CONNECTICUT TEACHERS' RETIREMENT BOARD
TRB BOARD MEETING
NOVEMBER 8, 2023

Clare B: We'll lemme open...

Male: ...giving Steve another minute.

Clare B: Open the meeting then. Okay? Why don't we open...

Female: Okay.

Clare B: ...the meeting November 8, 2023. And we'll take the first item. That's the approval of the election results. Um, the, the committee is chaired by, uh, Stephen McKeever and, I think, Bill, you're on...

Clare B: ...it. Uh, I know Charlie was on it and, um, and you guys do a very careful job of, of making sure that everything that we expect that we're gonna get in the election results in terms of procedures are all done. So, uh, so you're on, uh, yourself and then Stephen when he comes on.

Male: Steve's here. He just has to un-...

Clare B: Oh, good. Okay.

Male: Well...

Male: ...welcome to the meeting, Steve.

Stephen M: Um...

Male: You're on.

Stephen M: I'm, I'm on.

Clare B: Oh, you're...

Stephen M: So...

Clare B: you're first...

Stephen M: ...when...

Clare B: ...on the agenda.

Male: Great...

Male: ...timing.

Helen S: Oh, perfect timing. Well I knew…

Helen S: ...give you a couple minutes...

Helen S: ...’cause I...

Stephen M: Hold on one second.

Helen S: We are the Teachers’ Retirement Board, so it's completely understandable.

Male: Everybody’s..

Male: All busses have been called. All busses have been called.

Stephen M: Live through a bus dismissal.

Helen S: Everybody’s having flashbacks.

Stephen M: Um, all right. So I will do what I can and when the speaker comes on, I'll just wait until they're done and then I'll continue. Um, we did get the results of the elections. Um, I'll give you a few statistics. D-, uh, Helen, was she able to give me sharing?

Helen S: Oh.

Stephen M: Can my screen be shared?

Helen S: Sure. Eh, Naomi, can we have, um – can you give permission for...

Stephen M: Okay.

Helen S: ...Steve to share his screen.

Stephen M: All right.

Helen S: Thank you.

Naomi C: Sure. Just one second. Just promoted you to cohost and that should give you the permissions once you rejoin.

Stephen M: Oh, okay. Um, all right. Well so, so we had a 37 percent turnout of, uh, retirees. Everybody that was retired as of July 1, 2023, um, were allowed to vote and they e-, either voted via email or, uh, paper ballot. Um, we had no, um, major complications and the, uh, YesElections company that we had contracted, um, eh, managed the tallying and, and all of that. Um, they did certify – and lemme see if I can get my screen to share here. Okay. So that should come up. No, it's not There we go. Um, so the, the...

Stephen M: I'm sorry?

Helen S: No. You did. We're great. No. You're, you're good.

Stephen M: Okay. So you can see here, um, this is a – from YesElections that the attached report contains the results from the Teachers' Retirement elections. Um, and they attest to the integrity of the election and there no - were no irregularities in the process. These are the results. Okay. You can see internet ta-, uh, ballots, paper ballots – okay – with a total of 37 percent, um, potential, um, voters were able to vote. So receiving 7,508 votes was, uh, Mr. Vargas, um, and Mary-Beth Lang at 6 thousand, um, 566. Uh, the other 2, um, eh, Miss Honan 6,468 and McDougal-, Mrs. McDougald-Campbell is 6,445. Um, stop sh-, how do I...

Helen S: You did. You stopped sharing.

Stephen M: Go here. All right. Okay. Um, so we believe this to be, uh, fair. We believe that we followed all the processes outlined, that we explained it as we went along. Um, gimme one second. So if anybody has questions, I can try to field'm. Maybe Helen can help if, if necessary. Uh, but that's all I have for the report.

Clare B: Uh, Steve, a question, eh, in terms of the turnout, was this dramatically higher than, than in our last general election when we had actives and, and retired?

Helen S: No. They – there was...

Stephen M: Uh...

Helen S: ...not. I have it off the top of my head Steve cause I...

Clare B: Yeah.

Helen S: There was, um...

Stephen M: Yeah.

Helen S: It was 32 percent, um, reti-, uh, retirees and then 6 percent actives in the last election.

Clare B: Okay.

Stephen M: I did see a hand.

Female: Uh, that was me. I just wanted to know the, um – I h-, I have 2 questions. Uh, it was the comparison of the vote, uh, the n-, the total votes of retirees, uh, in this election versus the one that we had in February. And then I just – I w-, I was curious about the cost of the election in the February and the cost of the elections, uh, this time around.

Helen S: I – there was a 5 percent differential and I'll have to look up the cost for ya.

Female: Okay. But 5 percent...

Female: ...more of retirees voted...

Helen S: Yeah. Five percent...

Female: ...in this...

Helen S: ...more retirees this go-around. In the last election, we had the 6 percent – 6.5 percent actives and 32 percent retirees. This go-around, it was 37 percent retirees. I'll get ya the cost. I just have to, to pull that up for ya.

Female: Okay.

Stephen M: Okay. Um, Lisa?

Lisa H: Well thank you for that. I'm very pleased to hear that you found no – there were no irregularities. And I assume there were no complaints as well. So thank you for that. Um, and the question I just had and this may be coming, so I may be jumping the gun, um, eh, are they being seated today or what is the process? How does that work?

Helen S: Um, yes. They will be, um, seated today, eh, as soon as we approve them.

Clare B: Are they both online? I'm assuming they...

Helen S: I'm...

Clare B: ...both...

Helen S: I'm – I am looking right now. I don’t see either one. Oh, yeah. I see Ed, um, Vargas. And I don’t see Mary...

Helen S: ...Beth. So once the board a-, approves, if everyone’s all set, we can actually have Ed join us.

Clare B: Yeah. That sounds good. Yeah. Lisa, that answers your question, right?

Lisa H: Yes. Thank you very much. I appreciate it.

Clare B: Okay. Other questions for Steve? Well I'd like to, uh...

Clare B: ...thank Steve for, uh – we talk about thankless jobs. Steve, you're r-, really quite good at steppin' up to the plate here. We're very glad that you've done it. And, and you may have to continue to do this, Steve, so remember, o-, once you do a good job at something, you know, you sometimes get to own it. Uh, we'd like to thank...

Stephen M: That's…

Clare B: ...and thank Charlie and thank Bill for, for their work and Helen as well and, uh, the people for all a – of their efforts. Uh, and I'd like to, uh, welcome Edwin Vargas Jr., to the State Teacher Retirement Board as of today, November 8, 2023, and I wi-, like to also welcome Mary-Beth Lang, uh, also, uh, to, eh, to the Retirement Board. Uh, so we will – if Mary-Beth appears, we'll, uh, we'll also have her as a voting member today but she clearly is a voting member as of today and Edwin Vargas. Uh, congratulations. Uh, you know, we're very, uh, eh, eh, I think a, a well-run campaign and people got to learn a lot about the candidates and, uh, and I think made some critical decisions. So, uh, so welcome to you both. Uh, the chair would entertain a motion that we approve the results of the election.

Male: So moved.

Male: So moved.

Male: Second.

Clare B: Moved and seconded. All right. Discussion? All right. All those in favor signify by saying aye.

Male: Aye.

Male: Aye.

Female: Aye.

Clare B: Opposed? Abstentions? All right. Thank you very much. Uh...

Male: Congratulations...

Clare B: ...second item...

Male: ...everyone.

Clare B: ...on the – congratulations. Yes. Uh, lemme get the second item on the agenda here. I'm losin' my place. Sorry. My fault. Uh, is the, uh, approval of the actuarial valuation reported by Cavanaugh Macdonald. And in this case, um, I'm gonna turn this over now to John Garrett. And, John, you're gonna, uh, you're gonna be put your presentation right up on the board, correct?

John G: Uh, yeah. Th-, if they'll allow me to share my screen, I'll have, uh, uh – so we're gonna start with just a – really valuations, on actuarial valuations and provide some terminology. Because we have some, uh, new board members and Mr. Var-, Vargus, you're gonna pleased to know you're gonna have, uh, you know, 40 minutes of an actuary today. So, um,

Clare B: I can hear. [inaudible 27:35] from here.

John G: Uh, let's see. So I wanna start with – so this, uh, PowerPoint, does everybody the PowerPoint...

Clare B: Mm-hm.

John G: ...I have? Okay. Um, so really this is just kinda to lay out the basics. Some of the terminology we use and you'll hear it a lot when we present valuations but I just wanted to make sure that at least we give some basic background on the valuation process, what the, what the results, you know – what it means and what's important about a valuation. Um, so of course the purpose, uh, of an actuarial valuation is to define the benefits, the assets and, you know, measures of funding progress for a defined benefit pension plan. And that's becau-, it requires an actuary because a defined benefit plan promises a lifetime of benefits. So just like insurance and other type features that require actuaries to produce measurements, um, so does a defined benefit pension plan. So we're guided by really the benefit provisions of the plan, which are governed by the statutes of the State of Connecticut and in those statutes we know how long it takes to vest in the benefits, what the retirement benefits are, eh, eh, in amount but also the eligibility required for it, also the disability benefits and death benefits provided from the plan and then what does a member get when they leave service prior to any of those events occurring. Uh, also defined in statutes is the requirement for the members to contribute to the plan. So currently it's 7 percent for the Teacher, uh, Retirement System.

Um, and so we take that known information along with the data that's provided as of the valuation date, so that one day of the year, um, and, and so w-, w-, what we know, we know all those i-, those items that are statutory. We know the board's adopted funding policy. Sometimes these are statutory as well but the funding policy would prescribe the normal cost and method to be used, um, what method we use to amortize any unfunded amounts in the plan and then, uh, how do we smooth out the assets and what methodology do we use to determine a stable amount of assets instead of just relying on market, th-, that, uh, that value of the assets. And then, of course, the other known is we're provided typically from the Comptroller’s Office the financial reporting for the Teacher’s Retirement System, um, and we have an idea of what the market values looks like on that one day of the year. Uh, in this case, June 30 of 2023, for the valuation we're gonna present next. So we take that and, of course, there’s so many unknowns. Everything that happens the next day of the valuation date is unknown. And so we have to make assumptions about the future, uh, timing of benefit payments and the amounts for those members that have yet to earn all their benefits for retirement.

We have to make assumptions about what rate does active member salary increase each year, so that we can kinda then use that as a basis for determining how much we think their retirement benefit or disability benefit or death benefit that may be payable in the future w-, will be. We come up with a-, assumed rates of utilization of the benefit eligibility, so retirement, death, disability and termination. We also have an assumption about how much do we think benefits once a member is in pay status, uh, what, uh, cost of living adjustments, uh, will, will average over their, their lifetime. And of course, a large, uh, feature of, of the demographic assumptions that, that we make are the rates of mortality. So how, you know, how long are the benefits gonna be paid once a person re-, uh, retires. Uh, probably the most significant assumption an actuary has to make is the rate of return on the investments ‘cause that’s then used as a discount rate to discount back all this expected future cash flow back to the valuation date. And that calculation is called the present value of benefits. Some would call it present value of future benefits. But it's, it's really today’s value, um, as of the valuation date of all the benefits expected to be paid from the plan for any purpose for – whether it's withdrawal or retirement, disability.

And it includes the benefits payable to the current people in pay status, so the current retirees and beneficiaries but also those people that are still working earning benefits to be paid in the future. Um, so once the actuary puts into the annual buckets in the future of all the expected payments to be made by the plan, we then discount back each of those buckets back to the valuation date using that one investment rate of return assumption currently at 6.9 percent annually. So we discount that back to get a present value as of the valuation date. So this is just a graph. It's, it's an illustration really. It's not particularly – it, it, it is somewhat based on Connecticut teachers but I'm not sayin’ this is exactly what this valua-, I think this was actually a prior valuation. But you can see the blue bars are the expected annual payments to be made to the current retirees. And you see that they're, they're, you know, close to $2 billion today. They, they decline and they decline because mortality, so we're expecting, you know, fewer payments to the current group of retirees as they, they, um, as they reach their, um, life expectancies.

And then the red bars on top of the blue bars are the amount of payments we're expecting current active members who transition to retirement or pay status, whether it's disability or, or their beneficiary is receiving, eh, in-, income from, um, a death, eh, benefit. So this is the expected annual payments that the plan has to make. And you see it, it's growing. It, it's expected to grow every year. What it does not include, of course, is anybody who the plan h-, currently does not have, uh, as a active member. So all the people we're gonna hire in the future is gonna be actually another, uh, bar on top a these that really kinda c-, continue the growth in the active, uh – the total benefits to be paid forevermore. So when we do actuarial projections of the plan, that incorporates our expectation of new members coming in to the plan and the benefits they're gonna be per-, uh, provided once they reach pay status. Um, so just looking close in, we're zoomin' in to the payment to the current retirees expected to be made 25 years from now. You see I've highlighted that in yellow. And on this graph, it looks like a pretty small amount but that number's about $624 million. So we're expecting to make a payment 25 years from now of $624 million. And what we do in a valuation is we discount that back to today.

So you can see here we're just focusing in on that one $624 million pay-, payment to people who are currently retired as of the valuation date. And we discount that back to the valuation date, so 25 years of discounting and so the valuation carries a liability for that one payment of $624 million. And that, of course, that amount that we carry as a liability is driven by what's the expectation that that m-, amount that we have as a present value is gonna grow at, at investment rate of return. You can see that when we lower the discount rate, the a-, assumi-, uh, assumed investment rate of return, we have a higher amount of, of dollars that's, that's a liability on today's books. So you can see that we're roughly using a 7 percent discount rate. So that $624 million payment has, has a representation on liabilities $115 million of liability. And, eh, and of course, that grows at 6.9 percent, um, to be 25 years from now the amount of money i-, in assets that we have to pay the $624 million due that year to those current retirees. So that's just a simple i-, idea of what actuarial, uh, mathematics are, are behind, uh, these valuations. It's really a, a, a contingency of a payment to be made in the future and then the value of that payment discounted back to the date of the valuation.

So f-, once we've determined the present value of benefits, then we use the funding method. And here we use the entry age normal cost method to, to define an allocation of how much of that present value of benefits is benefits already earned by the members for service up to the valuation date, so really all the retirees have earned all their s-, service. For active m-, members, they have partially, um, accrued their benefit and so the portion that's earned up to the date of the valuation for service performed is called the actual accrued liability. And the piece that's gonna be funded uh – over future service is called the normal cost. So next year's piece of the normal cost is sometimes called the service cost. It's, it's the cost of an additional year of service for the plan. But, um, the present value of all those in the future is called the present value of future normal cost and that's the top, top item here. So again just, just to be clear, we determine the present value of benefits. We allocate it to how much of that present value of benefits is earned already by service up to the date of the valuation and now much is gonna be earned by future service. The future service piece is the present value of future normal cost. The past service piece is called the actuarial accrued liability.

And so the, the relationship is that those 2 items have to sum. The present value of future normal cost for future service and the actual accrued liability for past service have to sum to equal the total present value of benefits that the actuary calculates in that first step. And so on an individual just, just to kinda graphically show, here's, here's a graph of a person, uh, a random date of hire. We move forward and we have a valuation date kinda in the middle of this graph and you can see that the, the portion in light blue that's between the h-, date of hire and the valuation date, that's the actual accrued liability for the service they've earned up to the date of the valuation. This next year's normal cost amount is the annual normal cost, so the cost of this person's benefit that they – we expect them to earn in this upcoming year, how much do we have to fund to, to satisfy that. And then all the remaining present value future normal costs, um, for all the future years up to their expected date of retirement and then a-, you know, um, really beyond that up, up until the date that they, uh, they, they leave earth, a-, all that is totaled up as a present value of benefits. So graphically this is another way to look at it.

This is on an individual basis and what the valuation does is it does this on an individual basis for every individual in the plan and sums it all up to get the pieces of accrued liability and future normal cost. Uh, the key to the, the bottom piece there too, that, eh, in text we, we say that, eh, an unfunded liability or a surplus, uh, of the liability exists to the extent that the assets are less than or more than that measure of the actual accrued liability. So liability minus assets equals the unfunded or sur-, surplus if assets are larger. So just a couple a other i-, items, some lingo that you'll hear – actuarial value of assets, this, this is really a s-, a, uh, smooth value of assets the actuaries wanna take into account because again a valuation is a one-day measure and that one day can be, um, hugely – or that, that measure can be hugely, um, var-, variable based on what the market value of assets are on that one day. So instead of using that one day measure with its volatility, actuaries will smooth out over a period of time.

And in the case of, of TRB here, we use a 4-year period of time that we smooth out gains and losses in recognizing them so that we have a more dependable measure of assets of what, what, uh, what, what we expect the assets are, are, are gonna look like, um, to determine the, the, the funding of the plan, the unfunded liability, the funded ratio and those other items. So the unfunded accrued liability again is just simply the difference between the liability and the assets. The funded ratio is really the ratio of the assets to the liability. The assets are in the numerator, the liability in the denominator. So it's typically a number when a plan has an unfunded liability we're gonna have a funded ratio less than a hundred percent. When a plan has a – an assets greater than the liability, we'll have a funded ratio above a hundred percent. And then the funding period is really also called the amortization p-, period. It's the, it's the time it's expected to take based on the current contribution r-, requirements and the size of the unfunded liability, how long is it gonna take really to fully fund the plan, so to get us to a hundred percent where assets equal the liability and so that’s typically called the funding period or the amortization period.

So graphically just in this year’s results and these – this is a forecast of the next presentation but we measure as of June 30, 2023, the present value of benefits, so again that’s the, the value of every expected payment to be made from the plan for all sources of, of potential payments is just over 47 billion, $47.1 billion. That piece is allocated into two sides, one the past service piece, the accrued li-, liability, which in this case is 40.1 bi-, billion. That’s the blue side of that pie on the left. And then the yellow piece is what’s expected to be earned in the upcoming year as well as all other future years of active service of the active members. And then just also to note, the blue side a that h-, eh, you know, we can allocate how much of that 40.1 – I'm sorry 40.9 billion is due to current retirees versus current active. And when you say that roughly 60 percent of that liability, uh, is for the current retirees, which inaudible is a pretty common metrics for, for mature pension plans around the country. So we take that blue segment and we compare that then to the green s-, side of the right pie, so that’s the actuarial value of assets, so as of June 30, 2023, we measured the assets to be about 24½ billion.

What's left over is the unfunded actual accrued liability or the red portion of that pie of 16.4 billion. So when we, when we take the ratio of the green segment of the right pie to the blue portion of the left pie, we get an acr-, uh, funded ratio of 59.8 percent. So any questions up to the – really the basics behind actuarial b-, so when we throw out the idea of what the funded ratio is, I think you have a, a pretty good idea that that’s really, you know, what portion of the accrued liability is represented in the assets, o-, of the plans, so how f-, how close are we to fully funding the plan. Um, a few other items actuarial cost m-, methods – again these are, these are methods the actuary uses to allocate that present value of benefits between future service and past service. We – here we use the entry age normal cost method. It's the only method w-, uh, that allowed by the Governmental Accounting Standards Boards for GASB numbers. But it's also would be our number one pick for a cost method too because it, it demonstrates the most stable measure of normal cost rates, uh, of any of the other measures that are available. The asset smoothing method, as we talked, really spreads market gains and losses over a 4-year period of time to give us a better more stable measure of assets for determining future funding requirements.

And then the amortization method is what method are we using to pay off the unfunded liability. And here in, uh, in TRB since 2020, we're usin’ a 25-year layered approach. Each, each layer has a 25-year period of time that whatever, uh, whatever increase or decrease to the UAL due to gains or losses for that year, um, it's spread over a 25 year. We're transitioning to a level dollar method, which r-, eh, level dollar versus level percent of payroll, the difference is, is, is really not a lot anymore because the percent of payroll we're expecting right now is only 0.6 percent, so less than 1 percent. But a level dollar approach is kinda how you finance a house or a car, is that you have a debt that you're gonna pay out over a certain period a time and the amount of payments you make are the same dollar amount year over year over year or month over month o-, over month. So, eh, we-, we're movin’ to a level, uh, dollar method because it demonstrates a little more stability in that there’s no source of potential underfunding the plan because payroll doesn’t grow as fast as we, we would expect it to. Um, so with that, what's so useful about a valuation? Well, eh, you know, as we said, it's a one day pop your head outta the hole and look around and this is what you see as of June 30 of every year.

Um, not overly useful just on that. So, so the pieces that are important here to us when we do a valuation are how stable i-, is the measures from the prior valuations. And we see a lotta stability in our current valuations. But primarily the piece that r-, really is important to us is gains and losses. So actuarial gains and losses, especially the noninvestment related gives us indications on whether or not our set of assumptions for all those unknowns that we had goin’ into this va-, valuation, how, how good [of our– are our assumptions about what to expect in the future. And so we [inaudible 45:29] a lot of, a lot of, uh, uh, i-, information from reviewing the gain and loss, uh, results in each valuation. And then most importantly, the, the valuations by themselves are maybe not overly useful but comparing them to capture a trend of what the valuation results, eh, look like gives an indication on whether the plan is on a path of maybe a potential future insolvency or, you know, is it heading in the right direction that we see over time some stable progress towards fully funding the plan. So going back to, uh, to gains and losses.

So we have investment-related gains and losses and this is probably the most variable piece that we see in any pension plan in the country just because, you know, assets nowadays are invested in, in a volatile market and most everybody has similar allocations to that market as far as how much in stocks, how much in bonds. But, eh, it's just has been a very volatile, um, decades. My, my entire career has been nothing but market volatility. Um, and I've been doin’ this 30 years. So the, uh – so, so when we have an asset gain or loss what it affects is the actual value of assets the actuaries determine in the valuation. And so since it's affecting the actual value of assets, it then can affect the unfunded liability – right – when assets aren't as large as we expect and we have a larger unfunded liability and a lower funded ratio than what we would've expected. So again because it's affecting the numerator of the funded ratio, it changes that. Because it's affecting how much, uh, in assets compared to liabilities we have, it also affects the unfunded liability. But any changes or gains or losses due to investments have no impact whatsoever on the actuary determination of the present value of benefits, the normal cost of a plan and the accrued li-, liability of the plan.

And conversely, the actuary makes again many, many assumptions about the demographics and each time an actuary makes an assumption about somethin', it adds a potential gain or loss. Right? The gain as lo-, gain and losses are only driven, uh, by the difference between what actually occurs to what was expected to occur. So here's some of the sources of, of gains and losses that we see typically. Uh, these are due to noninvestment assumptions – right – it's half the growth rates of salary, cost of living adjustments, the rates of mortality, turnover, retirement and disability. Payroll growth used to be, uh, eh, an issue but again now that we're going to a level dollar approach, it's, it's no longer really an issue. And then there's other less material assumptions, such as what percent of, of the population or married at retirement and, um, items like that. So conversely to the investment-related losses, noninvestment-related losses affect directly the present value of benefit calculation, the amount of the normal cost determining a value and the accrued la-, liability. Um, therefore, because they're also in the equations for determining the unfunded liability – right – which is the liability minus assets and also the funded ratio, which is the assets divided by the l-, liability, both those measures are affected by noninvestment-related losses. But in no way do any of the noninvestment-related losses affect the actual value of assets.

So 2 different buckets and we typically try to divide them between, uh, you know, the sources, um, you know, those sources that are demographic and those sources that are investment related. Uh, wanna jump over and kinda just do a rehash of the current cost of living adjustments. Um, so we really have 3 tiers of cost of living adjustments in, in TRS. Um, the first one is for pre-1992, pre-September 1, 1992, retirees and that's really a pure CPI type of a – of measure. Is – it's based on the CPI, uh, ending in November for the January COLAs and the CPI ending May for the July 1 COLAs and then it's – has a cap and a floor of – a floor 3 percent and a cap of 5 percent. So whatever the CPI measure is, it's in fit within that 3 and 5 percent, um, range and then that COLA is determined for that group. This group represents right around 5 percent of the population of current retirees, so it, it – and it's, of course, because a retired, um – many, many years ago, 31 years ago, um, you know, that's, that's, eh, would be the, the s-, the highest declining, um, segment of the retiree group. The second portion, which is by far the largest the largest group of retirees, are those who retired on or after September 1 '92, but were hired prior to July 1, 2007.

And they have a, uh – the COLA is really based on what the Social Security Administration provides for a COLA for that calendar year, the – whatever the applicable year is. So, you know, for the '24 COLA, it's gonna be what Social Security has announced for the Social Security Administration's COLA for benefits beginning Ju-, January 1 of 2024. But it's modified only in the event that, uh, the investment earnings aren't above 6.9 percent. So if the investment earnings are 6.9 percent or greater, then it's – that Social Security Administration COLA capped at 6 percent, no other change. If the r-, investment earnings are less than 6.9 percent in the last market returns o-, of the prior fiscal year, then, eh, that cap is 1½ percent. And this segment of the retiree group is about 94 percent of all the retirees. And then the last piece or the newest retirees, those that were hired after, um, January 1 of 2007, this is a portion of the population which is a little bit less than 1 percent, um, it's gonna be again the fastest growing segment of the population of retirees. But, uh, here they haven't added, um, or a little adjustment to the, uh, to the, the COLA for the – for those hired prior to 2007, which is, um – it's the – again the Social Security Administration's measure of the, of the, uh, cost of living for the a-, applicable year, it's capped at 5 percent.

Um, eh, and if, uh, if earnings are less than 6.9 percent, that cap is dropped down to 1 percent. If the earnings on the plan assets in the prior fiscal year are between 6.9 but less than 9.9, it's capped at 3 percent. So these are the features of the COLA. But, um, as far as cost of living adjustments go, eh, this is, you know – you have for, for – certainly for those people who have retired after September 1, 1992, this is kind of, um, uh, um, what's, what's considered to be a – like a gain-shared COLA or a revenue-shared COLA. So the COLAs are larger when the market value of assets have performed better than expected, so that w-, the assets actually – you have those additional assets to help fund that benefit that you're gonna provide in, in addition to, to perhaps what those minimum COLAs would be. This actually is becoming a more popular version of cost of living adjustments. Um, you've had it since 1992 but there's many plans that would go into it, uh, just in the– this, uh, last few years.

Um, wanted to give some indication of how expensive COLAs are. So the current COLA provisions of the plan, um, just the benefits to be provided from future COLAs, so COLAs after June 30, 2023, eh, it's about 15 percent of the liability of the plan, so roughly 1/6 of all the benefits – the – valued in the future are gonna be due to cost of living adjustments. So it's a very, um, impactful provision, um, and, eh, and, you know, again that's why we see many states around the country that – actual reductions or removal of cost of living adjustments just because they are a very expensive, uh – or, or, you know, they're, they're, they're a s-, large segment of the liability of the plan. So here the current, uh – with the current co-, COLA and what you'll see in the valuation is we have a total liability of $40.9 billion in a unfunded liability of 16.4 billion.

But if we just assumed 1 percent additional COLA to all 3 of the groups, all 3 of the tiers, just added 1 percent to those, what we would see would be about a $4 billion increase to the unfunded liability. So – and, you know, and that's how impactful cost of living adjustments are. Um, and if, if, if we had that $4 billion additional unfunded liability, it would require the state to contribute about 350 million – actually a little more than $350 million dollars a year, um, in order to satisfy that over the 25-year funding period. So again a very impactful segment of the benefit, um, and, um, you know, I hope that that kinda gives a picture, uh, in everybody's mind about, um, how valuable the COLAs are to the retirees of course but also how expensive they are in [inaudible 54:46] as far as a liability in the cost. So are there any questions about this presentation?

Helen S: Clare, did you want me to, uh, open up and see if there was any questions from those participating in the meeting? I can have them do a raised hand and, and have Naomi let, um, someone ask the question.

John G: I see Mr. Vargas has his hand up.

Helen S: Oh, go right ahead.

Edwin V: Am I recognized?

Helen S: Oh, absolutely. You're a, you're a, a panelist.

Edwin V: Oh, okay. Thank you. I just was wondering the – this information that we just – first of all, before I ask my question, uh, I wanna thank the, uh, the board for voting me in and also all the retirees out there that voted in the election for their support. My question is these slides we just saw, are – they're available anywhere for pursual?

John G: Uh, Mr. Vargas, we – we'll make those available. We'll, we'll provide that PowerPoint presentation to Helen for her to distribute to...

Edwin V: Thank you...

John G: ...[inaudible 56:19]...

Edwin V: ...very much.

John G: ...important for members

Edwin V: Yeah , I appreciate that.

John G: Yes, sir. [Inaudible 56:51] other questions.

Helen S: John, I know that, uh, there was a question from OFA. I'm gonna ahead – Naomi, can you, uh – I don't know if anybody's raised their hand but would you, uh, let – would you, uh, allow Nicolette – or Nicolette, I'm gonna crucify your last name – um, Niedzwiecki from OFA. I know she – we had exchanged some emails yesterday but I wasn't sure how we were doing the raise hands.

Naomi C: Sure. You have permission to unmute now.

Nicolette N: Hello?

Helen S: Hi...

Naomi C: I can...

Helen S: ...Nicolette.

Naomi C: ...hear you.

Nicolette N: Hello? Can you hear me?

Helen S: We, we can hear you, Nicolette. Um, Nicolette is, uh, the new, uh, fiscal analyst for OFA. Um, Christine Gellman, uh, who's, uh, been part of our Agency for about 25 years retired, um, this August and, uh, Nicolette is her, uh, replacement. So welcome, Nicolette. And we can hear you, so go ahead. I know you had a couple questions.

John G: Uh, Nicolette, you have a question for – concerning the presentation?

Naomi C: I think she disconnected.

John G: Well it was a pleasure to have worked with, uh, Christine..

Naomi C: Oh

John G: ...Gellman after, uh, all these years and...

Naomi C: Oh, wait...

Stephen M: ...we look forward...

Naomi C: ...she just...

Stephen M: ...to working...

Naomi C: ...came back. Sorry.

Helen S: Okay.

Helen S: Sorry about that. We got it. We got ya, Nicolette. No worries.

Nicolette N: I'm so sorry. I think my Zoom crashed.

Helen S: No problem.

Nicolette N: Um, thank you so much for that helpful presentation, John. Uh, I just had a question specifically in regards to the deposit for 2023. Um...

John G: Right.

Nicolette N: ...is this an okay time to ask, um, specifics?

John G: Sure. Eh, uh, we're, we're gonna, eh, eh – the, the valuation, which is next is gonna propra-, probably provide a little bit more detail but I'll be happy to take your question now too.

Nicolette N: Okay. Um, I was wondering specifically, um, eh, without considering all of the gain and losses factors that you were mentioning, how much would the deposit itself reduce the UAAL amortization on an annual basis?

John G: Um, and, you know, we, we have not calculated that directly. Um, I would estimate that, uh, that in total it was just over $800 million and I would guess that that would probably be a $70 to $80 million per year reduction to the annual cost to the state over 25 years.

Nicolette N: Okay. Thank you so much.

John G: But w-, we'll have that number f-, you know, we, we, we can certainly determine that specifically for the, for the total. And now, you know, we, we, we know of one deposit that has been made, eh, $272 million that came in after the end of the fiscal year but we're carrying it as a receivable in the valuation. And there's an anticipation that there’s gonna be another $551 million made in December and we've kinda taken that into account as, as, uh, um, as being paid, uh, 6 months after, eh, the, the va-, the valuation. So in total it's, you know, a little over, uh, $820 million I believe, so.

Nicolette N: Thanks so much.

Helen S: Thanks, John.

John G: I think Mrs. Heavner – you have a question?

Lisa H: Yes. Thank you. I thought your presentation was excellent as usual, um, really impressive. I enjoyed it. Just, uh, could you just speak a little about the transition to the level dollar funding and just talk about does that do anything to the funding level or the annual payments? D-, how, how does that impact that?

John G: Right. So, so it used to be that, uh, years ago that the, the valuation was, was – that amortization method assumed that the payments that are gonna be made would grow roughly with payroll. So there was an assumption that that we, um – that roughly 3 percent per year growth in payroll is what we assumed. And, eh, therefore, the payments were expected to grow. So if we calculated a payment today of say of a billion dol-, uh, do-, dollars – I'm sorry - $1 billion, the next years payment would be expected to be 1 billion 30 million, so– you know, we'd expect that, that rate of growth. So what, what that means is that less money is being paid earlier on because the expectation is you're gonna make those larger principal payments down the road.

So in doing so, um, eh, it puts a risk into the plan that if we don’t get the payroll growth that we're expecting, then we're not making enough payments earlier on, uh, and, and, therefore, the payments, uh, expected later are gonna be based on a, a lower than expected payroll ‘cause again we didn’t get the payroll growth that we expected. So it adds another feature of risk to the plan and that if we have a fairly stable base of payroll and we're assuming the payments are gonna grow 3 percent a year, that just means that each payment in the future is gonna be a higher percent of that payroll and, therefore, it's not a stable m-, method. So going to the level dollar method, uh – State Employees Retirement System did it a couple years before, uh, TRS did and it's, uh, you know – in our mind, it's gonna produce a little more stability in the contribution rates calculated in the future.

Lisa H: It's a little more up-front in the early years but...

John G: Correct.

Lisa H: ...for stabil-, the idea is stability, it's playing the long game.

John G: That’s absolutely – and, and the way we did it, we phased into it. So we went from assuming a 3 percent annual rate to the next year, we did 2.4, then, you know, 1. So we, we, we reduced it by 0.6 percent a year. So now in this valuation, we have one year of expected growth of 0.6 percent and then forever more, we're expecting just a level dollar type of contribution. So – and when, when you think about it too, a level dollar approach like funding, uh, a mortgage or a car p-, payment, every payment is paying a small portion of the principal in the early years, mostly interest but a small portion of the principal but every payment has a principal component.

And when we use a level percent of payroll method, that might not be true when we have an extended period of time we're gonna pay for. Th-, those early payments aren't even payin’ all the interest it accumulates on the principal balance of URL. So again it's just a little, a little safer methodology. It doesn’t rely on, uh, on additional experience in the future about payroll growth. You know every time we can eliminate an assumption, we eliminate another source of gains and losses, so, so as actuaries, we're pretty good at makin’ assumptions. We're not maybe the best at eliminating’m but, but that’s the goal – is the fewer assumptions we're making, then the more likely the results we have are predictable.

Lisa H: Eh, thank you.

John G: I sees there's another – uh, one more question from, uh, Mary Moninger-Elia.

Naomi C: Mary, you'll have permission to unmute.

Mary E: Um, I'm not exactly sure how to ask this question but when you're t-, you're looking at a one-day snapshot – that's how you described it, that it's a one-day snapshot of, uh – and you're making assumptions from that one-day snapshot, I just wondered if you have noted over the past – because of the pandemic and the number of teachers that are retiring early, um, if you've noticed that any of your predictions, um, really varied more than what they would? And I also am thinking in terms of, uh, what's happening in some of the school systems where higher paid teachers who would be paying in 7 percent on a higher salary are either replaced by a lower paid person, um, or not at all. I think that's what's happening a, a lot – that the, the numbers of teachers are, are dropping. Um, how does that affect your assumptions?

John G: Right. Well...

Female: [Inaudible 1:05:31].

John G: ...I mean so I...

John G: I hope I didn't make it sound too simplistic of what we do and it is a, it is a one day set of data. Although, when we do that valuation, we're looking backwards as well and seein' how well prior va-, valuations we're predicting and how closely, um, this outcome is. And what you'll notice when we present the, the valuation next is that the normal cost – so that's probably the most – you know, tha-, that's the one that's based on like all the active members of, of the plan, what's one rate the actuary would say that if you contributed over your career in total, you fully fund the benefits of all the actives. And that number has been super stable. It's moved like one basis point. So it was like 12.66 a year or 2 ago. It's 12.65 now. Of that 12.65, 7 percent of it is contributed by members. So, so it's a very stable. And in our mind what we're seein', the actual valuation results are working pretty well.

However, every, every time an actuary makes an assumption, we have a loss. So we're gonna have losses due to members, um, retiring earlier, eh, than expected when those trends, uh, will occur. But, but it's not like we're assuming everybody retires at age 70 and now they're goin' out at 60. It's – you know, the way the actuarial rates work is if every year somebody who is eligible to retire, we expect a portion of'm do. So, so it's not a hundred percent in zero. It's, you know, we assume 14 percent do this and the next year, maybe 36 percent do do that. So again it's not like, um, the, the losses from any individual are, are enormous. Now the other item too you said is about the, the, the turnover of the active membership, that's kind of expected too. Right? When we have a lot of people who are eligible to retire, we're expecting in the future that we're gonna see a lotta the – that, that group move over from the active to the retired group.

And, and, and so those calculations really [inaudible 1:07:24] and kinda take into to account in the present value future normal cost calculation how much of the future benefits earned by the members are gonna be paid for, uh, by the salary of those, eh, members and their contributions. So it's, it's really – it's a pretty, you know, c-, complex calculation. I hope I didn't make it sound too simple. But, but, uh, it does take into account a lotta that. And we see those features when we do a valuation and that's certainly items that we pay attention to, that along as far as the cash flow of the system is an important metric that we really don't, we don't mention a lot about, um, but certainly, um, the, uh, the negative cash flow, which all mature pension plans have neg-, negative cash flow, meaning that you pay out more in benefits than you receive in contributions e-, each year. It's kind of a feature of a mature pension plan. It's just we don't want that to go into an excess. So hopefully that answered your question, Mary.

Mary E: I – yeah. I think. Thank you.

Helen S: Thanks, John. I think we can move on to the valuation. Thanks for taking those few minutes.

John G: Alrighty. I'll stop...

Helen S: Appreciate that.

John G: ...sharin' this.

Helen S: Thank you. Yep.

John G: And I'm gonna jump in to share the other one. Well let's see. All right. So, uh, what we have in front of us is the results, uh, really a summary of the results of the June 30, 2023, actuarial value of the Teacher Retirement System. Um, you should have the full report as a PDF as well. It's available. And once it's adopted by the board, then I think, uh, the system will have it out on the website available to all interested parties. And I'm gonna pass this off 'cause you probably heard enough of my voice. I'm gonna pass this off for Ben to go through and then we'll answer any questions you might have. So is it sharing yet.

Helen S: Yep. We could see it, John.

John G: Okay. Okay, Ben, take her away.

Ben M: Great. Thanks, John. We'll start on slide 3 and just 'cause there's a few, uh, uh, highlights for the valuation and then we'll get in to some of the more details a few slides later. Uh, so to start out, looking at the demographics for the plan is, is notable that, uh, the number of active teachers actually increased from the last valuation, uh, by about 2.4 percent and along with that, the annual payroll, uh, compared to last year w-, I think it was about 4.4 percent. Um, so we'll show in a few slide slides sort of how the historical trend of that has been going. But we did note that the number of active teachers has increased along with, uh, payroll since the last valuation. Uh, we also note that, uh, the unfunded actual accrued liability decreased from the last valuation by about $709 million, which is always a good thing. And coming along with that is the funded ratio increased about 2.8 percent from the last valuation about 2– as John mentioned earlier, about 59.83 percent, so really knocking on the door or crossing over that 60 percent funded ratio threshold.

The market value of assets for the year, uh, returned, uh, approximately 8.57 percent. That’s our estimate, um, based on, uh, assuming that cash flows happened in the middle of the year, a little bit different than what the, um, uh, State Treasurer might have, um, but should be pretty close. Uh, this could 1:10:50] compared to what the valuation assumes the long-term rate of return will be each year of 6.9 percent. Uh, so that on a market value basis, the fund earned more than what was assumed for the year. However, as John mentioned before, that we know that the market is very volatile on a year-by-year basis, so we actually smooth out the, uh, uh, you know, where the, the, the assumed rate of return is more than expected or less than expected. We, we smooth that out over a 4-year period, uh, just so we don’t overreact to a particularly good year or a particularly bad year.

So on a smooth actuarial value of assets basis, the return was actually 6.07 percent for the year, which was actually lower than what the assumed rate of return is just because we're still recognizing some losses from the last couple of years, particularly last year. Um, so this resulted in a, uh, increase in the unfunded accrued liability from last year of about $186 million. So next slide, please. So on slide 4, uh, looking at the noninvestment experience, uh, on a net basis, uh, eh, the, the results a, a loss for the year but it was much smaller, only about $13.2 million and this is due to things like salary increases and retirements, terminations. We'll show the – a little bit more detail on a few slides later. Uh, but I will point out that, uh, because we inaudible particularly, um, uh, high period of inflation recently, so COLAs are certainly, um, on a lotta people’s mind. Will notice that for the year there was actually a gain due to COLAs, uh, for the year. Uh, again as John mentioned, we assume about, you know, 94 percent of the current retirees. Uh, we assume each year we'll get about a 2 percent increase.

In actuality, for the year, they got about a 1.5 percent increase, so it was a little bit less than what we assume and so that’s the reason a gain for, for that. Um, as John mentioned, there were a couple of contributions coming in to the system, um, in sort of in 2 pieces this year whereas in the last couple valuations, they were in just one, uh, piece of about $900 million. And, uh, we have the $272.8 million contribution that’s already been made. And we're expecting about another 551 million contribution to come in a little bit later this year. Um, so about a total, uh, impact on the unfunded accrued liability of about $801 million. I will just point out that once we sort of know officially what the $551 million contribution, eh, is, if it – if that changes in amount or in the timing of it, uh, if it – if that happens cause any material change in our results, then we may need to come back and, uh, revise, um, our report. But, um, eh, we're not really anticipating that's gonna be much, much different.

John G: You know, Ben, if, if I could point out too, eh, kinda related to the question that, that Mary had, uh, was, you know, so the noninvestment-related experience so, eh, the total of all the gains and losses due to salary increases, retirement rates, all those items were $13.2 million, which on a $40.9 billion liability is – for actuaries, we feel like we nailed it. Right? I mean we, we, we do high fives when we see that kinda results. I mean it's 3 basis points of the liability is, is the size of, of, of that loss. So, uh, it was really a very, very stable, you know, kinda as-expected year even though by source we might have some plusses and minuses here and there. But in total, it was really a pretty stable year.

Ben M: Great. Thanks, John. And I would just point out that if you wanted to sort of, uh, put the, uh – these contributions that come in [inaudible 1:14:35] these extra additional contributions coming in in some kind of reference or, or frame of, eh, eh, framework, they are – work out to be about half of a one year's worth of the amortization at the unfunded accrued liability of the the payment towards that each year. So it's like making an extra half a year's payment towards the unfunded each year is the way it's kinda worked out for these, uh, uh, these extra contributions coming in. Uh, so next on slide 5, here's a picture of the membership of the plan for the last, uh, several valuations. Uh, again we were using – we were previously doing valuations every 2 years, um, historically and up until, uh – so this is really the first year that we're doing valuations starting on an annual basis going forward. Um, but again you can see that the, uh – for some of the earlier valuations recently, the number of active members has been fairly, um, flat at just about 51,000. Um, but in the last 2 valuations, we have seen the number of active teachers, um, increase noticeably. Uh, along with that, we're seeing payroll increase as well. So the number of active teachers for the valuation was 53,436.

Uh, and then over the period of time, we've also been seeing a steady increase in the number or retirees, uh, as is active teachers have been accruing, eh, enough to retire. So we saw from the valuation, um, a number of retirees and their beneficiaries of, uh, 39,843, just to give you an idea of what their numbers are in relation to the number of active teachers. So on slide 6, here's a similar history of the market and actual value of asset values. Uh, so again for the fiscal year ending, uh, June 30, 2023, the market value of assets was, uh – we valued it as, eh, $23.8 billion. Again the, the annual return, uh, from the prior year was about 8.57 percent. Again on inaudible value, we're not going to, uh, recognize all of that excess gain for the year right away. We're gonna recognize just 25 percent of it now and the other, um, 75 percent will be spread out over the next 3 years along with past, uh, gains and losses from previous valuations. Uh, so the actual 1:16:48] value of assets, as John mentioned, was $24.5 billion. Again, that was a return of about 6.07 percent, uh, compared to last year. So on slide 7 is a gain/loss and there's a little bit more detailed picture of sorta what happens at the last year.

Uh, some different things that caused the unfunded actuarial accrued liability to increase or decrease, uh, more or less than what we expected, uh, again the, the biggest bar there is the receivable contributions that we've included in this valuation. Um, that was – worked out to a gain or a decreased inaudible liability of about $801 million. Again, because on actuarial value of assets basis, uh, the return was not at – quite as high as what we expected. Uh, there was a loss there of about $186 million. You see that on the blue bar there, um, going off to the left. Um, for salary experience, it was very small gain of $25, uh, million. Uh, that's due to salaries not being quite as high as what we assumed would happen on a year-by-year basis. We know, um – I'll, I'll just continue to say that, uh, the other demographic assumptions there was a loss of $127.6 million. And again the COLA I mentioned earlier was a gain of 88.6. Again most of these amounts are, are relatively small relative to the actuarial accrued liability in total. Uh, most of these are, are less than half a percent, uh, in comparison to that. Uh, I will note that in these pandemic years that we have really seen, uh, retirement patterns, the mortality patterns, uh, really deviate quite a bit from what we have maybe previously, uh, experienced or observed.

Uh, so it's really been really tricky to, to kinda know what to do with the assumptions on a year-to-year basis. Uh, but we do periodically do an experience study ever 5 years or so to take a more detailed look at our assumptions and, and look and see over a longer period of time how well we're doing. And if we see that an assumption is constantly a loss or constantly a gain or, um, or just see some patterns that we need to make any change to our assumptions, then we will make those on a periodic basis, uh, to make sure that we're kinda fine-tuning the assumptions as we go to make sure that our results stay as accurate as possible going forward. My next slide, please. Uh, lemme get toward the actual numbers of the valuation. Um, again the actual accrued liability, again that's the, uh, the present value of future benefits that have been earned by the members, uh, we measured that as an evaluation of $40.9 billion. That's the, uh, blue bar there. You can see how that has increased over time as there, um – uh, for a variety of reasons. Uh, um, but we also seen as actual assets – actual value of assets have increased over time as well on the green bar, again $24.5 million. Um, in this case, that is actually growing a little bit faster than what the liabilities did in the last year.

And so that's contributed to the unfunded accrued liability, the red line actually decreasing from the prior year, so down to $16.4, uh, billion. And again we also see that the funded ratio, uh, corresponding with that has increased from 57 percent up to 59.8 percent. So again just really so close to getting over that 60 percent threshold. Next slide. We're looking at – the other reason we do a valuation is to kinda look at the – what needs to be contributed at next year but pay the normal cost as well as to, uh, make a, a, a payment to amortize any unfunded. Um, so you can see that the amortization w-, as a rate of pay, uh, uh, decreased from last year to 26.48 percent down to 26.05 percent. That's the red part of that, uh, line segment. As John mentioned, the normal cost, uh, has really been fairly, uh, stable and flat these last several valuations at 5.65 percent for the employer. Uh, the members who are contributing 7 percent, um, so again the, the total contribution rate is at 38.7 percent, which is down from last year's valuation of 39.14 percent. Um, again a lotta that can be because of the payroll being higher that these rates were based on as well. But with that, I'll, uh, turn it over to see if anyone has any questions about the valuation or if there are any slides we wanna go back to.

John G: Well.

Ben M: John.

John G: ...Ben, th-, there was one item. So in this years v-, valuation, we have a se-, section called risk assessment and lemme see if I can pull that up real quick here, um. And we – this is a new requirement. So does everybody see? This is, uh, really a page of the valuation report, page 17 of the valuation report. So in the risk assessment as, as you know, it's a section of the Actuarial Standards of Practice where we have to disclose some, some information about, you know, what we view as bein' the risk associated with funding in a defined benefit plan. Uh, this is a new m-, measure, this middle p-, paragraph. It's called a low default risk obligation measure. And, uh, it's, it's really, it's really a, a, a mythical calculation because it, it would be as if we shut the plan off on the valuation date, so no benefits accrue after June 30 of 2023, no future salary impacts benefits goin' forward. If we could shut off all the accruals in the plan as of June 30, 2023, and then we'd adopt a-, an investment methodology that would do what's called really asset liability ma-, ma-, uh, matching, so that when we have a benefit, you know, payable over the next 20 years, we would fund it with a 20-year bond.

So this, this idea is that we're gonna go with, with, uh, asset, um, um, investments that would have zero risk to them because they'd all be treasuries, uh, and guaranteed by the federal government and that they would match the expected cash flow that the plan would have. So again this is nowhere near what we're actually doin' to fund the plan. Right? We're invested in the markets as most every pension plan in the country is. However, this m-, measure has to be disclosed now in v-, in valuations. You see in the middle of the page here it's $45.3 billion, so a little bit larger than, uh, accrued liability we measure using diverse assets, you know, and a expected return of 6.9 percent. Here these bonds, uh, would be, uh, a rate that's less than 5 percent, um, uh, as of the June 30, 2023, measurement. But while we wanted to point this out because it has to be in valuations. There's gonna be certain organizations looking for these numbers and they're gonna be the ones that say ah-ha, here's the true liability of the plan and that can't be farther from the truth. And, and in that first paragraph, we state right there that, that this is an informational disclosure as described below and would not be appropriate for assessing the funded progress of the health of this plan.

So, you know, if, if somebody is referring to this as the true measure of the liability of the plan or the real actuarial liability, just point'm to that, that that's not the purpose of that measure. It's an as if. It has nothing to do with how the plan is actually funded. There's no way the state could turn off the contribution accruals as of June 30, 2023. And further than that, here we are in November and they haven't turned it off as June 30, 2023, already anyway. So, so again at best, it's informational only and it has no bearing on how, uh, the, the liabilities are calculated in determining the, the level of funding required, uh, to sustain the plan. So just wanted to point that out because that's probably gonna be something that's gonna be picked up in some publication, some magazine, some, some newspapers and it's gonna be again listed as ah-ha, finally we get the true valuation numbers. So anyway just wanted to pass that on. So with that, Madam Chair, I think, uh, that concludes our presentation and actual evaluation. We'll be happy to address any questions that may come up.

William M: John, my hand's up, so I'll go ahead and speak. Um, I think you and Ben very much for your presentation as every year, it's not just, uh, visually presented well, uh, you explain it very well. I was glad that Mr. Vargas asked for, um, a copy of the report, which usually does happen and will happen again. It gives us, uh, good bedtime reading and I thank you. Uh, but it also lets us study. It's a rather complicated issue and, uh, people don't have glazed over eyes right now. But there's a lot to try and figure out, um, and they maybe ask questions on it and they can – they have a reference. They, they have reference material to understand it better. But, um, you, you do a great job with it. Ben, I'm glad you're part a that team now. And I just appreciate it and thank you both.

Male: Thank you, Mr. Myers.

Gregory M: I guess I'll jump in. Uh, eh, thanks for the presentation. Cu-, uh, one question, like every year we're gonna ask ya for, uh – if you could provide, you know, the – sort of the 30-year projections.

Male: Right.

Gregory M: Uh, but one question in particular, uh, around the returns because we smooth them, um, and, and, you know the Treasurer's Office did a great job. We, we exceeded the 6.9 percent last year, um, but we still had a, a loss because of the losses that we have in '22 and '20 I think.

Male: Correct.

Gregory M: Eh, it's sorta like – it, it would be useful to know what, uh, what return do we hafta make this year, uh...

Gregory M: ...in order to not have a loss. Uh, I, I think it's...

Male: So...

Gregory M: ...probably pretty close to 6.9 because we're, we're gonna drop the ’22 – eh, eh, the fiscal year ’20 loss off the, off the smoothing. But it would be helpful to know what that percentage is because, uh, during the year we think oh, we're above 6.9; we're doin’ well but we have to remember that, uh, the valuation is based on a, a smoothing of a buncha years.

John G: Yeah. And, Greg, eh, as you know too that, you know, the metric of whether you're makin’ or losing money is, you know, a, a number higher or less or low-, lower than zero. Whereas...

Gregory M: Right

John G: ...for the actuarial valuation, our base-, baseline is really you earn 6.9 percent. Anything above that is, is good news. Anything below that is less than what we expected. So, um, w-, w-, we can, we can calculate that. Just, just, eh, I'll tell ya a quick way to get to it is if ya – remember Ben’s slide that showed the percent of the actuarial value of assets to the market value of assets, it was about 102 percent?

Gregory M: Yep.

John G: And so we gotta pick up that 2 percent in the next 3 years. We're smoothin’ over 4 years but this one year of it, so we have 3 more years to pick up that difference. So that’s roughly 0.6 percent larger. So I would kinda just estimate around 7½ percent is what ya need to get to kinda stay on path to, uh, um, you know, eh – and that, and that’s probably a little understatement of, of what we're gonna see just because the ’22 loss was pretty big, um, and that’s gonna be in there for that period a time. So, so – but we'll, we'll calculate that, Greg, and we'll, uh, we'll share that back through Helen.

Gregory M: Thanks.

John G: Ben’s, Ben’s a sharp guy. He might've already got the number calculated there. I, u so I know I wouldn't be able to do it but. Oh, and, uh, Greg, your other point about the projections – so part of the new contract we have with teachers is annual projections as well, just like we have with state employees.

Gregory M: Right.

John G: So, so following their evaluation, our next task is to get in to there and get those done. We anticipate havin' one out to ya before the end of the month.

Gregory M: Okay.

John G: And again we'll – those'll go through Helen, um, so.

Gregory M: Thank you.

Helen S: Thanks, John.

Female: I, I don't know if this is for the actuaries or this is just a general question but you said that the number of positions of, of active teachers has increased, uh, over the past 2 years. But we know that we have a number of vacancies in our classroom positions. Do you have a breakdown – and maybe this is for Helen – um, of whether that's administrative, uh, and like the – whether that's a classroom teacher or if they're an administrative positions? Just as a – curious – it, it seems curious to me that we're in a teacher shortage. We have school districts listing all these vacancies and I don't know if that's because we have more students to cover and we need more teaching positions or if they're, you know – but that might not be for the actuaries but definitely, uh, brought – uh, triggered a question in my brain.

Male: I will s-, just say that the, the data we received I don't believe breaks down the positions of the members.

Male: Yeah.

John G: You know and, and in all those statistics before, I mean I believe you probably been running – having vacant positions in every valuation we've performed since we've been hired. So again they're, eh, eh, eh – we have no idea how many of those positions are vacant but I'm sure that there's vacancies available in every valuations we've ever performed. It's just, you know – and I think your question is more are there more vacancies now or less vacancies. My wife's a teacher so I know that there's, uh, you know – I can fill one position if, if you got room for her up there but, but other than that, I, I, uh...

Male: Any final questions for John or Ben? If not, I would entertain a motion to accept, uh, the report from Cavanaugh Macdonald on our valuation and, uh, reports.

Male: So moved.

Female: So moved.

Female: Second.

Male: Eh, second.

Male: Second.

Male: And a second. All those in favor, say aye.

Male: Aye.

Male: Aye.

Female: Aye.

Male: And opposed? Or abstentions? Well then very good. It's official, gentleman and members of...

Male: Thank you.

Male: ...the board. Um, and Clare is back online, which is great.

Clare B: I'm sorry how I got off there, just but thanks.

Male: I...

Clare B: That’s what...

Male: I...

Clare B: ...the vice...

Male: ...understand.

Clare B: ...chair does, remember? That’s what the vice chair does, so thank you. All right. Anything else, uh. Okay and then we can move on to the next item on the agenda, um, the approval of the September 6 Board Minute Minutes. Everyone has the copy and have had a chance to review that? Yes? All right. The chair would entertain a motion to accept.

Male: So moved.

Male: Eh, second.

Clare B: Okay. Move. Second. Discussion? All those in favor signify by saying aye. Aye.

Male: Aye.

Male: Aye.

Female: Aye.

Clare B: Thank you. Um, and, John, before you leave and, Ben, just, eh, again thank you. You know Bill said it all but you've done – you did a great job on the valuation and the board appreciates it. Um, approval of the Board Meeting Schedule and you have that before you. Uh, the board, remember meets – we usually – say we meet about 6 times a year but it's usually closer to 8 and we usually schedule about 9. Um, and that's really not – eh, eh, there are times in which we must meet because there will be something that will happen whether we have to come together to meet like when we were doing re-amortization or viability. So the board actually had to come together, eh, eh, additional times. And none of that counts. Um, also when we ask you to on Appeals Committee, when we ask you to serve with an RFP group, that's additional meetings that we're going to ask you to, to perform on behalf of the board. These are just the full board meetings. So the board, uh, would entertain a motion to accept the schedule.

Male: So moved.

Clare B: Moved. Second?

Female: Second.

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

Male: Aye.

Male: Aye.

Female: Aye.

Clare B: Opposed? Abstentions? Thank you very much. Uh, the approval of the 2024 COLA increase for all 3 groups. John took you through each one of these – uh, the pre '92s, uh, the post '92s but, uh, and working in the system prior to '27 and then the '27s. And he said, if you remember, about 94 percent of our teachers are in the post '92s. Uh, about 5 percent, I guess, are in the pre '92s. You remember pre '92s, uh, would have retired perhaps around the age of 60 in, uh, 1992. So, so that's a very elderly population and not an increasing population. And then the – what's going to be an increasing population [will be 1:34:46] people – um, the 2007s because they're going to begin to appear before us and they're going to increasingly become a larger number. So for the first group on there, 3.2 percent for, uh, the, uh, the people who retired post '92 who joined the system prior to July 2007.

Three percent for the post, uh, September 1 '92 who joined the system on or after, uh, July of 2007 and then the largest group, unfortunately, we don't have that number yet but we will have it and we ask you to vote on it today ‘cause it is a certainty. Uh, we can assume it's gonna be in that 3 percent range, maybe 3.4 or 3.3. But what we're waiting for is that will not be announced. [Inaudible 1:35:36] will announce that in mid-December. We have the best information that we can right now but we're, we're pretty much right about where we think that will be. But what we're going to ask the board to do is accept them all because these will have to be awarded in January. So the board would entertain a motion to, uh, approve all 3 COLA increases?

Male: So moved

Male: So moved.

Male: Good for you.

Clare B: Second? Okay. Move and seconded. Discussion? All those in favor signify by saying aye.

Male: Aye.

Female: Aye.

Male: Aye.

Clare B: Opposed? Abstentions. All right. Thank you. Uh, Agency Report. Helen, uh, open enrollment, you're still doing it, right? Open enrollment’s...

Clare B: ...still going on until what – the 17th?

Helen S: Uh...

Clare B: I think ya had a, a information request, uh, from, uh, one of our members who’s involved in the – who lives in Massachusetts, who’s involved in how that, uh, um, you know, h-, how they’ve been affected by, uh – I know that United’s worked with them and reached out to them. And I know in this individual case that ya have as well. But I think that that’s – it's gonna be an ongoing issue. You're going to still have to work with those physicians and people who work just not, uh, being as responsive as we hoped they would be to what United Healthcare was trying to do, which is to make’m all, you know, compliant and a part of our system. So, uh, anyway, I'm sure you're aware of it. I'm sure it came to you as. Um...

Helen S: Yep.

Clare B: ...but at least, eh, eh, there, there are just a few little bumps and glitches in there. Well go ahead, Helen, you're on.

Helen S: Yeah. Yeah. There are, I think, maybe one or two minor issues and we directed it right to the escalation team and, and we've been working it. So they're well aware of it. So yes. Anything that comes to TRB, um, goes right to the, to the United escalation team. And it's been super quiet. So I – we've been working on other projects as you'll soon hear about. But, um, open enrollment was very quiet this year. Uh, there was between 50 and 72 members who attended each of the, uh, online, uh, webinars. There was no changes to the...

Clare B: Hmm..

Helen S: ...benefits. The only change that we did this year was to allow folks to disenroll, a one-time disenrollment to the dental. Um, again they cannot come back on the dental. But we did – there was few request that folks had over coverage through their districts or spouse. So we tried to accommodate those members. Um, as for counts, we currently have – let's see – what did I do with it? Ahh. I had it over here. Let me go ahead and just look it up for ya. We had, uh, minimal changes. We had, uh, 120, uh, members move to the MAPD plan and we had 32 members move to the Medicare supp plan. So it's been relatively quiet, um, as far as any plan changes go. And all is, uh, pretty well.

We've had, eh, just a few, uh, folks who dental for the open enrollment. And, uh, prior authoritarians are meeting all of the Medicare compliance for medical and prescription drugs. So all is well on the home front, uh, with our benefit program. As for the Core project, we are working diligently to get the final design reviews and test case reviews completed for phase 1. And then, uh, once those are approved, the training can start for the team, uh, which will probably be beginning mid-January. And we are scheduled to go live for February 1 if all goes well in a perfect world. Uh, but I'll just leave it at that. Things can happen when you're doing a major, uh, software conversion. So we're – everybody's on point and everybody's working very well together, uh, with Accenture and the Comptroller's Office.

Clare B: All right. Thank you, Helen. Um, just for the new members, uh, Core, uh, is going to be the system that we're going to be using for software for our Teacher Retirement Board. We used Pension Gold for a hundred years and, uh, it no longer is, uh, n-, we can't make enough patches to keep it up and keep it going. And so we have moved to Core. It's a multiyear process. We're the last group in. You know, you have the state employees, the municipal employees and now the teachers will also be in Core. This is no small project. Every single town, 169 plus all the regions plus all of the, uh, the universities and groups that are connectors, every one of them has to c-, be compliant with this new software approach. So it's gonna mean people going out to meet with them.

It's going to mean, uh, uh, lots of calls. Uh, there's going to be some pushback from larger districts maybe. Um, but at the end of the day, this will be, uh, extremely efficient and, uh, affordable for us and will give our members a lot more access to data and information that they currently do not have at all. Uh, so anyway, eh, I applaud Helen. Um, I think that she's done a great job, um, of, uh, you know, managing this Core. But I wanted to let the board member – it's just started, it's just started. We're just at this initial end where the staff are trained and now, and now we're about to – we're gonna take this onto the road pretty soon. So that, that will be, uh, that'll be a challenge. Thank you, Helen.

Helen S: You're welcome. And just a, a large shoutout to our team. We have a very small team and I can't, eh, eh, tell you enough, um, how much talent and dedication, uh, is with the TRB staff. People have been going above and beyond to get this project, uh, rolling. Vaishali and Javiel have been with us for 15 and 20 years and they're the backbone to the system. Uh, we have several – Ben, Amanda, Elise, Bob. I can't thank the staff enough for going the extra mile. Uh, and that is without, you know, big overtime bonuses and pay. Th-, these are dedicated folks who really wanna make this happen. So there's a, there's a, eh, very, very quality staff here at this Agency. And Charlene has been jumping in to run the day to day while we're all workin' on the project. So it's quite a collaboration for an Agency this size. So just wanted to share that.

Clare B: Thank you, all. Thank you, Helen. Uh, inaudible item on the agenda .

Clare B: ...approval of administrative action regarding..

John G: Clare, can I ask one question?

Clare B: Go ahead, John. I'm sorry.

John G: Sorry. I, I just had one question. It was actually building on what, uh, Helen just said. Um, I know that given the number of participants in the Teachers' Retirement System as well as the amount of money that the TRS is responsible for overseeing, eh, it is indeed an incredibly small department that moves mountains...

John G: ...uh, and juggles a great many things. So my question for Helen is do we have a plan given what you're anticipating that there's gonna be, I'd imagine, a spike in the number of phone calls, like you're gonna get requests for help, need to go out to districts to provide them some support? Is there a, a plan for how, uh, your office is going to manage just that huge increase in call volume and support volume.

Helen S: Sure. Great question, John. Uh, the district – a element where we're gonna convert the districts, uh, to Core is gonna be in phase 2 as well as the retiree portal. There are plans and, uh, initiatives put in place to increase, uh, some of our staffing and there will be training programs. We'll be working, um, hand in hand with Accenture, uh, and the districts to do that training when it's their turn to come –

when it's their turn to engage, um, in this process. So staff will – positions will be probably shoveled around a bit. There may be some opportunities for folks here and we hope to have an additional few members, um, especially in the call center, um, as we know that once we go live with the retiree portal and the districts, um, it – call volume will increase more than it currently has. So we're working towards that. So thank you. Great question.

John G: Thank you.

Clare B: Thank you. Anybody else?

Lisa H: I have one.

Clare B: Oh, go right ahead.

Lisa H: Okay. First of all, Helen, thank you, um, and your staff. Great job. I know that's a huge lift and we appreciate all the efforts you're doing there. I had a question on, um, sort of more metrics and how we track performance. Do we have an idea of how long it takes, eh, on average someone to get approved for prior authorizations and how many prior authorizations per year our members are requesting? Is that something we track of we could get information on?

Helen S: Uh, we, we get weekly and monthly reports about our prior authorizations and medical, um, authorizations. They take anywhere between probably 24 to 72 hours.

Lisa H: Okay.

Helen S: So we do. And I will – I probably should adjust that. You know United has come in and met all of their performance guarantees and deliverables, um, yet again, uh, like more expected than, than required. So they're doing an outstanding job.

Lisa H: So our metric is 24 to s-, 72 hours for approvals?

Helen S: Generally. Um, an urgent, an urgent, uh, PA would be 24 hours. It depends. There's ver-, there's multiple factors, Lisa, whether it's a medical, whether it's a prescription drug, so it just depends on the situation. But generally your prior authorization for drugs – I believe – Terry, I don't want to put you on the spot. I could probably bring up DeDe but it's probably about 74 hours.

Lisa H: Thank you.

Clare B: Okay. Anything else on that? Okay. Uh, item number 70, uh, and just for new members as well, we do this every single time the board meets. Uh, people do retire every month of the year but 1:46:01] the vast majority retire in June but we have people retire every month of the year. Survivor benefits, we have teachers who do die every month of the year and survivor benefits are awarded every month of the year. And then people go on disabilities and are recommended for that. The board does not approve personally these disability requests. The board has a Medical Review Committee that we hire and they re-, they, they review every single disability payment and request. Eh, what sometimes a person gets denied or delayed and it's usually because we just don't have enough information on them.

They submitted a, uh, disability request but we don't known when they're – why they're not able to work, so we may need something from their supervisor, their, their administrator. We may need something from their doctor 'cause there might be test results that would be required that just aren't a part of their package that they submitted. So often that's a part of why things go through Disability and sometimes they might appear more than once, uh, if you delve into the details there and it might still be on there. But that's because it's taken a little while to get it right. Uh, so that's just, uh, an overview for, uh, the new members as well. So that we are going to take all 3 – the grating of retir-, service retirements, the granting of survivor benefits and the granting of the recommendations from the Medical Review Committee for August, September and October. We'll take them all as a group. The chair would entertain a motion to accept.

Male: So moved.

Female: Second.

Male: Second.

Clare B: And moved. Second Thank you. Discussion? All those in favor signify by saying aye.

Male: Aye.

Female: Aye.

Clare B: Opposed? Abstentions? Thank you very much. Uh, the retirement statistics, we provide those every – at every single meeting as well. And that's just kind of an update from Helen's office as to what is going or who has applied for retirements. I mean, eh, it doesn't g-, you can't, uh, see the names always in many of these things but what you can see are statistics. You can see the data. You can see what actually is going on and take a look at that. Uh, so the board would, uh, move on to public comments. Javiel, do we have people in the, do we have people in the queue?

Helen S: Eh, Naomi's – I think...

Helen S: ...running the...

Naomi C: Yeah.

Helen S: ...public comments today, so we'll just...

Clare B: Oh, Naomi. I'm sorry. Naomi, go right ahead.

Naomi C: Yeah. So just a reminder, uh, public comments due to the large number of participants and the length of the meeting, we are limiting everyone’s comments to a maximum of 2 minutes. We will see a 2-minute timer up here on your screen and we will start the timer once we can hear you talking and you will be muted after 2 minutes. So with that, we will start with our first raised hand and for those who also have comments, feel free to press the raise-hand button to get in the queue. Uh, first, we’ll start with Mary. Mary, you have permission to unmute.

Mary H: Thanks, Naomi. Congratulations to our 2 new board members who will represent retired teachers in Connecticut. I see that the board will not be meeting again officially until February 2024. However, I believe that work will be ongoing during the next few months to prepare the request for proposal for our health insurance. I would like to put forward a request to the board that Kathleen Holt be included on this committee that works on this very important issue. Not everyone may be aware that Ka-, TRB Member Kathleen Holt is an expert on Medicare. Since Medicare is the basis for both of our insurance plans, there is no one better able to contribute her knowledge and experience to offer insurance plans that are fair and equitable for all retired teachers. Thank you.

Naomi C: Okay. I'm looking for any more raised hands. If you have a public comment, please – okay. We have our next raised hand. Walt, you have permission to unmute.

Walt C: Okay. Thank you very much. Uh, can you hear me.

Clare B: Yes.

Walt C: Okay. Thank you. Um, I too would like to say that with the upcoming request for proposal for, uh, health insurance contracts, I believe the board needs to take a close look at expertise that is found among the board members. And no matter what else may have been said, uh, this knowledge needs to be incorporated, uh, among the Insurance Committee and I hope that the board will take advantage of that opportunity and that expertise and include, um, those member or members on the Insurance Committee. And finally, um, a thank you and congratulations to, uh, both, uh, Mary-Beth Lang and Edwin Vargas for the recent election as a retired teacher member. Um, we're very happy as retired teachers to have, um, a larger voice in what's going on and, uh, we have a world of experience and I'm sure there are 2 new, uh, board members who will be able to share that as well. So thank you so much and we appreciate that. Um, that’s all for me. Thank you.

Clare B: Thank you. Next.

Naomi C: All right. Any other public comments, please click the raise-hand button. Okay. Rita, you have permission to unmute. Rita, if you're talking, we can't hear you.

Clare B: Rita, you may be muted. We're not hearing you.

Naomi C: All right. Well next, uh, we have Paula. Paula, you have permission to unmute.

Paula B: Hello. Can you hear me now?

Naomi C: Yeah.

Clare B: Yes.

Paula B: Hi. I just want to congratulate the new board members. Thank you so much for your service. And I also want to say that I agree with both of the last 2 comments that were made by Walt Ciplinski and Mary Hendrickson. We do need people from the board who are experienced with Medicare in order to navigate the system and to make it more equitable for the people that are on the traditional Medicare supplement plan. Um, I also have an additional comment, which has not happened today because most of the people have completed their remarks before 30-second warning. Uh, but in the past meetings when there’s been a 30-second warning, the person has interjected, uh, with their voice saying you have a 30-second warning and that really can throw off somebody’s ability to make a comment. So I would like to make a recommendation that in the future, you just have a little ding or a bell that rings because that’s what they do when you are testifying at any of the committees in the legislative body. And it doesn’t distract the speaker and they know then that they have 30 seconds to finish up. So I would appreciate it if you could implement that in the future. And again congratulations to the new board members and thank you so much.

Naomi C: Okay. Any other public comments, please click the raise-hand button. Any other public comments, please click the raise-hand button. All right. If we have no more public comments, we can move on.

Clare B: Okay. Thank you, Javiel. Thank you, uh, everybody, Naomi. Um, I'd like to, uh, thank all of the board members. Um, it's a long meeting today. I'm sorry about that. It’s just we do the valuation. We'll be doing it every year. Uh, it's the most important job that you do. Um, you know, we, we have a lotta other important tasks but clearly doing that, understanding it better, um, making informed decisions, asking good questions, all a that’s a part of it. So we thank you for, uh, all of your patience today and, and all of your attention too. And, uh, with that, the board would entertain a motion to adjourn.

Female: So...

Male: So moved.

Female: ...moved.

Clare B: We've been moved. Second?

Male: Second.

Clare B: All right. All those in favor signify by saying aye. Aye.

Male: Aye.

Male: Aye.

Female: Aye.

Male: Aye.

Female: Thanks.

Clare B: Yes. And before you leave, uh, remember happy Veteran’s Day, happy, uh, holidays coming up. Uh, and we will see you guys in the New Year. All right? We thank you.

Male: Thank...

Male: Thank you.

Male: ...you.

Female: Thanks, everyone.

Female: Thank you.

Female: Have a great day. Thanks.

Male: Take care, everyone.

Female: Thank...

/lo