechanism for the Legacy 1.0 liabilities if people aren't being saddled by that unfunded liability. So that's my only caution, that the spirit of it sounds wonderful, but I think where if we set it up in that way today or, you know, in the next few months, whatever, then we're kicking the can down the road and we will have to answer that question eventually of, well, but then how are we funding any unfunded liability under 1.0? Who's paying for it?

MR. VAHEY: And Jeff.

MR. ARN: Well, just to Michelle's point, wouldn't we, the members that are already in 1.0 and going to 2.0, wouldn't they be making up the cost? I thought the line was being drawn at new entities coming in, not new people coming. My agency is going to have both. But that wasn't my question. My question was, to John's point, are we going to have individual breakdowns by agency of what each one will cost? Because that's what everyone's going to be asking me at all the housing authorities. Before we can make a decision Will we have that kind of information?

MR. KOEBEL: I'll start and then John can answer. But yeah, we have, I mean, we just showed 10 samples, but we have the cost for all 200 and something municipalities currently. So we have the calculations done. We've just got to tidy up some things on it. But, but yeah, we could have that and show you the winners and the losers, you know, fairly quickly.

MR. ARN: And I did have a second question. Policy-wise, the migration from, you're talking about, from 1.0 to 2.0 with existing members. I thought the whole point of 2.0 was that people on 1.0 were not going to have to get off of 1.0 if they didn't want to. And if that policy is a policy change, that's going to be a huge issue with my people.

MR. VAHEY: You know that was what came up, Jeff, at the Finance Meeting. So, like, kind of said no, that's not right. I mean, it was brought, the actuaries asked, like, if they need to model that out.

MR. ARN: But I can guarantee you there would have been a lot of people up in arms and protesting against 2.0 if that was the situation. Because we were all told if we're on 1.0, we are not going to have to switch to 2.0.

MR. VAHEY: Yeah. Except for just, it'd be like a, you know, Tier one, Tier two, and say, oh, hey, you thought you had a good deal in Tier two. No, no, you're all Tier two. Sorry, you're no longer Tier one. Just got rid of it. You're all going to Tier two, right? Yeah, that would, that would cause some problems. Unless I'm, unless I'm misinterpreting it as well. But I don't think that's envisioned. So what I was going to ask is if everybody was prepared to like to select a process, but I'm hearing from Jeff that perhaps not everyone is willing to do it without the granularity. I, I get that. I don't, I mean, I mean, I get it. But then I don't know how you, like, you know, it's, and you're like, well, I want to bounce to one because it looks like it's a little better for the subset. I, I just for me, it's, I, I once I understand how the why or how it's working and the way it was picked and chips sort of fall the way they, they do. But I respect that not everyone's like me. But then, that being said, that's going to hold the, the vote up potentially until September. And we're trying to get this done for. So, you know, with enough timeline before, I guess October is what we were, what John said. So who, who, who is using your little hand button of the trustees prepared to vote just on a methodology right now? Wow. Okay. So everybody wants to see the breakout or no one knows how to use the hand button. Okay, well then, so I suggest we get those numbers out to the trustees quickly. And I don't know, John, if you're willing to wait till the next meeting or you want to hold a special, which is fine by me. It's just something.

MR. HERRINGTON: Well, what I would think is, you know, I think all of this is wrapped up together in terms of us having, you know, kind of like a layman's term description of the two, I think that would be helpful as well, because I think people need not just the numbers, but to explain, explain the numbers to people going forward. And in connection with that, you know, to

the extent that any of you have other questions that, you know, that come up as you look over these materials. If we could get all of the questions perhaps next week, and then we can work on us, you know, developing kind of like a crib sheet and then that we could kind of provide the information and hopefully we can get, you know, all of that information two weeks out prior to the next meeting, which is going to be the extended meeting. And hopefully at that point, if you've had the information, you've had the opportunity to have those discussions, we can have a real fulsome discussion in September. And ideally we could make that call into September also. I mean, I would want on this to have as close to full participation of all the trustees on this decision because again, this is going to be a very important decision going forward, and there are going to be people that are happy with this decision. They're going to be people that are unhappy with this decision, no matter which way we go.

MR. VAHEY: Okay, that sounds like a plan. And Karen, you have a -- yeah.

MS. MCDONOUGH: I just wanted to know, you know, just in general, the process. I know we have

a Finance Committee and, you know, what their role is here. Would it make sense for the Finance Committee to make a recommendation to the Trustees, you know, based on this proposal and these options? You finance people seem to understand this better than we do, and make some sort of, you know, pitch to the rest of us, you know, about a lot of what was discussed here today and what the considerations are.

MR. VAHEY: Well, I'm on that committee, as is Sarah, and actually I don't have a vote in the overall scheme, but I think it would be covered in the conversation because I don't know. Sarah, you can chime in; I could explain right now, as a committee member, why, and actually, it was with the help of Michelle's insight that I landed somewhere, but I mean, if I don't know, if I don't know how to answer that question, I guess I'm at a loss for words. Go ahead, Sarah.

MS. SAUNDERS: I do feel like it is a big decision. We're being told it's a big decision. It is a big decision. I still have probably 20 more questions, and maybe that is what the Finance Committee is for. Part of me is wondering why. Why do we have to do anything? This plan's been the same for a long time. Yeah, theoretically, people aren't carrying their own weight, and we think that we should move that way. But is there some-- I do like the idea of cutting off the liability, so new entrants aren't saddled with that. But this whole changing of methodology-- what's causing us to have to do this now? Am I missing a little something? I mean, is it just theoretically, from a purist point of view, a more fair approach or, you know, why now? Is it because-- because of 2.0? Perhaps that's the answer. We need to address it. Okay. Because of 2.0. Okay.

MR. KOEBEL: Yeah. I think, because of 2.0 and because we want to, you know, the idea is to get more municipalities into this plan. That's the marketing approach to it, and we don't want to saddle them with prior unfunded liabilities. You know, I think everybody-- I won't speak for everybody, but a lot of you folks have reiterated that that's a big issue. So that's where we, you know, sat down and tried to come up with different options to do this. It's a very difficult mathematical equation to do this, to keep it fair to everybody. So, you know, but I think that was

the precipitous effect of having MERS 2.0 and not saddling new municipalities with the unfunded liabilities.

MS. SAUNDERS: But couldn't we do that and still keep it pooled for the rest? I mean, in theory, aren't those two separate decisions?

MR. KOEBEL: We could, but you know, all of the new folks in either -- each of these municipalities is coming into 2.0 as well. It's not like they're staying in 1.0. You know, it's.

MR. LANGER: So. So at some point there, there's no payroll upon which to base those contributions. And, you know, at some point we, you know, we -- there's no more actives in 1.0, which means no salary, which means there's nothing to apply the rates to. And you still have Unfunded Liability. That was the genesis of it, just looking down the road.

MR. VAHEY: Yeah. And I was just going to say that I get your questions, Sarah, completely. And it's kind of funny because we spent all this time like, oh, here's all this great new shiny thing, the 2.0, and we're addressing all these concerns, right? The orders to design it, because it's like, holy crap, we have this cliff, and the Liability is

exploding, and we're going to lose people because it's just too expensive. We didn't -- that was enough -- but we're like, oh, by the way, you know, and once again I go to my insurance, you know, this is a Runoff Block now, like we were closing it, right? So 1.0's gone. But it doesn't -- you know, I don't go back to the customers who bought that product and say, hey, sorry, man, I'm taking that from you, whatever, whatever. We have to figure out how to keep to that obligation. And part of the whole deal was that the 2.0 is not going to have all this baggage or else we'll never be able to get people to -- right -- we're not going to be able to pitch this to kind of grow the plan, which overall will make it healthier in the decade ahead. So that's -- and somebody correct me if I've just now explained something wrong -- and then the whole difference between the two, which, once again, this is Brian Vahey rudimentary actuarial stuff, is that we have it and how are we going to allocate it so it gets paid off best. There's a way to kind of push it, take on the assets and liabilities, and how are we going to attribute costs to everybody. And the folks who have -- the people that have already retired or whatever -- we're just going to immunize them. Okay, it's all paid off. And we're just -- that's the benefit of being pooled; all the little guys, all the towns that are in it -- like, hey, it was a group effect -- we're going to stick with that, and we're just going to allocate that remaining cost to the folks who still have Actives and pay it down. I mean, that is just probably really crude, but that's how I see it. We gotta -- and we have -- there is no other magic bullet, right. We just can't go out and bond it or something, get the Liability to some new entity. I mean, like an individual town, when you shift -- because I was thinking, oh, this is like tiers, but it's really like tiers because you just, you kind of keep adding new bodies, so it's sort of like a real -- you're blending all your liabilities together continually over time, so it's not the same. Similar, but not. It's easier to do tiers, I think.

MR. KOEBEL: But yeah, if it was state run and state contributed, yeah, this would be a lot easier.

MR. VAHEY: But it's not. Did I answer your question, Sarah?

MS. SAUNDERS: Yep.

MR. HERRINGTON: It looks like Dave has a question.

MR. VAHEY: Oh, thank you.

MR. GLIDDEN: Yeah, My apologies if I missed this, but I just wanted to understand sort of the magic of October. Like, what is the urgency of it's got to be done by October. And, like yeah, I don't get that so.

MR. HERRINGTON: Right. Yeah, it's just, you know, there are a number of things that we need to get in place, because the date on which individuals can join for the first time would be July 1st of 2026. And so we would have to have these rules in place for us to come up with that policy so that we could go forward, so that it would be realistic that we could market it to towns, and that towns would have the ability to make that decision if they chose to. I think, you know, the magic of that October date is to make it realistic for some new entrants to join by July 1st. I mean, if that's not necessarily the priority of this commission, that's what would happen if it extends out beyond that point.

MR. GLIDDEN: And does that include that there needs to be I saw some references to this in the

presentation about the potential for there to have to be legislation -- Is that, like, part of the time frame that you're talking about, John, or you're talking about the administrative stuff that needs to happen in order to be able to implement it on July 1, 2026?

MR. HERRINGTON: Right, right, right. This would not require legislation. When we talked about, you know, moving existing entities that are in MERS 1.0 and those entities becoming MERS 2.0, that is something that would require legislation. But that's not part of this discussion. That would be a different discussion if that was something that we were going to entertain going forward. But right now, what we're talking about is this commission adopting an actuarial process for establishing the rates, and that does not require legislation.

MR. GLIDDEN: And I would be remiss if I didn't thank Jeff for raising the question about forcibly moving people from one to two, because that was all I was really focused on, frankly. And so, like, that's not a thing. We're not doing that is that - was that?

MR. LANGER: Yeah, that's right.

MR. VAHEY: Okay. No, I couldn't even imagine the labor groups and the bargaining unit. Oh, my gosh, no. That would be nightmare. Yeah.

MR. GLIDDEN: And as I looked around and saw that there was nobody else from labor today, I was starting to really have some serious sweating going on- so, yeah.

MR. VAHEY: We planned it. Troy and Jeff are not here, real quick. Let's bounce this in there. All right. So I guess I dodged the Finance Committee recommendation. I mean, we could. We could go back. We just had our meeting, obviously, that went over this and some other stuff. I mean, we could. I'm fine with it. I mean I know where I, I sit and suit. Sarah said, you know it. If the - I mean it is a good point. I mean if it went through us then we should probably throw something out there. So, John, is can we do a - well, we'll get the numbers distributed if that impacts people's decision point. For me it does not. But. And I'm not thinking it would for Sarah either but whatever if those need to go out. But I mean I can have a. You can have a Finance Committee meeting for me anyway. I'm pretty somewhat available next week and kind of have that for the next meeting or

I'm not even quite sure how we could convey it. I don't think we convey it really in minutes or I'm not. I'd have to think about protocol.

MR. HERRINGTON: What I, I would say. And I actually thank Karen for, for that suggestion because that, that is the way that this would operate on the, the State Employees Retirement Commission that, that those types of discussions are had within the subcommittees. The subcommittees make a recommendation to the full commission and then there's discussion at that point. So you know, if, I mean to me, I think either way, even if there is a recommendation, I think that there would be continued discussion here. But if we do start from a starting place where there is kind of a considered, you know, recommendation from the subcommittee, you know, informed by the discussions that we had here today and perhaps informed by some follow-up questions that we have, perhaps that would be a more efficient way for us to work through the issues during the next meeting.

MR. VAHEY: Okay. Lucky us. Okay. All right. So I think this horse is appropriately beaten.

MS. BOYLES: Jeff still has Hands up.
MR. VAHEY: Oh, I spoke too soon, Jeff, sir.
MR. ARN: Sorry. Just one more question on the timeframe. Is it that crucial? Do we expect or we have people knocking down the door looking to get in here for July 1st and I'd rather take the time and do it right than rush it and make a wrong decision.
MR. HERRINGTON: I wholeheartedly agree with that. I don't know Yam if you can speak for the executive office in terms of timing.
MS. MENON: In terms of timing for what specifically?
MR. HERRINGTON: For us to be in a position to market this to towns going forward and to make it realistically possible for towns to join by July 1st?
MR. FREDA: Filled with high powered finance -
MS. MENON: - Yeah, we have to check with the Executive Office -
MR. FREDA: - The Chair is very smart running a meeting -
MR. VAHEY: Gotta mute Mike, but thank you. I am not, I just try really hard. So I'm sorry, I get distracted. Jeff got his question answered.

We all -- we're all good here. Let's move on to the next agenda item, which is should be easy: Disapproval of the Normal and Retroactive Retirements for July. Can I get a motion to do so?

MR. MILLER: So moved.

MR. VAHEY: Thank you. And I'm sorry I missed the second. Who was the second?

MR. ARM: Second.

MR. VAHEY: Thank you. All in favor?

MULTIPLE SPEAKERS: Aye.

MR. VAHEY: Any opposed? Not seeing any, so moved. Thank you. And also, we are, ah, this is coming out of our committee. The Audit and Finance Committee also went through the Auditor's Report for the schedule of everybody's contributions for the most recent period, which is kind of interesting for me because I've never been in, like, a multi -- I'm going to call this a multi-employer plan, but it's a multi-municipality plan. I'm used to, you know, the actuary comes up with a number and that, you know, it's just for one, a single thing. So, with this, they actually audit to make sure that the calculation is correct and we aren't shut; you know, we don't accidentally give one municipality a bad number. So that's what this auditor does. We were all, we were fine with the conclusions and we're bringing it forward for the, I guess I'm the chair of that committee and I know I'm a member of, like, every committee, but I am, I am being so bold here as to bring this forward for approval of the entire Board, given the Audit Committee approved the Auditor's Report. If anybody's on the Finance Committee and would like to add to what I just said, please do so. Seeing no discussion, go ahead, John.

MR. HERRINGTON: What I would say is, typically, we would have the Auditor present the Report to the entire Commission, and Jason is here prepared to do so.

MR. VAHEY: All right, man, we're packing a lot of you thought the other, you know. I don't know which one you're going to call more dry, but all right, no insult intended here but you know, it is what it is. These are the things we have to have and certainly if you hit the high points there, Jason, it'd be great.

MR. OSTROWSKI: Yes. I've been here for the whole discussion, so I understand the perspective there. I'll pull up the PowerPoint but I am going to be very, very brief, so certainly interrupt if you have any questions, but it's a pretty clean, good report. So, as the Chair mentioned, here to present the results of the 2024 GASB 68 schedules, as he'd also mentioned, that's the report that the employers use to book their liabilities on their financial statements, and we audited to give them comfort over it, as well as to give their auditors comfort over it, so that they're not showing up at your door to audit these numbers themselves. So slide here you'll see the audit results. Happy to report, clean opinion on both the schedule of allocations, which is the allocation percentages applied to all of the different amounts that are recorded, including the liability, the expense, the deferred inflows and outflows. So a clean opinion on that report as well as the schedule of pension amounts which includes the detail and the allocation of all those amounts to each of the municipalities. Second piece there is there's a Supplemental Schedule that has some more information required for the employers to report. It's in the report. We go through and tie that information out but don't give an opinion on that. Then the final piece is some Required Communications that also will be included in the

Governance Communication Letter that we provided at the conclusion of the audit, I'll just hit the highlights here, estimates will be included in there. Of course, all the actuaries work, the assumptions and methods used in preparing and calculating that liability information is a significant assumption. So we go through those -- perform, that's the bulk of our audit. There is reviewing the report, looking at the assumptions, and then recalculating the amounts, but as far as the estimate goes, found that to be reasonably stated in relation to the schedules as a whole. We had no adjustments during our audit, so everything we were provided, very clean information. No adjustments were identified while performing our procedures, and that's about it. As far as the highlights. Always a pleasure working with John and the team at CMERS as well as, we spent a lot of time working with Ed and his team at Cavmac as well. So appreciate everybody. And with that, that's my fast version. So I'll keep it at that and open it to any questions if you have any.

MR. VAHEY: Thank you. Any comments? If there are none, then I make a motion to approve the Independent Auditor's Report for the Schedule of

Employee Contributions and Pension Amounts for the period ending June 30th, 2024.

MR. ARN: Second.

MR. VAHEY: Thanks, Jeff. All in favor?

MULTIPLE SPEAKERS: Aye.

MR. VAHEY: Anybody opposed? Seeing none, so moved. Thank you. Okay, John, take us to the finish line here.

MR. HERRINGTON: I will do just that.

MR. ARN: Sorry, one question. I'm sorry, but it's not particularly about the audit, but in general it's always holding up on our side getting our audits done because we don't get that audit until so late. Is there any way to move that quicker, so we can get that information quicker?

MR. HERRINGTON: Right. So this is the time, and so once now that this has been approved, we would post it, and it should be available to all of the housing authorities from that point forward. The issue is that, you know, we aren't in a position now to provide the actuaries with the information that we need for June 30th to perform the evaluation, because the municipalities have 60 days to provide all that information. And in many cases, that extends out to 90, sometimes 120 days before we get all of that information shored up. And that kind of drives the timeline for when we get can provide the information to the actuaries to have the valuation. The valuation has to be complete before those schedules can be completed and then ultimately audited. I think theoretically it might be possible that we could shift the anticipated timeline so that this could all be completed by July. But I would say that that's probably the earliest that it could possibly be. And a lot of it has to do with just the reporting and the lag and the delay in the reporting.

MR. ARN: Okay, so when I get asked questions, I can say, get your stuff in quicker; correct?

MR. HERRINGTON: Exactly. All right. So I will do the same here, and I'll go through very quick, an abbreviated version of, of what I wanted to go through today. But I just want to give a preview of some of the other issues that are out there on the horizon for the Commission for us to work through to implement MERS 2.0. So we had in the previous discussion with the actuaries, kind of an overview of the different changes. We've discussed those a number of times. But what's the issue important are these different dates, the July

1st, 2026 date that we mentioned where that's the first date on which a new entity would be eligible to join MERS. This is complicated a bit for the effective date for existing municipalities. So the default date for existing municipalities is July 1st, 2027. But there's language in the enacting legislation that allows for a delay in that effective date for any bargaining units within those entities that have expiration dates beyond that July 1st, 2027 date. So that I think is helpful for the bargaining units that are impacted by that. But that creates an administrative burden for us to work through. We are going to have to work with all of the different entities to find the effective dates for new hires and then program the system to account for that information. Some of the really important things that the Commission is going to have to work on is the pay definition. So with MERS 2.0, there's a DC component. There's a DB component. There's a question in terms of which types of pay go into which buckets. The simple version is any base pay goes into the DB plan, any overtime goes into the DC plan. The question would be, you know, which other types of payments go into to which buckets. A perfect example, I think, would be a longevity payment or perhaps a shift differential. We need to clarify exactly which buckets those types of payments go into. Also something that's going to be very important as there are going to be people who leave in from MERS 1.0 or leave from a MERS 2.0 or from a MERS 1.0 entity and join a MERS 2.0 entity. We're going to have to establish, establish a clear set of rules in terms of which plans those people go into going forward. As I said, we need to come up with a very kind of tight process for identifying and tracking all of the different collective bargaining agreements and establishing dates for all of the new hires for each of those entities. Once we have all of this kind of in place. And I would say, as I alluded to earlier, the real key point that we need to work through is that pay definition. Once we have that pay definition, we need to reach out to different municipalities to work on payroll integration. This would be something much easier on the state side in the sense that we have, like, a single payroll system, and we just need to essentially make one set of changes. Here we have hundreds of entities, and we're going to have to work through because the employer reporting is going to need to change. Right now we get earnings, we get contributions, we're going to have to have, you know, earnings and kind of differentiated between what's regular pay, what's other pay. And that pay is going to have to go to the DB system. But we still need to track it to the extent that there's cases where pay has been mis kind of identified. And we also. So we'll need to build a system with our TPA to process those DC payments. Once we have that set, we will work to create a DC plan document. And as we've said many times, we have to communicate with the various municipalities at many levels throughout this process. I think we touched on. Those are the highlights just working through here. This is kind of a guideline or a timeline for how I kind of see this going forward. A lot of what we've discussed here today, we are going to reduce to an initial memo that we would send out to all of the municipalities. My hope is that we would send a draft to this group in advance of our next meeting. We would then are looking to set up meetings with a couple of pilot municipalities to walk through some of the changes and particularly the changes as they relate to the employer reporting process. One of the things that we hope that we'll be in a position to leverage is, you know, I think there are different categories of towns. There are some towns that process the payroll completely independently. There are also others that engage third-party administrators or Paychex, those types of entities. And we're hoping that we can identify which towns work with which vendors and that we can work this through with the vendors to work through a lot of those technology-type issues. I don't know that that's going to play out, but that's certainly the hope, and that's what we're going to try to explore. And we want to identify municipalities within each of those groups. We will need to come up with some interim rules for the Commission to adopt with respect to the pay definitions. We can have a set of rules that we would implement going forward, but ultimately that's going to need to go through the formal regulation process. So that, that's something that we need to first have our initial stab at the language. And we can use that to work through the process, but that will have to go through the formal regulations process. And I think that that's enough for today. If anyone has questions, I'm happy to answer them.

MR. VAHEY: I just had one on the -- the transfer question. Is that not codified already? Like, meaning, meaning. So I, you know what, I worked 15 years here at Fairfield and then her. Whatever somebody that's in the plan. Bridgeport, you know, I worked and then I went so under MERS 1.0 and then I went to some other town that's also on the plan. Everybody else is 2.0. Is it not said that, like, you're sort of like vested or, you know, you continue under the original benefit schedule or sets -

MR. HERRINGTON: - That's not in the language. Basically it's all based on the date of hire, and so, so, so those are the additional kind of details that we will need to clarify through our regulation.

MR. VAHEY: Wow. Yeah. Because that, that I see the actuaries are still here. Because that. Anyway. Okay. Yeah. That has some ramifications on the liability side too. Yeah. And getting 1.0 paid off or whatever. Thanks. Any other folks have questions? Seeing none. There's no motion involved with that. So any new business to discuss? No old. No litigation discussion today, right?

MR. HERRINGTON: No updates.

MR. VAHEY: Great. All right, I see no other items on the agenda except for that last one, so I'm open to suggestions on that. Come on, folks -

MR. ARN: Motion to adjourn.

MR. VAHEY: There he is. All right. And somebody give it a second?

MR. MILLER: Second.

MR. VAHEY: All right, I'm sure we're all in favor, and thank you, everyone. Sorry it went a little long, but obviously it's very, obviously, very big thing to digest there, and I appreciate everybody's patience. And I'll see you remotely in September, and I'll probably see if Mr. Tomchik can probably lead that one. I'll just be there virtually in case something screws up my ability to do things. But all right, until then, thank you.

(Recording ends 3:13 p.m.)

REPORTERâ€™S CERTIFICATE

I, Rachel Murphy, the undersigned, do hereby certify that the foregoing is, to the best of my skill and ability, a true and accurate transcript of recording of the meeting for Municipal Employees' Retirement Commission on August 21, 2025.

Rachel A Murphy

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RACHEL A. MURPHY - NOTARY PUBLIC
IN AND FOR THE STATE OF CONNECTICUT
MY COMMISSION EXPIRES: APRIL 30, 2029