STATE OF CONNECTICUT

STATE EMPLOYEES' RETIREMENT COMMISSION

ACTUARIAL SUBCOMMITTEE

DATE: August 19, 2026

LOCATION: VIA ZOOM

Present:

Peter Adomeit, Chairman

Michael Bailey, Trustee

Claude Poulin, Actuarial Trustee

Others present:

Megan Piwonski, Retirement Services Division

Michael Decker, Intern, Retirement Services Division

Ryan Gunderson, CavMac

Larry Langer, CavMac

Kimberly Winter, Rose Kallor

(Proceedings began at 3:08 p.m.)

PETER ADOMEIT: Well, let me call the meeting to order. This is a meeting of the State Employees' Retirement Commission Actuarial Subcommittee being held remotely using Zoom technology, and I don't have a voice. The attendance, please.

KIMBERLY WINTER: Yes. We have Peter Adomeit, Michael Bailey, Claude Poulin, Megan Piwonski, Ryan Gunderson, Larry Langer, Michael Decker, and myself. Kimberly Winter, in attendance.

PETER ADOMEIT: Okay, Larry, you -- are you the front man on this one?

LARRY LANGER: Here we go. Yep. Ryan and I are tag teaming this. Thank you for having us here. And Ryan's going to be running the slides. I don't know if he has to have permission. I can vouch for him. He's a good person.

So, while he's pulling that up, Ryan and I are here. Ed wanted to be here. He can't, but he's still around somewhere.

So anyways, just to summarize, you know, back at the July Actuarial Subcommittee meeting, while Ryan's pulling this up, we covered preliminary results for the SERS experience study. The experience study is that process by which we develop assumptions to be used for future valuations. It was preliminary. Frankly, we didn't have the report done. I think we sent the presentation about 35 minutes before. It was just to give a taste that builds some enthusiasm for the experience study.

So, we walked through it. We sent the report on August 9th. Hopefully you all got that, and the final presentation last Friday. And the final presentation is almost identical to what we presented it in July 15, except for eight of the 46 slides have been updated since then. So we're going to skip a lot of slides. Well, certainly, if there's a slide you really like, we'll go back, but we're going to streamline this so we can get to the meat of things that have changed. So, any questions as we go, certainly ask them. And with that, we'll begin with slide four. Ryan's gonna -- oh, yeah, Claude. Sorry.

CLAUDE POULIN: Excuse me, Larry. Could we go slide by slide? Because I do have some comments on the slide, but I did not indicate on my notes the page of the slide.

LARRY LANGER: Sure.

CLAUDE POULIN: In fact, this one, I have -- I do have one comment. Which page is that? It's --

LARRY LANGER: Four.

CLAUDE POULIN: Page four?

LARRY LANGER: Yep.

CLAUDE POULIN: It said at the bottom, mixed impact. The impact of our recommended changes is mixed. Favorable: Unfunded, actuarial accrued liability is reduced, so the funded ratio is higher. Unfavorable: The (no audio) and this is described as unfavorable.

It's interesting because under normal circumstances, yes, a reduction in the employer contribution is a good thing. But we have experience in the past when, based on that, we have reduced the employer contribution and sometimes to zero in certain years, and this is the pre-2008 when the interest rates were very favorable. And then for -- and then what happened, of course, in 2008 was a disaster because we reduced the employer contribution to zero because the plan was over-funded, 106%. And then we, after doing this, then at one point it went down below 50%. Some may remember that. So, that it is not necessarily unfavorable. And then we -- based on this experience, when we determined that we would pay even if the plan is over-funded, that we would pay the normal cost, that is the, you know, just the benefit accruals for the year.

LARRY LANGER: Yeah, but my choice of words here is not the best, but noted. I mean the contributions are, it's mixed, because you'd think, oh, the funded ratio is higher, the unfunded's lower, wait, the contribution's higher and we'll cover that later on, but it's because the normal cost, that sliver is higher. So anyways, thank you, thank you for those observations, Claude. And you're right, contribution isn't going to go to zero anymore. That was somewhat common 20 years ago, not anymore.

I think Ryan's going to paw through slowly in case you have questions on any of these, Claude, until we get to eight.

CLAUDE POULIN: No, I'm good. Yeah.

LARRY LANGER: All right.

RYAN GUNDERSON: I'll start at eight.

LARRY LANGER: Yeah, eight was the next one I had. So, one of the open elements that we had was when we get to the actuarial methods, remember, assumptions are what we use to project what benefits will be paid, but the actuarial methods are the techniques we use to systematically pay off the liabilities of the fund, of the retirement system.

There's three components and cost method or how costs are allocated. We're not recommending a change there. What you're using is a common approach, the amortization of the unfunded liability. Again, it's a common approach that you're using right now. The level dollar amortization. The one area that we're recommending you change is on this asset valuation method. And the asset valuation method is, you know, how we smooth out employer contribution volatility.

If we only use market, contributions would increase and decrease rather sporadically, so the vast majority of plans, almost all plans in the public world make use of some sort of smoothing technique.

The current method is a reasonable method. You know, we smooth in over five years the difference between market and expected actuarial value. There's been a tendency to move away from that method and we'll show that in the next slide.

What we're recommending is a change to a method that's more common where there's a five-year phase-in of the difference between actuarial investment return and expected investment return, and it's got some additional features to it where we sort of double smooth it. It's sort of like double churned ice cream. It's so much better than just regular ice cream, right? All this stuff I'm saying really, I mean, you read these words and it doesn't give you a sense.

On the next slide we have a graph. Okay, a graph that's much smaller than what I remember. But there's three methods hanging out there. In this chart we show over the past -- starting in 2021 and then projecting out to -- I'm sorry, I gotta make it bigger -- projecting out to 2030, assuming the 6.9% return happens, we have the returns under the current method, what I call a traditional method in the light blue and then the indigo, the actual method, the proposed method we want to make use of.

You can see the market returns, we don't have them graphed but you can see they vary significantly because compared to the 6.9% return, like 2021, we had a 24.39% return, then negative 8.16%. Any difference you have between the market return and the expected return of 6.9% results in swings in the contribution rate and contribution rate volatility or swings; really it's something that we like to try and minimize that if at all possible. So that's why we use these asset smoothing.

The current method, you can see in the orange and you can see that does a pretty good job when you look at the rates of return. You know, it's a low of 4 and a half percent and a high of under 9%, but it's rather smooth. If you just sort of eyeball across the traditional method in the light blue there, provides for a little bit more smoothing except for one element and that's the 2025 and expected 2026 and 2027 returns. You can see there's a hitch there which is sort of odd. And that's just a function of how that method works.

So the method does a nice job. We just didn't like that hitch. So we did some digging and came up with this proposed method. And this one is just like the traditional method except for that double smoothing, the double churning. And you see when you run your eyes across, there's no hitches, it's just sort of, yeah, undulates a bit, but it is a smoother return profile than the traditional. So we're recommending going to this five-year phase-in with offsetting method. And when we implement that, we're going to assume that the June 30, 2025 actuarial value of assets is the same and whatever the difference is between that and market is phased in over five years. So it'll provide for a smooth transition. Lots of words, one graph. Any questions or comments?

PETER ADOMEIT: Yeah, can people see the graph? I happen to have a second copy on this -- on my second screen.

LARRY LANGER: Yeah, increase that, Ryan. Look at him go.

PETER ADOMEIT: Yeah, that's better for -- yeah.

LARRY LANGER: Yeah.

PETER ADOMEIT: Now the other folks can see what I'm seeing.

LARRY LANGER: Yeah. So, the orange is in that, you know, that's the current method and it's reasonably smooth. One thing I didn't say is this method, you know, ideally, if you keep getting 6.9% returns, which we're assuming after 2025, the return should equal the assumed return. It never quite gets there. As you can see, the orange line is a little higher. Ryan's going to wave his cursor over that. Look at that. See how that's just a little higher. He's really good at this. The orange bar is a little higher than 6.9%, even years out in the future. And that's a piece -- it's acceptable, but that's a piece that quite frankly have driven Ryan, Ed and I sort of nuts. That's why we went to something that, you know, eventually converges to the assumed rate. And you can see the light blue, the cornflower has that hitch in it between 2025 and 2027. That's all due to the last year of the 2022 markets being reflected then. And so this other one that proposed the double churn method, you know, a little bit smoother, right?. So, and this -- actually, these two slides are tucked within the report. I forget what pages, but they are. They are in there. So if you're having deja vu, it's because the comments off to the right and this chart are sitting in there. If -- we can certainly come back.

Ryan, if you want to go one by one, slide 36 is the next time I'm going to talk. The rest of this information is unchanged from last month. We certainly can pause because Ryan's going to go really slow as we go through, but when we get to 36, we'll talk about mortality again.

Here, the returns, we're not recommending a change. The 6.9% is reasonable. No change in the COLA rates. They seem to be reasonable.

I know earlier in the decade we had some high inflation. It doesn't quite cover those really high inflation periods, but over the long haul, it should do a reasonable job.

This element here, when we get into these demographic or people assumptions, we have a tendency to look and see what happened in the past. That tends to be a good indicator. Things like retirement and termination and disability, but then obviously we adjust for things that we don't think will happen in the future, like, you know, COVID or things of that -- and while we just show those withdrawal rates in the report, there are a lot of charts like this and we went over just a couple of the more exciting ones last month.

And mortality, our recommended change in mortality, you'll recall they had the current table that was used for the 2025 valuation. It was made based upon what are known as the Pub-2010 tables. That's the public sector mortality tables. That's the first time -- the Pub-2010 represents the first time mortality tables were developed based upon public sector retirement systems in the U.S.

In the past, we've taken corporate tables and made adjustments to them. And what's wonderful about these; I believe both the Pub-2010 and the Pub-2016 we'll talk about. There's something like 94 different mortality tables you can pick from. And what they found is while gender is a -- gender tends to be a predictor of life expectancies. Females live longer than males. The other element is wages. So when you see in here above median, that's above median wages. Now that's compared to the whole group. Remember, you have folks from, you know, in addition to, you know, Connecticut being here, you have folks from Alabama, Mississippi. It's across the whole country. So it allows you to pick something based upon sort of life, lifestyle, or what have you, or how much money you have. The general outcome was the more money you have or, you know, theoretically you can make better decisions, life decisions, and you might live a little bit longer. So they decided to split it like that.

They looked at a lot of different things. They looked at regions and things of that ilk but determined that, you know, salaries was a good predictor. And then jobs, you know, what title do you have? What are you working in? They split into teachers, public safety, general government employees. I mean, those are the big three, I think. And it develops sets of tables for each of them. Teachers live longer than general employees, which live slightly longer than public safety. That was the outcome of the Pub-2010. They updated it for the Pub-2016. That's on slide 36. And these Pub-2016 tables, they just got published last year. So it always sounds like, well, wait, that's 2016. That's like the midpoint of the study period. It takes a long time to develop these tables and go through and vet them. SOA actually does a nice job pulling this together, but it does take some time.

And you know, if you notice here, we still don't have tables that reflect COVID, you know, what impact that might have. And I think that's being explored with the next set of tables, if I recall right.

So anyways, these -- the reason we're going back to mortality and we've had this talk last month is that when we were tying things down, there are a couple of tables that we thought we would tweak and literally it's a tweak to some of these. We tweaked. I think it was for disabled and beneficiaries. We changed our adjustments to them so they fit a little bit better to what we were seeing. Otherwise, these are the same -- but we wanted to make note of that while we're talking here, and we can see the cost impact on slide 43.

Now we'll talk briefly -- if you happen to go back to the -- if you happen to go back to the previous slide, you know this -- it's a slight adjustment here.

CLAUDE POULIN: And there is a question on the mortality again before going to this rubric.

LARRY LANGER: Sure.

CLAUDE POULIN: About 10 years ago, well, I believe we discussed this in the past, but about 10 years ago, there was a bump in the mortality rate for males between the ages of 35 and 50. And the main cause, in fact, was suicide, and I was wondering whether you noticed this in this study or in the subgroups like the teachers at these particular age, whether there was a bump in the mortality curve or whether it was smooth and the rates were always increasing from one age to the next?

LARRY LANGER: Yeah, I think they're always increasing. I'm going to talk about that while Ryan noodles this, but, you know, when they develop these tables and, you know, that phenomenon we saw, and I think it continued partly through COVID. I've never had a good word for it, but there are people that just, you know, they just don't feel attached, right? In their late 30s and 40s for the general population, right? The general population. And one of the nice things when we're looking at a public retirement system, generally these people are gainfully employed. They're healthier than the average population. I think the average population had a lot more of what you were talking about there. I don't think the tables have a hitch. I think the mortality rates consistently increase over the time for these purposes. Maybe -- I do suspect maybe we had a couple of people pass, you know, during their active years, more than we might have anticipated, but it wouldn't make much of an impact on the val. You know, the bigger -- the things that have a bigger impact on the val are like terminations and frankly, they'd probably show up as a termination before disability, before they showed up as a death. So, it's a good question. We didn't see anything when we were reviewing the information to that ilk.

CLAUDE POULIN: Thank you. Thanks.

LARRY LANGER: Yeah, yeah, you're welcome.

CLAUDE POULIN: Now, it could be also that this was about 10 years ago, at the height of the Me Too movement and some people were saying, but I don't think it was based on facts, but based on intuition or that it was due to the fact that men were feeling neglected and ergo, that they had lose -- they had lost their -- some, you know, very small percentage that makes a big difference in the mortality rate. But some lost their identity and couldn't live with that.

LARRY LANGER: Yeah, particularly at that, you know, there's not a lot of deaths happening in your 30s and 40s, so any increase would be you know, noticeable at the population at large.

All right, this -- this slide is slightly different than -- let's go around again because we updated the, you know, we made those mortality table adjustments. Modest ones, you know, the service retirement rates we kept the same, but for the disability and beneficiary, we tweaked it after the first presentation came out. So, if you compare this to the previous presentation, what you'd notice is the funded ratio of 60.1% stayed unchanged. It's a little different, but it rounds out, all right? The unfunded liability, the reduction showing there; here is 386 million 562. It was $348 million reduction a month ago. So again, a modest change there. And then finally the increase in the contribution, instead of being 0.27% higher, it's 0.24% of pay higher, as you can see almost in the bottom right hand corner of it. So that's the impact of those of -- our final mortality table that we put in.

Next slide. I think we're hitting the home stretch. It's a refrigerator slide again with the mixed impact. This is the same as the one we talked about earlier. And yes, my wording is horrible with that favorable, unfavorable. One day I'll get better wording. This is a slide that you'll want to take and put on your refrigerator so you can remember this meeting when people said, well, what was that experience study about? Here it is. Right? That's it. I got one -- well, not on my fridge because my wife won't let me. But -- and so -- and don't use, like, duct tape. That's when you have problems. Just saying.

We have one more. I think the next one is the slide we've all been looking for. Thank you. Any questions? I know we've gone through --

CLAUDE POULIN: I do have a minor question. You don't have to go back to the slide, but in the -- in the marriage -- the marriage issue, you say that you changed the assumption from the two. Male is said to be two years older than females. Now, what was it before?

RYAN GUNDERSON: It would have been three years.

CLAUDE POULIN: Three years?

RYAN GUNDERSON: Yeah.

CLAUDE POULIN: Because I remember for -- for a long time, the difference was four years. Then it was reduced to three years. And now I understand that our experience is two years. So, that's interesting, because this means that when the male dies, the widow is now older than she would have been 4 years ago, and ergo, there are some savings there, mind you. But it's interesting.

LARRY LANGER: Yeah.

CLAUDE POULIN: It's a societal change, that's all.

LARRY LANGER: And for that -- so we put in there in the valuation, we use that to determine when someone retires and if they take an optional form of payment, what's the difference? I think the optional forms of payment are, you know, that's based upon the actual age difference between them. This is just for projecting out active. So, it doesn't have a big impact on pension valuations. Retiree health care, which this obviously isn't, it can have a big impact, right? But just not here. But it is worthwhile to know it's one of -- it's an assumption we just have to look at and update from time to time.

All right, so, next pieces. I don't know if you adopt this or -- my apologies. Someone smart will say it. If you adopt it or if you present it to the full group tomorrow and they adopt it.

PETER ADOMEIT: Claude, how do we do this? Claude?

CLAUDE POULIN: I'm sorry?

PETER ADOMEIT: Yeah. How do we get this before the Commission?

CLAUDE POULIN: Oh.

LARRY LANGER: Yeah, my next step is --

CLAUDE POULIN: You want a motion?

PETER ADOMEIT: A motion to accept it.

CLAUDE POULIN: Yes.

PETER ADOMEIT: From the Subcommittee.

CLAUDE POULIN: This is Claude. I move to accept the Connecticut State Employees' Retirement System Experience Investigation Report for the period from June 30, 2021 to June 30, 2026 -- 2025.

LARRY LANGER: Five, yes. For the 2026 val.

PETER ADOMEIT: Do we have a second?

MICHAEL BAILEY: Bailey, second.

PETER ADOMEIT: Okay. All in favor, say aye or raise your hand. Opposed, nay or raise your hand. It should be unanimous. Excuse me. So, this will be recommended tomorrow.

CLAUDE POULIN: Okay.

PETER ADOMEIT: Which means what? You will make a motion?

CLAUDE POULIN: Yes.

PETER ADOMEIT: At the Commission.

LARRY LANGER: Yep. We'll be online tomorrow. You've all been generous about letting us go on and off. If you can do that, that's great. If not, I understand. But, we'll be online. We have a meeting invite for tomorrow morning and then --

PETER ADOMEIT: Yeah, I can reverse the order.

LARRY LANGER: Thank you.

PETER ADOMEIT: And put you on right away.

LARRY LANGER: Yeah, that's -- I think it's -- yeah, that works out really wonderful. Thank you.

So this isn't the end of the joy. There's more actuarial joy coming down the pipe. We have a couple more experience study presentations. One for PJRS, the Probate Judges Retirement System. That one will be implemented with the December 31, 2026 val, which we won't present until '27. But we anticipate having those experience study presentations either presenting them in September, October and then the Judges Family Support Magistrates and Compensation Commissioners' Retirement System, or JFSMC - that one. We should have an experience study for that which will be used for the June 30, 2026 valuation which we are planning on presenting in December 2026, the vals.

So again, September, October, we're going to provide these materials early enough so people can read them, which is a nice idea and we'll keep you posted. But we're hoping like to, you know, have something early part of September. If not we can have it in October. We'll be busy working on the SERS valuation and we really don't need these until October. But just penciling in. I know we treasure these moments together. There'll be more of them. There will be more coming up. I -- don't fret. That's it for our prepared comments and unprepared comments. So that's -- that's all we got.

PETER ADOMEIT: Any more questions or comments?

CLAUDE POULIN: This is Claude. I move to adjourn.

MICHAEL BAILEY: Bailey, second.

PETER ADOMEIT: All in favor, say aye or raise your hand. It's always unanimous. Thanks a lot, guys and gals.

CLAUDE POULIN: Thank you.

PETER ADOMEIT: Thank you. See you tomorrow.

(Meeting adjourned at #:## p.m.)

REPORTER'S CERTIFICATE

I, Wendy Malitsky, do hereby certify that the foregoing is, to the best of my skill and ability, a true and accurate transcript of the State Employees' Retirement Commission, Actuarial Subcommittee held on August 19, 2026.

Wendy Malitsky

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Wendy Malitsky, Notary Public

My Commission Expires March 31, 2030