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January 13, 1992

Steven Weinberger
Retirement Division
Connecticut State Employees
55 Elm Street
Hartford, CT 06106

Re: Revisions to the SERS June 30, 1991 Valuation Report

Dear Steve:

At your request, we have reviewed the recently negotiated agreement between the State and SEBAC as it relates to SERS. Several elements of the agreement have an impact on the State's fiscal year 1992-93 SERS contribution developed in our June 30, 1991 valuation. The negotiated agreement changes several elements of our calculations, which are summarized below:

- starting with costs for the 1992-93 fiscal year, the unfunded liability will be amortized over 40 years; the contribution certified in our valuation report dated November 12, 1991 utilized a 30 year amortization.
- no contribution will be made towards the liability for Retirement Incentive Bonus programs until the 1994-95 fiscal year.
- the State's past service contribution for the 1991-92 fiscal year will be reduced by \$215 million.

A related issue is the wage increase assumed to be effective July 1, 1991, reflecting overall merit plus cost of living increases. You give us your best guess on the overall rate; our valuation report dated November 12, 1991 assumed 8% across the board increases. At your direction we have lowered this rate to 5%.

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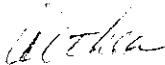
These changes reduce the required contribution for fiscal year 1992-93 from the \$444.2 million we certified in our report dated November 12, 1991 to \$426.3 million. The sources of the overall decrease of \$17.9 million are as follows:

June 30, 1991 valuation contribution projected to July 1, 1992	\$444.2 million
• decrease due to lower assumed salary increases for FY 91/92 (5% vs. 8%)	(14.3)
• decrease due to change in amortization period (40 vs. 30 years)	(11.8)
• increase due to \$215 million shortfall in State's contribution for FY 91/92	20.1
• decrease due to postponement of funding the 1989 Retirement Incentive Bonus program until FY 94/95	<u>(11.9)</u>
Contribution (reflecting negotiations) projected to July 1, 1992	\$426.3 million

We have taken several pages from our valuation report and added a column entitled "Addendum" which reflects these changes. Let us know if you think more supporting information is in order. We can also reissue the June 30, 1991 valuation report, if you desire.

Please call me if you have any questions.

Sincerely,



Althea A. Schwartz, F.S.A.
Consulting Actuary

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cc: Gene Kalwarski

**CONNECTICUT STATE EMPLOYEES RETIREMENT SYSTEM
PRINCIPAL RESULTS**

	Addendum	June 30, 1991 Valuation	% Chg
SYSTEM MEMBERSHIP			
1. Active Membership			
- Number of Participants	55,046	55,046	0.00
- Payroll	1,956,585,318	1,956,585,318	0.00
- Average Pay	35,545	35,545	0.00
2. Inactive Membership			
- Number of Vested Deferred Members	727	727	0.00
- Number of Retired Members	23,779	23,779	0.00
- Annual Retired Members Benefits	262,970,516	262,970,516	0.00
- Average Annual Retired Member Benefit	11,059	11,059	0.00
ASSETS AND LIABILITIES			
1. Assets			
- Market Value	3,351,681,110	3,351,681,110	0.00
- Actuarial Value	3,208,135,557	3,207,958,056	0.01
2. Liabilities			
- Retired and Deferred Vested	2,795,890,494	2,795,890,494	0.00
- Active Members	3,095,767,881	3,186,796,701	(2.86)
- Total Liability	5,891,658,375	5,982,687,195	(1.52)
- Unfunded Liability	2,683,522,818	2,774,729,139	(3.29)
EMPLOYER CONTRIBUTIONS			
1. Contributions as a Percent of Projected Payroll			
- Normal Cost	8.85%	8.86%	
- Unfunded Liability	11.70%	11.96%	
- Total Contribution %	20.55%	20.82%	
2. Contribution Dollars Projected to the following FY			
- Normal Cost	183,658,575	189,127,218	(2.89)
- Unfunded Liability	242,680,053	255,116,161*	(4.87)
- Total State Contribution	426,338,628	444,243,379	(4.03)

* Includes payment for Retirement Incentive Bonuses.

SYSTEM LIABILITIES

	ADDENDUM	JUNE 30, 1991 VALUATION
1. Liability for Retired Members	\$2,780,344,628	\$2,780,344,628
2. Liability for Deferred Vested Members	<u>15,545,866</u>	<u>15,545,866</u>
3. Total Inactive Liability	\$2,795,890,494	\$2,795,890,494
4. Active Members Actuarial Liability	<u>3,095,767,881</u>	<u>3,186,796,701</u>
5. Total System Actuarial Liability	<u>\$5,891,658,375</u>	<u>\$5,982,687,195</u>
6. Actuarial Value of Assets	3,208,135,557	3,207,958,056
7. Total System Unfunded Actuarial Liability	<u>\$2,683,522,818</u>	<u>\$2,774,729,139*</u>

* Does not reflect liability for the 1989 Retirement Incentive Bonuses.

**PROJECTED UNIT CREDIT UNFUNDED LIABILITY
TO JULY 1, 1992**

	ADDENDUM	JUNE 30, 1991 VALUATION
1. Unfunded Actuarial Liability 7-1-91	\$2,683,522,818	\$2,774,729,139*
2. One Year's Interest at 8½%	228,099,440	235,851,977
3. Normal Cost (FY 1991-92)	180,005,022	180,005,022
4. Interest on Normal Cost	6,909,493	6,909,493
5. Less State Payments	(149,378,194)	(376,236,846)**
6. Less Federal Payments (expected)	(55,000,000)	(55,000,000)
7. Less Employee Contributions	(33,809,953)	(33,809,953)
8. Less Interest on Contributions	<u>(9,142,852)</u>	<u>(17,850,821)</u>
9. Unfunded Actuarial Liability 7-1-92	<u>\$2,851,205,774</u>	<u>\$2,714,598,011*</u>

* Does not reflect liability for the 1989 Retirement Incentive Bonuses. (These monthly payments of \$988,211 will be paid for a three year period with a total outlay of about \$35.6 million or \$11.9 million on an annual basis.)

** Assumes the full FY 1991-92 contribution will be made.

**PROJECTED UNIT CREDIT TOTAL COSTS
TO JULY 1, 1992**

	ADDENDUM	JUNE 30, 1991 VALUATION
1. Unfunded Actuarial Liability 7-1-92	\$2,851,205,774	\$2,714,598,011
2. Amortization Period	40 years	30 Years
3. Amortization Payment	242,680,053	243,257,509
4. Employer Normal Cost	183,658,575	189,127,218
5. Adjustment for Retirement Incentive Bonus	<u>0</u>	<u>11,858,852</u>
6. Total Required Employer Contribution for Fiscal Year beginning 7-1-92	<u>426,338,628</u>	<u>444,243,379</u>
7. Projected Payroll	\$2,074,383,636	\$2,133,651,858
8. Total Employer Cost %	20.55%	20.82%