CONNECTICUT TEACHERS' RETIREMENT BOARD
TRB BOARD MEETING
JUNE 18, 2025

Clare B.: Um, yeah, we'd like to open the Wednesday, uh, June 18, Teacher Retirement Board Meeting to order. Uh, the first item on our agenda is the approval of the 5-year Experience Study. Uh, it covers the time period of 2019, uh, to 2024. And we've been looking forward to this because we didn't know the, um – what kind of effect COVID would have. It's had a lot of effects on everything. The economy, um, everywhere from locally, nationally, globally. Um, and I think that we were anxious to know that. For the, uh, people listening in, um, the experience study is only done about every 5 years and what we're doing with that is asking our actuaries to test every assumption that is a part of our valuation. And it includes everything. Um, you know, uh, how long teachers are gonna work, how long teachers are going to live, uh, you know, how many spouses are gonna participate, uh, in the plan,– all of those, all of those kind of demographics that our population. Plus, um, inflation, things that are out in the economy. And so did we get that right? Was our assumption on the mark for that? Um, mortality. Something that we often have changed. I can't remember an experience study when we didn't change something with our mortality rates because every time we do it, we learn that we're living longer, uh, we have more retirees, and they are als-, they're living longer.

And so we have to kind of adjust what our expectations are [inaudible] much money and how many assets you're gonna need and kinda cash-flow issues going forward. So, uh, I mean, there's a lot in there. It doesn't, it doesn't seem like a lot. Lisa will love this. I know this is gonna kinda be her – this, this is gonna be the agenda item that she's been looking forward to. But, but remember, um, we do test every single one of them in there and that's why it's important. And then we don't do this again. We'll do this again in another 5 years. The reason that this one, I think, people were looking, uh, looking at is because what, what effect did COVID have for us? Uh, because this one here encompasses pretty much these COVID years. So I'm all done with my introduction. You probably have a lot more important things to say. So, Ben, I think it's up to you. Todd, Ben, all on.

Ben M.: That's great.

Mary-Beth L.: Can I, can I ask a question before he begins?

Clare B.: Go right ahead, Mary-Beth.

Mary-Beth L.: Um, I – when I was looking at the, um, graphs, I understood what current and proposed was. What does actual mean? Is that you projected originally?

Ben M.: We'll get into that and explain that more clearly as we [inaudible]...

Mary-Beth L.: Okay. Okay.

Ben M.: ...in our presentation.

Mary-Beth L.: Okay.

Clare B.: Good. We all set?

Ben M.: Great. I'm gonna try and share my screen if I can.

Clare B.: Oh, that'd be great. Yeah.

Ben M.: Everyone see that okay?

Clare B.: We do. We got it.

Ben M.: Okay. Perfect. I'm gonna let Todd start us off and then I'll, I'll pick up towards the end.

Clare B.: Thank you.

Todd G.: Okay, Um, well, thank you for the introduction. Um, this is our, uh – basically we're gonna be going over a PowerPoint presentation which summarizes the results. Uh, the actual report has every little detail that we went through to arrive at our conclusions, um, essentially. And, um, you know, uh, so, basically the experience study is – I call this like the blue collar project of the actuarial world. So this is where we, uh, we have to look at data going back, you know, from 2019 to – period of 2019 to '24. And we basically analyzed, you know, what happened, um – you know, what really happened and we compare that to the assumptions that we use, what we thought was gonna happen during that time period. So, uh, Ben, if you could – I'm sorry, Ben, back to the, the pictures there? So...

Ben M.: Sure.

Todd G.: ...so, uh, so this is your, your team that, you know, works for you, um, for the Connecticut Teachers' Retirement System. So at the top, you can – uh, we have, uh, me, uh, Ben, and Alisa Bennett. Um, Alisa Bennett is primarily the OPEB side of the, uh, of the shop. And then, uh, Ben and I kinda handle the pension side essentially. And then below that we have, uh, Ryan Thompson, uh, Darby Carraway, a-, and Nathaniel Hutchinson. So, um, it's a very deep team so it's not just – even though most a the communication comes through Ben or me, we really have, you know, 6 people, uh, supporting you here at CavMac. And, uh, I do promise I look better in person than I do in that picture. Um, that like my attempt there so I just went with it, so. Uh, if we go to the next slide, please? So, uh, the next – so, uh, basically here's the, you know, the, the, the discussion topics or table of contents here. So first off I'll just be goin' through some background information and the purpose of the experience study. Um, and then we're gonna review the ke-, key findings of the experience study. And then finally, uh, uh, you know, probably the most important thing is, you know, h-, what does that have – um, how does that impact the cost a the plan? We leave that for the end just to keep you guys interested, uh, throughout the whole, uh, um, presentation here, so.

Uh, next slide, please, Ben? So. So as we kind of already went through, but the, the purpose of the experience study is to re-, uh, review and evaluate all the actuarial assumptions that are used in our annual valuation. Uh, and why is this important? Uh, you know, it's important because we want the cost a the plan or – you know, that we give ya in the annual valuation that, that you have to fund the plan with, we want that to be as accurate as possible. Um, because, you know, we are estimating the cost, you know, on the valuation date but the true cost a the plan, you know, there's a hundred years of benefit payments that are – you know, that we're tryin' to, you know, figure out. So, uh, so it's really important to have accurate assumptions and to review them, uh, periodically and as typical as – you know, you guys are typical with every other retirement system that I work on but, uh, the, the process is to review them every 5 years. Um, so we look at, uh – you know, we compare the current assumptions to actual experience and then we have to make, you know, judgements. Do we, do we need to change our assumptions to match experience and, uh, if so, how much do we change them? And we also, we also have to be mindful too that we don't wanna, you know, put too much emphasis on current experience. You know, uh, we do want them to reflect what we think is gonna happen in the future as well.

Uh, the studies are performed every 5 years. So this study, uh, covers the period from, uh, June 30, 2019, to June 30, 2024. And then, uh, at the end of this, if you guys adopt the experience study, then we will use the, the new assumptions beginning with the June 30, 2025, actuarial valuation. Um, what's important here to note is that, uh, actuaries – um, you know, there is no governing body of actuaries except for actuaries. So, um, because of that, we have what's called Actuarial Standards of Practice. And, um, so as an actuary, you know, it, it pre-, it pretty much provides guidance for us, uh, in anything that we do, um, when it comes to selecting assumptions like we're doing here, actuarial valuations, uh, risk analysis. All the things that we perform for you, we are guided by the Actuarial Standards of Practice. So, um – which is important because you don't want your actuary being a lone wolf, you know, kinda doing things that are out there on the edges. Um, so. Uh, the next slide, please, Ben? So as I've said before, uh, process is to compare – um, you know, during the study period we're gonna compare, um, what happened, actual experience, to what we expected to happen based on the current assumptions. And then we have to evaluate if any changes are necessary.

And the key metric we use, particularly in the demographic side, is what we call A/E Ratios. So the actual result would be the actual number of retirements or the actual number of deaths compared to the expected number during the study period. So, um, ideally in a perfect world you'd want that number to be 1. You know, that means everything happened within what we were assuming. If, uh, more, um – if it's over 1, that means we had more experience than what was expected and, you know, and that can be good in some cases. So if it's for mortality, for instance, that could be good for the plan in terms of cost. It's not necessarily good for the, for the members 'cause you're experiencing more deaths. Um, but then on the other hand, if you have – for retirements, if that's more than expected on the retirement side, that can actually – that, that means you were having losses, you know, more retirements than we were anticipating, so. So depending on what assumption you're looking at, being over 1 could've been good and being under 1 could've been, uh, could've been good or bad. So it just depends on the assumption we're looking at. Um, past experience can provide a strong guidance for some assumptions like, uh, you know, like demographic assumptions like mortality, retirement patterns, termination patterns, but that's actually weak for things like economic experience.

And, uh, ASOP 27, which provides guidance for selecting, um, assumptions, uh, espec-, uh, for pension obligations, um, explicitly states for economic assumptions you cannot put undue weight to prior experience. You know, it really is a, a very fu-, uh, future-looking assumption. And then, um, finally it is both an art and a science and it does require, um, you know, a lotta judgment because – you know, and often in cases, you know, we don't have – we may not have enough data over a 5-year period to really make a – you know, to base an assumption off just what happened durin' that 5-year period. So, um, as actuaries, we're – you know, and working with lots of retirement plans, um, you know, we, you know, we typically have an idea of how things should really behave and, um – you know, so if you don't have enough experience during the short term, we kinda rely on that judgment on how we think things should be, uh, you know, happening and, uh, may not, may not, uh, put too much weight to the – you know, to what we saw. So that's why it's kind of a – there's an objective part to it where we're actually seeing what happened and then there's a subjective part where did we have enough data to make – you know, can we, can we make decisions based on this or do we have to apply, you know, judgment, um, and layer that on top of the experience? Uh, next slide, please, Ben?

So like I said, uh, the assumptions are forward-looking, um, especially for economic assumptions. But that can also – you know, for retirement patterns, that can be very important. If we expect, uh, that there's something happening, um, you know, like significant pay raises, uh, that are coming down the pike or, uh, you know, key benefit enhancements that we know that have been implemented but may not have, uh, may not be happening yet, we – and we anticipate that those will generate more retirements, we would wanna me-, we would want to put that into our analysis, you know, as part of the, the judgment side. The assumptions are very long-term in nature. You know, 30 – uh, more than 30 years. You know, 100 years. If we projected out all the benefit payments, we'd have 100 years of benefit payments easily. Um, you know, in the short term, we perform actuarial valuation. So experience emerges in th-, in the short-term period where we reflect actual experience in our cost calculations. And, you know, as actuaries say, we, you know, we, you know we make all these assumptions but we do assume – we do anticipate that they're gonna be wrong to one degree or another on an annual basis, so. And that's why you have fluctuations but that's why we perform actu-, actuarial valuations on an annual basis. Um, ultimately though the assumptions do not affect the true cost of the system because the true cost of the system is gonna be based on actual experience. So actual retirements. Actual pay raises. Um, actual plan provisions.

But in the short term, the assumptions are important because that's what we're using as the basis for our funding of the system. Um, finally, actuaries – you know, as the actuary, we are making – um, you know, ultimately this is a recommendation but it's up to the Board to adopt the assumptions. Um, it's, you know, typically very rare for the Board and the actuary to not be in agreement, so, um. But, uh, you know, but, but we are making a recommendation and then the Board is responsible for adopting those – the assumptions afterwards. So, uh, here're some just – kinda some nuance. You know, so what happens when you change assumptions? Because we are gonna be recommending some changes so just to give you an overview of, uh, you know, what is a typical impact. So for instance on the economic side, if you decrease the investment return, that increases cost. Um, if you lower salary – uh, future salary expectation, that would decrease cost because this is a pay-based plan. It's based on final average earnings. So, uh, if you lower salary increases, that could – that will decrease the cost of the plan for the active members. In terms of mortality, if we expect longer lifetimes, then that would increase cost. So that means extra benefit payments in retirement. Earlier retirements. People retiring earlier than, than, uh, anticipated. Um, so increasing early retirements. That will increase liabilities 'cause that means now you're paying benefits. Even though they might be smaller because a person who retires is giving up a-, an accrual, a year of accrual, on their benefit but they are receiving an extra year of benefit. So most a the time, uh, that extra year of benefit is more valuable than waiting to get a higher benefit.

And then finally, uh, increasing termination rates. So these are for active members who are not eligible to retire. If the pro-, if we expect – or if we increase those termination rates, that would decrease the cost of the plan because, uh, there's not gonna be as many people left – uhthere's not gonna be as many people retiring. You know, they're gonna be leaving before they're eligible to retire. Uh, so finally, uh, this is not – you know, it's not a true actuarial presentation if we don't have the C + I = B + E. But out of all the assumptions, really the investment return assumption is probably the most significant in terms of cost. And then number two, I would put mortality. Um, but, uh – and, you know, and the reason why is because with the C + E =, C + I = B + E equation there, if, uh, you change that I, that's our assumed rate a return, if you lower that, that has to be made up by contributions. So, hence, increasing cost. And, and the correspond-, the corresponding – the opposite a that is true too. So if we expect higher investment income, then that would lower cost. And it's very sensitive. So, um, any slight change in that results in a significant change in the, in the long-term cost of the plan. Uh, next slide, please?

So without going into, um – you know, a lotta the details of all this work is in the report and, um, we didn't wanna keep ya here until tonight. So, um, I'm just gonna hit on the economic assumptions and then I'm gonna turn it over to Ben who's gonna do the demographic assumptions and they have a lotta pretti-, prettier graphs and things like that that we'll hope you find interesting. But, um, but on the economic side, um, you know, ASOP 27, uh, talks about selecting ac-, uh, assumptions for measuring pension obligations and it does cover the economic and demographic side. Uh, um, there used to be a separate ASOP that covered the demographic assumptions but now that's all – it's all been combined into one ASOP. But really the ulti-, ultimately, um, after reviewing the, uh, the assumptions for investment return, um, you guys are unique because your investment return assumption is set in your statute. So we, um – as part of our analysis here, we're not really recommending a change but what we're saying is – or recommending anything. We're just – we're in agreement with the 6.9. We think that it's still a reasonable assumption. And, uh, and based on current economic, uh, capital market assumptions that we use, um, the chances of achieving that 6, 6.9 percent return is about 55 percent. So you're actually slightly above the 50/50, uh, break point there which is, uh, a great place to be.

And in terms of inflation, uh, price inflation, that's 2½ percent. And we're not recommending a change there. So even though during – uh, right after COVID and, um, and that ship got, uh, stuck in the, in the Suez Canal and it created all kinds a problems with, um – and then we had those enormous inflation spikes, uh, you know, based on, um, you know, current future expectations for inflation and what, uh, Social Security s-, uh, uses for, uh, their inflation assumption and what the bond market is, uh – anticipates for inflation, we are, we are not recommending a change, um, right now. So we're ti-, we would like keep that at 2½ percent. And then wage inflation, that is, uh, what we expect in, uh, salary inflation to be in excess of inflation. And right now that is 3 percent. And, um, if you look at our recent experience – or you'll see – Ben will go over the salary experience and you'll see that, um, we think that the, uh, long-term expectation for wage growth is 3 percent and we do not recommend a change there either. Any questions with that bef-, yes.

Lisa H.: Um, thank you for that. Can you talk about with wage inflation how you, uh, account for step increases? Are those included in your wage inflation number?

Todd G.: Uh, n-, no. So they are not. That is kinda the underlying – that's the basic in-, uh, inflation increase. Which means that, um, as an employer, you have to give raises that exceed inflation, right? Because, um, if you do not do that, you'll have a hard time retaining, retaining teachers, right? So, um, so this is the very – the building block or the very first building block of the salary assumption. So after that, you have merit and productivity increases. And for that, we look at the total salary increases and, and, and Ben will be going over that, um, at the – you know, through the demographic assumption side.

Lisa H.: Okay. Thank you.

Todd G.: So here is just, uh, some a the actuarial methods that we use. And we're not recommending any changes here. So our actuarial cost method is entry age normal. That is the methodology that's used by pretty much almost every, uh, public sector retirement system. Um, and it also is, uh, it is consistent with what is required under GASB, you know, GASB 67 and 68 and, uh, 74 and 75. So, uh, we're not recommending any chang-, any changes, uh, to the actuarial cost method. We have our, um, asset smoothing method and you guys are using 4 years and that's pretty typical, um, of most, uh, retirement systems and we are not recommending, uh, any changes there. Um, your amortization, uh, funding policy, that is, uh – that was set up at the June 30, 2018, valuation where you had 30-year transition base. And, um, but then subsequently every valuation after that, any change in the unfunded liability, we've been amortizing over single 25-year, uh, bases separately. And we call that layered amortization. And as of, uh, June 30, 2024, there's 24 y-, years left on that transition base. And that transition base is really the most important base because once that is fully paid for, most likely you're gonna be close to 100 percent funded. All the new bases established after that should offset each other. Um, unless we have a significant – it would have to be significant market volatility, you know, like, um, you know, like a sign-, a s-, very significant, uh, asset loss or even gain or something like that that would, that would put us, um – that would not make that statement true. So.

And then, uh, the amortization, uh, method is as of – is as a level dollar which means it's like a traditional mortgage. All these, uh, unfunded liability bases are set up with one – uh, a single payment that is the same over the entire amortization period. So, uh, it's like a mortgage. You know, anybody's mortgage is – you know, pay the same amount over the 30 years or 15 years or however long your mortgage is. And we are not, uh, recommending any changes here either. Uh, and I'd like to say that that's, uh, a very conservative way to pay off your unfunded liability and, um, I highly recommend it. So. Uh, next. If there's no questions, um – yes?

Lisa H.: Quick question. Um, thank you for the assumptions. On the smoothing, I know a lotta municipalities use a 5-year. Can you talk about why you think 4 years appropriate? I'm not objecting to it. I just would like to understand sorta the thinking there.

Todd G.: Well, so, um, so you've been using 4 years for a very long time. So, uh, there's really – the longer the smoothing period, the lo-, the long-, the more expens-, the more expensive the plan will be over the long term. So there is that. Uh, if you were – if you had been using a 5-year smoothing method, I do-, we would not recommend a change in that either. So it's just that you've been using the 4-year over a longer period – uh, over a long time. And ultimately the cost a your plan is gonna be cheaper than a 5-year – a plan that's using 5 years. And the reason is because when you have asset losses, it takes 5 years to fully recognize that and so it takes 5 years for your contribution to, to reflect that, right? So, um, where if you have 4 years, you're doing it – you're recognizing those losses quicker which means you're, you're funding those losses quicker which means you're paying less interest essentially on your unfunded liability.

Lisa H.: But that's also a higher annual payment, right? Is that sorta how [inaudible] short term?

Todd G.: Well, it's a high...

Lisa H.: [Inaudible] thinking.

Todd G.: It's higher in the short term but with that fifth year, you're paying an extra year...

Lisa H.: Right.

Todd G.: ...[inaudible] the longer you delay it, it's...

Lisa H.: For the long haul it's, it's, it's more disadvantaged. Short-term gain, long-term pain.

Todd G.: Well, short-term pain, long-term gain. Like in yours for 4 years versus 5.

Lisa H.: Yeah, that's what I meant. Yes. Thank you.

Todd G.: So if there's, uh, no questions there, I'm gonna turn it over to Ben to, to, uh, finish us up.

Ben M.: Great. Thanks, Todd. Uh, so starting here with slide 11 we're gonna start looking at the demographic assumptions. And this really gets into the kinds of things that happen to the members over time. Uh, such things, uh, like retirements, deaths, uh, salary increases. So you can see here the various assumptions we'll be looking at here. And again, as Todd mentioned earlier, ASOP 27 is, is sorta what gives us guidance as we look at evaluating these assumptions. Uh, so I'll start off with the rates of mortality. Uh, as Todd mentioned, this is probably, uh, after investment return, probably the most significant assumption in doing a, a pension valuation, uh, just because, uh, the, the longer people live, the, the more benefit payments they'll receive and the more funding you'll need to pay for those benefit payments. Um, so sort of how mortality unfolds over time is gonna be really important to, uh, being – to, to funding the plan. So in the last experience study, uh, we, um, adopted – or the Board adopted a new mortality table at the time called Pub-2010, uh, which was released by the Society of Actuaries, or the SOA, in 2019 and this was a, a significant step for mortality tables in that it was the first time, uh, that mortality rates have been, uh, developed exclusively using public sector retirement system data. And more so it is important because the tables – there was actually, uh, different tables for different types of employment.

Um, so there was actually a teacher-specific mortality table, uh, in that, uh, set of mortality tables where there had not been anything like that prior to this. So it was a really big deal when those tables were released and we were able to adopt those. And they've really – as you'll see in a couple slides, they really served the plan well. Um. Really just recently, here last month or two really, uh, the Society of Actuaries has released a update to these tables called the Pub-2016 mortality tables, um, and really there's not really a significant change in how they approach it. It's still using exclusively, uh, public sector retirement system data. It is still breaking down into different employment types. There's still a, a teachers' mortality table. Um, so there was not as big of a change in the methodology for how these tables were, were created. It's just using more updated data, um, with, uh, kind of – I think it's from 2013 to 2019, I believe. Uh, so it's using a little more, uh, updated data. Um, so there's not as big of a significant change moving from Pub-2010 to Pub-2016. Uh, of course, uh, when there's a new table out there, there comes with it expectation that, uh, you should be usin' the most up-to-date table. Um, there's really with us sticking with Pub-2010 but sometimes it's, uh, um, you know, it's just better to go with the most recent table, especially if it's a good fit. Um, so we'll be showing that in just a little bit.

Uh, again, Pub-2010 and Pub-2016, both those tables are really answering the question of in a given year, what is the probability that someone age 65, uh, is going to die in the next year? Besides that question, there's also the consideration mortality assumptions about well, what is gonna happen to mortality rates over time going forward into the future? We know that people are, are tending to live longer and longer as time goes by so we also wanna build into our mortality assumptions, uh, a assumption for how mortality rates around going to improve over time or how people are going to live longer over time. And so the Society of Actuaries also publishes mortality improvement scales which help us to do that. So each year the mortality rate will get a little bit lower at each age in general so that over time mortality rates will, um – or people will be living longer reflecting that in our liability calculations. So in the last experience study, we recommended, and the Board adopted, what was then the most recently released mortality improvement scale called MP-2019. Um, for a while there, the Society was in a practice a releasing new improvement scales each year. Uh, they sort of stopped doing that around the time that, uh, COVID, uh, became an issue because it started, um, affecting sort of how the data processing was working on their end.

Uh, but nonetheless, the most recent improvement scale that they have released is called MP-2021. Um, so just like we, uh, are recommending that we should move to the most recent mortality table and the Pub-2016 tables, we're gonna recommend moving to the most imp-, the most recent improvement scale as well. Couple graphs here and I'll kinda explain, uh, a little bit what's going on here. So the blue diamonds that you see here, the graph on the left is the, um, the males', uh, mortality rates for, uh, healthy retirees. Uh, the graph on the, on the right is for the females healthy retirees over the study period. The blue diamonds in each case are the actual rates of death that we measured at each age over the study period. And then the light blue line, which you can't really see too well here, but that is the current Pub-2010 mortality table sorta overlaid over that actual data to kinda just show you sort of how it fit the actual measurements. You can see it really did a pretty good job for us, um, over the study period. If there were no new table released, I don't think we'd have had much reason to, to have any concerns about continuing to use the Pub-2010 tables. Uh, however, since there are new tables out there, the orange line there, the proposed rate, that is the Pub-2016 table overlaid on top a the data.

And you can kinda see it's really not changing a whole lot. It's maybe a little bit higher rates of death at the, uh, higher ages there 85, uh, or 90 or so. The other feature on these graphs I'll point out are the kinda blue shaded areas. Uh, and this represents the, um, distribution of, uh, benefit payments, uh, at each age at the beginning of each year over the study period. And this is really meant to kind of give a sense or, um, uh, just a sense a where the liability is concentrated, uh, for your healthy retiree population. Uh, the, the main thing we wanna do here is we really wanna focus on, you know, where's the liability at? Um, that's what we really care the most about. Not so much, um, the number of people, uh, dying but how much liability is no longer on the books to be paid out. Uh, so the right-hand scale there is sort a thing, the, um, the annual benefit amount, um, uh, kind of associated with that. So again, so we're really concentrating on ages between 65 and 80, 85 or so. That's really kinda where we really want to make sure that our, our mortality tables are really doing a good job of matching the actual rates of mortality that we see. Um, if you, uh, are not matching quite as well at ages 90 and above, well, that's not as big of a deal because people who are living aro-, at that age really don't represent very much of the remaining liability for the system.

Todd G.: Yeah. And just to, um – because there was a earlier question. So the actual rate – and this is just a, a very simple example. Um, say, for 85, you know, there were 10 people age 85 and 1 of them passed away. That would be 10 percent of – you know, that would be the – that's how we would come up with that. So.

Ben M.: Any questions about mortality before I move on? Okay. Great. Uh, so next look at is retirement and the rates of retirement. And this will be heavily driven by sort of the eligibilities that are offered to members. And there, there are several different types of retirement that can happen. Uh, there's unreduced retirement which is, uh, basically at age 60 with 20 years a service or with 35 years of service. Uh, there's proratable retirement which is, uh, age 60 with 10 years of retirement – uh, 10 years a service. And there's also early retirement which is age 55 with 20 years a service or 25 years a service. And I'm gonna go over these recommendations a-, along with the, the graphs bit easier to kind of – uh, to, to see, you know, what we're talking about and why we're picking what we're picking. Um, so I, I did wanna mention on this slide that one thing we are introducing as a recommendation this year is, uh, putting in 100 percent retirement rates, uh, for members once they have reached 37½ years a service. Um, and this is where, uh, members will have a-, accrued the maximum benefit accrual of about se-, of 75 percent of final average earnings. And the idea here is that, um, even though they might still get, um, additional salary increases for continuing to work, they won't be, uh, getting, um, additional benefit accruals. They won't be getting 77, 79, 81 percent of final average earnings. It'll be still at that 75 percent level.

And so we feel like it'd be prudent to, uh, go ahead and assume that, uh, teachers are going to look at retiring, uh, upon reaching this, this, um, this level because, uh, they really, uh, will not be earning additional benefit at the same kinda rate they were earlier in their career. And we wanna just, uh, make that assumption, uh, and don't count on that they'll continue working past that point.

Stephen M.: I, I have a question on that.

Ben M.: Sure.

Stephen M.: So what you're sayin' is that you're assuming that when every available teacher reaches 37½ years they're gonna retire? You're not saying you're gonna pay out more. That hundred percent is the retirement number of people, not the amount a salary they collect.

Ben M.: No. Correct. The...

Stephen M.: Okay.

Ben M.: ...the, the benefit will still be 75 percent of final average earnings. That'll be their benefit amount. But we're just assuming that, uh, once a teacher reaches that, their probability of retiring thereafter will be a hundred percent each year.

Stephen M.: And that's – you're not recommending any other change. Meaning if they stay for 40 years, it's not gonna go over their 75 percent max is what you're saying.

Ben M.: Correct.

Stephen M.: Okay.

Ben M.: ...change at all. The, the benefit calculation is, is still, um, as set in, um, the statute and the plan provisions, uh, so it doesn't, doesn't affect the amount of the benefit anyone receive. Just their rate of when they're going to retire.

Stephen M.: Thank you.

Ben M.: Great.

Gregory M.: An-, and is there a large, um – uh, how many people are in that situation? Over 37½ years.

Ben M.: Right. So as you can imagine, uh, you know, a lot of people end up retiring before they get, uh, to that point. Uh, kinda looking at some numbers I was running a little bit earlier.

Todd G.: Yeah. So you're probably – it's gonna be a very small number of people who hit that because, um, hiring younger teachers anymore. You know, like when I. So, uh, that's gonna be a very small group a people who ultimately hit that. Because they'd have to be hired pretty young, you know, to, to have that occur. A-, and really where that's important is somebody who could achieve that, say, at like 55 or 56 years old. But now...

Todd G.: ...most people are gonna achieve that pro-, you know, when they're closer to 60s. You know, in their 60s. So, so it's not a big bucket a people.

Ben M.: Yeah, the numbers I was lookin' at is a little over 2,000 out of about 54,000 total exposures for, for everyone who's retirement eligible. So there's really not that many people still working in active service, um, once they've reached that many years of service.

Todd G.: Yeah. But it's really important to make sure that the, the, the person who's really gonna take advantage of that is a – you know, someone who hits that in their 50s essentially.

Ben M.: Right.

Gregory M.: Yeah. And I guess the other side of it is there are people that like teaching so much that they wanna keep teaching after they've maxed out their pension percentage, uh, they're saving the plan money. Right?

Todd G.: That's correct. Or they could leave and work at another s-, you know, work for another system too. I mean, that's...

Ben M.: But you're right. Uh, someone who works beyond this point, uh, would be seen as a gain to the system because...

Gregory M.: Yeah.

Ben M.: ...we would...

Gregory M.: Yeah.

Ben M.: ...we would assume that they have retired already and receivin' their benefit for a shorter period a time over their remaining lifetime.

Bill M.: What number had we been using? This says you're gonna recommend using 100 percent retirement for anyone with the 37 years in. What had we been doing prior to this recommendation?

Ben M.: That will be, um, right around 35 – 30 to 35 percent.

Bill M.: Thank you.

Ben M.: Yep. Uh, the graphs. We're looking at rates of retirement. Uh, we're gonna start here looking at unreduced retirement rates. Again, males are on the left and females are on the right. Um, and this is for, uh, service less than 35 years. Um, and again, just as a way of explaining sort of what these different lines mean. So th-, the light blue line, the actual rate, uh, that's actually what we measure from the data over the study period. Um, so at, at age 65, for example, for males, um, measured that the rate of retirement was about 25 percent for, um, for males who were eligible to retire with unreduced retirement. Um, the current rate is in the dark blue. That's what our current assumptions were. So we were, uh, a little bit higher than that. Um, maybe about 27½ percent, uh, or thereabouts. And then the orange line is what our proposed rate is, um, which in this case is, uh, pretty close to what we – uh, where our current rate was. Uh, so the overall, uh, narrative I kinda have f-, for many of these demographic assumptions that we really feel pretty good about the general shape of, uh, different, um – uh, in this case, retirement patterns over time. We really feel like, uh, in this case you can kinda see a fairly flat, uh, rates of retirement up until, uh, uh, up through age 65 and then there's an increased rate and again it kinda flattens out, um, from there until about age 70.

Uh, so really the, the changes we're recommending tend to be very minor tweaks for the most part. Um, in this case, uh, for, for males, uh, we, we're lookin' to, to decrease the rates below age 65 a little bit to kinda better match the actual experience that we're, that we're seeing. Um, and then not really makin' very much changes, maybe a little bit lower rates, at ages above 65. And then for females, again, probably less changes but a little bit lower rates for ages below 65 and then just a little bit higher at ages above 65. Again, just based upon, uh, what we actually, um, saw in the data this, this – over the study period sticking with unreduced retirement rates again but now we're looking at those people who have reached 35 years of service. Uh, again, the, the rates are a little bit flatter here for the most part except for at ages 65 and, and to some degree age 66 which kinda makes sense. These are, um, very common retirement ages related to Soc-, Social Security. Um, so again, not really recommending very much in the way of changes here. Again we feel like the, the current rates did a pretty good job of, of matching what the actual experience was. Uh, for males, we're – uh, are recommending, uh, increasing the rates a little bit at age 65 and then for females again also recommending increases at age 65 and then maybe just a little bit – uh, slight increases, um, above that as well. Uh, maybe even hard to tell based upon how close they are to the current rates. Uh, but again, not much in the way of changes, um, for these retirements except for a few different ages.

And then looking at the proratable retirement rates, uh, there's fewer people that sort of fall into this category. Uh, so the exposures, uh, and the actual data starts to get a little bit more jagged, uh, just there's not as much in the way of, um, uh, data points to kinda smooth everything out. But we still can kinda see, uh, the general trend line that has continued even from the last experience study of, of generally, uh, retirement rates increasing for the most part up until about age 65, age 66, and then tending to flatten out a little bit a-, at least until age 70 or so. Uh, so again, for males, lookin' to just lower the rates a little bit below age 65, uh, keepin' the rates, uh, from 66 to 69, and then – or, or, I'm sorry, 66 to 68, and then lowering the rates a little bit at age 69 and age 70. And then for females, not really adjusting very much, um, for ages below 65 but then havin' a little bit higher rates, um, above 65. And then for early retirement, again we see, um, uh, a pretty good pattern here of just retirement rates increasing, uh, as ages go up, get closer to a normal retirement age. Um, kinda what we would kind of expect. Uh, we do see for males, um, that the actual rates of early retirement are a little bit lower than what we were expecting, uh, so we do recommend reducing our current rates to be about 80 percent of what they were, uh, to get a little bit closer.

And then for females, it's a lot closer to what we expected. Still a little bit lower, uh, so we're recommending that we reduce those rates, uh, to be 95 percent of what our current assumption is. Um, so again, for retirement, not a lotta changes. We feel like we've got pretty good shapes for all these different, uh, ages and services that, uh, members are eligible to retire. Uh, so we're really just recommending, uh, small changes here, uh, just to things get a little bit closer to what we're actually seeing in the data. So moving on to the next decrement is, uh, rates of withdrawal. And so this is basically, uh, teachers who are leaving, uh, the classroom prior to being eligible to retire that's not due to death or disability. In some cases, the teachers, um, maybe are not vested or maybe even if they are vested, they may take a refund of their contributions and, um, no longer have any kinda liability with the system thereafter. Uh, in other cases, um, a teacher, if they're vested, they may leave their contributions into the system until they reach an age where they are eligible to retire and so they have a deferred benefit. Um, so that's, um, another option that they can have. Both of those situations are right to withdrawal.

Um, the current assumption, uh, we had, uh, service-based rates for less than 10 years of service and then starting at 10 years a service, we had both an - uh, we had an age-based rates. Uh, but as we looked at that more closely in this experience study, we really felt like, um, th-, service was really a greater predictor of, uh, rates of withdrawal than, than age. And so we're recommending that we're moving to just, uh, a service-only set of rates, which we're already using for less than 10 years a service, um, and just continuing to use that for 10 years of service and more as well, um, and then tweakin' the rates to kinda better fit the experience. Which I can show on the, the next slide here again.

Todd G.: Hey, hey, Ben, I think we have a question.

Ben M.: Oh, sure.

Todd G.: There's a hand up. I'm not – is that an accident? Bill? All right. Sorry, Ben. Go ahead.

Ben M.: Oh, no problem. Uh, so again here on slide 21, uh, looking at the withdrawal rates, uh, for, again, males on the left and females on the right, again, got a really good pattern here really consistent to what our – even our current rates are predicting. So generally the higher rates of withdrawal are gonna be at your lower years a service, which, uh, I think makes sense to us all. The longer a teacher has been in the classroom, um, the, the probability of leaving, uh, goes way down. Um, so, uh, for the most part here, just really recommending just minor tweaks here, uh, for males. Uh, maybe some higher rates at less than 5 years a service and maybe, uh, just slightly, uh, lower rates, um, for, um, uh, for, for having more than 5 years a service. Um, and then generally for females, uh, slightly lower rates. Again, just to kinda better match the experience that we're seeing. Uh, but again, we feel like we've got a really good pattern here of what termination rates have been and, uh, a-, and continue to be.

Todd G.: Uh, because, uh, they're service-based now but that's very typical pattern for teachers is that first couple years can be rough and a lot of – lotta people leave the profession, so.

Ben M.: Right.

Todd G.: That's very typical.

Ben M.: Uh, the next decrement we'll look at is rates of disability. Again, this is leaving active service due to an approved disability. Um, we're really not recommending any change to the current assumptions. Uh, we did see over the study period, uh, little bit lower rates than what we expected. Um, but as you can see, the, the rates here are, you know, well under 1 percent, um, so i-, it's very low rates already. And in the last experience study, we also lowered the disability rates then as well. Um, and what we're seeing is there are so few disabilities in a given year – I think there's maybe only about 15 to 30 in a given year what we saw in the st-, over the period. So really any, um – just a handful of extra people goin' on disability, uh, can really, uh, skew the numbers one way or the other. And we really want to be a little conservative here, not lower rates too much, um, just so we don't, uh, have any losses if there happened to be even just a couple more extra disabilities than what we would otherwise expect. And if we continue to see, uh, disability rates continue to be lower, then we can – uh, maybe in the next experience study, we might consider lowering it a little bit more. Again, the recommendation for disability is to really just keep the rates where they are.

The next decrement assumption or the next, uh, uh, demographic assumption, I should say, is looking at salary increases. And this is another pretty important demographic assumption because a-, again, as Todd mentioned, since this is a pay-based, uh, benefit plan, um, how salaries increase over a teacher's career is really going to influence what their ultimate benefit is going to be. So if salary increases are, um, relatively high, then it's gonna lead to a higher, uh, retirement benefit, uh, which they'll continue to receive for their lifetime and so that can really increase the cost. So how salaries increase over time, uh, can really be a big driver of, of cost. Um, this is also an assumption that really, uh, is more policy driven than it is, um, random or, uh, driven by the member themselves. Uh, people will typically decide for themselves when they retire, um, and mortality is certainly s-, somethin' that's much more random in nature. Um, the salary increases can really be driven more by sorta policies, uh, uh, of what, um, uh, governments want to, to do for their teachers i-, in a given window of time and what the budget can allow and whatnot. Um, but we did look at this and again, we still feel like we've got a really good, um, uh, pattern here of what our – you know, our current rates really do a good job of kinda matching what we're kinda seeing.

Uh, actual rates, um, it's generally typically fairly flat for the first 10 years of service, around 6 percent each year, and then it gradually declines thereafter, um, as members, uh, uh, gain more and more service. Um, so really we're not recommending very much in the way of changes here as well. Uh, just some minor changes. Particularly between, uh, 10 years a service and 20 years a service particularly. You can kinda see. Uh, we felt like we needed to come up at, uh, 10 years a service and, um – uh, but we at the upper end where the – around 20 years a service or so, even actual rates of salary increases were a little bit lower than what our current rates show, we were a lil-, somewhat reluctant about lowering that too much and so we prefer to keep that at the current rates for now and just continue monitoring that. We don't want to, um, go too far in assuming that salaries will be lower than expected. Uh, we'd rather kind of expect higher salary increases to be a little more conservative. Um, certainly a case of, uh, having salaries be a lot higher than expected 'cause that's gonna be unexpected, uh, increase in cost down the road.

Todd G.: Uh, I would just also like to point out that that is our, that's our long-term wage inflation assumption of 3 percent so that's, that's our starting building block. So that's, uh, that's another reason why it's, you know, it's consistent with that assumption as well. So.

Ben M.: Right. Right. And I'll just reiterate as well that, um, again, on a year-to-year basis, salary increases might swing quite a bit one way or the other. Uh, this is really meant to be sort of the long-term average, um, of what we would expect on a yearly basis. Um, but, you know, in a given year you might – you know, we're not saying that every single year a teacher with 5 years of service is going to get exactly 6 percent. It might be something higher than that, lower than that. It really just depends. But we, we believe that over the long term, these are kinda the, the, um, the average, uh, rates of salary increase that we expect to see. So again, here's just a summary slide of the, the, the assumptions we just looked at and kind of our recommendations, uh, kind of having one place to look at. Um, are there any questions for these set of, uh, set of assumptions? Okay. Hopefully I can finish up here fa-, fairly quickly. Uh...

Ben M.: ...the, uh – a few other assumptions that we look at are not necessarily rated – uh, related to, uh, rates of retirement or mortality or anything like that but are just some other, um, in some cases minor, in some cases more major assumptions. Um, the percent married assumption is really somethin' that is used on the pension side really just for preretirement death benefits. Uh, 'cause what gets paid out in that case if a member, uh, dies before retirement can really depend on sort of what surviving family members they have. And so we have an assumption, uh, for that, uh, so we can kind of more accurately value those liabilities. Um, but we don't recommend any change in that assumption. Um, the, the one that is kind of big on this list here is the cost-of-living adjustments assu-, a-, assumption. Um, again, as you, uh, may know, th-, there are 3 different groups a teachers here that get different kinds of COLAs each year.

Uh, in many cases they're, they're based on some kinda measure of inflation and some kind of, um, uh, threshold of what the investment return has been for the fund for the year. Uh, so the first group here, for members who retired prior to 1992, um, their COLA is based on CPI with a minimum of 3 percent and a maximum of 5 percent. Uh, since we're not making any recommenda-, recommended change to our, uh, rate of inflation, uh, we're not recommending any change to our current assumption at 3 percent for this group.

Our rate of inflation is 2½ percent so that's lower than the minimum, uh, COLA for this group. Uh, so we just will assume – continue to assume that they will get 3 percent each year. This is also a fairly small group of people that still fit in this category. Uh, the, the biggest, uh, group of retirees currently is in this middle group of those who retired after 1992 but joined TRS prior to 2007. And their COLA is based on the Social Security COLA, um, but there is some caps that are tied to how the investment return is done for the year so if the return has done better than the assumed rate a return a 6.9 percent, then the COLA has a maximum of 6 percent. But if the fund did worse than the 6.9 percent assumed rate of return, then the maximum is 1½ percent. Uh, so that can kinda change in two different ways based upon inflation and based upon how the, um, the fund did for the year. Uh, so we did some modeling based upon our, um, work on the capital market assumptions looking at the investment return, uh, earlier as well as our inflation assumption and we believe that the current assumption, which is 2 percent for this group, uh, really needs to increase a little bit to 2.1 percent just because we think there's a higher chance that the return will, um, w-, will sort of, um, beat the assumed rate a return which means that the cap will be a little bit higher o-, on average each year. So we wanna just build in a little bit of, um, uh, margin there to, to kinda anticipate some potentially higher COLAs here in the near future.

Uh, the third group is a little bit similar. These are, uh, teachers who joined after 2007. Um, again, they are based on a Social Security, um, COLA as well but they have, uh, some different thresholds for how the, the investment return for the year did and what kinda caps there. There's a, um, 5 percent cap, a 3 percent cap, and a 1 percent cap, uh, based upon sorta how the investment return did for the year. Uh, which is why the current assumption is a little bit lower than the, the middle group. Uh, but nonetheless, again, based upon our modeling, we think that this assumption needs to come up a little bit for this group as well from 1.75 percent up to 1.90 percent. Um. And, uh, cost-of-living adjustments can be a fairly significant assumption as well because again, these are compounded increases in a member's benefit, uh, for life and so it can, it can really, uh, be a driver in, in liabilities going forward. Uh, then finally on this slide kind of another minor assumption is the Plan N Partial Refund Option. So this is the normal form of payment for teachers. Uh, it involves, um, being guaranteed to receive back, uh, essentially what they put into the system over their working time. Um, where the data is not sufficient for us to value this directly in some cases, uh, we use a life payment form as a way of approximating, um, the value of these benefits.

Um, and again, we're not recommending any change to that. Uh, we're gonna continue to use that process. Uh, we anticipate that, um, over time that we'll continue to be able to work with the data and for more and more records be able to, to value this directly, um, as, as provisions.

Bill M.: Hi. If I could on that slide ask a few questions?

Ben M.: Sure.

Bill M.: Um. One, most retirees, uh, are under the assumption that when the earnings exceed 6.9 that their COLA is going to exceed – is gonna be based on that. And so teachers, uh, the last 2 years have received – or the fund has earned 8½ percent and this past year 11½. So when will that – those high earnings that exceeded the 6.9 reflect in their COLA?

Todd G.: So it is reflected by the 1.9 percent, uh, th-, that we're assuming because we expect you to exceed the 6.9 percent 55 percent a the time. So that means – and our long-term inflation assumption is 2½, so 55 percent a the time they're gonna get a 2½ percent assumption. And then 45 percent a the time they're gonna get the lower COLA. So it's [inaudible].

Ben M.: Yeah, it's, it's still a very good question 'cause I guess a lotta focus can be on the investment return side a that equation. But the other part of the equation is sorta what the, uh, inflation metric is as well as whatever caps are in place. And so even when we've had some a these periods where the, uh, inflation was, uh, very high in recent years, um, it was nonetheless, in some cases, capped. Um, and so i-, it maybe wasn't – the COLA itself wasn't as high as the inflation that was measured at the time. Um, so th-, that is a, a very tough thing to communicate, I, I'm sure, with, uh, with members that it's, it's not just the, uh, investment return beating the 6.9 percent but there are other things that kinda work to kind of constrain what the COLA can be.

Bill M.: No, I appreciate, uh, that answer. And that's exactly why I asked it. Because, um, many teachers, they follow that, whe-, whether you do exceed the 6.9, and can understandably think that's the only consideration. Um, so it's good to point out that it's different. And the other question I was going to ask is based on this chart, the middle group and the bottom group have the exact same – um, your, uh, verbiage is exactly the same.

Ben M.: Oh. I'm sorry. Yes, the, the, the bottom group should be joined TRS after July 1, 2007.

Bill M.: Right. Um, so we should try and...

Ben M.: Yep.

Bill M.: ...change that because th-, otherwise they look like they're the same.

Ben M.: Sure.

Bill M.: ...and they aren't. Thank you.

Todd G.: Uh, there's always one. Always one, uh, typo.

Ben M.: Uh, real quickly to, um, uh, the OPEB plan, the retiree healthcare plan. Um, sometimes we sometimes forget that when we're looking at an experience study, we can be too focused on the pension side of things and we sort of forget what the impact may be on, on the OPEB side a things. Uh, it's important to remember that, uh, for the liabilities for the OPEB plan, the, the retiree healthcare plan, uh, also uses the same assumptions for mortality, for retirement, um, that the pension uses. And so, uh, these recommended changes are going to affect the OPEB liabilities, um, as well and so we wanna consider that, um, in addition to the, the same kind of assumptions that are shared between pension and OPEB. Uh, there are some OPEB-specific assumptions which are, are shown here on slide 28. Um, a little bit a detail. The participation assumption has to do with the fact that not all members who are eligible to participate will elect to actually participate. And just – and, uh, their spouses who may be eligible to participate may also not elect to participate. Uh, so we definitely have to have some kind of assumption here for who is going to actually, um, uh, participate in, in the OPEB plan and what that's gonna mean to the benefits that are paid out. Um, so after looking at the data, uh, for the last several years, um, we are recommending a change here in our spousal election assumption, uh, from 45 percent to 50 percent, again based on the data we've seen. So not a very large change from our current assumption but we are recommending a small change there.

The trend assumption has to do with, uh, the change in health claims over time that are due to things like inflation, utilization, plan design, or improvements in technology. Um, and again, after we looked at this and studied this, uh, we're recommending no change in our current assumption. So we, we sort of have an assumption built in, uh, for the, the health claim cost to change over time and we believe that our current assumptions will continue to work well for that. Then the last assumption is aging factors and this has to do with changes in health claims over time that are due to age-related cost changes. So as people get older, uh, their health, um, costs are going to change with time as well. Um, so we have an assumption built in to, to account for that as well. And again, after studying this for the study period, we are not recommending any change there as well. Um, so in both these cases we're gonna show in just a little bit the financial impacts for both the pension and for the OPEB, um, uh, plans. Uh, go into that right now. The, um, the financial impact on the pension plan – you know, with all the changes that we're looking to do – um, you can see here this table just kinda summarizes some a the key metrics that we would, uh, display in our annual valuation. The, um – kinda the central column there is our June 30, 2024, valuation results, um, which we, uh, shared with you just in the last year.

The next column over is w-, if we had taken the, the same set of data, same valuation date and ran them with these new assumptions. And then the final column there is sort of the change between the two. So the key metrics here is that the, the effect of adopting all the new assumptions that we've recommended, uh, would increase the actual accrued liability about $368M, which is about 0.9 percent of the current actual value – uh, the actual, actual accrued liability number. So, uh, just about 1 percent of liability increase. As far as the ADEC, uh, it would increase the ADEC about $64M. And that's about evenly split between not only the amortization payment of the unfunded, uh, the additional unfunded, but also on the normal cost as well. Um, so each a those are about $30M each, um, increase due to these new assumptions. So the, the change in retirement rates in particular have an effect on the normal cost going forward.

Todd G.: I would just point out there that the biggest driver for the change is, is the COLA assumption change. Everything else is pretty neutral.

Ben M.: Right. And some a the assumptions will be increases in liability. Other changes in assumption will be decreases in liabilities. And so there's a lot of give-and-take there. Uh, but, but I agree with that assessment that a lot of, uh, the net impact on the pension side was due to the change in the COLA assumption which helps explain a little bit when we look at the OPEB financial impact. Uh, here, since there is no COLA being, being applied to the retiree healthcare benefits, uh, the, the, the results look a little bit different in that we actually have a, a slight decrease in the actuarial accrued liability of about $25M, which is about 0.6 percent of the accrued liability. And then the effect on the ADEC is an increase of about $317,000. Um, again, there's a decrease in the amortization piece of that, um, but there's actually an increase in the normal cost again. Uh, mostly because of the change in the retirement rates. Uh, much more, um, neutral effect here on the OPEB side a things. Um, actually a decrease in liabilities but a slight increase in the ADEC going forward. Again, if these recommendation assumptions are adopted, uh, for the pension plan, it'll be first reflected in the, uh, 2025 valuation. And then for the OPEB, since there won't be another valuation till 2026, that'll be the first time that we would see, uh, those results impacted. But I'll pause there and, uh, just see if there's any, uh, questions, uh, to go back and look at any, any a the, uh, recommend-, recommendations that we have.

Gregory M.: A couple questions if I could?

Ben M.: Sure.

Gregory M.: Um, so the COLA assumption is the largest factor here? Largest like...

Ben M.: I would say...

Gregory M.: ...51 percent or largest like 90 percent?

Ben M.: I wouldn't say it's necessarily the largest. It's just, um, i-, uh, there's not a particular order that these are done in but, um, absent the c-, change in the COLA, uh, all the other assumptions would've kinda balanced out. So, um.

Todd G.: So, so outta the, the total, COLA accounts for about 44 million of it.

Gregory M.: Okay, so it's the majority.

Todd G.: Yeah. So, you know, mortality redu-, we had – you know, mor-, mortality reduced the cost...

Ben M.: Right.

Todd G.: ...and then retirement kinda offset – changing retirement rates kinda offset the mortality reduction.

Ben M.: Yeah.

Todd G.: And when you – the slight change to the salary and the withdrawal plus the COLA is where your – but like I said, the COLA is most of it.

Gregory M.: And, um, if I'm reading this right, it looks like about a 300 and somethin' million dollar increase in, uh, unfunded liabil-, or total liability and unfunded. Uh, I assume mortality has a bigger impact on, on that side a the world than COLAs which would be more [hittin' 1:12:19] the normal cost, right? Goin' forward?

Todd G.: Um. Uh, again, it kinda follows the same pattern...

Gregory M.: Yeah.

Todd G.: ...there that the COLA added, you know, added that unfu-, to the unfunded as well.

Gregory M.: And so in aggregate, if the normal cost is going up by a little more than 10 percent there, so that's about, I don't know, half a percent or 6 percent increase in, in, uh – as a percentage a payroll? So.

Todd G.: Yeah, total cost was about – it was almo-, just around 4 percent of – you know, total increase was 4 percent.

Gregory M.: Total increase in, in what?

Todd G.: The cost. The cost increased by 4 percent.

Gregory M.: Oh, yeah. That was just the normal cost.

Todd G.: Uh, the normal cost.

Gregory M.: Uh, that's about – just little more than 10, right?

Todd G.: Yeah.

Ben M.: Right.

Gregory M.: Okay. Tha-, that's all. Thanks.

Clare B.: Any other questions? Ben, Todd, I'd like to thank you. I know it's a long, uh, it's a long presentation. We don't do it often. We do it once every 5 years. Uh, you do a thorough job. Um, you know, you take, uh, your assumptions right from our actual experience. It's, it's all about our teachers, uh, so that it's simple for, uh, people to, uh, to understand that what we do isn't, um – there's nothing really random about any of it. It absolutely mirrors and is who our Connecticut teachers are. And the entire study is based on the lives – the teaching lives, their salaries, everything of just our Connecticut teachers. So, uh, yeah, thank you, both, today. Um, any other questions for anyone? The Chair would entertain a motion to accept the, uh, the exper-, 5-year Experience Study from 2019 to 2024. Do we have a motion?

Bill M.: So moved.

Clare B.: Okay.

Clare B.: Do we have a second? Discussion? All right. All those in favor signify by sayin' aye.

Gregory M.: Aye.

Stephen M.: Aye.

Clare B.: Aye. Opposed? Abstentions? Thank you very much. And thank you, guys, very much for your, uh, presentation today. Um, I think we're moving to, uh, the, uh, the credited interest? Is that also on, uh, CavMac?

Ben M.: That's right. I'm gonna share my screen again and just bring up, um, bring up the letter that we, uh, delivered to the Board. So again, uh, each year we, we do this as part of, uh, being the actuary, um, to address the interest to be credited on member, uh, con-, mandatory and voluntary contributions. Uh, with Public Act 19-117, uh, the mandatory contributions, uh, was made a little bit easier. Um, the, the maximum rate that can be credited to the mandatory contributions is 4 percent and so that is, uh, sort of what the, uh, interest credited rate has been set at. Um, and we'd recommend it staying there at 4 percent. Um, the interesting part of, uh, this letter is, is really what to do with the voluntary contributions. And so this is really more tied to sort of the – uh, how the investment returns have done for the, the current year. And so we have, um, this methodology that was adopted by the Board a couple years ago, uh, to try to be a little bit simpler and more transparent, uh, maybe than, um, th-, the, the methodology w-, we, uh, were using prior to that. Uh, so I'll kinda walk through this a little bit. The interest credited rate on the voluntary accounts – um, and last year – or last year's fiscal year, uh, was 9.80 percent.

Um, when we actually got around to seeing what the published June 30, 2024, market return was based on the State Treasurer's Office, uh, they actually came in at 11½ percent. So that difference there is 1.7 percent. That needs to be sorta trued up this year. Uh, so that'll be added onto, um, our calculation for this year's credit rate on the voluntary contributions. Uh, and the way we do this is we look at the market return through April 30, uh, 2025, and – again, from the State Treasurer's Office. Uh, this was, uh, published at 4.48 percent through April 30 but we also need to account for the return that's gonna happen for, uh, for May and June to get us to the end a the fiscal year. Uh, so assuming the – uh, these last 2 months continue at the, uh, 6.9 percent annual rate, uh, we would expect that to add on another 1.15 percent. Uh, so 1.70 percent, the 4.48 percent, and the 1.15 percent, we get a total, uh, calculated interest credited rate on voluntary accounts for fiscal year 2025 as 7.33 percent. And so this is, uh, for the Board to consider and adopt, um, both the 4 percent annual rate and then the 7. – uh, 4 percent annual rate on mandatory contributions and then the 7.33 percent on voluntary accounts. So any questions about?

Helen S.: I would take that as a no, Ben.

Ben M.: Okay. Fair enough.

Bill M.: So, C-, Clare, you wanna ask for a motion? Or I'll move that we, um, approve the credited interest rate proposal.

Male: Seconded.

Bill M.: All those in favor?

Gregory M.: Aye.

Mary-Beth L.: Aye.

Male: Aye.

Bill M.: Opposed?

Male: Aye.

Bill M.: Abstentions? Okay. Thank you. Motion carries. We'll now move to Item Number 3, the approval of the Independent Audit Report, GASB 68 and 75.

Tom G.: I guess we'll go. Uh, we're here from Whittlesey representing, uh, the firm to go over the audit results. Uh, Tom Wood – uh, I'm Tom Goldfuss, a partner. Tom Wood is, uh, our, our senior manager, and Mike Kowalasky is, uh, here as well joining us and he's – um, he works on the audit with Tom. So I'm gonna hand it over to Tom to go over some a this information.

Tom W.: Okay, so w-, we're gonna keep this, uh, pretty high level. If there are any additional questions, uh, feel free to reach out to us. We also have our contact information on the next slide if you wanna go to that, Mike? Uh, so again, any, any questions or concerns about, uh, the scope of our work, you've got our phone numbers or emails. Again, feel free, uh, to reach out. So we'll go over the audit results for the, uh, 2 plans. Again, w-, we're looking a the, uh, various allocation schedules for the OPEB and the pension plans. Uh, again, we will have once these are finalized opinions. Um, so again, no compliance findings, no significant deficiencies or material weaknesses in the controls. Uh, this was our first year auditing these schedules and we had no encount-, uh, no difficulties encountered, uh, with management or the towns that we did the testing at, uh, in the process of our procedures. Uh, moving over to slide 5 we've got an overview of some a the areas that we looked at. Um, again – and then what our procedures would be. Uh, we start off with, uh, management override of control. So we do gain understanding of the plan's internal controls over reporting, uh, participant data, transmittal, contributions, uh, benefit obligations, etc. We do keep in mind, uh, internal control and segregation of duties. We also look at participant data. We send out confirmations and go down to the towns to look at personnel files. Again, just looking for demographic information, salary. 'Cause again, that's all, um, what a lotta these assumptions in these reports are based off of.

Uh, we then look at the actual – oh, someone jumpin' in there? We look at the schedule. We, we test the mechanical accuracy. Again, it is very long Um, moving forward. Internal controls. Yeah, we look at the various, uh, different practices, um, just to get a better understanding. Again, we don't issue a report or opinion on the effectiveness of those controls but again, if there were any issues, we certainly would bring them to your attention. And then finally – I know we just went over this in quite a bit of detail. Uh, we do look at some of the actuarial, uh, assumptions we compare those to other plans. We look at the reputation of the actuary. But again, we, we found, uh, that the actuary is very reliable, as we've just seen in the past hour. We have no issues, um, with that. And finally we will come to our required communications, uh, so this just summarizes our 2 or 3-page, um, letter that will be attached along with the audit schedules. Again we start off with our responsibilities under generally accepted auditing standards. Again, uh, what our – tha-, that includes what we do. That's all in our engagement letter going back to April. We then look through the plan's accounting policies. And again, those are determined, uh, by management and we've deemed those to be, uh, reasonable. There are no changes to any a the policies in the current year.

We also look at management's estimates and I've also deemed those to be, um, reasonable as well. As I mentioned, this was our first year. However, we had no difficulties encountered while performing the audit. There were no, uh, errors or misstatements, um, came to our attention. No disagreements with management. When we are ready to issue the final report, we will obtain a representation letter from management that will be signed. Uh, again, to our knowledge, there are no outside consultations with other accountants by management. Again, that'd be considered opinion shopping. If they don't like the way that something is presented, um, or the opinion, again, they could use another firm as leverage. Um, moving on. We had no, uh, identified material weaknesses in internal controls. And then finally we are independent, uh, in respect to both of the plans that we audited. So that's our presentation keeping it very high-level. Uh, any questions?

Clare B.: Questions for Toms? All right. Seeing none, the Board would entertain a motion to accept the audit report for – uh, from, uh, Whittlesey?

Mary-Beth L.: So moved.

Clare B.: Then moved. Second? There a second?

Stephen M.: Second.

Clare B.: Second. Thank you. Um, discussion? All those in favor signify by sayin' aye. Aye.

Mary-Beth L.: Aye.

Stephen M.: Aye.

Male: Aye.

Clare B.: Opposed? Abstentions? We thank you, Tom. Um, this seems to be a very positive report and we're very happy with that so, uh, we thank you for all the, the hard that you've done on our behalf.

Tom W.: All right. Well, thank you. Have a nice, uh, rest a your meeting. Take care.

Clare B.: Thank you.

Helen S.: Thank you.

Clare B.: Uh, okay, Item Number 4, the Board mit-, meeting minutes, uh, from May 14. Chair would entertain a motion to accept?

Male: So move.

Clare B.: Uh, second?

Mary-Beth L.: Second.

Clare B.: Thank you. Uh, discussion? All those in favor signify by sayin' aye? Aye.

Gregory M.: Aye.

Mary-Beth L.: Aye.

Clare B.: Opposed? Abstentions?

Lisa H.: Abstain.

Clare B.: Thank you. Abstained? Oh, that's a person might not a been here, right? At the meeting?

Helen S.: Yep.

Clare B.: Um, okay. Agency report. Helen, you're up. Uh, legislative update. Now, just for, uh, benefit of listeners and Board members, the legislative update that Helen's gonna give, remember, nothing's really official until the Governor signs it. And I think he has a few more days, another week almost, in which he can sign it. Um, and then once that happens, we're gonna post it, you know, on our, uh, website. So that, that makes it official. Right, Helen?

Helen S.: Yes. Yes, Clare. So what we do when we have – there's a legislative section on our website and we update it annually with the all the changes that impact TRB. Our package, um, did go through this year so I wanna thank, um, Senator Osten, Jeff Currey, and those folks who helped push it along. Um, it's the same minor clarifications that we've been workin' on for the past couple years. Um, one of them was to, uh, modify the subsidy reporting for our districts to provide better service to them. We clarified the, uh, disability application. We made some changes, uh, for our retirees when it comes to, uh, dispensing folks under that survivor beneshi-, benefit so that spouses and children would be able to, um, receive those funds, uh, should the member pass away. So those are just a few a things. And as I said, once we get through the rest of the ses-, well, not session. Once we get through the rest of June and everything is official, we'll – that'll all be posted on the website. And...

Helen S.: No worries. And, uh, the Core, uh, program, I've got some updates for that as well. We do have a tentative go-live date which means that we are gonna implement the payroll process and the health process. That is targeted to go August 4 which means the first payroll checks out of Core will be, uh, for our August, uh, retirees. That will include our July retirees. We will be notifying all of our members through various communication channels. We'll post a sample of what those, um, checks are gonna look like. They will be a little bit different. We will next – this – in July we will let members know that that change is coming, um, in their EFT advices in their paychecks. We will post it on the website. We'll make sure we reach out to the unions and all of our ambassadors to, uh, make the retirees – to let our retirees know that that, um, check advice may look a little bit different. Um, all the reports look well. We don't expect any conversation issues. Um, as with anything, there will probably be some minor bumps in the road but, um, it looks like we have a green light and, uh, we are good to go. Phase 3 of that project will start to begin for the employer reporting for our districts, uh, once we get settled with the payroll and health. You know, there'll be a few weeks and probably another pay cycle where we wanna make sure that it is up and running a hundred percent. So that's where we are so that's very positive news.

Uh, I do want to extend, uh, gratitude to the TRB team. They have been working countless hours. They – between Vaishali, Javiel. Javiel, Ben, Amanda Just to mention a few of the folks. Ishtua. Uh, they have gone above and beyond any expectation that you could have for a staff. So I just want the Board to recognize how valuable they are, how important they are. Um, we were able to make some, uh, changes with some roles. We are waiting on another role that we'd like to modify for the project that is, uh – should help, uh, the team as well. So I just wanna give our team a, a, a huge shout-out. Um, the team's been working very well, as hard. Uh, so is OSC. But, uh, for a small agency, uh, I think the public and everyone needs to know how dedicated the team is. They give 150 percent every day and they have been through thick and thin with this project. So, uh, truly, um, Charlene and I can't thank them enough.

Clare B.: Helen, uh, thank you for your leadership and thank your team for their leadership on both a these issues. But the Core has really been q-, quite a trial for you but really terrific, uh, group of people that you work with and we thank them all really. We thank them on behalf of the Board.

Helen S.: Yeah, they, they are...

Helen S.: ...they, they are doing double duty. They are managing...

Clare B.: Thank you.

Helen S.: ...their, their day-to-day obligations a-, and this project. And for a small team, uh, you would be absolutely amazed.

Clare B.: Thank you again, Helen. Okay, I-, uh, Item Number 6 on here, the, uh, approval to transfer member accounts deemed abandoned. This is a standard procedure every June. Uh, 25 years of inactivity, 10 years nonvested inactivity to the pension reserve account. Okay, so that, that will happen. It happens every year but we...

Female: Hm.

Clare B.: ...have to vote on it every single year. So the Board would entertain a motion to approve?

Male: So mo-.

Mary-Beth L.: So moved.

Clare B.: Moved? Okay.

Clare B.: Second? Moved and second. Discussion? All those in favor signify by sayin' aye?

Male: Aye.

Clare B.: Aye.

Mary-Beth L.: Aye.

Stephen M.: Aye.

Clare B.: Opposed? Abstentions? Thank you. Uh, and then approval of the annual resolution to re-, uh, new the authorization of Helen and then the assistant administrator and the fiscal administrator, uh, to negotiate and execute all contracts, agreements, drafts, warrants, and any, uh, other such arrangements necessary to operate and conduct the business of the Teacher Retirement Board. And again, this is something that has to be done every single year and it's done in June. And, uh, so the Board would entertain a motion to approve?

Male: So moved.

Clare B.: Okay. Moved. Second?

Stephen M.: Second.

Clare B.: Okay. Thank you. Uh, discussion? All those in favor signify by sayin' aye?

Male: Aye.

Mary-Beth L.: Aye.

Clare B.: Aye. Opposed? Abstentions? Thank you very much. Uh, 8, the approval of the annual resolution renewal of the Medical Review Committee. Um, Helen, no change in that, right? There's no change in the, uh, people or the remuneration

Helen S.: Nope. Uh, Disability is...

Helen S.: ...running as smoothly as possible.

Clare B.: They works tirelessly for very little money.

Helen S.: Mm-hm.

Clare B.: So the Board would entertain a motion to, uh, accept, uh, the renewal of their staying with the Board?

Mary-Beth L.: So moved.

Clare B.: Moved? Second? Second?

Bill M.: Second.

Clare B.: Ah, good. Thank you. All right, so moved and seconded. Uh, discussion? All those in favor signify by sayin' aye? Aye.

Male: Aye.

Clare B.: Opposed? Abstentions? Thank you very much. And then the approval of the, uh, the July 2025 COLA increase for pre-September 1992 members. Uh, we went over this when we just did the work with CavMac and what you know is that we – this will be, uh, on the website when it's done. This isn't actually published by CPI until the end of this month. Correct, Helen?

Helen S.: Yes.

Clare B.: So we can – we will vote on it now because there's no change that we can make to it. But it will be posted on there as to what it's actually going to be in about, uh, 12 days from now or whatever else. So soon as that happens, then we will post what it actually is. But we can approve it because we know what it's going to be. We know the formula that's going to be used. So in Number 9 we, uh, would ask that the Board approve this, approve the COLA increase for the pre-September 1, '92, members.

Bill M.: So moved.

Clare B.: Moved? Okay. Uh, moved. Second?

Edwin V.: Second.

Clare B.: Okay. All those in favor signify by sayin' aye?

Stephen M.: Aye.

Mary-Beth L.: Aye.

Clare B.: Aye.

Edwin V.: Aye.

Clare B.: Opposed? Uh, okay, and the granting of the service retirements are, uh, attached. You can see them for, uh, May '25. Survivors, service, and, uh, medical review for disabilities, uh, as well. So those, uh, we need an approval for all 3? Board would entertain a motion to approve?

Male: So moved.

Clare B.: Second?

Mary-Beth L.: Second.

Clare B.: Thank you very much. Discussion? All those in favor signify by sayin' aye.

Gregory M.: Aye.

Mary-Beth L.: Aye.

Clare B.: Aye. Opposed? Abstentions? Okay. Uh, other matters for the Board? Uh, your statistics are on there. And remember our next meeting will be on September 10, uh, 2025. Um, we're ready for public comments?

Female: Yes, we are ready for public comment.

Clare B.: I hope people hung in there, long meeting for them. Are you set?

Female: Can you hear me?

Helen S.: Yes.

Clare B.: I can, yes.

Helen S.: Yes, yes.

Female: Oh. Okay. So yes, we are set for public comments.

Clare B.: Thank you.

Female: And just a reminder to everyone, uh, as we enter the public comments, due to the large group that we will have a limit of 2 minutes per comment. I will start the timer as soon as we can hear you speaking. And we'll stop at ha-, the end when it reaches zero. Please press the raise hand button to line up to s-, put your public comments in and also remember that you can only give one public comment per meeting. So with that, we will start with Tim. Tim, you have permission to unmute.

Tim: Unmuted. Thank you. Can you hear me?

Female: Yeah.

Clare B.: Yes.

Tim: Uh, I, um, have retired, uh, for financial reasons after 35 years and I am 58 years old. I am about – I'm going 2 years of post-retirement and again I teach in a shortage area and I'm about to have to work in another state, which I can easily do, but it seems a waste that because a the 2-year limit on the post-retirement that Connecticut has to lose a shortage area teacher to another state so I just want to encourage the TRB to revisit that. In a time of great teacher shortages, we need high school chemistry and physics teachers and I'm about to have to go move. Again, I had to retire after my 35 years just for financial reasons to support my parents, uh, uh, and my in-laws and their medical needs and it just financially became available and I can do that in another state easily enough. It's such a small state. But I would love to c-, conti-, stay in Connecticut but I have no idea how to change this policy or how much influence your Board does. But I would love it for you to i-, increase the 2 years to be m-, longer. Thank you very much.

Female: Okay. Do we have any other requests for public comment? We're looking for raised hands. Okay. Mary you have permission to unmute.

Mary: Hello?

Female: Hi.

Mary: Hi. Okay. Good. Um, yeah, I couldn't see all the members today on the screen so I was concerned that there was enough people, a quorum. Um, I could only see 6 and then I guess there mighta been 7 but I wanted to make sure there were enough members to accept all of those, um, terrific report. Especially from Cavanaugh Macdonald. Um, but my question is there's nothing on the agenda about our health insurance. Um, so I am wondering where we are in process of, uh, renewing or I knew that the RFP went out, uh, late and, um, it may not – we may not have any responses yet but at least some information as to is it in works, is it in progress, um, where are we? Health insurance is a very important part for retired teachers so that would be my request today. Thank you.

Female: Okay. Any other public comments please click the raise hand button. Any other public comments please click the raise hand button. All right. I'm not seeing any other raised hands so I think we can conclude the public comments.

Clare B.: All right. Thank the public members for their comments. Um, and, uh, we, uh – Chair would entertain a motion to adjourn?

Jonathan J.: So moved.

Clare B.: Second?

Male: Second.

Clare B.: Uh, where's, where is Joslyn? Okay. All those in favor signify by sayin' aye.

Male: Aye.

Clare B.: Aye.

Mary-Beth L.: Aye.

Clare B.: Opposed? Abstentions? Uh, remember our next meeting is on September 10. We will be doing healthcare on a special meeting. Remember, that's not gonna be – that's an informational one. Um, and Helen will – that'll be at her – you know, whene-, wherev-, whenever that's gonna be available. That'll be this summer though, right, Helen? Probably...

Helen S.: Yes.

Clare B.: ...before the September meeting.

Helen S.: Yes.

Clare B.: That's coming, uh, but we said at the last meeting that we wouldn't take it up. We would have to put that in a special meeting. Um, and wish everybody a happy Fourth a July and a, uh, you know, a, and a cool summer. Let's hope that it gets cool. Let's hope that it – let's hope that the weather cools off. Um, and for all the rest of you, I, uh, I thank all of you. It's a long meeting today. We only do the, uh, experience study, as I said, once every 5 years but it, it's, i-, it's necessary. And I think you heard from the people who audit you that they were very, uh, I think, also impressed, um, you know, with the thoroughness, um, with which our actuaries test each of the assumptions that we have. So I thank all of you for bearing with us on that. Uh, and, uh, we'll see you again. We'll, we'll talk to you again on Zoom and we'll talk to you again in person too 'cause I'll be seeing Helen in another few days, so. All right? I thank all of you. Helen, are we all set?

Helen S.: Yes. Yes, yes, yes.

Clare B.: Meeting has ended. We're all done. Thank you all.

Helen S.: Thank you.

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