CONNECTICUT TEACHERS' RETIREMENT BOARD
TRB BOARD MEETING
NOVEMBER 9, 2022

Clare B.: The first is, um, the death of a former board member and our Chair of our board, uh, Rosalyn Schoonmaker.

Helen S.: Oh. I didn't know that.

Clare B.: Uh, can you hear?

Helen S.: Mm-hm.

Clare B.: Okay. Uh, Roz died. She was in her, her nineties. She was a c-, very celebrated union activist and very long service in the City of Bridgeport. I think one of the things she was most proud of was being arrested in 1978 protesting on behalf of teachers. Um, and, uh, she went on to serve on the, uh, Investment Advisory Council with five Treasurers. Uh, and then she chaired this board, uh, for a number of years as well. In addition, she served as an Officer in, in both of the, the, uh, retired teachers' organizations, the CEA-R and the ARTC. She was an Officer and chaired many committees and many commissions on those, in those groups. Uh, so I, she would be the first person that I would today just say, uh, you know, teachers owe her a great debt, a, a, a great debt of gratitude for her many, many years of service and a passion she brought to pensions. Uh, secondly would be, um, the sister of one of our board members, Joslyn DeLancey, uh, died young, uh, quickly, um, unfortunately of cancer. And that, uh, you know, she's – that touches us all personally. Uh, Joslyn is very close to her sister and that was a very tragic death. And then we had a President of one of our, uh, affiliates, uh, Rona Rothhouse, uh, Northern Fairfield County Association of Retired Teachers just in the past, uh, few days died.

So three, uh, you know, uh, really very tragic, uh, incidents that touched this board very personally and, uh, all the people had very, very close connections to this board as well, so I maybe ask if we could just take one minute of silence, uh, in, in honor of, of their memory.

Okay, um, in the, uh, just my other opening comments, uh, Bill and I reviewed, uh, Helen's evaluation. Uh, we actually are going to move that to June, I think. Um, we, we reviewed it. It was, you know, e-, everything on there was w-, well above our expectations. Uh, she's done a tremendous job with very, very difficult trying circumstances in the post COVID world that we really live in, both in servicing members and, and transitioning the office and moving all the staff and hiring people and, and having a lot of staff, um, fluctuations too, a lot of people that were coming and going. And all of that was extremely difficult. Um, that's not a public document but, um, we would like to say that it was the last time I think we revealed, we went over it with the board just to see, uh, that you could see the criteria and see the things that were in there. Uh, I think we're going to move that instead of doing that in the fall as you're doing it now, to when all the other groups do theirs. All the other I guess commissioners, directors, executive secretaries are all done I think in June. So I think that we would then perhaps the next time we would review this and look at it would be the co-, this coming June. And, and I would recommend that we probably do that, uh, just to be, uh, consistent with what other people have and what other people are doing.

Uh, I'm all set, Helen, to move on to the agenda. Okay, first item on there, uh, the minutes. Do we have a, a motion to accept?

Gregory M.: So moved.

William M.: Move to accept.

Clare B.: Uh, second?

Gregory M.: Second.

Clare B.: Discussion? Okay. All those in favor, signify by saying aye.

Group: Aye.

Clare B.: Opposed? Abstentions?

Charles H.: I abstain, Clare.

Clare B.: Yeah. Okay. Charles was not here. Okay. Very good. Um, okay. Now, uh, John, are you going to move in to the, um – now I, I read it. I, I don't know if all the board members took the time to read the Actuarial 101. We haven't done this in a few years but it's certainly timely because we have a number of new members on here and I think it's important that they have an opportunity to, uh, get a real view of what this is. This is the most important job to do. I know that we talk about healthcare every time we're here and, and somehow I think that you, you might actually think that's what we were mostly about. But actually, we're not mostly about that. We are mostly about what today is all about, which is the valuation. You are in charge of the, of the liabilities of this fund. Not the assets, those are, those are on the treasurer's side but the liabilities are yours. And John, I asked him to prepare somethin' for us that wasn't in, uh, actuarial language, you know, couple of jokes here and there, whatever, just try to keep it light. Uh, it's – this is, this is grim stuff, uh, 'cause it's a lot of numbers. And for all the board members, not all the board members live in the numbers' world but so I said to John to try to keep it upbeat.

But I, I read it all. I, I, I, you know, I – it – I wouldn't say it's a grabber, you know, but it's, uh, you know, what the truth is, it – uh, the numbers are the numbers. Right, John? That's what you always told me, so.

John G.: That's right. That's right.

Clare B.: John, y-, you're on.

John G.: All right, Madam Chair. Uh, if I can share my screen here, um, I think it's disabled right now but I'll pull up that presentation we can go through and we'll move through it pretty quickly. https://portal.ct.gov/-/media/TRB/Content/StatisticsResearch/SR_ACTVALPRES.pdf

Helen S.: I think Javiel may have gi-, given Ben access. I wasn't sure who was presenting.

John G.: Oh. Well, Ben.

Helen S.: So...

John G.: Well..

Helen S.: No. That's okay, John. We – I think Javiel...

John G.: Oh.

Helen S.: ...is on, so he's, he can...

John G.: Yep.

Helen S.: ...switch it for him.

John G.: Yep.

Helen S.: No worries.

Javiel: Uh, you're all set, John.

John G.: Uh, yep. I have it now.

Helen S.: All right, John.

John G.: Thanks.

Helen S.: Thanks, Javiel.

John G.: Thanks. Okay. Can everybody see the...?

Clare B.: We can.

John G.: All right. Well, uh, so this is really, I mean just to give some background and try and, and give some explanation to some of the terminology actuaries use when we do va-, valuations. As Clare pointed out, it, it's not, uh, an easy-to-read report. And, you know, it's good that we do a presentation of it and we try to get you, you know, um, (a) a, a pretty good feeling for what the valuation is saying but also answer any questions you may have about it and that's really what we're going to be doing next. But right now, this is kind of a, a, a primer on, on really the actuarial work that we do, trying to discuss, um, really what's the meaning behind some of the, some of the language that we use. And then also to give you an idea of what, as from an actuary's perspective what's really important about it and, and the context of a valuation. So let's get started on that. Um, here's really the topics, basic principles, uh, actuarial funding, the valuations and methods.

So really, the first number we need to kinda consider or the first term that we need to consider is present values. And really present values is really the, the value of, of a, of an investment at a specific time. And typically, that time is today and we're really movin' the money. If it's an investment, we want to have a – we know what the future value is, we can discount that back to today, so that's discounting it. If it's a past, uh, a past amount, we want the, the accumulated value of it then we move it forward to, to the, the date we want. But typically, for actuarial valuations we discount back future amounts back to today. So that's a present value when we move that money just with interest. And the math behind it is really if we're going to pay $1 one year from now, we expect that we're going to earn, uh, 10% on however much money we're, we're going to set aside to pay that $1. That's – it's the $1 divided by one plus the interest rate, so divide by 1 plus 10% in this case is just as an example. And so really the present value of $1 paid one year from now is $0.91, assuming that we're going to earn 10% on the amount of the present value we can invest. So an actuarial present value adds to just a regular financial present value, it adds to it the contingency that the money might not be paid.

So with this second example, we're really takin' the present value again of $1 paid one year from now but we're applying the likelihood that it's 50% likely the $1 won't be paid. And so that results in an actuarial present value of $0.46, which is pretty close to, it actually is exactly one-half of the, of the, of the present value of $0.91, it's just a rounding of that half a penny, uh, went up. So, um, so that's, that's really the concept is actuarial present value is really just the, the value of money discounted with interest but also then it applies a contingency on it.

So how does that apply to a pension plan? Well, that's really a far simpler, uh, explanation but here's, here's the next level of it, which is if we took a group of

100 retirees and we're, and we're going to pay them all $1000 one year from now, then, uh, we also then have an assumption of what's the likelihood that it's going to be paid. And if we say that all 100 of those folks are 70 years old, we apply a mortality rate of 2%, uh, are, are expected to die each year, so 98% survive. Then what we have here is 100 people times the present value of $1000 one year from now, which is $1000 divided by 1.08, which is 8, uh, assuming an 8% return instead of the 10% in the prior example. And then we apply the, the, uh, contingency of we're going to pay 98% of those people who were there at the beginning of the year. So the actuarial present value of something that, honestly, if all 100 live, we're going to need to have $100,000. Right? 100 times the $1000 we're going to pay them, um, but we're going to put aside at the beginning of the year $90,741. So again, the hope is, is that n-, that amount of money grows to be the $98,000 that we're going to need to pay the surviving 98 members of the 100 that we started with, uh, each $1000.

So the circumstances where this works out perfectly, of course, is if all the assumptions are met perfectly, which, you know, in my career has never happened but, um, you know, that we get exactly an 8% return and we have exactly 2 out of the 100 members, um, don't make it to the end of the year. Um, but there's a lot of other ways to end up with havin' the right amount. We could have a higher rate of interest but have fewer retirees at the end of the year or we could have a lower rate of interest, uh, earnings on the, on the, the present value we're going to invest but have fewer retirees at the, at the end of the year. So there's a lot of variations that could work out, um, to be correct; however, you know, to meet the assumptions exactly, we'd have to have exactly an 8% return and exactly 2 of the 100 members don't make it to the end of the year. So that's really how an a-, an actuarial present value.

In the concept of a pension, you know, we're, we're really applying it to a larger group and now 100 people is very small compared to the number of people we have in the pension plan. So these numbers actually work out to be a lot be-, better in that there's a lot more different varieties and outcomes that could actually cause the results to be correct. Even though, um, the exact actuarial assumptions weren't met, we can still get a result that's pretty, pretty close when we're dealin' with a large group of people. Um, so when we apply it to a pension plan, it's not only just the retirees receiving the payments but also we have to consider present values for active members. And active members, you know, there, there is a potential possibility of, of retiring at a future date. Um, they could withdraw from employment. They could become disabled. They're, of course, going to get salary increases, which is going to impact their future present, uh, their future pensions which ther-, therefore, uh, impacts their future payments they're going to receive and then the cost of livin' adjustments that are expected to occur once they, they begin their retirement payments. All that with mortality applied and the discounted back for, for, um, the rate of return that we expect, the, the, the discount rate, um, all that represents really that, uh, actuarial present value of benefits.

So that's what the first step of an actuarial valuation is, is really we look at how much money in each future year does the plan expect to pay out and so this is that, we call it, you know, the mountain of benefit payments. And this is not specifically Connecticut Teachers but it's not that far off in that the payments start out here pretty close to $2B and then grow. And you could see the different colored, uh, portions of the bar. The blue sections of those bars are the payments we expect to pay to people who are currently in payment status, so retirees, beneficiaries, survivors. Um, that's what we're callin' the current retirees but it's really everybody who's receiving a benefit as of the valuation date. And then on top of that we have the payments that are growing, uh, that are expected to be paid to people who are currently active who become retirees in the future. So these two pieces together represent, uh, in a valuation, uh, the payments that are expected and here's only 50 years of it. They actually go out, you know, 130, um, typically between 100 and 150 years is most plans will have a, an expectation of making a payment in a valuation.

And what I've, what I've highlighted here, if you can see that middle, uh, blue section of the middle, um, um, year of payment it, it's yellow. And so I just want to break that out to kinda highlight that that number is just about $624 million. So if we focus on that amount and here it is, it's just that yellow section of that payment that's going to occur about 25 years from now, that's the payment to the retirees. And again, in that chart you can see the payments in total are expected to be over $3.6 billion. Well, this section of it is paid to the current retirees, the 624 million. We take that amount of money, we discount it back to today and here we're showin' it three different rates, uh, of discount at 6%, 7% and 8%. How much is the present value of that? Well, that $624 million we're going to pay 25 years from now, really in a valuation has a present value at 7% of only $115 million. And then you can see the sensitivity of that measurement to the discount rate that we assume we're going to make over the next 25 years to, to accumulate that amount to $624 million. So you can see if we drop the discount rate from 7% to 6%, um, we would need an additional $30 million today to cover that contingency of paying that retiree, uh, benefits, those that are expected to be alive 25 years from now, the total of $624 million.

So that's how it kind of flows through a valuation and how, how, uh, you know, we take all these potential contingencies. We, we come, come up with this expected amount to be paid in every future year going forward and then we discount that back to get that present value. Uh, so that's in a valuation but we got to remember a valuation is a snapshot, one, one-date-in-time picture of what's going to be paid. And in reality, um, this plan is going to be ongoing forever. And we're going to have new members come into the plan. The day after we do the valuation, there's new members coming into the plan that weren't included in that valuation. So, uh, following the valuations, we typically roll right into doin' what's called open group projections. And an open group projection it anticipates as people leave the current plan they're replaced by new members that also then have a future benefit payment.

So here, we’re just showin’ you really the difference between the valuation, uh, expected payments and an open group projection. So here, the blue section is again the people that are currently in pay status, primarily retirees but also beneficiaries, survivors. And then on top of that, we have the payments that are going to, expected to the current active members. And so they grow over time and then they start to decrease as that cur-, current group of only the people that are in the valuation, uh, start to, um, uh, decline in numbers due to mortality. But then in reality, we know that we’re going to hire new folks who are going to accumulate a benefit over their future career and have payments to continue o-, over their life as well. So really, an open group pro-, projection continues that and fills in with an expectation that we’re going to, we’re going to replace people who are leavin’ our plan today, we’re going to replace them with members in the future who are going to also earn a benefit to be paid. So that’s why, again, open group projections, uh, add another level of, of com-, complication but certainly give a better indication of what the liabilities of the plan look like in the future instead of just a closed valuation, a one, really a snapshot, one, one day in the, in the life of, um, type of measure, which is an actuarial valuation.

And so, you know, the, the, uh, I don’t know how many times you all have probably heard this but I know Tom Cavanaugh, uh, I think that he had a tattoo somewhere on his body that had C + I = B + E. But, uh, and those of you who know Tom, he, he, he did this for 40-somethin’ years but he’s, of course, one of the founders of our company and he’s a great guy. But, um, the, the key to this is that contributions plus investment income, so that’s the inflow side of a pension plan, have to equal the benefits to be paid out plus expenses. But for a defined benefit pension plan, that’s not an annual, uh, you know, that’s not an annual equivalency. That’s really over the life of the plan. So actuaries are really projecting out many, many assumptions and, and trying to get those benefit payments to be paid in all future years. Um, so that then we can then layer on top of that really the expectation of how much contributions and, you know, on top of the investment income we’re going to need to pay all those future benefit payments. So this, this looks like a pretty simple equation but to a defined benefit plan, it’s very complicated in, in trying to determine that funding, the contribution, the C in the, the, the, uh, this actuarial equation.

But, um, if we were only pay-as-you-go funding the plan, which, you know, these plans were, Teachers was pay-as-you-go funded up until about 1992, I believe, then it’s very simple. Right? It’s how much goes out you have to have a contribution equal to the amount that comes out. So it is, it is balanced, uh, in each future year. But since we’re actuarially pre-funding, we really, we really, it, it’s a much more complicated exercise to balance this equation out.

So, uh, if we’re not tired of these definitions yet, we’re going to hit a few more here. But so again, we’ve talked about the present value of benefits. Um, you know, in Texas, um, for the actuarial valuations, that measure in, in Texas, they would call it the whole enchilada. Right? That's everything that's ever going to be paid from the plan in one measure. Um, and then we use an actuarial funding method to allocate that to how much of that present value of benefits is due to service already performed up until the date of the valuation and how much of it is, is expected to be earned in future service of the current actives. And so the portion for past service is called the actuarial accrued liability, accrued earned. And, and the portion goin' forward is the present value of future normal cost. Where the normal cost is an item that we, we – you hear from us a lot and a lot of people go, well, you know, I don't know what that is but I know it's a cost. Um, but an idea of the normal cost would be i-, it's really, it's really a way to, to allocate the cost of the benefits to be earned in the future years. And we do that usin' really a level percent of salary contribution. We do that really as a level percent of salary because that's also the mechanism that typically member contributions come in as a percent of salaries.

So the normal cost is first funded by the member's contribution, here in this case 7%. Anything above that is really the employer's share of the normal cost. But here's a simple example of, of where normal cost comes from. If we have a, a person who is going to earn a benefit of $10,000 one-time payment, it's going to be paid 10 years from today and we assume that there's, they're locked in. They're not going to terminate. There's no other contingencies for this thing. It's guaranteed that today this person is going to receive a $10,000 payment 10 years from now and if we, we're not going to set aside any money to pay it, we're not going to assume any investment income, the normal cost really would be $1000 a year. Right? That level amount each year that the person would, would earn to equal that $10,000 payment 10 years from now. But in actuality, for a pension plan it's never that simple. Right? We have to have an assumption of how many people are actually going to terminate this year, what's the salary increases, so there's a lot of movin' parts to an actuarial valuation to get to this normal cost. But again, the idea of it is that annual cost as a percent of pay necessary to, um, fully fund their benefit over an entire career and, and, uh, so it's a pretty stable number.

And we should see that as long as the benefits remain close to the, the same amount, same benefit provisions and the assumptions are pre-, pretty much the same, the normal cost moves very little from valuation to valuation. So if we take that next year's normal cost and the year after that and the year after that, and we discount those all back to get a present value of all the future normal costs, then the relationship is that the past piece, the actuarial accrued lability plus all those future pieces discounted to the valuation date will equal the whole enchilada, the present value of benefits. So that's really where all the pieces of a valuation come from is we first take that present value of benefits and we allocate how much is past service, that's the accrued liability, how much is future service, that's the present value of future normal costs, and then, you know, th-, that should balance. That's a, that's a good test to make sure we did our, all our calculations correctly.

Then, uh, once we have those measures and that allocation of the present value, then we compare some things. One thing, we compare the actuarial accrued liability, so again, the past service component of the present value of benefits, we compare that to an actuarial value of assets. The actuarial value of assets is really a smoothed market value. So the actuary uses a smoothed marked value because we know market values fluctuate so much that to use that, that volatile measure in determining a contribution amount, then it's going to cause contributions to be very volatile. So in order to kinda come up with a more stable contribution rate, we smooth out those market r-, ra-, market rates of return. And we come up with this actuarial value of assets to compare to the actuarial accrued liability to assess whether or not we're on target for paying for the benefits that are being accrued or we're behind. And if we're behind, we have what's called an unfunded actuarial accrued liability. Right? We have an excess liability of the assets. And if we're ahead, we have a surplus, which means we have more money in the bank than what's accrued in the actuarial accrued liability. That's very few plans that would be 100% funded ratio, which is the second de-, definition on the page, which it's a ratio of the assets to the liabilities, the actuarial value of assets to the actuarial accrued liability.

And then the funding p-, period you'll hear us talk about. That's really the period of time that we're expected to, um, fully amortize the unfunded actuarial accrued liability. So we have a payment schedule for every component of the unfunded li-, liability. Right now, um, there's an old transitional base. It was started in 2018 that has 26 years left on it. And in each base we put in and, and, uh, uh, one base went in in the 2020 valuation and another one now in the 20-, uh, 2022 valuation, each of those bases have 25 years left to fund. So we have what's, uh, you know, as far as a method, we have a definite date that we would expect. And it's really 26 years from this valuation that we'd expect the, uh, unfunded liability to be zero and all our calculations of how, how much money it's going to take to get there are based on that funding period.

So a little levity, um, not much because we're actuaries but Dilbert is probably the best, uh, the closest that I've ever come up with seein' a, uh, you know, humor in from the, the actuarial side of things. So, so, uh, he's giving a presentation. He says I don't have any accurate numbers. I just made this one up. Then, uh, he explains that by saying studies have shown that accurate numbers aren't any more useful than ones you make up. So somebody asked, well, how many studies showed that. And of course, he, 87 right off the top of his head because he's a very quick guy. So although we don't make up any numbers, we, we do try, uh, we do try to follow, uh, studies and not, uh, make up any numbers, of course.

So, um, so let's talk a little more specific about actuarial methods that we use in TRS. And, and we did talk about the, uh, this method of allocating present value of benefits to past and future s-, service. In TRS' case, we use the entry as normal cost method. We talked about actuarial value of assets and it uses a smoothing method. And, and in the case of TRS, we use a four-year smoothing period, which means we're recognizing really unexpected, uh, gains and losses to the assets over a four-year period of time. And the amortization method, which we really talked about is a layered approach, every valuation we perform we're going to add a new layer. That layer represents really the unexpected gains and losses that occurred in that valuation from the prior one and it's, it's going to be amortized over a closed 25-year period of time, which again means we have a definite date that we know that piece is going to be paid for.

Um, uh, we are currently transitioning out of what was called a level percent of payroll m-, methodology. Beginning in the 2020 valuation, we started to remove that over a five-year period of time. So when we do the 2025 va-, valuation, that will completely have transitioned to what's called the level dollar method, which is really amortizing is just like, you know, financing a car or a house. You have a series of payments that are going to made. Each payment has a interest component and a principle component. And, and so really, a level dollar method is just like how you're financing your house. You have a payment you have to make every month for the typically 30-year period of time and, and that is then a 30-year level dollar, uh, financing of your, your house. Um, here we're talking about a 25-year period of time and, and again, it's, it's – we have a new house or maybe we're adding a wing. Every valuation we do, there's a piece that, uh, that's either added or, or, or it comes in as a negative, uh, in that if we had gains, um, and it starts another amortization base over a 25-year period of time. But it, it's similar really to just financing a car or your house, the level dollar approach is.

So just to recap, actuarial valuations the actuary goes to determine the present value of benefits. And again, that's that all that work we do on the active and retired populations to determine how much do we expect to pay every person in the plan in every future year and then we discount that back. Uh, we come up with the present value of benefits. We then allocate that, what portion of that is for service already performed. So for instance, retirees who performed all of the service they're going to perform, so all of their present value of benefits goes into the accrued side, the past service side. For active members, we have a component based on the service they performed up to the date of the valuation, they have a component that goes into the actuarial accrued liability but then all their future service is, is really the present value of future normal cost side. Um, then we, again, we make those comparisons for the past service piece, the actuarial accrued liability. We compare that to the actuarial value of assets. If it's, if the assets are less than the liability, we have an unfunded component, which we need to then determine how we're going to finance that and then apply that to determine a cost of financing that. If the actuarial assets are greater than the actuarial accrued li-, liability, then we have a surplus and therefore, uh, that means we're a fully funded plan.

And so the components then go toward, um, what's called the actuarial determined employer contribution is the employer's portion of the normal cost, which again is the normal cost for the upcoming year as a percent of payroll in excess of what the member is going to contribute. So that's the employer's share plus the cost to, to amortize those unfunded liability pieces. And so that, those two pieces together, um, with some timing for when the payments are going to be made, uh, those represent the employer's share of the contributions.

So a quick analogy just to kind of give you an idea of, uh, you know, we're not very creative but, uh, you know, when we think about how do you explain a valuation and a process, uh, of year to year, because again, a valuation is a snapshot. While we're deliverin' the valuation, the information it's based on is already months' old. Right? Well, this is a June 30, 2022 valuation that we're going to give to you today and we're givin' it to you on November 9th. So again, th-, there's already been, uh, you know, several months of, of experience that has occurred that we're not measuring. But again, it takes, you know, you have to set a date and it takes a long time to get the valuations done. So in that it's a one-day snapshot, uh, and all future calculations are based on assumptions, you know, I always felt that it was really the, the way that we used to do navigation back in the, you know, back in the nineties before we all have you can do it with a watch now. But, you know, back in the day, you'd go to MapQuest and you'd say, okay, I want to go from Point A to Point B and you'd print this thing and you'd print out directions and all the, you know, all the stuff. You'd carry around a, a notebook for the directions to, to, to go somewhere but now, you know, it's much, much easier.

So if we went to Ma-, uh, MapQuest and this is an example if we went from our offices in Kennesaw, Georgia down to the State Capitol. And then, you know, we picked those two places, it shows us a route. We have to determine some assumptions, the basis for how we're going to get there. Do we want to go with the shortest time or the shortest distance? Do we want to avoid anything? And then what's the assumed speeds we're going to be doin' when we're on an interstate highway? So these are really the same thing as the actuarial methods and assumptions that are used in performing an actuarial valuation. And then, of course, we spit out the first valuation results. Here it is. And you know, this is the old MapQuest stuff was wonderful stuff. It would say that, you know, your trip is going to be covering 24.85 miles. It's going to take you 29 minutes. That, that's something I've never, ever been able to achieve in Atlanta but, you know, it was, it was, it was very nice. So you, you go jump in your car and you leave the parkin' lot and what happens? Bingo. There we are. There, uh, none of this was planned in that, in that calculation of, of the trip for taking 29 minutes to go 24.85 miles but this is what actually happens. This is the experience.

So when a valuation is performed, here's our measurements, here's our calculations and then we move on down the road to the next one. And a lot of stuff happens between the prior valuation and the one we're, we're going to present today, some of it was good news, some of it was bad news but it's certainly never exactly as expected. In an actuarial valuation, I can, the only thing I can guarantee you is the trip might be 24.85 miles but it's not going to take 29 minutes to get there. And so that next valuation is really that calculation again, done again but all it knows is where we're at, at this one point in time. It's still going to make the same assumptions. So for instance, when we look at that navigation back in the nineties, when we looked at that, if we said that we assume we're going to do 65 miles an hour on the interstate highway and we're sittin' on the interstate highway in a parking lot like we do in Atlanta often, um, that, that calculation still thinks that the next instant you're doin' 65 miles an hour on there. And it's only based on what's really assum-, uh, all the, all the assumptions drive those calculations. So it's, it's going to update and say, oh, well, you're going to be 1 minute late when actually you're going to be 23 minutes late in reality. But, but again, it's only as good as, as, you know, the information we have plus it's driven so much by assumptions going forward.

So the key to a valuation then is to really focus on more than one of'm. Right? Look at the pattern of valuations and how that – how things are trending and I think that's a far better indication than any one valuation. Certainly one valuation is important to get the metrics out for accounting, uh, and those items but to, to assess whether or not a plan is really moving as desired, looking at more than one va-, valuation and then of course the open group projections we talked about earlier.

And so the important feature in those valuations is gain and loss. So there'll be a section in the reports taking about actuarial gains and losses. And we'll typically split out investment-related gains and losses versus noninvestment-related gains and losses. So what are investment gains and losses? Well, that's anything that changes the value of the actuarial assets more or less than what we expected it to be. And so therefore, it was, it's going to impact the unfunded actuarial accrued liability. It's going to impact the funded ratio because, you know, well, the unfunded l-, li-, liability is really the, the, the liability minus the assets and when the assets change, it changes the unfunded liability. It changes the funded ratio because the assets are the numerator in that ratio of, of assets to li-, liability. So when you change the assets, it's going to change that funded ratio but it has no impact whatsoever on the present value of benefit calculations, the normal cost or the actuarial accrued li-, liability.

Then we, we did talk really about the sources of noninvestment gains and losses, which is everything else, salary growth, COLAs, uh, rates of mortality, rates of turnover, rates of retirement, disabilities, the growth of payroll. And there's other, many other different assumptions that are pretty minor but still they're in there that could be a source of a gain or loss due to noninvestment activity. And so when we have gains and losses due to noninvestments, it's going to affect that calculation of the present value of benefits, it's going to affect the normal cost, it's going to affect the actuarial accrued liability. So everything that the investment gain/loss didn't affect, this noninvestment gain/loss affects. And therefore, because these numbers are also in the calculation of unfunded liability and funded ratio, it has an impact on those as well. But noninvestment-related experience will not impact the actuarial value of assets, so they are mutually exclusive.

So again, the idea is that when we go through these valuations, consider them as, as, you know, here is where we were last year at the beginning of the year and all valuations are going to give you a comparative, uh, table that shows this is last year's results and this is this year's results. Look at how we got from Point A to Point B. That's all shown in the gain/loss, um, you know, what happened that wasn't expected and then considering that gain/loss really over time. We, we kinda keep a scorecard as the actuaries. We, we know, uh, where things are kinda loose and what needs to be kinda considered in the next experience study to tighten up as a source of either, uh, continuing losses or not. But I, I recommend trustees kinda look at it that way too, k-, keep a scorecard. It doesn't have to be precise but just know that, wow, this is the third year in a row we've had losses due to COLAs or retirements and then that's going to kinda tell us that when we do the next experience study there might be an assumption we need to tighten up on. So that's it for this part. We'll try and move a little quick-, quicker through the valuation, which is the next step. And, uh, if you have any questions about the Actuarial 101 stuff or the, this primer, I'll be happy to answer'm.

Clare B.: Uh, questions from the board? I know it's a lot to take in. Um, but I, I think John did a very incredible job of, of giving the board, um, uh, uh, at least, uh, the parameters of what some of their responsibilities are. We do do an experience study, so, so we do test some of these. Are we accurate with our mortality tables? We have changed them. We have probably changed them three or four times that I can remember and, and the reason was we try to get them to be very accurate. You are typically a white-collar workforce, so that was one of the major changes that we made. We moved from the mortality tables we were using to ones that were purely compared with white-collar workforces tend to live longer. Um, and so that, you know, does raise, uh, does raise that assumption. But it's important that you accurately calculate it. You, you need to not underestimate what your liabilities are. So yes, it would be nice to take the, you know, the, the 1952 mortality charts or the 1982 mortality charts. Unfortunately, they didn't do them too often and, and they probably were not very accurate. Ours I think are probably as accurate as anywhere in the country and we've kept ours up to date. I'd say even before we do the experience study, if John sees something in there, we already start to look at those, something like that.

Salary assumptions are harder. Um, you know, we try to calculate those and within a ballpark range of what we think that they might be but it's very difficult. You have labor shortage issues now. You have, um, you've really had the whole issue of COVID and, uh, districts, uh, doing everything that they can to, uh, to increase their workforce or keep their workforce and that's affecting salaries i-, in a ways that we probably didn't anticipate, you know, three or four years ago. Uh, so every, you know, e-, e-, every time we do this, inflation rates, we had inflation rates that were like – but that's not the case now. So every one of those really are tested by us, not every year but I think we do our experience study, correct me, John, every four years, every five years.

John G.: Every five years. Yes, ma'am.

Clare B.: Every five years. And we test all of them. And what we do is we don't necessarily make changes 'cause if we find we're within a corridor of what we find acceptable in terms of adjustments up and down, we're not going to necessarily change that. But if we find that there is a trend and we're outside of it and we need to th-, then, then we will take corrective action at that time and make an adjustment. It will have an impact. It will have an impact on ultimately all of the work that John just presented to you. But that's what, uh, those factors are and those are also, uh, within your purview and you will be asked to look at those when we do that experience study as well.

Uh, questions? I know it's a lot. I mean, I'd like to say this, John, if there are board members who are on this line now and they have anything they want to ask you, I'd like to make you make yourself available so that they can contact you. Uh, because, you know, thi-, this is, uh, it's a lot to put at people in one meeting, uh, and expect that they're, you know, going to have, you know, 12 great questions to ask you. But there might be things that they would like to know and they don't necessarily want to say'm right out here necessarily. Like, you know, I don't understand that part, John, blah, blah. Uh, and I'd like you to be able to say, yes, that that's, that that's possible for them to do. John works for this board, so, uh, I would like any of you on this board that feel like they have to have, uh, an, an answer, an explanation for something [inaudible 47:46] really don't seem to understand, I'd like to say, please, contact John and, and he'll try to make that, uh, a lot more understandable for you. Questions from board members? Anybody, anybody? All right. We can move on then.

Stephen M.: Uh, Li-, Lisa Heavner has her hand up.

Clare B.: Oh. I'm sorry. I didn't see. I can't see all the, uh, participants. I can only see the, the four on my screen. Lisa?

Lisa H.: Thank you. First of all, I thought that was an outstanding presentation. I loved it. I thought it was very helpful and, uh, exciting. I did appreciate your humor. I thought it was really, really helpful and I just thought that was wonderful. I just have a couple of sort of the public may have an interest and I have an interest as well in understanding how we chose the amortization periods and the, um, four-year smoothing and is that something the board should look at or comfortable with? I, I assume they're best practices but if you could just, um, uh, for the public and for this board, talk...

John G.: Sure. It, it's, it's a great question. So the way it was originally set up was, um, you know, when the, when the, when the, uh, the Public Act that established prefunding the benefits, uh, occurred, it was a Public Act in '92, it set an amortization period for 40 years. And so, you know, when it was done, a 40-year period of time is a very long period of time. And the, and the, you know, the longer the period of time is, gains and losses are spread over that period of time, it doesn't really impact funding too hard. But as each valuation was done after that, the gains and losses, the pieces that were unexpected, all flowed into that original base, that 40-year base. Well, as we approached the end of that 40-year period of time, which is 2032, we're only 10 years away from it now, uh, gains and losses were bein' amortized over smaller and smaller periods of time. So what, what we noticed, of course, was we had enormous, right, uh, investment losses 2008, 2009, with a pretty short period of time left to fund it to 2032, so it was causin' a lot of volatility.

And there were some other items in there too which the treasurer, uh, I guess the former treasurer now, uh, uh, had, uh, had fixed. Um, pension obligation bonds that were kind of tied down with some, some of these, uh, uh, these changes, uh, and, uh, kinda withheld the ability for the board to enact changes that made sense as far as, um, improving stability in funding results. It's, uh, you know, co-, comin' up with more stable contribution rates. So, uh, with the, the changes that the, the new treasurer, uh, implemented, which, um, which allowed the bond covenants not to be quite as, as heavily, um, im-, impactful on, on the board, th-, we then could recommend really some changes that would help produce more stable contribution patterns going forward. And that, of course, is this layered amortization approach that says that, you know, whatever the gain/loss is, it's going to have its own 25-year base once we've measured it. And so we just keep adding these bases. The hope is, of course, all these bases total up to offset each other and that has, uh, been demonstrated to be the most stable, uh, amortization method to, uh, to fund it.

Now why 25 years? Well, because the actuarial, um, organizations were saying 30 years was too long and 25 was the one that they found was an acceptable period of time. You want it to be long because the longer the period of time when we have large gains or large losses, we want to spread it over a, a pretty significant period of time. And 25 years is not a long time for this plan. Right? We go cash flow, we go out just on the current valuation we're going out 130 years and then we're going to hire more people beyond this date and go out even further than that. But, but 25 years is a, is a long enough period of time that you get some contribution stability. You have a, a fairly long period of time to finance gains and losses, um, so that no one year's worth of gain or loss is, is really a huge impact to the total, total actuarial determined employer contributions that, that are re-, that are going to be required.

Um, so, you know, part of it is, uh, uh, you know, there's one more step there too we talked about too, though. Uh, going from a level percent of payroll approach to a level dollar approach again adds stability in the amounts of the contribution that would be required forward because we no longer have to expect that payroll is going to grow in order to make the payments correct in the future. So removing that payroll growth assumption and therefore going to a level dollar approach and financing the unfunded liability, we're going to find that we're going to see a lot more stable pattern of developing contribution results not only this valuation but in future valuations but a great question.

Lisa H.: Thank you.

Clare B.: Anyone else? Okay. John, you want to move on to the, uh, to this year's valuation, the one you're presenting?

John G.: I would. And I would also like to introduce my colleague, Ben, Ben Mobley who's been, uh, really an actuary on Connecticut Teachers', uh, System for, well, ever since we started in 2010 with you all. Um, and, um, I would like to have him, uh, start off with the presentation here. And again, uh, the key is, is that if you ever have a question, we'll try and capture'm as you ask'm. And, uh, sometimes for valuations it's best to ask the questions as we're talkin' about the item instead of waitin' till the end but, uh, you know, any help anybody can give us when somebody is asking a question, uh, to help us to i-, identify that, uh, is, is appreciated.

So this is the June 30, '22 valuation that Ben is going to, uh, uh, share with us. Um, and, um, the key is, is that this is the last, really, the last of the biannual valuations. Because of legislation that was introduced last year and enacted, um, the board is going to have a-, annual valuations done. So we'll see a June 30, 2023 valuation. That's good from the, really the positive aspect of that is that you, uh, the gains and losses are not going to be two-years' worth, they're going to be one year's worth. So again those, that volatility to the unfunded liability and [inaudible 54:05] that flows through to contributions is going to be a little more stable now because we're only capturing one year's change, uh, from expected to what actually occurred. Um, other than that, really, I mean, uh, I think, um, that's probably the biggest positive that we can see in going to annual va-, that, of course, you're going to pay us a-, annually. I'm sorry. I forgot that one. But, but so, so with that, Ben, uh, can you share your screen or you want me to share? I think I have the valuation too that I could share.

Ben M: Whichever one is easier, easiest, John. If you want to, I can just, uh, um, can try and share my screen.

Javiel: Ben, Ben, you can share yours.

John G.: So we have both a report and a PowerPoint. The PowerPoint kinda summarizes the points that we think, you know, are important for the board to, to, to understand, so that might be the easiest thing to go through. But any questions or anything you want to go into the details of the valuation, we'll have that to be able to pull up that as well. So with that, go ahead, Ben.

Ben M.: Okay. Great. Thank you, John. Uh, assume everyone can see the presentation.

Gregory M.: Yep.

Clare B.: Mm-hm.

Ben M.: Great. I'm going to go ahead. I want to try to be respectful of everyone's, uh, time here. And there we go. I'm going to jump to Slide 3, uh, and go through just some general observations from the valuation. And I'm going to jump to the second bullet point, which is really the, the, the good news of this valuation is that we had a, a total decrease in the unfunded actuarial accrued liability from the last valuation of about $942 million. Uh, and that corresponded to an increase in the funded ratio of, uh, from 51.3% in the last valuation to 57% for this valuation. So that's, uh, great news, um, in terms of decreasing that amount that we're having to catch up and amortize into the future and the funded ratio had a significant improvement from the previous valuation. This was kind of a very interesting couple of years as we did the last valuation in terms of investment return. As you could imagine, the, uh, uh, really strong investment return for 2021, about 26% and then follow that up in the, uh, most recent year with a negative 8.7% return for 2022. So kind of a, a really big swing from one extreme to the other, uh, which again is kind of a good argument for why we use the asset smoothing technique that we do just so that the contributions don't follow that same rollercoaster each year.

Um, so again, if we were take those two years together as kind of average of about 7.08% return each year and if we compare that to what we assume we're going to get each year, 6.9%, we're actually pretty close to what we kind of assumed. So, uh, the strong year in 2021 and the, and the, the poor performance in 2022 in, in a lot of ways come close to kind of offsetting each other to some degree, um, so it, it's definitely a very interesting year for that. Uh, so on a smoothed assets basis, the compound average over the two years about 7.61%, so a little bit higher as we're recognizing some of the deferred, uh, gains and losses from prior valuations, uh, before that. So, uh, ultimately, the result was a $202 million decrease in the unfunded accrued liability since the prior valuation.

So in looking at the, on the next slide, the, uh, noninvestment, uh, related experience, these are things like salary increases, rates of retirement, rates of termination, mortality, those kind of things. And we actually had an increase in the unfunded accrued liability of about $661 million but a lot of that was really tied to a somewhat unusual loss due to COLAs for 2022. And this was a function of the fact that the 2021 year was such a strong investment return as well as the high inflation rates we've been seeing these last couple years. That resulted in the largest group of retired teachers getting a COLA for 2022 of 5.9% where we assume on an annual basis that this group would only get 2% COLA each year, so that's about, you know, three times as much of an increase as we normally assume. And that led to about a, uh, that led to a loss of about $806 million for that one year. So a lot of the experience loss for these two years is really tied to just that one event.

Uh, going back several valuations, we actually have typically seen, uh, gains of some sort, either large or, or small, as we have sort of been in a very low inflation environment prior to these last couple years. So generally, we've been seeing gains on the COLAs for the last valuations. But certainly, for this valuation, we sort of see an unusual loss, uh, for COLAs. So again, over the long term, we kind of expect these gains and losses to balance out over time, uh, but in this one case, this is one, one time we sort of took a hit as far as the COLAs go. Uh, going, looking ahead, we sort of anticipate for 2023, again because of the, uh, rate of return for, for 2022 being, uh, less than, that what we expected, uh, we're assuming that the COLAs are, are going to be back to about, uh, uh, 1.5%. Uh, which is going to be a little bit more in line with what we sort of assumed going forward. So, uh, we're not really expecting to see any significant COLA loss, uh, in next year's valuation going forward, so, we, we sort of hope that this would be, um, maybe just a one-year thing that we'll see.

Couple other items I'll mention, uh, that, uh, uh, affect this valuation, uh, number two, budget reserve fund transfers, uh, that the, uh, Treasurer's Office made, uh, to the System, uh, one for 2021 and one for 2022 of $904 million each. Um, and this had the effect of decreasing the unfunded accrued liability by 1.77 billion. Uh, so that was a huge help to the System in terms of, uh, bringing down that unfunded accrued liability. Again, more money we can bring in, uh, on the front end that just sort of helps us close that gap even sooner. Uh, then again, I'll also mention a smaller change but, uh, there was legislation in I think in 2021, uh, that restored the 25% wear down on Plan N benefits, uh, to vested members as of June 30, 2019. Um, and this increased the unfunded accrued liability by about $92 million, so that was, uh, restoring a provision that had been changed, uh, one or two valuations prior to that. Uh, so we, we saw a gain in that valuation when the, uh, provision was made and then we see kind of a loss to kind of restoring that back to where we kind of started from basically, so kind of a small thing there.

So now getting into some of the more of the numbers of the valuation. We're going to go through some of these fairly quickly. Uh, the number of active members for, uh, June 30, 2022 was 52,200. Uh, the number of retirees and beneficiaries was 39,341. We kinda see that both of those numbers increased from the prior year. Um, but the ratio of active to retired members, uh, held steady at about 1.3. Again, on slide 6, we'll look at just kind of some numbers on the market value of assets. Uh, we measured that at $21.6 billion for the year. On an actuarial value of assets, it's a little bit higher of a value that we got $22.7 billion. Uh, but you can kinda see there the recent history of that is, you know, sometimes actuarial value of assets is below, sometimes it's above the market value of assets but should always, uh, if the assumptions are met going forward perfectly, then we should expect the actuarial value of assets to converge to the market value of assets, uh, long term.

So on the next slide is sort of a, a, a picture of some of the, uh, observations that we made earlier in the presentation, uh, just sort of a picture of the things that affected the unfunded accrued liabilities. So the bars on the right are the gains for the things that, that worked to, uh, decrease the unfunded accrued liability. And the bars on the left are the things that were losses or things that, uh, had the effect of increasing the unfunded accrued liability from one va-, from the previous valuation to this year. Again, the biggest component there is the, uh, two, uh, transfers to the System, uh, had a huge impact on, uh, reducin' the unfunded accrued liability. Again, the very bottom bar there is the, uh, sort of the net effect of the COLA. We actually saw a little bit of a gain for 2021 and it was really only 2022 that had a somewhat larger loss, um, sort of offsetting a little bit of those transfers coming in.

I'll kinda mention a couple other items here we haven't mentioned already just in some of the demographic experience. You can see that the red bar in the middle, uh, the salary experience, uh, we saw a gain of $208 million. Again, this would generally happen when we see salary increases not being quite as high as we expect in our assumptions. Again, salaries are kind of a funny thing because we assume that salaries are going to increase by the same amount each year kind of on an average basis but we know that in reality, uh, salaries kind of are not quite as smooth as that. We know that, uh, in a lot of cases they might be flat for a couple of years and then maybe in one year, uh, the environment or a certain situation might be to kind of maybe give a larger increase to kind of catch teachers up. Um, and so we can kind of see kind of a lot of volatility in the salary experience from one year to the next but, um, in this case, I think we saw a little bit more of a gain in 2021, a little bit less smaller of a gain in 2022, uh.

Gregory M.: Can I ask a question about that?

Ben M.: Sure, absolutely.

Gregory M.: So, uh, another thing that I see is the total number of active members increased by about 2½% over the two-year period. So is, is that salary gain, I don't know how to phrase this, so that salary gain is not necessarily homogeneous over, over the whole, the whole 52,000 people, right? So it, is it, is – could it be that we gained a lot of new teachers? Or I'm just trying to wrap...

Ben M.: Sure.

Gregory M.: ...my head around the, the, the relatively small salary grai-, gai-, the gain in, in, the gain, actuarial gain in salaries which implies lower than expected salary increases.

Ben M.: Right. In this case, the salary experience listed here is really for just the, uh, teachers who were active last year as well as this year. So the, the, the teachers who stayed active from one year to the next and sort of how...

Gregory M.: Yeah.

Ben M.: ...their salaries increased...

Gregory M.: Okay.

Ben M.: ...[inaudible 65:04]...

Gregory M.: All right. So it's not...

Ben M.: ...relative to the experience study.

Gregory M.: So not affected by the number of teachers.

John G.: Yeah. It's on those that we call the continuing actives. So people that have been, for instance for the '22 gain or loss it would be people who were in there a full year who were hired at least '21 or before.

Male: Yep.

John G.: So and then so new, new entrants is actually a whole 'nother section. Right? It's new entrants are people that we, we didn't measure in the valuation. We didn't anticipate them to be in the valuation the next year. Right? And when they come in, they actually come in with a portion of a year of service and, and that actually right now we're puttin' into the other, the green bar has that new entrant piece inside there. There's more detail of the gain/loss on Page 10 of the valuation reports in Section 4, Page 10.

Gregory M.: Okay.

John G.: And you'll be able to see a little more detail than just what we have here in these tables or this chart.

Gregory M.: Thanks.

Ben M.: Great. Thanks. I'll just finish up this chart mentioning a little bit of the, uh, retirement mortality and turnover, uh, that John mentioned that green bar just kind of contains a lot of things but just to, you know, since we have, this is the first valuation, uh, since the, uh, COVID pandemic, it's kind of worthwhile. I'm sure a lot of people are interested to know sort of how that impacted the experience a little bit. Uh, we did see for both 2021 and 2022, uh, a bit higher number of actual deaths compared to what we assumed, uh, based on the mortality tables alone. Uh, but it wasn't really, uh, a huge impact, which would kind of, I mean we sort of saw a lot of other retirement systems as well. It's not quite as dramatic as maybe we read in the newspaper headlines and thought it might be. Uh, we did see a small gains due to retirement, so somewhat fewer retirements than maybe we normally would expect. Um, again, not a very big impact. A little bit more of an impact on, uh, terminations, I think we saw in one year, uh, much more terminations I think in 2021 than we would expect and then maybe a little bit fewer in 2022. Um, so again, we know that with the pandemic that there probably was a lot of, uh, uh, changes in, uh, both death and both, uh, behavior of, of, of active teachers, uh, related to that.

Um, we as well as the actual community in general have been sort of cautious about wanting to, uh, about reacting to that, about changing our assumptions. Uh, taking more of a wait and see kind of approach to see if these are kind of more short term, uh, changes or if they will have sort of long-term implications going forward. Um, so we did see, uh, some changes, some deviations from the normal expected pattern, um, but we, we haven't really felt there's any need to really adjust our assumptions going forward at this time.

So getting to some of the, these last two slides are – kind of bring forward the, some of the more key numbers in the valuation. Uh, so again, uh, the actuarial liability, uh, what John mentioned in the 101 presentation, uh, for 2022, we measured that to be, uh, $39.8 billion. That's, uh, an increase from the prior year but we also saw that the actuarial value of assets increased, uh, to $22.7 billion dollars. Uh, so we subtract the actuarial value of assets from the actuarial liability, we get the current measurement of the unfunded accrued liability of just $17.1 billion , which is a decrease from the prior valuation, which is always a good thing to see. You can see the, uh, the red line there, sort of the recent history. The unfunded has been sort of growing each valuation but hopefully we're, we're starting to see it level off and start to go back down again. Again, if we, all of our assumptions are met going forward and there's no changes to the plan and the State continues to make the contribution each year, then we expect we're going to amortize that unfunded over time. And we're going to expect that red line, uh, to go lower and lower until eventually the unfunded gets paid off entirely. And again, the funded ratio increased, uh, from 51.3% to 57%, so again, another measurement to kind of, uh, show some improvement in the funding status of the plan.

And then finally the last slide, the, the other part of the valuation that's very important is to determine what the contribution needs to be, uh, coming up in the, in the, in the next, uh, uh, couple fiscal years to keep the plan on a, uh, on a basis of, of meeting its funding goals going forward. So, you know, what is the, what needs to be budgeted in the Fiscal Year, uh, 2024, uh, to meet both the normal cost and to amortize unfunded accrued liability. Uh, so starting there with the employer normal cost rate, uh, 5.66%, really no change from the prior valuation. Uh, the members are contributing 7%, so no real change there. The unfunded accrued liability as a rate, uh, does increase, uh, to 26.48%, uh, from the prior valuation. A lot of that is because we are still, uh, phasing from a level percent of pay where that, under that method that assumes that your amortization payment goes up each year as payroll goes up. Um, so that part is that, why that goes up a little bit. Uh, so overall, the total contribution rate is 39.14%, uh, so just a little bit higher than, than what the prior valuation, uh, uh, produced. So are there any, any questions? Any slides a-, anyone wants to go back to or have any questions about?

John G.: And, and, you know, if, could I, if I could chime in real quick, Madam Chair, that, that just a couple things that we see that we get a lot of questions about and, and, uh, that Ben made the points about.

We did have mortality gains because we had more retirees, um, d-, uh, die during the two-year period of time than we would have expected. And is that COVID-related or not? And typically, it is. Certainly, we saw that, that COVID impacted, uh, the, the elderly greater than, uh, younger folks and the other side of it too is that anybody with preexisting condition. So the question we typically get is, well, shouldn't we be assuming higher rates of mortality going forward and therefore reducing our liabilities? And we would argue no because the pandemic and it's targeting, you know, the elderly and those that have preexisting conditions, then, you know, those people are dying earlier than we would have expected. Which means the remaining group of retirees is now a little healthier, um, on average than what they were, uh, before those with preexisting conditions and those, the, the elderly group of that, uh, have now deceased. So we would say that would be the, you know, that would be zigging when we should be zagging. So, so again, we, we would recommend not changing that, lettin' this experience flow through our next experience study to determine what future mortality rates should, should look like. And as Clare pointed out earlier, teachers are among the healthiest occupation. Uh, in fact, it is the, of, of, of those covered by pension plans, it's typically general employees, teachers, police and fire, teachers are by far the, uh, those with the longest longevity and, uh, we certainly don't want to, again, zig when we should be zagging.

Um, the other side of that too was Ben pointed out we had a, a COLA loss. And should we reflect now that we're going to have COLA losses forever more or at least for some more periods in the future? And we likely could but not considered in that is how many years did we have COLA gains. And we've had significant COLA gains for a number of years that in total probably have added up to be more in dollars than this loss. And, and because of the way assumptions work, we would expect to have a, a lot of small gains offset by a large loss but lo-, much less frequently do we get the losses. So should we change our assumption about COLAs going forward? I would say let's still wait and see how effective the fed is. The fed is doin' historically unimaginable, uh, changes in, in that when the fed typically would tighten in prior years or in prior periods, uh, trying to combat inflation, it would typically be six moves of a quarter point each, in total a 1½% increase. Well, w-, we've already gone, you know, well beyond that. The fed is movin' at ¾% when it now moves. So the idea that this is going to be extended on for, for many, many years, I think would be, uh, not really what the fed is targeting to do.

And the other thing is, is the fed has not changed what their long-term target is for rates of change, um, the inflation. They don't use CPI as the pension plan does. They use PCE, which is really more expenditures based but, but typically PCE when they say a 2½% target, 2, 2½ % PCE changes reflect really about a 2.3% change to the CPI. So again, they're targeting, uh, lower than what we're currently assuming 2.5% inflation going forward. So again, I think it's still a little premature to say that this is going to be, uh, some longer lasting period of inflation. Um, and the other, you know, if, if it's just what's going to happen in January or July, by throwing it in the liability right now instead of just recognize it as a loss when we get there, we're only saving a little bit of interest on that period of time. And again, I think potentially we could be overdoing it, um, if we move too quickly and m-, makin' an assumption change that all future COLAs are going to be higher because the period of time we're in right now. So again, if we looked back, I think we would have added up more COLA gains, uh, than the loss that we just, uh, measured in 2022, so I think net effect is, is we're still okay. And I don't – I think it's just a little premature to, to say that we should assume 4% inflation or something higher, uh, or something like that going forward.

So with that, that's my last comments. And, and any questions, we'll be happy to address.

Clare B:. Questions from the board?

Gregory M.: I, I have one question on the valuation and, and maybe a request too. So I'm lookin' at the market value, so market value and, oh, I misread that. Never mind. I guess my question is wrong. I, I was looking at the wrong numbers on the – I, I, I thought the market value was significantly different than the actuarial value and I was wondering how that was going to affect future, what we would expect in future years but they, they were actually pretty close. Um, so, uh, I'll still ask my request, though, which is it would be helpful to see sort of i-, i-, i-, if all our expectations happen, which they won't, uh, in the future.

What, what would this series of payments and liabilities look like over the next, you know, at least the next few years, um, if not the next 25 years? So...

John G.: Yeah.

Gregory M.: ...is, is that something that we could get?

John G.: Yeah. And, and Greg, I mean, uh, uh, so, uh wi-, with the process we typically go to now, we, we roll right into and I think we've already started, Ben, we're probably pretty close to finishin' up open group projections, which are going to be the best measure you're going to want to consider...

Male: Yeah.

John G.: ...where the plan is goin' in the next few years or even for the next 30 years. So, so our hope is that around next week we'll have the 30-year open group projections ready, um, which, again, is going to be a much better answer to your question than just rollin' this one out...

Male: Right.

John G.: ...for the next couple years.

Gregory M.: Great.

Clare B.: Okay. Other questions? Okay. Ben, John, you want to take us through your recommendation? Do you, do you have that up here? Ben, John, do you have the recommendation, uh, for the contribution? I think it's that final. We only went down to the, uh – that's where the board has to move to accept the valuation and that has the contributions in it.

John G.: And Madam Chair, if I, if I could share my screen, we'll have – so Ben, the last, the last page of your PowerPoint had the percent of pay but, uh, but Madam Chair, I think you want the dollar amount of the actual [inaudible 77:33].

Clare B.: Oh. I'm, I'm thinking Greg Messner is looking for the dollar amount. He's sharpening his pencil there but the truth is but that's the number that people do, uh, ask, uh, what those numbers are, so.

John G.: So if I can share my screen.

Clare B.: The board will be voting on it.

John G.: Okay. If I can share my screen, I think I can take us right to the, uh, the page that, uh, develops the, uh, actuarial determined employer contribution, which is really Page 1 at the bottom.

Clare B.: Page, yeah, the board summary one. Yep.

John G.: So right here at the bottom, again, this is the page we talked about that compares last valuation, the 2020...

Clare B.: Right.

John G.: ...valuation to the current one and you could see what we recommend. Uh, based on this va-, valuation, we recommend the actuarial determined employer contribution for the fiscal year ending June 30, 2024 to be $1,554,542,000. That represents a contribution as 32.14% of payroll.

Clare B.: Okay. Okay. Questions from board members? All right. The board would entertain a motion to accept the valuation report with the, uh, you know, with those determined employer contributions.

Keith N.: So moved.

William M.: I move to, move to sec-, uh, second it. And I just want to say that was a excellent presentation. Thank you.

Clare B.: Yes. Yeah. I think so. So it's been moved and seconded. Discussion? All those in favor, signify by saying aye.

Group: Aye.

Clare B.: Opposed? Abstentions? And, and again, just to, uh, to me-too other people, John, a very, very fine presentation by you and Ben. Uh, and Lisa, actually everybody likes it. I mean, Lisa, uh, you find it may be cooler than the rest of us but they do think that, um, but it really is necessary. It's an important part of the responsibility of the people on this board and I hope today was, uh, made that, you know, giant I used to call it the – John is, John is just like a, just like a telephone book. John, really, you're killin' us here. Uh, I said put some words and I don't know, jokes, some stick figures, something in here to, you know, these are teachers, you know. We're just trying to keep everybody engaged and informed and deepen their understanding here. So, uh, at any rate, I think you, you, you met the test that I asked you to and I thank you both. Uh, and the fact that other people seem to appreciate that I think is, is important too, so thank you both for that. It was, it was excellent today, so thank you.

John G.: Thank, thank you.

Clare B.: Uh, next item on the agenda, Helen, you're up.

Helen S.: Thank you. I'll be mindful of everyone's...

Helen S.: Uh, oh, go ahead. I'll be mindful of everyone's time as well. Uh, for staffing update, we've done some restructuring. Uh, so we have, uh, added a position, another Assistant Accountant to our Fiscal Department. Um, we had someone leave a few months ago. We were able to fill that position as well, so we shifted things around a little bit and, um, all looks well. They're starting next week. Um, Bob is doing a great job, um, developing his team.

Um, open enrollment update, I have to say it's been fairly quiet. Uh, there was an issue the first couple of days with open enrollment with the, the phone lines at UHC. So they were able to, uh, do some modifications and they added another prompt to make it easier for members. Um, they had done an upgrade and it took them a couple of days to get that squared away. They did reach out to any member who called in, uh, with any questions, so we were able to track that. Uh, it was very low turnout. There's been no plan changes. Uh, we've had 108 folks move to the Medicare Advantage, 16 to the Medicare Supp. So we have 27,500 members nationally on the Medicare Advantage and about 4,700 nationally on the Medicare Supplement plan. Uh, just to give you an idea, the call volume last year at this time I think for October was around 1,150, Uh, this year it's 266, uh, so there, we've been averaging probably 10 to 20 calls a day. We did just wrap up open enrollment and I know that, uh, our team and the United team were finishing up callbacks, uh, because our folks were on the road. So I know everybody has been like reached out or attempted to be reached out if they had a question, so we just, uh, ask that folks be a little bit patient 'cause we do have a very small staff.

Um, I did want to touch upon quickly, um, prior authorizations. There, for October, there were 31; 30 were approved, 1, uh, there was an issue with, uh, documentation from the provider. Um, I just want to reiterate that, uh, all the plans follow Medicare guidelines. They have to follow CMS regulations and guidelines. Um, and I wanted to add that, uh, again, um, to, to really drive home if people have questions or concerns or any escalated issues, they should contact TRB directly because we do have the escalation team and we're here to help. Um, if, if there's information that is sent out not by Teachers' Retirement Board or not by United Healthcare, we really can't comment on it as an agency. We have asked folks if they have information like they'd like to send out to please run it by us first, um, so that way we could make sure that it is correct when it goes out.

Uh, there was a few questions at open enrollment, I mean very few questions about our hearing aid benefit. Um, I mean we're talkin' 30 or 40 out of 32,000 people but because it came up at open enrollment, I just wanted to address it. Um, when we moved to United Healthcare, we improved the hearing aid benefit. Folks have to be in network but we were able to provide services that were not provided, um, with our prior carrier. They, people can get batteries, um, digital hearing aids, Bluetooth. So listening to the population and what they really needed, um, it kind of worked out. We can't make everyone happy. Um, if anyone has a provider that they think should be in network with United, United is more than happy to reach out and they've reached out on, on every, every occasion that there's been a request or a call. Uh, I think that's about it. I'm going to keep it really short.

Um, CORE-CT migration, we are in the process of putting the scope of work together. It, as I mentioned before, it's going to be a two-year plan with CORE, um, and Accenture. Uh, we are dedicating, uh, staff to, uh, subject experts to different parts of the project. We should have the entire scope I think wrapped up and the deliverables reviewed by the end of November/beginning of December so we can start to move forward. So that's very, very exciting, uh, for the agency. So that, that's about it. I'm going to keep it short and sweet.

Clare B.: Okay. Questions for Helen?

William M.: I have a couple questions.

Clare B.: Go ahead, Ji-, Bill.

William M.: Uh, Helen, um, people have been contacting me. They received an email, uh, with their, uh, pay statement, their monthly pay statement and the question came up is that going to be a monthly thing sent out every month to people.

Helen S.: Yes, Bill. We changed our EFT statements to be delivered monthly instead of when there's a benefit change. It just makes it easier for our members. Uh, we did, on the statement it does state that they will be receiving it monthly and we did, uh, identify that prior to when we made that change but we feel it's rea-, really beneficial. People do like to see that monthly statement.

William M.: Right. Uh, my other question was. Uh, I forgot. Uh, okay. Oh. What was going to, uh – how are we going to, uh, deliver that message to people who don't have emails? Do we have a process for that?

Helen S.: We already did a reach-out to the folks who were not getting a statement who, who still get it in the mail. We reached out and we did a campaign to see if we could get them to do EFT statements. Um, if they are getting their statement mailed, they're only going to get mailed when there's a change. We're not mailing those out monthly.

William M.: Okay. Thank you.
Clare B.: Okay. Any other questions for Helen? All right. Helen, next item.

Helen S.: I bel-, that's – I'm good. I believe the next item is the approval for the subcommittee's vendor recommendation for the election services RFP.

Clare B.: Okay. And...

Helen S.: So I...

Charles H.: That would...

Helen S.: That’s going to be Charlie.

Charles H.: That would be me.

Clare B.: Okay, Charlie, go ahead. You chaired that. Go ahead.

Charles H.: Okay. So the subcommittee met regarding the, uh, RFP for the election of retired teachers to the board. Uh, the subcommittee was with, uh, Steve McKeever, Lisa Mosey and, uh, with Helen, Bob and Charlene, uh, reviewed, we reviewed the RFP, uh, the proposal from YesElection, which is the only entity that responded to the RFP. Uh, we reviewed their YesElections’ processes and qualifications and experiences and some information from references. Uh, the organization looks very competent. They’ve been, um, doing elections for many years, since 2007. And the contractor agreed to all the terms that the TRB identified in the RFP. So based on their submission, the subcommittee supports moving forward with, uh, YesElection, and, and I would move that the, uh, TRB, uh, pursue hiring YesElection for this process.

Clare B.: Okay. Questions for Charlie? Go ahead, Lisa. Lisa?

Lisa H.: Um, thank you for that update. Could, could we just get a little update about what the process would be? People may be interested in what an election – you had mentioned we haven’t done an election in a long time. What, what does that process look like? And I’d also ask the Chair to consider is – if it’s possible postponing this decision till next meeting ‘cause we haven’t had the benefit of public audience and it might be helpful since it’s regarding their election. Thank you.

Clare B.: Uh, the election is, uh, is, um, identified by the statute, Lisa. And, uh, yes, we haven’t had elections of retired teachers but we’ve had elections of active and retired teachers in the past. Um, there were only two seats available for active teachers and I believe there were only two active teachers who applied, um, to be nominated. It, it’s not the election. It’s just to be placed on a ballot. In the case of retired teachers, uh, that process began, uh, I believe in August and people appeared before the board. They must, they must come up to the board. Uh, they must, uh, you know, provide, uh, some kind of verification that they are in fact members, that they, they fit in that category, whether they’re active or retired that in fact they fit into that. Um, and then during a, a period of time, which I think was, um, I don’t know, a month or two, they would then be, uh, required to get, uh, signatures and this time we went with electronic. That change came about because of COVID.

Before that time, people would, uh, go to meetings, you know, whether they were informal meetings like we have groups that meet at Panera Bread and stuff or large group meetings like CEA-R, the retiree groups or ARTC or whatever. And they would bring petitions when they, when they went to the board to ask to be a, you know, to be on the ballot and they would receive a packet and in that packet would be sheets that they would have to then get active teachers to sign, the active teachers who would be at this meeting sign. I think even then they put their social security number but we tried to get away from that because we've tried moving away from using social security numbers in any physical way. Um, and then they would have to at a set date, that's probably end of October, they would have to appear before the board, uh, with all of those signatures. And then the, the staff, uh, would really have to certify that in fact those people that were on those were in fact members, that they actually were all verified, um, certified members of the System. And then that, that all of that allows people to do is to be on the ballot. That's, that's right now we have two people on the active teacher ballot but there are only two seats, so those two people will be the two seats. They will be active members of the board.

In the retired teachers case, we have two seats, uh, myself and, and Bill Murray. We're both the Chair and the Vice Chair but there are six other individuals who would like to seat that seat. So they did exactly what we did, which was to come up to the board in August to get, receive those materials, uh, to and then go out to members and friends and people they knew, family, whatever and have every one of them, uh, agree to go on a website. 'Cause they had to have a link, they had to be invited by the person on a link and then, uh, and then sign on and, and be able to sign. Uh, I didn't find it to be a simple process. I don't know about Bill but we didn't find it to be as simple a process. Uh, and I think that with some of our older retirees that getting online and stuff and getting onto that was, was not, uh, you know, was perhaps a little problematic. But, uh, once we made the decision with COVID that we would not be circulating, hand things out at meetings nor did we know we would even be having these large group meetings, uh, basically, the change to that COVID change was about two years ago I think. Helen? Almost two years ago. And that's, and, and they found that that was very effective in the election that they held, so that's the process that we're going to use going forward.

Uh, I wasn't a participant on the, the group. We, uh, asked you know, board members to, uh, to make that selection. Um, and I think that, uh, you know, it's, it's a new process for us. I'm not sure we, we'll be getting everything right in it but I think that, uh, you know, it's a fair and honest process. I, I don't know all the candidates, whatever else, we'll know, they'll appear on a ballot and those ballots will be – Helen will tell us. We'll, it'll be on the website. I believe there will be an election in the springtime. Uh, maybe it's going to be in, I don't know, February, March, somewhere in there and then we will, uh, then we'll know. And, and I guess this organization will themselves tally all these things up 'cause we wouldn't be. And Charlie, you might speak to that more of what you were asking them to do, um.

Charles H.: Right. Th-, they do. That's one of the services they provide. They do the tallying. They will certify the results. Um, there will be paper ballots, um, that are mailed to individuals, uh, uh, the retired teachers who will, uh, then vote by addressing their, uh, ballots to the organization, to the, to YesElection.

Lisa H.: Charles, would it be fair to say then the consultant is not to develop a process of voting but to implement it? Is that what I'm hearing?

Helen S.: Yes.

Charles H.: Yeah. They, they imple-, they implement it. They, they have designed, they have designs themselves as various methods that you can choose but they have the designs themselves and they will implement it.

Lisa H.: Uh, so they weren't hired to design the process they were hired to do. So the process is the process. Who, who came up with the process that we use?

Helen S.: The process...

Clare B.: The processes...

Helen S.: The proc-, oh. Sorry. Go ahead.

Clare B.: Go ahead.

Helen S.: The process, the process, the timeline process will be determined with the vendor, um, once we get under contract.

Clare B.: Oh. When, when it's coming up, Lisa, but you mean the history of it. Uh, [inaudible 93:36].

Lisa H.: Uh, yeah. Just the process of trying to get on the ballot and that stuff.

Charles H.: That's a different process. That's what Clare talked to. Right.

Clare B.: Yeah. That, that, that process has really been in place for a very, very long time. And, and the fact that we just haven't had, um, the high level of participation that we do right now is really where we find ourselves with the election. That's – but there's nothing wrong with that. That's a healthy process.

Female: So...

Clare B.: Um, and, and we, you know, we rely on the fact that, uh, that it's going to be fair and everything will happen, that we'll, we'll get two candidates that will be, um, voted on by however many people cast those votes. So I think it's going to be a very democratic process. Uh, I think it's been a very honest process to date, I mean to now. Um, but it, it's new to us. I mean we haven't done a lot of these, you know. We haven't done a lot of, you know, these actual election things but, but it, it, it's nothing to say that we wouldn't be doing those in the future, Lisa.

Lisa H.: Thank you. Is that process written down anywhere? Like how would someone find out what we've been using for many years?

Clare B.: Well, Helen, we have it where? In our, we have it in our bylaws I would think and our guidelines. And I think, uh, [inaudible 94:52]...

Helen S.: The balloting process.

Clare B.: ...be a statute. There is a statute somewhere, though, is it that, uh, identifies who votes for who and how many people or whatever else? I think there is as well.

Helen S.: Yep. Yeah. It, it, it's in the statute, um, that dictates that, uh, retirees will nominate retirees, active will nominate active. If there's an election, all parties get to vote. So the active population is going to have electronic emails because we have all of those emails because we do the annual statements. Feedback and decision, and, and from those participating in these meetings is that the retirees struggle with email and they may not all have it, so we've made the decision to bear the cost of mailing them out, uh, to the retirees.

So there's a process that will be in place once we're under contract with the vendor who will provide weekly reports and provide the administration to and with regards to the election. The agency will be completely remote. There will be a number for those folks to call if they have a question. Um, there is a business reply envelope. There will be a ballot in there. It'll be mailed to their homes. The timeline is to be determined once we get under contract. Um, but we feel that they are a very strong entity. Uh, the agency did a lot of research. Uh, we spoke to several other, uh, pension systems. Uh, they did let us know that there's not a, a large market. It's a very niche market, um, that responds to this and the niche market that administers these. They are, they, they're very well received. Um, the references a-, as we said, came back, you know, the same day, uh, with, with bells on. The RFP follows all the OPM guidelines. So once we, once we vote on this and approve this, we can move forward with the vendor and pr-, get that timeline rolling t-, to get the ballots out.

Lisa H.: And, uh, do other, um, uh, union groups use this si-, similar process?

Helen S.: Yes. It’s, it’s very hybrid. Yep. It’s all hybrid. We did away that you can do call-ins and re-, voice recordings but that just seemed to be, that’s pretty outdated, so it’s either email basically or good old-fashioned mail. So they’ll be...

Helen S.: ...responsible for that. Um, we do keep all of our up, you know, it’s up to the members to let us know when they move, you know. We have several resources...

Lisa H.: Of course.

Helen S.: ...that we utilize to find, to find addresses for members. Uh, we have, you know, we work with the comptroller. We work with our health, um, vendor, you know. We, we’ve got a, a, another group that we do searches on for addresses. We try and keep them up to date as possible but there may be folks who have moved and not told us. Um, so there is a process in place if, if something comes back, you know, undeliverable, they will work with us to make an attempt to deliver it, so they also have a service that they can help us with as well.

Lisa H.: Excellent. So it’s ve-, would it be fair to say there’s no substantive change in the nominating process, just timeline and [inaudible 97:50]...

Helen S.: Yeah.

Lisa H.: ...mailings?

Helen S.: Um, yeah.

Lisa H.: Would that be accurate?

Clare B.: Correct.

Helen S.: Yeah. Item...

Clare B.: Correct.

Helen S.: ...#4, we’re, we’re going to address it and, and, uh, quantify the, the petitions and the candidates.

Lisa H.: Thank you.

Clare B.: Okay. Any other questions? Oh. Sorry. Go ahead, Lisa. I’m sorry. I didn’t mean to interrupt you. Anyone else? Okay. The Chair would entertain a motion to approve, um, the selection of the vendor and the, uh, the two active teacher nominees and the eight retired teacher nominees.

Keith N.: So moved.

Charles H.: So moved.

Clare H.: Second? Who will second it?

Steve M.: I'll second it.

Clare H.: Thank you. Seconded. Discussion? All those in favor, signify by saying aye.

Group: Aye.

Clare H.: Opposed? Abstentions? Okay. Thank you. Um, Helen, the COLA. My agenda seems to have not all the numbers on yet, so I have, uh, an anomaly here. I'm not sure but, uh, the, uh, my next one up here is, uh, the approval of the '23 COLA increases.

Helen S.: Yep. We've got the, the 1.5% for the, uh, '92 to 2007 group, we've got the 1% for the '92 to 2007 group and then we've got the pre-'92 group at 5% . And I believe Charlene attached the, the explanation of the three different COLA variables.

Clare H.: Okay. Very good. Okay, uh, the board would entertain a motion to, uh, approve the, uh, the COLAs.

Charles H.: So moved.

Clare H.: We need a second.

William M.: Second.

Clare H.: Second. Discussion?

Lisa H.: Um...

Clare H.: All those – oh, remember, with the pre-, I think there's the pre-'92s, you know, theirs are not in-, included in that. They're, um...

Helen S.: Pending.
Clare H.: Those are, they, they have to be between 3% and 5%, so that's in the, that's a statute actually, uh, as is most of these changes are too. Um, go ahead, Lisa.

Lisa H.: Just a quick question. Can you talk about what discussion the board has? I know a lot of this is dictated by things that we don't control. Can you just speak to what, what discussion we have in [inaudible 100:08]?

Clare H.: We have none with...

Lisa H.: That's what I thought.

Clare H.: ...with regard to the...

Lisa H.: So this is basically just an administrative approval of something we're required to do.

Clare H.: It is. I mean, the calculations are made according to a formula. And in, in the case of the pre-'92s, it's in the statute wh-, what it must be. So, um, basically yes, we do. We're – but, but we must make the approval, so that's what we're doing.

Lisa H.: No. I, I appreciate that but I, I think that's important to clarify for the public. It's not a discretionary thing. It's formulaic.

Clare H.: True.

Lisa H.: Is that correct? Yes?

Clare H.: Yes. Others?

Helen S.: Can, can I just interrupt?

Clare H.: Go ahead, Helen.

Helen S.: Can we, can we approve Item #4. I know we kind of lumped the 3 and 4 together but can we just make that clear? We have, we approved the subcommittee vendor recommendation for the RFP. And I just wanted to make sure that everybody was on the same page with #4, approval of the nominee petitions from the two actives and the six, um, tea-, uh, for the expiring.

Clare H.: Okay. I, I did lump them together. You want [inaudible 101:06]?

Helen S.: I just want to make sure you broke it up, that's all. Did you want me to give, did you want me to list the names of those who are retirees who are ru-, of the, all the candidates?

Clare H.: I, I didn't ask you to. No. I don't know them. I don't know them.

Female: Yes.

Helen S.: No. I mean...

Clare H.: I didn't, I didn't ask you to do that. No.

Helen S.: Oh.

Clare H.: That’s not, not, not my desire.

Helen S.: Okay.

Clare H.: So, I think that we’ll, I think you’ll publish them at some point in time. Right? On the website?

Helen S.: Um, yes.

Clare H.: Okay. So when that process is ready to move forward and then, and Lisa, that just protects people in case they, they are wavering or they want to – I mean, so we don’t, the, the board, I don’t know the names. Helen hasn’t given them to myself or anyone. They’re really in her purview right now and when she’s ready to move forward with that process then so are we. And then that would be plenty of time for people to see exactly who has been nominated and not nominated, so I’m comfortable with that.

Clare H.: Helen, where are...

Lisa H.: I’ll probably change my vote to an abstention. Thank you.

Clare H.: Okay. All right. Uh, okay. We’re finished with COLA. Helen, where are we now?

Helen S.: We are on Item...

Clare H.: Approval of the board meeting.

Helen S.: Yeah. Approval...

Clare H.: The board meeting schedule.

Helen S.: For 2023. I got to put my light on, guys. I’m in the dark.

Clare H.: All right. The board would entertain a motion to accept the board meeting schedule.

Greg M.: So moved.

Charles H.: Second.

Clare H.: Moved.

Charles H.: Second.

Clare H.: Okay. Discussion? Remember, the board, uh, meets, we, uh, uh, in our own, by our own bylaws six times a year but frankly we almost always meet more than that, so [inaudible 102:37]. And there are special meetings and there are subcommittee meetings and there are other meetings that are a part of that too. So, um, and then we do alter and adjust these and sometimes we have to, sometimes it's necessary. Sometimes it has to do with the quorum, sometimes it has to do with issues that we're asked to, so we have to move it, move a meeting day. So, uh, yeah. All those in favor, signify by saying aye.

Group: Aye.

Clare H.: Opposed? Abstentions? Okay. And then administrator's action regarding the granting of service retirement benefits for September and October, survivor benefits for the months of September and October 2022, and the reports and recommendations of the Medical Review Committee as presented in the October and, September and October 2022 meetings. The board would en-, take those all as a group. Board would entertain a motion to accept.

Keith N.: So moved.

William M.: Second.

Clare H.: Been moved and seconded. Discussion? All those in favor, signify by saying aye.

Group: Aye.

Clare H.: Opposed? Abstentions? Okay. Thank you. Um, retirement statistics have been provided for you. Uh, I'm ready to move to, uh, Public Comments. Javiel, are we good?

Javiel: Yes. We have, we have a ques-, uh, comment from Mary Hendrickson. Please unmute yourself.

Mary H.: Very good. Are we all set?
Javiel: Yes.

Clare H.: Yes.

Mary H.: Okay. Very good. Good afternoon everyone. Um, I'd like to go back just quickly to 2018 when there was a TRB election. As a relatively new retired teacher at that point, I was attending all the meetings to familiarize myself with this board, uh, who are in charge of my pension and my participating in Medicare for my health insurance. Uh, an announcement appeared on their website for a few weeks in August of that year and then it disappeared. Um, with this election, um, currently coming up right now, um, I actually contemplated running back then, um, but I was not [inaudible 104:45] enough, so I disinclined.

Fast forward to today, um, we have an election coming underway right now for two retired teacher seats on the board. And I need to comment, um, I want this to be a free and fair election. Unlike our national and state elections which are free and fair, it appears that the CEA, the Connecticut Education Association, has a great deal to do with this election and I do not believe that will lead to a fair or a free election. Unless a retired teacher belonged to the CEA and vies for their endorsement, that retired teacher does not have much of a chance. Access to the database of teachers who make up the CEA active and retired teachers and who it appears will be voting for the candidates, it's clear that the CEA-endorsed candidates have an advantage not available to the other retired teachers. Many have opted to be active in the other retired teacher organizations in our state, the ARTC, the Association of Retired Teachers and the AFT, the American Federation of Teachers Retired. These two groups have produced several highly qualified candidates who are vying for the two retired teacher seats. Will they be overlooked because the CEA has an outsized influence on the TRB? I feel it's only right that all the candidates have a fair chance at attaining these seats. The CEA should be listing all candidates on the ballot, not just those who they have endorsed. I'm an avid supporter of the CEA for active teachers. It was an essential and an, and an, a required role for the union to help but the TRB has to be acting in service for all retired teachers, not just those endorsed by the CEA. Thank you.

Clare H.: Javiel, someone else?

Javiel: Yes. Next, we have Susan Schmidek.

Helen S.: I, I just want to let everybody know that it's, it's a two-minute, uh, time for comments. I, I think Javiel is not used to doing the meeting, so I'm just going to go ahead and, uh, I'll keep time for him.

Susan S.: Okay. Thank you. I'm going to start with a thank you to the TRB Escalation Team, specifically Daniele for all the numerous interventions on my behalf as a cancer patient needing various previously approved treatments. That being said, it's been a very rocky road of 10 months with the United Healthcare glitches, mistakes and denials. I have had to appeal in writing, which was upheld. But recently, my account has been sent to two collection agencies twice because United Healthcare paid their share and then reneged. These agencies sent me mail, called my landline and cell for payment. I've called the billing departments of the hospital, physician's offices and anyone else to look into these charges and to review my accountability for payment. I feel this will be remedied but it takes a lot of unnecessary time and worry on my part to achieve this. Again, thank you Daniele for intervening.

And another issue using OptumRx instead of Express Scripts has also been less than a smooth transition. I take migraine medication that Optum would not approve the way my physician had always written it. I finally had to get an actual person on the phone at Optum to tell me exactly what my physician must write in order to get this medication approved. It was $752 that I was initially charged and it was really $1.68 for the cost of this prescription. If I hadn't kept going into the Optum site to see why I didn't get a timely email that it had been processed, I would have been charged incorrectly and another hassle would have taken me more time to unravel. Thank you.

Clare H.: Okay. Javiel, someone else?

Javiel: Next, we have, uh, William Myers.

William M.: Thank you. I just wanted to comment on the report for the, uh, studies that our actuaries gave us. Uh, just like the board expressed, it was really excellent, very helpful, clear and should give a good understanding to both the board and the public. And I just wanted to echo that res-, um, um, you know, observation. Thank you for all the work you're doing.

Clare H.: Javiel, someone else?

Javiel: Yep. Next, we have Cathleen.

Cathleen P.: Yes. Uh, hi. My name is Cathleen Potter. I'm a retired teacher, um, from the Waterford School System. Just, uh, kind of participating to say that I wrote to the TRB on October 12, 2021. I called the TRB on, in August, uh, at (859) 867-6380. And then I wrote another letter September 21, 2022 asking, uh, for answers to questions regarding United Healthcare. Um, to date, I haven't heard back on last year's letter, this year's letter. And I'm wondering if these letters, um, expressing discontent with the insurance ever really reached the eyes of the entire TRB. Um, I hope if the entire TRB hasn't seen them that they will be made available so that they can read them in their entirety. Um, basically, it's the huge price discrepancy between the Advantage plan and the Supplement plan and people have been trying to get answers. I know the ARTC has, um, over the years and none has been, no answers have been forthcoming.

Um, I attended a very lopsided presentation at the Groton Motor Inn last year and the bag of information we received was full of only Advantage literature, that's it. So I'm beginning to understand why the TRB has refused to explain the price discrepancy and now $80 for Advantage as opposed to $319 for the Supplement. Um, I understand for every teacher who is enrolled in the Advantage plan, um, the insurance company receives $1200 a month, which is $14,400 a year per person and whatever isn't spent on their healthcare is, um, the in-, the insurance company gets to keep it, so the whole answer is money.

And to spread the, make the price discrepancy so wide and unaffordable to some teachers who would rather enroll in the Medicare-backed supplement, it's, it's just unconscionable. Um, teachers who can't afford, um, the Medicare-connected supplement plan are forced into the Advantage plan, which is run by case managers and a private insurance company. Teachers were not made aware of the disadvantages of an Advantage program. That, it, it, it's just – I, I, you know, it's just unbelievable. But, you know, if you want to, y-, you know, get into a plan where, you know, you're not working with your doctor, you're working with a case worker, um, you're – it, it, you're just, um, there's just so many copays that show up unexpectedly. There's lots of prior authorizations that are unexpected. Um, you know, a patient cannot always see the doctor of their choice.

Helen S.: I'm sorry. Clare, time, um, it's been over three minutes. It's over almost four minutes.

Clare H.: Cathleen, could you wrap it up? It's, you know – we don't want to cut you off but...

Cathleen P.: Okay. I just know there's other addressue-, other issues I addressed in my letters but I hope the TRB fixes this very unfair price dis-, discrepancy for the sake of, um, you know, those teachers that don't understand what they got into with the Advantage and, uh, it's saving money on the backs of trusting teachers. It's...

Clare H.: Okay. Javiel, someone else?

Javiel: Yep. Next, we have Walt Ciplinski. Walt?

Walt C.: Okay. Can you hear me?

Clare H.: Yes.

Javiel: Yes.

Walt C.: Okay. Thank you very much. I appreciate this opportunity. And, um, I just want to add that, um, I believe that Clare meant well when she earlier during the meeting made a statement that the names of the, um, applicants for the retired teacher seats could not be released, uh, because she was trying to protect the, um, candidates in case they decided they would change their mind. But I'd just like to note that these candidates had to physically drive themselves to Hartford from around the state, present themselves inside the State Office building in order to file their application. So it was very important for TRB to know the names of who those candidates might, applicants for candidates would be and to be able to know something about them. And I think Clare probably would feel that retired teacher members deserve the same courtesy and have the same concerns as she does, um, and I feel that those names should be released immediately, uh, since they have already been approved by the board. Uh, there's no reason to keep those names secret. The people who applied are very aware that their names are going to be made public. And I think now that the board has approved them, I'm sure Clare would agree that all the members should have the same, um, opportunity to know who they are as does TRB. So thank you for that. I would encourage the TRB to immediately release the names of those candidates to the public.

Clare H.: Javiel, someone else?

Javiel: Yep. Next, we have Curt. Curt? Okay. No Curt. Um, next we have Jane.

Jane: Hello. Um, after being told since 2018...

Clare H.: Jane, can you, Jane, can you give us your last name?

Jane W.: Jane Wilson.

Clare H.: Thank you, Jane.

Jane W.: After being told since 2018 that the pricing disparity between the Supplement and the Advantage plan was due to higher utilization by those on the Supplement plan, I was very surprised to learn at the last TRB meeting that the increase for this year's United Healthcare plans was a pre-negotiated price increase set at the beginning of the UHC contract in 2021. That makes clear a comment made in June of '21 that the Supplement plan was just going to continue to go up in the future. So that indicates that the pricing for 2024 plans is already set and is likely to go up again and it is not based on usage but rather on planned predetermined pricing set and agreed to when this contract was negotiated. Thank you.

Clare H.: Um, Javiel, someone else?

Javiel: That's it.
Clare H.: Okay.

Javiel: Oh. I'm sorry.

Javiel: We have, we have Curt again. Um, Curt, go right ahead. Uh, for some reason, we can't. No. I guess that will be it.

Clare H.: Okay. Any, uh – all right. Seeing no other, uh, people in the line to speak, um, the board would entertain a motion to, uh, to adjourn.

Charles H.: So moved.

Joslyn D.: So moved.

Clare H.: Second?

William M.: Second.

Clare H.: All right. All those in favor, signify by saying aye.

Group: Aye.

Clare H.: Opposed? Abstention. Uh, we wish all of you, um, you know, a Happy Veteran's Day and, and happy holidays, um.

Female: Thank you.

Clare H.: Thank you all for today. Today was a very long day, uh, but I also think a very, uh, informative day. Uh, I mean I think everybody came through this, with I, I hope a deeper understanding of some of the things that are a big part of your responsibilities. Um, so I thank all of you. Okay. Helen, anything else? We're all set?

Helen S.: No. Thank you guys very much.

Joslyn D.: Thank you.

Clare H.: Thank you.

Helen S.: Thanks, guys. Have a nice weekend.

Clare B.: All of you, yes.

Helen S.: Bye.

Clare H.: Uh, let's see if Joslyn was still on there. Helen, was Joslyn still on there? I don't think she was there when we made a comment about her si-...

/mlc