

Connecticut State Teachers' Retirement System Retiree Health Insurance Plan



Funding and Plan Accounting Report

Prepared as of June 30, 2024



February 14, 2025

Board of Directors
Connecticut State Teachers' Retirement System
165 Capitol Avenue
Hartford, CT 06106-1673

**Re: June 30, 2024 Funding and Plan Accounting Report for the
Retiree Health Insurance Plan of the Connecticut State Teachers' Retirement System**

Members of the Board:

This report presents the results of the actuarial valuation of the Retiree Health Insurance Plan (the Plan) of the Connecticut State Teachers' Retirement System (the System). This report has been prepared by the System's actuary, CavMac, as of June 30, 2024 (Valuation Date or Measurement Date).

The primary purpose of the valuation report is to provide the State's actuarially determined contribution (ADC) rate for the System for the fiscal years ending on June 30, 2025 and June 30, 2026, to describe the current financial condition of the Plan, to analyze changes in such condition, and to summarize the census data, financial information, assumptions, methods, and plan provisions used to prepare these results.

In addition, the report will provide the actuarial information for the Plan required under Governmental Accounting Standards Board (GASB) Statement No. 74 (GASB 74) for the fiscal year ending on June 30, 2024, based on a valuation date of June 30, 2024.

Additional Information and Disclosures

The information contained in this report is intended to be used by the System for Plan funding purposes for the fiscal years ending on June 30, 2025 and June 30, 2026, and for Plan accounting purposes for the fiscal year ending on June 30, 2024, and its use for other purposes may not be appropriate. Calculations for purposes other than funding the System benefits described in this report or reporting the Plan accounting information required under GASB 74 may produce significantly different results.

The results contained in this report were prepared by qualified actuaries according to generally accepted actuarial principles and practices, and in compliance with Actuarial Standards of Practice issued by the Actuarial Standards Board. Our understanding is that the System has made no changes to the Plan's funding policy since the prior valuation. The Plan accounting information provided in this report reflects our current understanding of GASB 74, including any applicable guidance provided by the System or its audit partners as of the date of this report.



The census data for active and retired members as of the Valuation Date, changes in plan provisions since the prior Valuation Date, the net benefits and administrative expenses paid during the fiscal year beginning on July 1, 2023 and ending on June 30, 2024, and pertinent financial information were provided by the System for actuarial valuation and Plan accounting purposes. We did not audit the supplied information, but it was reviewed for reasonableness and consistency. In certain situations, the supplied information was adjusted to account for normal differences in collection dates and/or methods. As a result, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it is reliable for the purposes stated herein. The results and conclusions contained in this report depend on the integrity of this information, and if any of the supplied information or analyses change, our results and conclusions may be different, and this report may need to be revised. Likewise, this information may need to be revised to reflect any significant event that affects the Plan subsequent to the Valuation Date.

Valuation results as of June 30, 2024 are based on the assumptions and methods used in the Plan's June 30, 2024 biennial actuarial valuation, which are summarized in various sections of this report. All GASB 74 assumptions—including, but not limited to, discount rates, expected rates of return on assets, long-term health care cost trend rates, and expected active employee health care coverage election assumptions—have been selected for the measurement of the Plan's benefit obligations as of June 30, 2024 based on the June 30, 2024 valuation date and should reflect best estimates of anticipated Plan experience. Other than the discount rate required under GASB 74, we believe that those assumptions selected for Plan funding and financial accounting purposes as of June 30, 2024 are reasonable for the purposes of preparing the measurements described above.

We believe the actuarial cost method and the asset valuation method used for funding purposes in the Plan's June 30, 2024 biennial actuarial valuation are appropriate for funding purposes. Additionally, the actuarial cost method, the asset valuation method, and the amortization methods are prescribed under GASB rules for financial accounting purposes as of the June 30, 2024 measurement date. Actuarial methods such as the actuarial cost methods, asset valuation methods, and amortization methods used in the contribution allocation procedure (for funding purposes) and cost allocation procedure (for financial accounting purposes) are designed to recognize changes in an orderly fashion over a period of years. In certain situations, the actuarial methods used in an allocation procedure may have the effect of deferring changes in contributions or costs into later years. Likewise, the use of these methods could produce deferred gains or losses if any material underlying assumption is not met over a long period of time.

The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the anticipation of current and potential changes to Medicare due to the IRA, which are included in our baseline claims and trend assumption. Continued monitoring of the impact on the Plan's liability due to this and other legislation, if applicable, will be required.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.



The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.

To the best of our knowledge, this report is complete and accurate. The valuation was performed by, and under the supervision of, independent actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The valuation was prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the system, and on actuarial assumptions that are, in the aggregate, internally consistent and reasonably based on the actual experience of the system.

Please call us at 678-388-1700 if you have any questions.

Respectfully submitted,

Alisa Bennett, FSA, EA, FCA, MAAA
President

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Associate Actuary

AB/RT: nh



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SECTION I – BOARD SUMMARY

FUNDING CONTRIBUTION RATES FOR THE SYSTEM'S RETIREE HEALTH INSURANCE PLAN

Table I-1: Comparative Summary of Principal Funding Results (\$ in Thousands)

Funding Valuation Results as of	June 30, 2024	June 30, 2022
Membership		
Active Members	53,373	52,200
Annual Payroll	\$5,054,181	\$4,695,730
Retirees and Beneficiaries	50,658	50,343
—Number of Enrolled Retirees, Disableds, and Survivors	29,514	29,728
—Number of Enrolled Spouses and Other Dependents	11,339	11,652
—Number of Nonparticipating Retirees	9,805	8,963
Inactive Members	2,457	2,442
Assets and Actuarial Liabilities		
Discount Rate	3.00%	3.00%
Actuarial Accrued Liability (AAL)	\$4,143,270	\$1,937,482
Actuarial Value of Assets (AVA)	\$258,353	\$167,556
Unfunded Actuarial Accrued Liability (UAAL = AAL – AVA)	\$3,884,917	\$1,769,926
Funded Ratio	6.24%	8.65%
Amortization Period	30 years	30 years
Actuarially Determined Contribution (ADC) Rates		
Normal Cost Rate	3.303%	1.561%
Unfunded Actuarial Accrued Liability Rate	<u>2.606%</u>	<u>1.277%</u>
Total ADC Rate	5.909%	2.838%
Member ¹	<u>1.250%</u>	<u>1.250%</u>
State	4.659%	1.588%
State Contribution Amount for Fiscal Year Ending		
June 30, 2023		\$74,443
June 30, 2024		\$76,673
June 30, 2025	\$234,990	
June 30, 2026	\$242,044	

¹ Effective July 1, 2004, the Plan receives member contributions equal to 1.25% of annual salaries in excess of \$500,000. The member contribution rate shown above has been adjusted to reflect the \$500,000 health benefit plan contribution offset.





SECTION I – BOARD SUMMARY

PLAN ACCOUNTING INFORMATION AS OF JUNE 30, 2024 FOR THE SYSTEM'S RETIREE HEALTH INSURANCE PLAN

Table I-2: Summary of Principal Plan Accounting Results

(\$ in Thousands)	
Valuation Date (VD):	June 30, 2024
Prior Measurement Date (PMD):	June 30, 2023
Measurement Date (MD):	June 30, 2024
Membership Data as of the VD:	
Inactive Members Currently Receiving Benefits	29,514
Inactive Members Entitled to, but Not Currently Receiving Benefits	12,262
Active Members	<u>53,373</u>
Total Membership	95,149
Discount Rate:	
Long-Term Expected Rate of Return	3.00%
Municipal Bond Index Rate at PMD	3.65%
Municipal Bond Index Rate at MD	3.93%
Year in which Fiduciary Net Position is Projected to be Depleted	2027
Single Equivalent Interest Rate at Prior Measurement Date	3.64%
Single Equivalent Interest Rate at Measurement Date	3.93%
Total OPEB Liability (TOL) as of the MD:	\$ 3,493,571
TOL as a percentage of covered compensation	69.12%
Net OPEB Liability (NOL) as of the MD:	
Total OPEB Liability (TOL)	\$ 3,493,571
Fiduciary Net Position (FNP)	<u>258,353</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 3,235,218
FNP as a percentage of TOL	7.40%
NOL as a percentage of covered compensation	64.01%





SECTION I – BOARD SUMMARY

SUMMARY OF KEY FINDINGS

This report presents the results of the actuarial valuation of the Retiree Health Insurance (the Plan) sponsored by the Connecticut State Teachers' Retirement System (the System), prepared as of June 30, 2024. The purpose of the valuation is to measure the Plan's obligations as of June 30, 2024, to determine the actuarially determined State contribution (ADC) rate for the fiscal years ending in 2025 and 2026 based on the System's funding policy and to provide the Plan accounting information required under GASB Statement No. 74 (GASB 74) for other postemployment benefit plans.

The unfunded actuarial accrued liability (UAAL) increased from \$1.770 billion as of June 30, 2022 to \$3.885 billion as of June 30, 2024. The Total OPEB Liability (TOL) under GASB 74 increased from \$1.809 billion to \$3.494 billion during the fiscal year ending on the valuation date. The actuarially determined State normal cost contribution rate increased from 0.311% to 2.053% over the two-year period. The unfunded actuarial accrued liability rate increased from 1.277% to 2.606% during the same period. We note the following key findings:

- Since the prior valuation and due to the Medicare Part D plan design changes due to the Inflation Reduction Act, both the Medicare Supplemental Plan and Medicare Advantage Plan rates for 2025 have increased at a higher rate than previously expected. As a result, there was a large increase in liability due to claims and premium experience. The 2025 monthly contributions paid by retirees and dependents who chose the Medicare Advantage Plan also increased, but the contribution for those in the Medicare Supplemental Plan did not, which further exacerbates the liability loss.
- The expected long-term rate of return on plan assets and the discount rate for funding purposes have been unchanged from 3.00%. The discount rate for Plan accounting purposes has been changed from 3.64% as of June 30, 2023 to 3.93% as of June 30, 2024.
- Assumed election rates for post-65 retirees between the Local School District Coverage Subsidy and CTRB Sponsored Medical Plans were updated to reflect the recent plan experience. Spouse coverage election assumptions were also updated with this change.
- Long-term health care cost trend rates were updated to reflect expected future trend for participants in the health plans. Since there was such a large increase in Medicare rates for 2025 due to the Inflation Reduction Act, it is uncertain how these rates will increase in the future. There is potential for them to flatten out or even slightly decrease as the experience around Medicare Part D prescription drug experience and Federal subsidies unfolds. Because of this, we have reduced our short term Medicare trend rate assumption to the ultimate rate of 4.50% for all future years beginning with 2025.

Additional information and details can be found in the Sections and Schedules that follow the Board Summary. Section II of the report provides a high-level summary of the membership data used in the valuation. Section III and Section IV review and reconcile the Plan's actuarial value of assets and the Plan's liabilities, respectively. The actuarially determined State contribution rate is developed in Section V. Sections VI and VII provide the actuarial information that may be needed for Plan accounting purposes under GASB 74. The appendices (Schedules) contain additional details and in-depth information.





SECTION II – PLAN MEMBERSHIP DATA

Data regarding the membership of the Plan for use in the valuation were furnished by the System. The following table summarizes the membership data as of June 30, 2024 and is compared with that reported for the prior valuation.

Table II–1: Comparative Summary of Plan Membership Data (\$ in Thousands)

Membership Data as of	June 30, 2024	June 30, 2022
Active Members		
Total Number of Active Members	53,373	52,200
Total Annual Compensation	\$ 5,054,181	\$ 4,695,730
Retirees and Beneficiaries		
Number of Retirees Receiving Health Insurance Benefits	29,514	29,728
Number of Spouses Receiving Health Insurance Benefits	11,339	11,652
Number of Nonparticipating Retirees	9,805	8,963
Total Retirees and Beneficiaries	50,658	50,343
Inactive Members		
Number of Eligible Vested Members	2,457	2,442





SECTION III – ACTUARIAL VALUE OF ASSETS

Information about the Plan's assets was provided by the System for valuation purposes. The market value of assets held in trust solely to provide benefits to retirees and their beneficiaries in accordance with the terms of the Plan is \$258,353,000 as of June 30, 2024.

The Actuarial Value of Assets for the Plan is equal to \$258,353,000 as of the valuation date based on the "market value" asset valuation method selected by the System. A detailed reconciliation of the Plan's Actuarial Value of Assets from June 30, 2023 to June 30, 2024 is provided in Table III below.

Table III-1: Reconciliation of the Actuarial Value of Plan Assets

(\$ in Thousands)	
Actuarial Value of Assets as of June 30, 2023	\$ 215,733
Additions	
Active Member Contributions	\$ 59,113
Retired Member Contributions	46,099
State Contributions	21,765
Net Investment Income	12,911
Other	28
Total Additions	\$ 139,916
Deductions	
Administrative Expense	\$ (132)
Benefit Payments and Refunds	(97,164)
Other	0
Total Deductions	\$ (97,296)
Net Change	\$ 42,620
Actuarial Value of Assets as of June 30, 2024	\$ 258,353





SECTION IV – PLAN FUNDING LIABILITIES

The present value of future benefits (PVFB) is the value, as of the valuation date, of all future benefits expected to be paid to current members of the Plan. An actuarial cost method allocates each individual's present value of benefits to past and future years of service. The actuarial accrued liability includes the portion of the active member present value of benefits allocated to past service as well as the entire present value of benefits for retirees, beneficiaries and inactive members. The unfunded actuarial accrued liability (UAAL) is the difference between the actuarial accrued liability and the actuarial value of assets. Table IV-1 shows the components of the present value of future benefits by decrement for future normal cost contributions and actuarial accrued liabilities and the determination of the UAAL as of the valuation date.

**Table IV-1: Summary and Allocation of the Present Value of Future Plan Benefits
Based on a 3.00% Discount Rate as of June 30, 2024**

(\$ in Thousands)	Entry Age Normal (Level Percentage of Pay) Actuarial Cost Method		
	(1)	(2)	(3)
	Present	Portion	Actuarial
	Value of	Covered By	Accrued
	Future Benefits	Future Normal	Liabilities
		Cost Contributions	[(1) – (2)]
Active Members			
Service Retirement	\$ 4,027,667	\$ 1,858,798	\$ 2,168,869
Disability Retirement	30,010	29,407	603
Survivors' Benefits	21,816	16,104	5,712
Termination Benefits	567,936	531,296	36,640
Total for Active Members	\$ 4,647,429	\$ 2,435,605	\$ 2,211,824
Inactive Members	\$ 175,953	N/A	\$ 175,953
Retirees and Beneficiaries	\$ 1,755,493	N/A	\$ 1,755,493
Total	\$ 6,578,875	\$ 2,435,605	\$ 4,143,270
Actuarial Value of Assets			\$ 258,353
Unfunded Actuarial Accrued Liability (UAAL)			\$ 3,884,917
Funded Ratio			6.24%

The valuation shows the Plan has an actuarial accrued liability of \$2,211,824,000 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability for retiree health insurance benefits payable to inactive members with vested pension benefits is \$175,953,000. The liability on account of benefits payable to retirees and beneficiaries amounts to \$1,755,493,000. The total actuarial accrued liability of the Plan amounts to \$4,143,270,000. Against these liabilities, the Plan has present assets for valuation purposes of \$258,353,000. Therefore, the UAAL is equal to \$3,884,917,000.





SECTION IV – PLAN FUNDING LIABILITIES

The determination of the Plan's actuarial liabilities requires the use of assumptions concerning the future experience of the System and its members. In each valuation, the most recent year of actual experience is compared to the expectations produced by the prior valuation. The differences are actuarial (gains) or losses which (decrease) or increase the UAAL. Table IV-2 provides for the reconciliation of the UAAL and shows the primary sources of this year's gains and losses due to actuarial experience.

Table IV–2: Reconciliation of the UAAL from June 30, 2022 to June 30, 2024

(\$ in Thousands)	
1. UAAL as of June 30, 2022	\$ 1,769,926
2. Normal Cost	71,801
3. Expected State Contributions	(74,443)
4. Expected Member Contributions	(57,687)
5. Expected Interest at 3.00%	53,285
6. Expected UAAL as of June 30, 2023 [1 + 2 + 3 + 4 + 5]	\$ 1,762,882
7. Actuarial Experience (Gain) / Loss	
a. Contributions (Higher) / Lower Than Expected ¹	\$ 53,758
b. Asset Return (Higher) / Lower than Expected	(1,937)
c. Claims Higher / (Lower) than Expected	N/A
d. Total Actuarial (Gain) / Loss	\$ 51,821
8. Projected UAAL as of June 30, 2023 [6 + 7d]	\$ 1,814,703
9. Normal Cost	73,955
10. Expected State Contributions	(76,673)
11. Expected Member Contributions	(59,113)
12. Expected Interest at 3.00%	54,638
13. Expected UAAL as of June 30, 2024 [8 + 9 + 10 + 11 + 12]	\$ 1,807,510
14. Actuarial Experience (Gain) / Loss	
a. Contributions (Higher) / Lower Than Expected ¹	\$ 55,726
b. Asset Return (Higher) / Lower Than Expected	(5,997)
c. Claims Higher / (Lower) than Expected	2,019,007
d. Demographic and Miscellaneous Experience	(49,555)
e. Assumption Changes	58,226
f. Plan Changes	0
g. Total Actuarial (Gain) / Loss	\$ 2,077,407
15. UAAL as of June 30, 2024 [13 + 14g]	\$ 3,884,917

¹ Includes an adjustment for the expected investment return from the assumed payment date(s) to the end of the year.





SECTION V – ACTUARIALLY DETERMINED STATE CONTRIBUTION

The Plan's actuarially determined contribution (ADC) is equal to the sum of the normal cost (the portion of the Plan's total present value of benefits (PVB) that will accrue as a result of service earned during the year, including expected administrative expenses) and the supplemental cost for the year. The supplemental cost is equal to the amount that will amortize the UAAL based on the amortization method and period selected for Plan funding purposes as of the valuation date. The determination of the ADC for the fiscal year ending on June 30, 2025 is shown in Table V. Table V also develops the actuarially determined State contribution amount and rate for the same period.

Table V: Development of the State's Actuarially Determined Contribution (ADC) Rate for the Fiscal Year Ending on June 30, 2025

(\$ in Thousands)	(a)	(b)
Fiscal Year Ending June 30, 2025	ADC Amount	ADC Rate as a Percentage of Covered Payroll [(a) ÷ (1)(a)]
1. Adjusted Covered Payroll to Mid-Year	\$ 5,043,872	
2. Discount Rate	3.00%	
3. Long-term Payroll Growth Rate	3.00%	
4. Amortization Period—All Sources	Open 30 years	
5. Amortization Factor—Level Percentage of Pay [Based on (2), adjusted for (3), over periods in (4)]	30.0000	
6. Unfunded Actuarial Accrued Liability (UAAL)	\$ 3,884,917	
7. Normal Cost		
i. Service Retirement	\$ 126,060	2.500%
ii. Disability Retirement	2,136	0.042%
iii. Survivors' Benefits	1,175	0.023%
iv. Termination Benefits	34,660	0.687%
v. Expected Administrative Expenses	132	0.003%
vi. Interest to Mid-Year	2,444	0.048%
vii. Total [(7i) + (7ii) + (7iii) + (7iv) + (7v) + (7vi)]	\$ 166,607	3.303%
8. Supplemental Cost		
i. Amortization of the UAAL [(6) ÷ (5)]	\$ 129,497	2.567%
ii. Interest to Mid-Year	1,928	0.039%
iii. Total [(8i) + (8ii)]	\$ 131,425	2.606%
Actuarially Determined Contribution (ADC)		
9. [(7vii) + (8iii)]	\$ 298,032	5.909%
Expected Member Contributions at Mid-Year		
10. [1.25% × {(1) – \$500}]	\$ 63,042	1.250%
11. State Normal Cost [(7vii) – (10), not less than 0]	\$ 103,565	2.053%
12. State Supplemental Cost [(8iii) – {(10) – (7vii), not < 0}]	131,425	2.606%
13. Actuarially Determined State Contribution [(11) + (12)]	\$ 234,990	4.659%

Please note that, in certain cases, the ADC rates in Table V (b) have been adjusted for calculation and/or presentation purposes.





SECTION V – ACTUARIALLY DETERMINED STATE CONTRIBUTION

SUMMARY OF METHODS AND ASSUMPTIONS USED IN THE DETERMINATION OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution (ADC) rates, as a percentage of payroll, used to determine the actuarially determined State contribution amounts that will be shown in the “Schedule of Governmental Nonemployer Contributing Entity Contributions” (See Section VII) are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions as of June 30, 2024 were used to determine the contribution rates shown in Table V that will be applicable for fiscal years ending on June 30, 2025 and June 30, 2026:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll over an open period
Amortization period	30 years
Asset valuation method	Market value of assets
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.00%
Price inflation	2.50%
Real wage growth	0.50%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00% to 6.50%
Health Care Cost Trend Rates – Local Coverage Subsidy*	6.25% for 2024, decreasing to an ultimate rate of 4.50% by 2031
Health Care Cost Trend Rates – Retiree Healthcare Plans	Medicare rates known for 2025, 4.50% increase for all subsequent years
Basis for Postretirement Mortality Rates	PubT-2010, Amount Weighted
Basis for Postretirement Mortality Improvement Rates	Scale MP-2019, Generational

* Subsidy amounts are assumed to follow medical trend until they reach their limit and to not increase after that.





SECTION VI – PLAN ACCOUNTING INFORMATION UNDER GASB 74

The table below provides the change in the Net OPEB Liability (NOL) during the current measurement period that must be disclosed under GASB accounting rules, as well as the most recent five years of the 10-year schedule of changes in the Net OPEB Liability and related ratios that must be included in Required Supplementary Information (RSI). We have assumed that the System will not restate results for any period prior to the adoption of GASB 74 or 75, so only results for the years since adoption are shown.

Table VI–1: Reconciliation of Changes in the Plan’s Total OPEB Liability (TOL)

(\$ in Thousands)					
Fiscal Years Ending on June 30	2024	2023	2022	2021	2020
Collective Total OPEB Liability (TOL)					
Service Cost	\$ 59,801	\$ 60,201	\$ 72,027	\$ 121,535	\$ 93,324
Interest on the TOL	67,106	63,729	38,342	64,951	97,264
Changes of benefit terms	0	0	299,536	0	0
Difference between expected and actual experience	1,754,214	(166)	(60,031)	(1,218,425)	(586,004)
Changes of assumptions or other inputs	(145,568)	(33,364)	(236,042)	12,750	626,595
Net benefit payments	(51,065)	(52,458)	(74,795)	(131,543)	(67,383)
Net change in TOL	\$ 1,684,488	\$ 37,942	\$ 39,037	\$ (1,150,732)	\$ 163,796
TOL—beginning of period	\$ 1,809,083	\$ 1,771,141	\$ 1,732,104	\$ 2,882,836	\$ 2,719,040
TOL—end of period	\$ 3,493,571	\$ 1,809,083	\$ 1,771,141	\$ 1,732,104	\$ 2,882,836





SECTION VI – PLAN ACCOUNTING INFORMATION UNDER GASB 74

Table VI–2: Reconciliation of Changes in the Plan’s Fiduciary Net Position (FNP) and Net OPEB Liability / (Asset) (NOL)

(\$ in Thousands)							
Fiscal Years Ending on June 30		2024	2023	2022	2021	2020	
TOL—end of period	(a)	\$ 3,493,571	\$ 1,809,083	\$ 1,771,141	\$ 1,732,104	\$ 2,882,836	
Fiduciary Net Position (FNP)							
Contributions – State of Connecticut		\$ 21,765	\$ 21,474	\$ 20,419	\$ 29,411	\$ 29,173	
Contributions – active member		59,113	57,687	50,630	54,058	53,221	
Contributions – non-employer		0	14,420	0	0	0	
Net investment income		12,911	7,569	49,587	82,256	849	
Net benefit payments		(51,065)	(52,458)	(74,795)	(131,543)	(67,383)	
Administrative expenses		(132)	(142)	(283)	(117)	(372)	
Other		28	(373)	16,083	(91)	0	
Net change in FNP		\$ 42,620	\$ 48,177	\$ 61,641	\$ 33,974	\$ 15,488	
FNP—beginning of period		\$ 215,733	\$ 167,556	\$ 105,915	\$ 71,941	\$ 56,453	
FNP—end of period	(b)	\$ 258,353	\$ 215,733	\$ 167,556	\$ 105,915	\$ 71,941	
FNP as a percentage of the TOL	[(b) / (a)]	7.40%	11.92%	9.46%	6.11%	2.50%	
Collective Net OPEB Liability/(Asset) (NOL)							
NOL—end of period	[(a) - (b)]	\$ 3,235,218	\$ 1,593,350	\$ 1,603,585	\$ 1,626,189	\$ 2,810,895	
Covered Payroll¹		\$ 5,054,181	\$ 4,695,730	\$ 4,695,730	\$ 4,438,394	\$ 4,438,394	
NOL as a percentage of Covered Payroll		64.01%	33.93%	34.15%	36.64%	63.33%	

¹ Covered Payroll provided by the System for active employees who would be eligible for benefits at retirement. Beginning in 2021, for years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.





SECTION VII – PLAN FINANCIAL STATEMENT NOTE DISCLOSURES

This section contains accounting information that may be used to satisfy the reporting requirements under Governmental Accounting Standards Board (GASB) Statement No. 74 for the fiscal year ending on June 30, 2024, based on a June 30, 2024 valuation date.

The Plan is assumed to be cost-sharing, other than insured, defined benefit OPEB plan with a special funding situation where assets are accumulated in a trust that meets the criteria in paragraph 3 of GASB 74. Additionally, we have assumed that the System will not restate results for any period prior to the adoption of GASB 74 based on the guidance in paragraph 61 of that Standard. This report does not include any non-actuarial items that may need to be reported or disclosed.

Plan Membership Information

The Plan’s membership data was furnished by the System for valuation purposes as of June 30, 2024. The following table summarizes the membership of the Plan as of the June 30, 2024 valuation date.

Membership Group	Number
Inactive plan members currently receiving benefits	29,514
Inactive plan members entitled to, but not currently receiving benefits	12,262
Active participants	<u>53,373</u>
Total membership	95,149

Net OPEB Liability / (Asset) (NOL)

The NOL is equal to the Total OPEB Liability (TOL) minus the Fiduciary Net Position (FNP). The development of the NOL and the Plan’s funded ratio as of the June 30, 2024 Measurement Date is presented in the table below.

As of June 30, 2024 (\$ in Thousands)	
TOL	\$ 3,493,571
FNP	<u>258,353</u>
NOL [TOL – FNP]	\$ 3,235,218
Ratio of FNP to TOL	7.40%





SECTION VII – PLAN FINANCIAL STATEMENT NOTE DISCLOSURES

Summary of Key Actuarial Assumptions, Methods, and Other Inputs

The TOL was determined by an actuarial valuation as of June 30, 2024, using the key actuarial assumptions, methods, and other inputs listed below. Please note that the complete set of actuarial assumptions, methods, and other inputs that were used to develop the TOL are provided in Schedule C.

Inflation	2.50%
Real wage growth	0.50%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00% - 6.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	3.00%
Municipal Bond Index Rate at Prior Measurement Date	3.65%
Municipal Bond Index Rate at Measurement Date	3.93%
Year FNP is projected to be depleted	2027
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation, as of Prior Measurement Date	3.64%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation, as of Measurement Date	3.93%
Health Care Cost Trend Rates – Local Coverage Subsidy*	6.25% for 2024, decreasing to an ultimate rate of 4.50% by 2031
Health Care Cost Trend Rates – Retiree Healthcare Plans	Medicare rates known for 2025, 4.50% increase for all subsequent years

* Subsidy amounts are assumed to follow medical trend until they reach their limit and to not increase after that.

Health care cost trend rates are set on an annual basis based on published annual health care inflation surveys in conjunction with knowledge of future anticipated events and actual plan experience (if credible).

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used for active members.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019. The actuarial economic assumptions used in the June 30, 2024 valuation were based on the results of a study of economic assumptions for use in actuarial valuations report dated April 24, 2019.





SECTION VII – PLAN FINANCIAL STATEMENT NOTE DISCLOSURES

The remaining actuarial assumptions (e.g., initial per capita costs, rates of plan participation, rates of plan election, etc.) used in the June 30, 2024 valuation are based on a review of recent plan experience that was performed concurrently with the June 30, 2024 valuation and/or based on anticipated or observed changes in participant behavior.

The long-term expected return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan’s current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class compiled by Horizon Actuarial Services, LLC in its “*Survey of Capital Market Assumptions, 2024 Edition*”. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then incorporating expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected 20-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.00%*	1.26%	1.10%
Price Inflation		2.50%	
Expected Rate of Return		$1.0126 \times 1.025 - 1 = 3.79\%$	
Expected Rate of Return (Rounded Nearest 0.25%)		3.75%	

*All of the Plan’s assets are assumed to be invested in cash equivalents given the need for liquidity.

The long-term expected rate of return and funding rate of 3.00% are reasonable relative to the target allocation and its expected return.

DEVELOPMENT OF THE DISCOUNT RATE (SEIR)

The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The basis for this projection was the actuarial valuation performed as of June 30, 2024. In addition to the actuarial methods and assumptions of the June 30, 2024 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.





SECTION VII – PLAN FINANCIAL STATEMENT NOTE DISCLOSURES

Based on these assumptions, the Plan's FNP was projected to be depleted in 2027 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. In this analysis, the long-term expected rate of return on Plan investments equal to 3.00% was applied to periods through 2027 and the Municipal Bond Index Rate as of the Measurement Date (3.93%) was applied to periods on or after 2027, resulting in a SEIR equal to 3.93% as of the Measurement Date.

Please note that the FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Sensitivity of the Net OPEB Liability to Health Care Cost Trend Rates

The sensitivity of the NOL to changes in health care cost trend rates must be disclosed under GASB accounting rules. The table below provides the NOL of the Plan determined using current health care cost trend rates, as well as what the Plan's NOL would be if health care cost trend rates were 1-percentage-point lower or 1-percentage-point higher than current health care cost trend rates.

Sensitivity of the Net OPEB Liability to Health Care Cost Trend Rates (\$ in Thousands)			
	1% Lower Trend Rates	Current Trend Rates	1% Higher Trend Rates
Net OPEB Liability / (Asset)	\$2,655,482	\$3,235,218	\$4,023,422

Sensitivity of the Net OPEB Liability to Discount Rates

The sensitivity of the NOL to changes in the discount rate must also be disclosed under GASB accounting rules. The table below provides the NOL of the Plan determined using the current discount rate of 3.93%, as well as what the Plan's NOL would be if the discount rate was 1-percentage-point lower or 1-percentage-point higher than the current rate:

Sensitivity of the Net OPEB Liability to Discount Rates (\$ in Thousands)			
	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB Liability / (Asset)	\$3,940,259	\$3,235,218	\$2,684,501





SECTION VII – PLAN FINANCIAL STATEMENT NOTE DISCLOSURES

REQUIRED SUPPLEMENTARY INFORMATION

Under GASB 74, information regarding changes to benefit terms and changes to assumptions or other inputs should be noted regarding the Required Supplementary Information (RSI). The information should be listed by the date for which the indicated change was first reflected in reported amounts.

Changes to benefit terms

- There have been no changes to benefit terms since the prior valuation as of June 30, 2022.

Changes to assumptions or other inputs

June 30, 2024 (Valuation Date: June 30, 2024)

- Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2024 was updated to equal the SEIR of 3.93% as of June 30, 2024;
- Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience;
- Assumed election rates for post-65 retirees between the Local School District Coverage Subsidy and CTRB Sponsored Medical Plans were updated to reflect the recent plan experience. Spouse coverage election assumptions were also updated with this change; and
- Long-term health care cost trend rates were updated to reflect expected future trend for participants in the health plans.

June 30, 2023 (Valuation Date: June 30, 2022)

- Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2023 was updated to equal the SEIR of 3.64% as of June 30, 2023.





SECTION VII – PLAN FINANCIAL STATEMENT NOTE DISCLOSURES

REQUIRED SUPPLEMENTARY INFORMATION— SCHEDULE OF GOVERNMENTAL NONEMPLOYER CONTRIBUTING ENTITY CONTRIBUTIONS

(\$ in Thousands)											
Fiscal Year Ending on June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Actuarially Determined State Contribution	\$ 76,673	\$ 74,443	\$ 123,908	\$ 120,299	\$ 173,273	\$ 167,819	\$ 172,223	\$ 166,802	\$ 130,331	\$ 125,620	
Contributions in relation to the Actuarially Determined Contribution	21,765	21,474	20,419	29,411	29,173	35,320	35,299	19,922	19,960	25,145	
Annual Contribution Deficiency (Excess)	\$ 54,908	\$ 52,969	\$ 103,489	\$ 90,888	\$ 144,100	\$ 132,499	\$ 136,924	\$ 146,880	\$ 110,371	\$ 100,475	
Covered Payroll ¹	\$ 5,054,181	\$ 4,695,730	\$ 4,695,730	\$ 4,438,394	\$ 4,438,394	\$ 4,389,654	\$ 4,075,939	\$ 4,279,755	\$ 4,125,066	\$ 4,078,367	
Actual Contributions as a Percentage of Covered Payroll	0.43%	0.46%	0.43%	0.66%	0.66%	0.80%	0.87%	0.47%	0.48%	0.62%	

¹Covered payroll provided by the System for active employees who would be eligible for benefits at retirement. Beginning in 2021, for years following the Valuation Date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.





SCHEDULE A – DETAILS CONCERNING MEMBERSHIP CENSUS DATA

Table A-1: Distribution of Active Members by Attained Age and Service as of June 30, 2024

Age	Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	108 *	480 *									588 *
25 to 29	265 *	3,213 *	689 \$64,132	1 *							4,168 \$58,736
30 to 34	154 *	2,048 *	3,003 \$70,483	564 \$82,298							5,769 \$68,642
35 to 39	112 *	1,222 *	1,994 \$75,068	3,264 \$87,099	493 \$98,361						7,085 \$80,899
40 to 44	129 *	940 *	1,157 \$82,071	1,912 \$90,625	3,614 \$102,823	659 \$110,691					8,411 \$93,702
45 to 49	87 *	774 *	759 \$81,496	941 \$93,438	1,922 \$104,101	3,158 \$109,613	473 \$112,890				8,114 \$100,195
50 to 54	59 *	579 *	610 \$82,617	715 \$93,749	1,090 \$102,866	2,080 \$108,696	2,471 \$114,665	234 \$119,418			7,838 \$103,966
55 to 59	37 *	347 *	376 \$80,807	540 \$93,236	828 \$100,916	1,209 \$105,850	1,568 \$110,825	1,052 \$116,653	152 \$113,242		6,109 \$103,791
60 to 64	24 *	159 *	201 \$81,402	310 \$89,249	570 \$100,411	781 \$105,587	607 \$108,844	414 \$110,905	402 \$110,996	30 \$114,532	3,498 \$102,302
65 to 69	12 *	54 *	82 \$85,606	84 \$91,271	238 \$101,969	292 \$104,652	256 \$108,781	115 \$112,448	125 \$108,795	74 \$114,604	1,332 \$103,145
70 & Up	3 *	19 *	24 \$104,772	26 \$89,052	52 \$101,876	95 \$106,823	79 \$109,471	59 \$113,581	40 \$116,266	64 \$116,281	461 \$107,085
Total	990 \$62,947	9,835 \$64,462	8,895 \$75,213	8,357 \$89,389	8,807 \$102,493	8,274 \$108,331	5,454 \$112,408	1,874 \$115,374	719 \$111,382	168 \$115,230	53,373 \$90,684

* Average reported compensation is not shown for members with fewer than 5 years of service or age/service groups with fewer than 20 individuals.



SCHEDULE A – DETAILS CONCERNING MEMBERSHIP CENSUS DATA



Table A-2: Comparative Summary of Key Active Member Statistics

	June 30, 2024	June 30, 2022
Average Age	45.0 years	44.7 years
Average Service	14.4 years	14.2 years
Average Pay	\$90,684	\$86,119

Table A-3: Distributions of Members and Spouses Who Are Receiving Retiree Health Insurance Benefits by Age and Gender as of June 30, 2024

	Retirees		Spouses		Total
	Male	Female	Male	Female	
Subsidized Local School District Coverage					
Ages Under 65	236	1,118	361	206	1,921
Ages 65 and Over	<u>1,403</u>	<u>3,574</u>	<u>966</u>	<u>601</u>	<u>6,544</u>
Subsidy Total	1,639	4,692	1,327	807	8,465
System-Sponsored Health Care Plans					
Medicare Supplement					
Under Age 65	1	3	4	2	10
Ages 65 – 69	78	322	110	45	555
Ages 70 – 74	107	479	168	58	812
Ages 75 – 79	224	659	230	73	1,186
Ages 80 – 84	178	454	170	49	851
Ages Over 84	<u>201</u>	<u>538</u>	<u>109</u>	<u>27</u>	<u>875</u>
Total	789	2,455	791	254	4,289
Medicare Advantage					
Under Age 65	0	26	18	13	57
Ages 65 – 69	628	2,456	967	390	4,441
Ages 70 – 74	1,315	4,283	1,890	673	8,161
Ages 75 – 79	1,799	3,881	1,695	691	8,066
Ages 80 – 84	1,138	1,953	832	422	4,345
Ages Over 84	<u>810</u>	<u>1,650</u>	<u>408</u>	<u>161</u>	<u>3,029</u>
Total	5,690	14,249	5,810	2,350	28,099
Health Care Total	6,479	16,704	6,601	2,604	32,388
Total	8,118	21,396	7,928	3,411	40,853





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

ECONOMIC ASSUMPTIONS

Discount Rate

3.00% per year for all periods after June 30, 2024.

Expected Long-term Rate of Return on Assets

3.00% per year, net of investment expenses, for all periods after June 30, 2024.

Expected Long-term Rates of Inflation

2.50% per year for all periods after June 30, 2024.

Expected Long-term Real Wage Growth

0.50% per year for all periods after June 30, 2024.

Expected Long-term Wage Inflation

3.00% per year for all periods after June 30, 2024. This rate does not reflect any expected future increase in the number of active members.

Expected Administrative Expenses Included in Normal Cost

Estimated administrative expenses equal to 0.003% of payroll were included in the normal cost rate.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Long-term Health Care Cost Trend Rates

Annual per capita health care claims costs are expected to increase in future years as a result of medical inflation, utilization, leverage in the plan design, and improvements in technology adjusted for any implicit and/or explicit cost containment features. Initial health care cost trend rates were selected based on an analysis of national average health trend surveys specific to similarly structured plans for Medicare-eligible participants. Long-term health care cost trend rates were updated to reflect expected future trend for participants in the health plans. Since there was such a large increase in Medicare rates for 2025 due to the Inflation Reduction Act, it is uncertain how these rates will increase in the future. There is potential for them to flatten out or even slightly decrease as the experience around Medicare Part D prescription drug experience and Federal subsidies unfolds. Because of this, we have reduced our short term Medicare trend rate assumption to the ultimate rate of 4.50% for all future years beginning with 2025.

The annual assumed rates of increases in retiree expected health care claims costs and contributions during each period subsequent to the measurement date are shown in the table below.

Fiscal Year Beginning July 1,	Annual Per Capita Claims Cost Increase – Local Coverage Subsidy*	Annual Per Capita Claims Cost Increase – Retiree Health Plans
2024	6.25%	**
2025	6.00%	4.50%
2026	5.75%	4.50%
2027	5.50%	4.50%
2028	5.25%	4.50%
2029	5.00%	4.50%
2030	4.75%	4.50%
2031 and beyond	4.50%	4.50%

* Subsidy amounts are assumed to follow medical trend until they reach their limit and to not increase after that.

**Medicare rates are known for calendar year 2025.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

DEMOGRAPHIC ASSUMPTIONS

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal were developed based on the results of an actuarial experience study for the five-year period from July 1, 2014 to June 30, 2019, adopted by the Board, and prescribed for use in the Plan's June 30, 2024 actuarial valuation.

Expected Annual Subsidies for Local School District Coverage

FUTURE RETIREES AND DEPENDENTS

The lesser of \$2,640 per year (\$220 per month) and the Maximum Annual Subsidy for all future retired members and dependents who are expected to be covered under local school district OPEB plans in future periods.

CURRENT RETIREES AND DEPENDENTS

The lesser of the annualized actual monthly subsidy amounts provided by the System for retired members and dependents who are covered under local school district OPEB plans as of June 30, 2024 and the applicable Maximum Annual Subsidy. Reported subsidies are expected to increase each year based on the assumed long-term health care cost trend rates for Medicare Advantage and Medicare Supplement Plans until the Maximum Annual Subsidy is reached.

The following table provides Maximum Annual Subsidy amounts for Medicare-ineligible and Medicare-eligible members and dependents who are receiving health care coverage under a local school district OPEB plan:

Medicare Status	Maximum Annual Subsidy
Ineligible	\$2,640 per year (\$220 per month)
Eligible	\$5,280 per year (\$440 per month) for those without "premium free" Medicare Part A who contribute at least \$440 per month for coverage under a local school district plan; \$2,640 per year (\$220 per month), otherwise.

As of July 1, 2022, the Maximum Annual Subsidies provided in the table above increased for the first time since July of 1996. Our understanding is that these types of benefit improvements would not be considered "substantially automatic" (as that term is defined in GASB 74 and 75) based on the Plan's history of such changes. As a result, the Maximum Annual Subsidy Amounts shown above are not expected to increase in any future period.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Expected Annual Per Capita Health Care Claims Costs

MEDICAL AND PRESCRIPTION DRUGS

Assumed annual per capita health care claims costs were developed for the Medicare Supplement Plan and the Medicare Advantage Plan based on the medical and prescription drug premium rates for each plan and period provided by the System. Our understanding is that these premium rates include all relevant medical, prescription drug, and/or third-party administrative costs, and represent the amounts paid by the System as “the full contribution amount” for each coverage provided.

The expected annual age 65 per capita health care claims costs for the Medicare Supplement Plan and Medicare Advantage Plan for the year following the valuation date are shown below:

Expected Annual Age 65 Per Capita Claims Cost for	
Medicare Supplement Plans	\$3,985
Medicare Advantage Plans	\$2,456

Federal Legislation

The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the anticipation of current and potential changes to Medicare due to the IRA, which are included in our baseline claims and trend assumption. Continued monitoring of the impact on the Plan’s liability due to this and other legislation, if applicable, will be required.

COVID-19 Pandemic

The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan’s liability will be required.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Age Related Morbidity

Expected annual age 65 per capita health care claims costs are adjusted to reflect anticipated age-related cost changes. The assumed annual percentage increases in expected annual per capita health care costs/net incurred claims that were used to adjust Medicare Supplement and Medicare Advantage Plan amounts from one age to the next are provided in the following table for both retirees and their dependents:

Payment Age	Annual Increase
Under 30	0.0%
30 – 34	1.0%
35 – 39	1.5%
40 – 44	2.0%
45 – 49	2.6%
50 – 54	3.3%
55 – 59	3.6%
60 – 64	4.2%
65 – 69	3.0%
70 – 74	2.5%
75 – 79	2.0%
80 – 84	1.0%
85 – 89	0.5%
Over 90	0.0%

Mortality and Mortality Improvement Rates

PRE-RETIREMENT MORTALITY

The PubT-2010 Employee Table projected generationally with MP-2019 is used for both males and females while in active service. Representative values of the assumed annual rates of mortality while in active service are as follows:

Age	Annual Rates of Death*	
	Male	Female
30	0.022%	0.014%
35	0.030%	0.020%
40	0.042%	0.031%
45	0.067%	0.048%
50	0.111%	0.073%
55	0.172%	0.107%
60	0.264%	0.161%
65	0.435%	0.270%

*Rates shown are for 2010, the base year of the table.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Post-Retirement Mortality

The PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above) projected generationally with MP-2019 is used for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 is used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females is used for survivors and beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Annual Rates of Death*					
	Healthy		Disability		Survivor	
	Male	Female	Male	Female	Male	Female
50	0.111%	0.073%	1.605%	1.483%	0.724%	0.342%
55	0.223%	0.193%	2.114%	1.742%	0.854%	0.476%
60	0.357%	0.287%	2.503%	1.956%	1.067%	0.667%
65	0.592%	0.446%	3.044%	2.256%	1.497%	0.973%
70	1.070%	0.770%	3.901%	2.862%	2.335%	1.478%
75	2.031%	1.461%	5.192%	4.003%	3.706%	2.371%
80	3.960%	2.868%	7.348%	6.007%	5.897%	3.985%
85	7.598%	5.548%	10.815%	9.331%	9.658%	7.122%
90	13.923%	10.392%	16.253%	13.665%	15.947%	12.596%

*Rates are shown for 2010, the base year of the tables.

Withdrawal Rates

The following table contains service based annual rates of withdrawal (separation from service for causes other than death, disability, or retirement) for males and females:

Years of Service	Annual Rates of Withdrawal				
			10 or More Years of Service		
	Male	Female	Age	Male	Female
0	15.00%	12.00%	25	1.80%	6.00%
1	11.00	11.00	30	1.80	6.00
2	8.50	9.50	35	1.80	4.25
3	7.00	8.00	40	1.80	2.50
4	5.50	7.50	45	1.80	2.00
5	4.50	7.00	50	2.25	2.40
6	4.00	6.50	55	4.00	3.90
7	3.50	6.00	59	5.50	4.00
8	3.50	5.50			
9	3.50	5.00			





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Retirement Rates

The following table contains age and service based annual rates of retirement at sample ages:

Annual Rates of Retirement				
Unreduced				
Age	Less than 35 years of Service		35 or more years of Service	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
50			35.0%	30.0%
55			35.0%	30.0%
60	20.0%	20.0%	30.0%	30.0%
65	27.5%	32.5%	35.0%	37.5%
70	27.5%	30.0%	30.0%	32.5%
75	100.0%	100.0%	100.0%	100.0%
Annual Rates of Retirement				
Age	Proratable		Reduced	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
50			1.50%	1.25%
52			1.50%	1.25%
54			2.00%	2.25%
56			4.00%	3.75%
58			6.50%	5.50%
60	6.0%	5.0%		
65	15.0%	12.0%		
70	28.5%	15.0%		
75	28.5%	15.0%		
80	100.0%	100.0%		





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Disability Rates

The table below provides age based annual rates of disability for males and females at sample ages:

Annual Rates of Disability		
Age	Male	Female
20	0.020%	0.020%
25	0.020%	0.020%
30	0.020%	0.020%
35	0.020%	0.030%
40	0.030%	0.060%
45	0.080%	0.090%
50	0.150%	0.150%
55	0.150%	0.170%
60	0.150%	0.150%

Rates of Annual Salary Increases

Years of Service	Total Increase (Next Year)
0	6.50%
1	6.25%
2 – 9	6.00%
10 – 11	5.50%
12	5.25%
13	5.00%
14	4.75%
15	4.50%
16	4.00%
17	3.75%
18	3.50%
19	3.25%
20 and Over	3.00%





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Decrement Timing and Adjustment

Decrements—retirement, withdrawal, death, and disability—are assumed to occur at the beginning of the year. Decrement rates (or “probabilities”) are assumed to be uniformly distributed throughout the year, and reflect multiple decrement effects.

Subsidized Local School District Coverage and System-Sponsored Health Care Plan Participation Rates

FUTURE RETIREES AND DEPENDENTS

The table below provides the percentage of future retired members and dependents who are expected to be covered under local school district OPEB plans or the System-sponsored health care plan options in future periods.

Membership Class	Subsidized Local School District Coverage	System-Sponsored Health Care Plans
Pre-65 Members	60.0%	N/A
Post-64 Members	10.0%	70.0%
Pre-65 Spouses/Survivors*	45.0%	N/A
Post-64 Spouses/Survivors*	45.0%	45.0%

* Percentage of participating members electing spouse coverage.

CURRENT RETIREES AND DEPENDENTS—ENROLLED

All current retirees and dependents who are eligible for Medicare as of the valuation date are assumed to continue current coverage. For retirees and surviving spouses who are not eligible for Medicare and are covered under local school district OPEB plans as of the valuation date, the following table shows the assumed migration from subsidized local school district coverage to a System-sponsored health care plan option at age 65:

Membership Class	Assumed Percentage Electing Subsidized Local School District Coverage On or After Age 65	Assumed Percentage Electing System-Sponsored Health Care Plans On or After Age 65
Pre-65 Members	25.0%	75.0%
Pre-65 Spouses/Survivors*	12.5%	87.5%

* Percentage of participating members electing spouse coverage.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

CURRENT RETIREES AND DEPENDENTS—NOT ENROLLED

50% of retired members who are not eligible for Medicare, are currently receiving a retirement or disability benefit, but are not participating in the Plan, are expected to be covered under a System-sponsored health care plan option at age 65. Of these participants, 50% are assumed to cover a spouse.

SYSTEM-SPONSORED HEALTH CARE PLAN ELECTION

Current retirees already enrolled in a System-sponsored health care plan are assumed to continue with their elected plan for life. Future retirees and current retirees newly electing to enroll in System-sponsored health care plans are assumed to elect between the System-sponsored health care plan options as follows:

Health Care Coverage Option	Percent of New System-Sponsored Health Care Plan Enrollees Electing the Plan
Medicare Supplement Plan	15.0%
Medicare Advantage Plan	85.0%

Participants are not assumed to change plan options once System-sponsored health care is elected.

Assumed Eligibility for “Premium Free” Medicare Part A Benefits

FUTURE RETIREES AND DEPENDENTS

100% of future Medicare-eligible retirees and dependents are expected to be eligible for “premium free” Medicare Part A benefits.

CURRENT RETIREES AND DEPENDENTS

0% of retired members and dependents who are currently receiving a subsidy equal to \$5,280 per year (\$440 per month) as of June 30, 2024 are expected to be eligible for “premium free” Medicare Part A benefits. Otherwise, 100% of retired members and dependents are expected to be eligible for these benefits when they reach age 65 or, if they are older, their attained age on the valuation date.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Assumed Commencement Age for Eligible Deferred Vested Members

Eligible deferred vested members and their dependents are expected to begin receiving health care benefits when members reach age 60 or, if they are older, the member’s attained age on the valuation date.

The following table contains the age based assumed percentages of deferred vested members who will become ineligible for future health care benefits because they are expected to withdraw their contributions from the System:

Attained Ages on the Later of the Valuation Date or Date of Decrement					
Under Age 55	Age 56	Age 57	Age 58	Age 59	Over Age 59
30.00%	24.00%	18.00%	12.00%	6.00%	0.00%

Marital and Spouse Assumptions

FUTURE RETIREES

100% of future retired members are assumed to be married to a spouse of the opposite gender. Husbands are assumed to be three years older than their wives.

CURRENT RETIREES

Actual spouse age and gender are used where available. If relevant spouse information is not available, husbands are assumed to be three years older than their wives.

Funding Policy

Our understanding is that the System has not adopted a formal funding policy for the Plan and has not made any changes to the Plan’s funding policy since the prior valuation.

Valuation Date

June 30, 2024

Benefits Not Valued

Dental benefits for retirees and their dependents are paid by the retiree on a full cost basis and without an implicit subsidy. As a result, no dental benefit liabilities are included in the Plan’s valuation results as of June 30, 2024.





SCHEDULE B – FUNDING ACTUARIAL ASSUMPTIONS & METHODS

Changes Since the Prior Valuation

The June 30, 2024 measurements used in the development of actuarially determined contribution rates reflect the following changes in assumptions and methods:

- Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience;
- Assumed election rates for post-65 retirees between the Local School District Coverage Subsidy and CTRB Sponsored Medical Plans were updated to reflect the recent plan experience. Spouse coverage election assumptions were also updated with this change; and
- Long-term health care cost trend rates were updated to reflect expected future trend for participants in the health plans.

The aggregate effect of the changes described above was an increase in the Plan's actuarial present value of future benefits and the normal cost rate for plan funding purposes measured as of June 30, 2024.





SCHEDULE C – ACCOUNTING ACTUARIAL ASSUMPTIONS & METHODS

ECONOMIC AND OTHER ASSUMPTIONS AND METHODS

Discount Rate

3.93% per year for all periods after June 30, 2024.

Municipal Bond Index Rate Basis

The 20-Bond average General Obligation 20-year Municipal Bond Rate published at the end of the last week during the month of June by The Bond Buyer (www.bondbuyer.com) was used as the 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate required under GASB rules

Expected Long-term Rate of Return on Assets

3.00% per year, net of investment expenses, for all periods after June 30, 2024.

Expected Administrative Expenses Included in Service Cost

None.

Measurement Date

June 30, 2024

Measurement Period

July 1, 2023 to June 30, 2024

Actuarial Cost Method

The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future, of each member's expected benefits at retirement is determined, based upon age, service, and gender. The calculations take into account the probability of a member's death or termination of employment prior to receiving benefits under the Plan. The present value of the expected benefits payable on account of active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable by the Plan.





SCHEDULE C – ACCOUNTING ACTUARIAL ASSUMPTIONS & METHODS

The actuarial cost method is a procedure for allocating the actuarial present value of postemployment benefits and expenses to time periods. The method used for the valuation is known as the Entry Age Normal (Level Percentage of Pay) actuarial cost method and has the following characteristics:

- (i) The annual normal costs for each individual active participant are sufficient to accumulate the value of the participant's postemployment benefits at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the participant's year-by-year projected covered compensation.

The Entry Age Normal (Level Percentage of Pay) actuarial cost method allocates the actuarial present value of each participant's projected benefits on a level basis over the participant's assumed compensation rates between the entry age of the participant and the assumed ages at which the participant will leave active service.

The portion of the actuarial present value allocated to the valuation year is called the service cost (SC). The portion of the actuarial present value of expected benefits not provided for by the actuarial present value of future service costs is called the Total OPEB Liability (TOL). The difference between the TOL and the Fiduciary Net Position is the Net OPEB Liability / (Asset) (NOL).

The actuarial cost method is prescribed by GASB 74 and 75 for financial accounting purposes.

Asset Valuation Method

The Actuarial Asset Value for financial accounting purposes is equal to the market value of plan assets.

The asset valuation method is prescribed by GASB 74 and 75 for financial accounting purposes.

Benefits Not Valued

Dental benefits for retirees and their dependents are paid by the retiree on a full cost basis and without an implicit subsidy. As a result, no dental benefit liabilities are included in the Plan's GASB 74 results as of June 30, 2024.

Other Assumptions and Methods

Unless otherwise stated above, all other actuarial assumptions and methods are the same as those used for the purpose of determining periodic funding contributions as of June 30, 2024.





SCHEDULE C – ACCOUNTING ACTUARIAL ASSUMPTIONS & METHODS

Changes Since the Prior Valuation

The June 30, 2024 measurements used in the development of June 30, 2024 financial accounting results for the Plan reflect the following changes in assumptions and methods:

- Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2024 was updated to equal the SEIR of 3.93% as of June 30, 2024;
- Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience;
- Assumed election rates for post-65 retirees between the Local School District Coverage Subsidy and CTRB Sponsored Medical Plans were updated to reflect the recent plan experience. Spouse coverage election assumptions were also updated with this change; and
- Long-term health care cost trend rates were updated to reflect expected future trend for participants in the health plans.

The aggregate effect of the changes described above was an increase in the Plan's Total OPEB Liability and Service Cost measured as of June 30, 2024.





SCHEDULE D – ACTUARIAL COST & AMORTIZATION METHODS

Actuarial Cost Method

The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future, of each member's expected benefits at retirement is determined, based upon age, service, and gender. The calculations take into account the probability of a member's death or termination of employment prior to receiving benefits under the Plan. The present value of the expected benefits payable on account of active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable by the Plan.

The actuarial cost method is a procedure for allocating the actuarial present value of postemployment benefits and expenses to time periods. The method used for the valuation is known as the Entry Age Normal (Level Percentage of Pay) actuarial cost method, and has the following characteristics:

- (i) The annual normal costs for each individual active participant are sufficient to accumulate the value of the participant's postemployment benefits at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the participant's year-by-year projected covered compensation.

The Entry Age Normal (Level Percentage of Pay) actuarial cost method allocates the actuarial present value of each participant's projected benefits on a level basis over the participant's assumed compensation rates between the entry age of the participant and the assumed ages at which the participant will leave active service.

The portion of the actuarial present value allocated to the valuation year is called the Normal Cost. The portion of the actuarial present value of expected benefits not provided for by the actuarial present value of future normal costs is called the Actuarial Accrued Liability (AAL).

The excess of the AAL over the Actuarial Value of Assets is the Unfunded Actuarial Accrued Liability / (Surplus) ("UAAL").

Asset Valuation Method

The Actuarial Value of Assets for this purpose is equal to the market value of plan assets.

Funding Amortization of the Unfunded Actuarial Accrued Liability (formerly GASB 45)

The Plan's actuarially determined contribution includes a "supplemental cost". The supplemental cost is an amount that will amortize the UAAL based on the amortization method and period selected for valuation purposes as of the valuation date.

Changes in Actuarial Cost and Amortization Methods Since the Previous Valuation

There were no changes in actuarial cost or amortization methods since the previous valuation on June 30, 2022.





SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS

This summary of main plan provisions is intended to describe only the principal features of the Retiree Health Insurance Plan (RHIP, or the Plan), a cost-sharing, other than insured, defined benefit OPEB plan with a special funding situation sponsored by the Connecticut State Teachers' Retirement System (the System), as interpreted for valuation purposes. All actual eligibility requirements and benefit amounts will be determined in accordance with the Plan document and any System practices, processes, and procedures.

Key Plan Terms

COVERED EMPLOYEES

Any teacher, principal, superintendent or supervisor engaged in service of public schools, plus professional employees at State schools of higher education if they choose to be covered.

CREDITED SERVICE

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching service, State employment, or wartime military service may be purchased prior to retirement, if the Member pays one-half the cost.

NORMAL RETIREMENT

Eligibility—Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

EARLY RETIREMENT

Eligibility—25 years of Credited Service including 20 years of Connecticut service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service.

PRORATABLE RETIREMENT

Eligibility—Age 60 with 10 years of Credited Service.

DISABILITY RETIREMENT

Eligibility—5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.

TERMINATION OF EMPLOYMENT

Eligibility—10 or more years of Credited Service.

Teachers' Required Contribution

1.25% of annual salaries in excess of \$500,000 is contributed for health insurance of retired teachers.

State Contribution

The State pays for one third of the costs through an annual appropriation in the General Fund. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.





SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS

Retiree Health Care Coverage

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medical Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$220 per month for a retired member plus an additional \$220 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, with any remaining portion used to offset the district's cost. As of July 1, 2022, the subsidy amount was increased for the first time since July of 1996. A subsidy amount of \$440 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$440 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in the CTRB Sponsored Medicare Advantage or Medicare Supplement Plan. Retirees, CTRB, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage(s) or elect not to enroll in a CTRB sponsored health care coverage option must wait two years to re-enroll.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$220 monthly subsidy or participate in the CTRB Sponsored Medicare Supplement or Medicare Advantage Plan options, as long as they do not remarry.

System Determined Monthly Retiree Contributions

Eligible retirees who elect to enroll in a health care coverage option under the Plan contribute a monthly amount based on the coverages that they selected during the enrollment process. Effective January 1, 2015, new enrollees will only be able to elect the "all coverages" package (Medical with Prescription Drugs, Dental, Vision and Hearing). Existing retired members and dependents were grandfathered into the health care option elections that they had made prior to January 1, 2015. Additionally, as of January 1, 2022, Vision and Hearing coverage is included in all Medical plans.





SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS

Monthly Retiree Contribution Rates by Coverage Type

The following tables provide the monthly health care contributions for retiree and dependent coverage options during the periods beginning on January 1, 2020 and ending on January 1, 2025.

Monthly Retiree Rates for the CTRB Sponsored Medicare Supplemental Plan Options						
Coverage	Jan. 1 2020	Jan. 1 2021	Jan. 1 2022	Jan. 1 2023	Jan. 1 2024	Jan. 1 2025
Medical* with Prescriptions	\$179	\$167	\$269	\$276	\$278	\$269
Medical* with Prescriptions and Dental	\$231	\$220	\$319	\$326	\$332	\$323
Medical with Prescriptions, Dental, Vision & Hearing	\$239	\$228	N/A	N/A	N/A	N/A

Monthly Retiree Rates for the CTRB Sponsored Medicare Advantage Plan Options						
Coverage	Jan. 1 2020	Jan. 1 2021	Jan. 1 2022	Jan. 1 2023	Jan. 1 2024	Jan. 1 2025
Medical* with Prescriptions	\$67	\$64	\$30	\$33	\$36	\$94
Medical* with Prescriptions and Dental	\$119	\$117	\$80	\$83	\$90	\$148
Medical with Prescriptions, Dental, Vision & Hearing	\$127	\$125	N/A	N/A	N/A	N/A

*As of January 1, 2022, Vision and Hearing coverage is included in both Medical plans for all participants.





SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS

Monthly Full Premium Rates by Coverage Type

Additionally, the following tables provide the full health care premiums for retiree and dependent coverage options during the periods beginning on January 1, 2020 and ending on January 1, 2025.

Monthly Full Premiums for the CTRB Sponsored Medicare Supplemental Plan Options						
Coverage	Jan. 1 2020	Jan. 1 2021	Jan. 1 2022	Jan. 1 2023	Jan. 1 2024	Jan. 1 2025
Medical* with Prescriptions	\$313	\$295	\$326	\$342	\$351	\$457
Medical* with Prescriptions and Dental	\$365	\$348	\$376	\$392	\$404	\$511
Medical with Prescriptions, Dental, Vision & Hearing	\$373	\$356	N/A	N/A	N/A	N/A

Monthly Full Premiums for the CTRB Sponsored Medicare Advantage Plan Options						
Coverage	Jan. 1 2020	Jan. 1 2021	Jan. 1 2022	Jan. 1 2023	Jan. 1 2024	Jan. 1 2025
Medical* with Prescriptions	\$201	\$192	\$89	\$99	\$109	\$282
Medical* with Prescriptions and Dental	\$253	\$245	\$139	\$149	\$163	\$335
Medical with Prescriptions, Dental, Vision & Hearing	\$261	\$253	N/A	N/A	N/A	N/A

*As of January 1, 2022, Vision and Hearing coverage is included in both Medical plans for all participants.

