CONNECTICUT TEACHERS' RETIREMENT BOARD
TRB BOARD MEETING
SEPTEMBER 25, 2024

Clare B.: All right. I'm going open the, uh, Wednesday, uh, September 25, 2024, meeting of the Teacher Retirement Board. Um, first item on our agenda was something that we asked Ted if he might do for us, um, periodically, but annually at least, we hope, uh, is to give us an update on, uh, how the funds are doing. Um, we often get questions about it. It's not technically in our purview. We do the bills. We're on the liability side of things. He's on the asset side of things, um, but he serves on this board and – as does, uh, Bill Myers of the Investment Advisory Council, so, so we always have a vested interest, um, in, in learning, uh, more than what you might just see on a – in a brief article or something on an update, from Ted, who is the Chief Investment Officer of our funds, so Ted Wright, you're, you're up.

Ted W.: Thank you so much, Clare. Um, do we have the, uh, PowerPoint that I sent over?

Helen S.: Sure. I'm – I actually, uh, sent that to Naomi. Naomi, would, uh, would you mind? Thank you.

Ted W.: Thank you…

Helen S.: She was already ready

Ted W.: …so much.

Helen S.: She was ready to go.

Clare B.: Very good.

Ted W.: Thank you so much, Naomi. Yeah. I just, it shows really well to have a visual, especially when it comes to performance. So, you know, it's all good news. I think that, you know, I did this presentation at the Capitol Building last week. Uh, it went really well. Um, if you could switch to the next slide. The performance for the fiscal year was 11.5 percent. Um, we added another $6.7 billion to the pension and, as of the end of June, it was about 57 billion. We're, we're – we are closer to 59 now, but it continues to grow. Um, I know that many of you know about the history of the performance of the plan has been a challenge, so now, I think September makes 3 years that I've been here, and I've seen the work of the Advisory Council, the treasurer, I guess the treasurers in this case, and, and, and the, the work that hiring really strong talent has done has certainly showed up in the numbers in the past few years, and I'll elaborate on that in a few minutes, but if we can switch to the next, uh, slide, um, so the 6.9 percent is the actuarial rate.

We outperformed that by 4.6 percentage points. Most of the return came from the global equities, as you could imagine, from the stock market.

Switch to the next new slide to get to the part that I think most of you want to talk about. Go one more, and you'll see that the global equity product that we have, which is, um, about 40 percent of the – of the pension – most of it is actually in a passive or slightly enhanced passive version. So what that really says is that, in order for us to do really well versus the equity market, we need to pick strong managers, because we have a pretty sizeable portion of the portfolio that's just in index – in the index alone. So if we could switch to the next slide, you'll see what I was t-, I'm talking about. So what, what, what has made us outstanding as a – as a public pension these last few years is that, despite having a sizeable portion in index funds, the ones where we actually do have active management going on has added incredible value across the spectrum. So regardless of the geography that you slice this equity book by, we've outperformed across all geographies globally, so we – our manager picks have been really, really strong, and they continue to be so. Our equity book itself, when you compare it to other public pensions across the country, has consistently ranked in the top 10, 10 percent or so of equity books – stock books across the country. So we've done outstandingly well in, in the stock market itself.

If you could go to the next, uh, couple slides. One more. This one is just a representation of teachers, municipal, and State, so you'll see the performance. They're all on top of each other. Um, the – any, any marginal discrepancy in performance is really the result of flows. So in the last few years, we've seen inflows into the State and teachers. State's obviously got more, so as they've gotten more, they ha-, they have a – they've had the opportunity to participate at times in a stronger s-, you know, in a – in an upward slop-, sloping stock market, when others may not have had the same relative number to put, put to work at the same time. But for the most part, these are all on top of each other, so there's very, very little difference between the 3 largest, um, pensions. And the, the final slide, which is the one that this conversation is really about, is how, how have we done. So you'll see in the – on the right side, CRPTF, our – the, the pension itself for the year – we did about 11.77 gross. What you saw earlier was the net number. The gross number is something is what – is the net number, so that, that includes all fees that we pay out to outside managers, is what makes that difference. What's important to note is the blue highlighted there. You'll see that the lower the number, the better.

So the goal is to be in the t-, top half of public pensions, $10 billion or over in the country. When I came here, that 10-year number that you see at the end that says 77, which is still not a great ranking – that was closer to 100th percentile, which means we were in the bottom of the bottoms. So the last 3 years, we've done outstandingly well that we've pulled ourselves out of the bottom, and as every year progress some a that underperforming performance will drop off and a new one will be added, as we do a rolling 10 years going forward. So as you can see, we're, we're no longer in the basement. And in the last 2 years, on a gross basis, we're the – we're in the top quartile versus pe-, other pensions in the country, so we are certainly considered one of the outstanding performers. Um, another, um, ranking report by the consultant Meketa, which is a – one of the – uh, Meketa's in, in the top 2 or 3 largest pension fund consultants in the country. That's our consultant, the b-, the IAC's consultant. They do – they have another source that they look at the $10 billion or greater on a net basis, so that's including – taking out the fees that are paid to outside managers, and that number in that report, our 1-year number, is in the top 10 percent of performance.

So needless to say, we've been among the best in the country now for 3 straight years running, and we continue to do outstandingly well. Um, the challenge for me has been to devise strategies to not only bring in top talent, but retain that top talent. So as, as many of you know, the turnover here historically has been abysmal. That has leveled off and basically flatlined in the last 3 years. You know, it's important that we create a culture of excellence, that people clearly – who, who clearly understand the importance of public service and to, to be comfortable at this role is to make a difference for the – for the pensioners and – including, of course, the teachers of the State of Connecticut. And as such, I would say that we ought ta be very proud of our performance, but, you know, the, the, the story continues, because it doesn't stop there. We still have pensioners who need to be paid, we still have future pensions that need to be paid and accounted for, and I think we are well on our way to getting there. So with that, I will kinda pause and take any questions or concerns or anything else and really look forward to, to the next year.

Clare B.: Uh, thank you, Ted. Really, uh, fabulous work. Uh, we're all proud of you. We're all proud of the work that you do. Uh, are there questions for Ted from board members? Uh, Lisa, go 'head.

Lisa H.: First of all, thank you for that report. I thought it was excellent – really clear and, um, easy to understand, and congratulations on your work. We're really pleased to see the progress. I – one question I have for you is can you talk about the risk profile of the investments? Has that changed or, um, are you comfortable where the risk profile is?

Ted W.: That's a great question, uh, Lisa. The risk profile on our – on our investments on our assets has – it has changed. So we've increased our risk profile in some cases. So what we've done is we've, we've started to add more private investments, so there's more private equity than we had, uh, 3 years ago. It's not that much more, 'cause it takes a while to build it up, but what I've – what I've done is, commensurate with, with increasing the risk profile is – we have a portion of the portfolio that's called risk mitigation. When I came here, it was mostly – and I don't wanna get too technical – it was mostly more absolute return hedge fund like, which it's supposed to be lowly correlated, but we all know when things go down, they all become correlated, so we've changed – totally changed the profile of that so that that piece of the portfolio is more like an option hedge, so it's no longer – the intent of it is no longer to try to deliver the, the, um, actuarial rate of return. It – most likely, it won't in most years, but when it will punch way above its weight class is during periods of market selloffs. So we've, we've balanced the downside risks of these riskier investments with an – with an –– with an asset group that's designed to make money mathematically when the market's in panic mode.

So it – it's not that it won't – it's not a hit or miss. It will make money, because it's, it's – mathematically, it has to make money when volatility goes up because it's, it's long panic basically. So that's how we've – that's how the ballast has changed. So historically, what we and most public pensions do is – they'll put their – uh, you know, they'll go through an asset allocation and then they'll have a harder portfolio that's more absolute return that's supposed to be, uh, market agnostic, but then when a period like 2008 hits, or, you know, the selloffs earlier in this decade, they go down as well, because they're challenged by things like illiquidity. They're challenged by things like, um, uh, capital flows, risk mitigation is not challenged by either of these things. This is true portfolio insurance, but done in such a way that we don't pay for it. That's the – the trick of it is you don't want to pay for insurance, and that's what we've created here. And, and on top of that, we've devised a, a rebalance policy where we, we historically had none in the State of Connecticut, a detailed rebalance policy that went through a rigorous analysis on the last hundred years of movement of the – of securities in the market and like which trigger points do we, uh, take profits from our risk mitigation, from our insurance, and reinvest it into a falling, uh, public market.

So it's very mathematically driven, it's incredibly rigo-, rigorous, and it's, you know – you can tell I'm very excited about it, but it's cut and sliced in many, many different ways such that, that it'll, it'll, it'll kick in – it'll kick in and signal to us what we need to do when we need to do it, agnostic of human emotion.

Lisa H.: Thank you. That's excellent. Thank you.

Ted W.: So I'm sorry for gettin' a little – I was…

Ted W.: …trying not to get technical, Lisa. I really tried; I failed.

Lisa H.: I love it. Thank you.

Female: Yeah

Ted W.: Any other…

Clare B.: Uh,

Ted W.: …questions?

Clare B.: …other questions? Other questions for Ted? Anyone? All right. Ted, Thank you very much. We now know what it looks like to get excited in mathematical land. Woo-hoo. not, not quite, uh…

Ted W.: It's not…

Clare B.: …[inaudible]…

Ted W.: …sayin' much…

Clare B.: …I imagine, but…

Ted W.: …for me then.

Clare B.: …but I love it.

Ted W.: [Inaudible]

Clare B.: Very, very good. Remember…

Ted W.: Thanks.

Clare B.: …it's, uh…

Ted W.: Thanks, Clare.

Clare B.: …I think, uh, I can't remember who said it to me. It was one of our treasurers – said listen, Clare, uh, don't smile, because it's other people's money, so I said yeah 29:00], okay, uh, I won't. Um, come to the meeting and we won't smile. But anyway, thank you, Ted. Fabulous work. Uh, I know our teachers are gonna be, uh, very happy with that news too, so thank you.

Clare B.: Um, do we need to accept, uh, that update as a – yes? Do have an – is that an action item?

Helen S.: I don't think it's an action item. I think it was just more of an update, Clare, as to what's going…

Clare B.: Okay.

Helen S.: There's really no action for us to take. Thank you, Ted.

Clare B.: Okay, Thank you very much, Ted. And, uh, please keep doin' good work. All right? We're lovin' it. Uh, the approval of the, uh, board meetings. You have – the last real, uh, board meeting – full board meeting was on June 12, 2024; however, this summer, because of our work with healthcare – dental and, and health, uh, we had special meetings. One was on, uh, July 31, and one was on August 28. So prior to this meeting, we actually have had 3 sets of, uh, minutes. Uh, one were just single-issue, uh, you know, meetings, the 31st and the 28th, and the other was the full board meeting of, uh, June 12, so we sent all of those to you, and the Board would entertain a motion to accept the minutes.

Male: So moved.

Clare B.: Uh, moved. The second? We need a second?

Male: Second.

Clare B.: Moved and seconded. Uh, discussion. All right. All those in favor, signify by saying aye.

Attendees: Aye.

Clare B.: Opposed? Abstentions? Thank you. All right. Approval of the updates to the bylaws. Um, they're necessitated by changes – uh, remember we had legislative changes this year. It had to do with, uh, elections, it had to do with active teachers, retired teachers, um, and it – that's primarily what's in there, uh, as you look through those. Uh, I don't think there's, there's anything else astonishing in there. Helen, you wanna – anything you wanna say about them? Or Bruce? I mean it's, it's a practice that we will probably have to do when legislation is passed that puts our bylaws, you know, at – out of sync with, uh, what the current reality is. Helen?

Helen S.: Yes. That is, uh, basically – that's really what we did. We just updated it to mirror these statutory changes, because we wanted to make sure the bylaws were in sync with, with the statutes. We did have one other minor update. The election committee, when we had, uh, met several times, decided that we will continue with the electronic petitions, uh, versus keeping the option for paper or electronic, because we've been doing electronic for 2020. It's been going very well, so we just, uh, took out the active paper, uh, petitions, and we'll remain with the electronic system that we have set up, which works very well.

Clare B.: So that's the only change, really, that's not driven by a new statute. That's just…

Helen S.: Inaudible

Clare B.: …but the committee did meet, and I noted they took a lot of suggestions from people and looked over a lot of things, um, and they felt that this was a – this is a, uh, a, a, a way to continue and move forward, and so yeah.

Female: Mm-hm

Clare B.: Totally fine with that as well too. Uh, questions for, uh, Helen or Bruce or anybody on the bylaws? All right. The chair would entertain a motion to accept the, uh, updates to the bylaws.

Lisa H.: Sorry, I did have a question.

Clare B.: Oh, go ahead, Lisa.

Lisa H.: Yeah. Thank you, um, for doing that. I appreciate that. I – for some reason, I did not get a copy of the bylaws and the redline changes. Could I – I haven't seem them. I, I have no objection to the way it's been represented, but could you pull those up on the screen and just show us the changes?

Helen S.: Um, I don't have them a-, available. I – uh, Bruce, is in the middle of updating them? I'll be happy to send a copy over to you.

Bruce B.: Yeah, I would send a copy. I wouldn't put – I would not put them up on the screen.

Female: Yeah.

Lisa H.: Okay. Could I get a copy…

Clare B.: [Inaudible]

Lisa H.: [Inaudible]

Helen S.: Sure.

Clare B.: Okay. Uh, other questions? Anything on the bylaws? All right. Chair would entertain a motion to, um, uh, uh, approve the update to the bylaws. Do we have a motion?

Male: So moved.

Clare B.: And second?

Male: Second.

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

Attendees: Aye.

Clare B.: Opposed? Abstentions? Thank you very much. Approval of the board 25 – 2025 board meeting schedule. Remember, we try to schedule at least 6 meetings, uh, and, and we often go over that and under that, and most often over it because we have to do some things, and we have to get together to do those. Um, we are mindful of our active teachers and their schedules because, um, you know, they have meetings and they're, they're leaving, you know, work, uh, to do that, just as our public members are, so they like a stationary kind of time. Um, and, uh, so I think that, Jon, you were still working on a few, uh, adjustments to yours, 'cause you have new – you have a new principal.

Jon M.: I'm in a new school even…

Clare B.: Okay

Jon M.: …so…

Clare B.: …yeah. So I'm just saying. And Carrie, you have also sometimes had that, and so you just keep us mindful of that, and we will make adjustments where we can. Um, okay? So we've tried – we've made our commitment to both of you to do that, so we will. Uh, yeah. We would – uh, yeah. The board would, uh, entertain a motion to approve the recommended board meeting schedule for 25 – 2025.

Male: So moved.

Clare B.: Moved.

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

Attendees: Aye.

Clare B.: Opposed? Abstentions? Thank you. Uh, proposed legislation for 2025. Helen?

Helen S.: Yes. It – we – it was approved last year, and it did not, uh, make it through the session, so we're just resubmitting, uh, what we submitted last year. There were the, uh, ineligible cleanup of – how do I wanna say this? Of entities that should not be in the Board. Uh, there was a change, uh, with regards to eligibility for – that was not in our statute. It was – it's an IT role that should not be in TRB, and there was the, uh, death benefit where, uh, the survivors should, uh, be able to receive that benefit – the children survivors – um, if there was no beneficiary. So it was the same as last year, uh, so I wasn't sure if it needed approval because we'd already approved it. We were just resubmitting it. But I just – we wanted to bring it up just so that everyone was aware that it wasn't accepted and we're just gonna go 'head and resubmit it.

Clare B.: Okay. We'll approve it again. All right. Uh, we needed uh, item number 5, the proposed legislation, same as the last one for 2025. Do we have a motion to approve?

Male: So moved.

Clare B.: Move. Second?

Male: Second.

Clare B.: Second. All those in favor – uh, sorry. Discussion? All those in favor, signify by saying aye.

Attendees: Aye.

Clare B.: Opposed? Abstentions? Thank you very much. Uh, the agency report. Helen? You're, you're up.

Helen S.: Yep. Um, open enrollment will begin October 7. Uh, it'll run through November 22^{nd}. The postcard – the reminder postcard was sent out a few weeks ago. We sent out a postcard because at this time of year, our population is inundated with mail, um, because of all the Medicare changes, so we do the reminder postcard so that folks know to keep an eye out for the TRB information and not toss it. Uh, we learned that the hard way – a lot of reprints, so hopefully, uh, that works, uh, for us. It has been working. The mailing has been sent out. Uh, members area receiving their packages. The packages have an explanation cover letter in there about the changes, the open enrollment schedule. There's meetings in person, uh, webinars, and we'll start that on October 7. The active board seats – uh, we had 2 folks, uh, petition for them, Jon Moss and Steve McKeever. Uh, they were the only, uh, 2 active board members, so we will do the, um, October – uh, the month of October to go 'head and do those petitions, because, uh, per the bylaws, they have to get 200 signatures, and they'll be done electronically, so we'll start that with, uh, Jon and Steve for, uh, next week.

The Core update – uh, the CRM, uh, piece has been launched. We continue to work through it. Payroll and health is set to move forward at the end of February. The last phase of the employer reporting and getting our districts, um, into Core should take place in August, um, of 2025. So that's where we are with Core. We are continuing to work through those design processes and requirements to ensure that our members receive the appropriate benefits and that the system is capable of providing them. So that's where we are with Core.

Clare B.: All right. Thank you, Helen. So our, our, goal on that is to, be somewhere near completion on that in August 2025. Correct?

Helen S.: Mm-hm.

Clare B.: Okay.

Helen S.: Yes.

Clare B.: Very good. Uh, questions for Helen on any a these issues? All right. Thank you very much, Helen. Um, now, approval of the administrator's actions regarding A – the granting of service retirement benefits for June, July, August; B – survivor benefits for June, July, August, 2024, 2024; uh, recommendations reports, uh, from the medical review committee regarding applications for disability payments as presented to them, uh, for June, July, and August of 2024 meetings, for all three of those. Chair would entertain a motion to approve those.

Male: So moved.

Clare B.: Moved. Second?

Male: Second.

Clare B.: Ah, thank you very much. Um, all right. Discussion? All right. All those in favor, signify by saying aye.

Attendees: Aye.

Clare B.: Opposed? Abstentions? All right. Thank you very much. Uh, retirement statistics for the months of June, July, August – uh, they are attached, uh, for your review. They're always, uh, a part of what goes on at the meeting here. Um, uh, public comments? Are we ready?

Naomi C.: Yes. We are ready for public comments.

Clare B.: Go right ahead.

Naomi C.: All right. So just a reminder, we'll be pulling up the chat and w-, everyone will have a 2-minute limit to speak. We will start the, uh, countdown as soon as we hear you talking and, uh, if you would like to, um, start raising your hands now, we will start off with whoever raises their hand first. Okay. All right. Rita, you have permission to unmute.

Rita M.: Hi. Good afternoon, everyone. I hope that the new bylaws will be available on the website, and there seems to be a bit of a problem with the insurance info that's going out. Um, some people are receiving envelopes with no material, and it seems that many of the envelopes were unsealed, um, so I'm thinking that maybe the contents slipped out along the process. I haven't received mine yet, so I can't speak from firsthand information. It's just what I'm hearing through the grapevine. Thank you.

Female: Hm.

Naomi C.: All right. Um, are there any more, uh, hands? Any more public comments? All right. If we have no more hands, then that will conclude the public comments.

Clare B.: All right. Very good. Thank you. Um, yes, uh, the, uh, Board would entertain a motion to adjourn.

Male: So moved.

Clare B.: Moved. Second? Where's Joslyn? Always lookin' for her. Um…

Male: Second.

Clare B.: …all right. It's been moved and seconded. All those in favor, signify by sayin' aye.

Attendees: Aye.

Clare B.: And remember, our next, um, our next meeting will be on – I think it's – is it the 13th of November? So it will be, uh, post-election by the way, whatever that means. So, I'm sure we'll all be interested or, you know, just fatigued to death from all of the information by then anyway, so, uh, so, uh, yes, we look forward to that. Uh, happy Halloween, um, and, uh, the, uh, definitely the autumnal equinox and, and all that that entails, so, uh, and happy Veterans Day, guests, which will be coming up too, um, so we will, uh, we'll have more anon, and that will be, uh, on, uh, on the 13th of November, so thank you all. Thank you all for bein' here today.

Female: Thank you.

Male: Everyone.

Helen S.: Thanks…

Male: Yep.

Helen S.: …everybody.

Male: Bye.

/tw