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**Connecticut State Teachers' Retirement System
Actuarial Valuation
as of June 30, 2023**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

November 3, 2023

Board of Directors

Connecticut State Teachers' Retirement System

165 Capitol Ave

Hartford, CT 06106

Members of the Board:

The laws governing the operation of the Connecticut State Teachers' Retirement System provide that actuarial valuations of the assets and liabilities of the System shall be made each year. We have conducted the actuarial valuation of the System as of June 30, 2023 and the results of the valuation are contained in the following report.

In performing the valuation, we relied on data supplied by the System and performed limited tests on the data for consistency and reasonableness. The valuation was prepared in accordance with the funding objectives of the System as set forth in Chapter 167a, Section 10-183z of the Connecticut General Statutes as amended by Section 88 of Public Act No. 19-117. The normal cost and accrued liability of the System are developed using the entry age normal cost method. Under this method, the normal cost is the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

In determining the System's liabilities, future events, such as investment returns, salary increases, deaths, retirements, etc., are anticipated based upon the set of actuarial assumptions as approved by the Board. The assets of the system for valuation purposes are developed using an asset smoothing technique which spreads the recognition of the unexpected portion of market related gains and losses over a period of four years with the goal of dampening the impact of market volatility upon valuation results.



An unfunded accrued liability exists in the amount equal to the excess of accrued liability over valuation assets. The accrued liability contribution was determined in accordance with subsections (b) and (c) of Section 10-183z of the Statutes as amended by Section 88 of Public Act No. 19-117. Based on the current valuation, the expected future contributions together with current assets will be sufficient to provide the planned benefits. Therefore, in our opinion, the System continues to operate on an actuarially sound basis.

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. 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; 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.

This actuarial valuation was performed to determine the recommended funding amount for the System. The asset values used to determine unfunded liabilities and funded ratios are not market values but less volatile market related values. A smoothing technique is applied to market values to determine the market related values. The unfunded liability amounts and funded ratios using the market value of assets would be different. The interest rate used for determining liabilities is based on the expected return of assets. Therefore, liability amounts in this report cannot be used to assess a settlement of the obligation.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions and methods that are internally consistent and reasonable, based on the actual experience of the System.

Respectfully submitted,

A handwritten signature in blue ink that reads 'John J. Garrett'.

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Ben D. Mobley'.

Ben D. Mobley, ASA, FCA, MAAA
Consulting Actuary



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Section I: Board Summary



The table below summarizes the results of the June 30, 2023 actuarial valuation as compared with the prior valuation.

Table I-1: Comparative Summary of Principal Results		
	June 30, 2022	June 30, 2023
Membership		
Active Members		
Number	52,200	53,436
Annual Payroll	\$4,695,730	\$4,904,426
Retirees and Beneficiaries		
Number	39,341	39,843
Annual Benefits	\$2,256,632	\$2,312,204
Inactive Members		
Vested	2,442	2,275
Non-Vested	8,861	8,433
Assets		
Market Value	\$21,574,433	\$23,763,127
Actuarial Value	\$22,729,202	\$24,454,966
Return on Market Value ¹	(8.70)%	8.57%
Return on Actuarial Value ¹	5.49%	6.07%
Ratio of Actuarial to Market Value	105.35%	102.91%
Actuarial Information		
Unfunded Actuarial Accrued Liability (UAAL)	\$17,131,078	\$16,422,061
Funded Ratio	57.02%	59.83%
Computed Contribution Rates		
Normal Cost	12.66%	12.65%
UAAL	<u>26.48%</u>	<u>26.05%</u>
Total	39.14%	38.70%
Member	7.00%	7.00%
State	32.14%	31.70%
Actuarially Determined Employer Contribution (ADEC) for Fiscal Year Ending		
June 30, 2024	\$1,554,542	
June 30, 2025		\$1,601,407

All dollar amounts are in thousands.

¹ One-year average return.



Section I: Board Summary

Summary of Key Findings

The employer contribution rate for the System is used to pay the employer's portion of the normal cost and to amortize the unfunded actuarial accrued liability (UAAL).

The actuarially determined normal cost contribution rate was 12.66% as of June 30, 2022, decreasing slightly to 12.65% as of June 30, 2023. The unfunded actuarial accrued liability decreased from \$17.131 billion to \$16.422 billion since the last valuation. The unfunded actuarial accrued liability rate decreased from 26.48% to 26.05%. We note the following key findings:

- The UAAL increased by \$1.182 billion due to interest and decreased by \$1.289 billion due to the expected amortization payment since the last valuation.
- Additionally, the assets as of June 30, 2023 recognizes \$801.2 million as a receivable contribution which reflects the discounted value of the \$272.8 million deposited approximately 3 months after the 2023 fiscal year ends and an expected \$551.0 million deposited approximately 6 months after the 2023 fiscal year ends. This further decreased the UAAL by \$801.2 million. The \$551.0 million additional contribution expected in December of this year is pending the completion of the State's audited financial statements. Any material difference in this amount may require a revision to this actuarial valuation.
- The System experienced an actuarial loss on plan assets of \$185.9 million for fiscal year 2023 because the investment return on the actuarial value of assets was different than the assumed rate. Table III-3 provides the calculation of the investment gains and losses for the year.
- The System experienced a net actuarial loss of \$13.2 million as of June 30, 2023 on plan liabilities due to non-investment related experience. Table IV-2 provides the reconciliation of the UAAL which is summarized as follows:
 1. The System provides post-retirement Cost-of-Living Adjustments based upon certain criteria set forth in the statutes. For purposes of the valuation, the benefits paid to eligible retirees and beneficiaries are expected to increase at a rate of 3.00% annually for members retired before September 1, 1992 and 2.00% for members retired on and after September 1, 1992 (1.75% for members hired on or after July 1, 2007). The actual COLAs granted for members retired before September 1, 1992, were 5.0% for members with a January COLA date and 3.5% for members with a July COLA date. The actual COLAs granted for members retired on and after September 1, 1992, were 1.5% (1.0% for members hired on or after July 1, 2007). This resulted in a \$88.6 million gain to the System for the year.
 2. In years where the salaries of active members increase less than expected, an actuarial gain occurs. The System experienced a \$25.7 million gain due to salary experience for the year.
 3. In addition, there were other gains and losses primarily attributable to the System demographic experience. The loss for the year was \$127.6 million.



Section I: Board Summary

Section II of the report provides summarized information on the membership data used in the valuation. Section III of the report covers the System's assets and Section IV of the report covers the System's liabilities. The results of the valuation are provided in Section V of the report and the accounting information is in Section VI. The appendices provide additional information on: A) the System members; B) the actuarial assumptions and methods; and C) the summary of plan provisions. In addition, Appendix D provides a glossary of actuarial terminology.



Section II: Membership Data

Data regarding the membership of the System for use in the valuation were furnished by the Retirement System. The following table summarizes the membership data as of June 30, 2023 and is compared with that reported for the prior valuation.

Table II-1: Summary of Membership Data		
	June 30, 2022	June 30, 2023
Active Members		
Total Number of Active Members	52,200	53,436
Total Annual Compensation	\$4,695,730	\$4,904,426
Retirees and Beneficiaries		
Number of Service Retirements	36,965	37,413
Total Annual Benefit Payments	\$2,172,455	\$2,223,959
Number of Disability Retirements	285	263
Total Annual Benefit Payments	\$8,328	\$8,086
Number of Beneficiaries	2,091	2,167
Total Annual Benefit Payments	\$75,849	\$80,159
Inactive Members		
Number of Non-vested Inactive Members	8,861	8,433
Number of Vested Inactive Members	2,442	2,275

All dollar amounts are in thousands.

Section III: System Assets



The following tables provide information on the System's assets.

Table III-1: Market Value Reconciliation		
	2021 - 2022	2022 - 2023
Net Market Value as of July 1	\$23,102,139	\$21,574,433
Additions		
State Contributions	\$1,443,656	\$1,578,038
Non-State Contributions	<u>\$337,285</u>	<u>\$339,321</u>
Total Contributions	\$1,780,941	\$1,917,359
Net Investment Income	(\$1,970,262)	\$1,830,103
Receivable Contributions*	\$888,694	\$801,208
Total Additions	\$699,373	\$4,548,670
Deductions		
Benefit Payments and Refunds	(\$2,227,079)	(\$2,359,976)
Other	\$ 0	\$ 0
Total Deductions	(\$2,227,079)	(\$2,359,976)
Net Increase	(\$1,527,706)	\$2,188,694
Net Market Value as of June 30	\$21,574,433	\$23,763,127
Rate of Return on Market Value	(8.70)%	8.57%

All dollar amounts are in thousands.

* Reflects the additional contribution of \$903.6 million received subsequent to FYE 2022 and the additional contributions of \$272.8 million and an expected \$551.0 million received subsequent to FYE 2023 discounted at 6.9% to the valuation date.

Section III: System Assets



Development of Actuarial Value of Assets

The Actuarial Value of Assets represents a "smoothed" value developed with the purpose of dampening the impact of market volatility on the assets used in determining valuation results. The Actuarial Value of Assets has been calculated by spreading the recognition of excess investment income over four years. The amount of excess investment income in each year is the difference between expected investment income on actuarial value and the actual market value investment income. Table III-2 provides the development of the actuarial value of assets since the previous valuation.

Table III-2: Development of Actuarial Value of Assets

	June 30, 2022	June 30, 2023
1. Actuarial Value Beginning of Year	\$21,150,426	\$22,729,202
2. Market Value End of Year	\$21,574,433	\$23,763,127
3. Market Value Beginning of Year	\$23,102,139	\$21,574,433
4. Cash Flow		
a. Contributions	\$1,780,941	\$1,917,359
b. Disbursements	<u>(\$2,227,079)</u>	<u>(\$2,359,976)</u>
c. Net: 4a + 4b	(\$446,138)	(\$442,617)
5. Receivable Contributions	\$888,694	\$801,208
6. Investment Income		
a. Market Total: 2 – 3 – 4c – 5	(\$1,970,262)	\$1,830,103
b. Assumed Rate of Return	6.90%	6.90%
c. Amount for Immediate Recognition: (1 x 6b) + (4c x 6b x 0.5)	\$1,443,988	\$1,553,045
d. Amount for Phased-In Recognition: 6a – 6c	(\$3,414,250)	\$277,058
7. Phased-In Recognition of Investment Income		
a. Current Year: 6d * .25	(\$853,563)	\$69,265
b. First Prior Year	\$807,488	(\$853,563)
c. Second Prior Year	(\$209,062)	\$807,488
d. Third Prior Year	<u>(\$52,631)</u>	<u>(\$209,062)</u>
e. Total Recognized Investment Gain	(\$307,768)	(\$185,872)
8. Total Recognized Investment Return: 6c + 7e	\$1,136,220	\$1,367,173
9. Adjustment	0	0
10. Actuarial Value End of Year: 1 + 4c + 5 + 8 + 9	\$22,729,202	\$24,454,966
11. Difference Between Market & Actuarial Values: 2 – 10	(\$1,154,769)	(\$691,839)
12. Rate of Return on Actuarial Value	5.49%	6.07%

All dollar amounts are in thousands.

Section III: System Assets



The actuarial valuation assumes the investment income on the assets of the System is 6.90% annually. This assumption is based upon the reasonable long-term expected return on the assets. In each year, the System will experience actuarial gains and losses due to the actual investment return of the assets.

Table III-3: Calculation of Actuarial Investment Gain/(Loss)

	June 30, 2022	June 30, 2023
1. Actuarial Value of Assets at Beginning of Year	\$21,150,426	\$22,729,202
2. Total Net Cash Flow	(446,138)	(442,617)
3. Receivable Contribution	888,694	801,208
4. Expected Return on Actuarial Value of Assets: (1 x 6.90% + 2 x 6.90% x .5)	<u>\$1,443,988</u>	<u>\$1,553,045</u>
5. Expected Actuarial Value of Assets at End of Year: (1 + 2 + 3 + 4)	\$23,036,970	\$24,640,838
6. Actual Actuarial Value of Assets at End of Year	<u>\$22,729,202</u>	<u>\$24,454,966</u>
7. Actuarial Gain/(Loss) Due to Investment Experience: (6 - 5)	(\$307,768)	(\$185,872)

All dollar amounts are in thousands.



Section IV: System Liabilities

The present value of benefits is the value as of the valuation date of all future benefits expected to be paid to current members of the System. 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 allocation of the present value of future benefits into components for future normal cost contributions and actuarial accrued liabilities and the determination of the UAAL as of the valuation date.

Table IV-1: Calculation and Allocation of Present Value of Future Benefits			
	Entry Age Actuarial Cost Method		
	(1)	(2)	(3)
	Present Value of Future Benefits	Portion Covered By Future Normal Cost Contributions	Actuarial Accrued Liabilities (1) - (2)
Active Members			
Service Retirement	\$21,038,920	\$5,037,997	\$16,000,923
Disability Retirement	118,445	83,375	35,070
Survivors' Benefits	193,858	59,233	134,625
Termination	<u>1,233,563</u>	<u>1,062,440</u>	<u>171,123</u>
Total for Active Members	22,584,786	6,243,045	16,341,741
Inactive Members			
Non-Vested (Refund only)	146,325	0	146,325
Vested	<u>518,152</u>	<u>0</u>	<u>518,152</u>
Total for Inactive Members	664,477	0	664,477
Retirees and Beneficiaries			
Service Retirements	23,131,832	0	23,131,832
Disability Retirements	105,016	0	105,016
Beneficiaries	<u>633,961</u>	<u>0</u>	<u>633,961</u>
Total for Retirees and Beneficiaries	23,870,809	0	23,870,809
Total	\$47,120,072	\$6,243,045	\$40,877,027
Actuarial Value of Assets			\$24,454,966
Unfunded Actuarial Accrued Liability			\$16,422,061
Funded Ratio			59.83%

All dollar amounts are in thousands.



Section IV: System Liabilities

The funded ratio of the System is the ratio of the actuarial value of assets divided by the actuarial accrued liability as of the valuation date. As of June 30, 2023, the funded ratio of the System is 59.83% as compared to the ratio in the prior valuation of 57.02%. The ratio is a commonly used measure of the funding progress of a System and can be useful in reviewing the historical trend of a System's funding progress. Such a review should also consider the impact to this measure over the historical period due to changes to plan benefits, changes to the actuarial assumptions and methods, and the significant impact that investment experience can have on the ratio over short-term periods. We caution that no single "point in time" measure can provide a universal basis for comparing one System to another.

Although the terminology used to describe the excess of the System's actuarial accrued liability over the System's actuarial value of assets is called the "unfunded" actuarial accrued liability, there is a dedicated source of funding for this liability. The scheduled employer and employee contributions are expected to completely fund the System's liabilities (pay off the UAAL) within a reasonable period based on statutory funding requirements.

The calculation of the System's actuarial liabilities requires the use of several assumptions concerning the future experience of the System and its members. In each valuation, the latest year of actual experience is compared to that expected by the prior valuation. The differences are actuarial gains and 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

1.	UAAL as of June 30, 2022	\$17,131,078
2.	Expected Interest (1 x 6.90%)	1,182,044
3.	Expected Amortization Payment	<u>(1,288,966)</u>
4.	Expected End of Year UAAL (1 + 2 + 3)	\$17,024,156
5.	Actuarial Experience (Gain)/Loss	
	Receivable Contribution	(801,208)
	Asset Experience	185,872
	COLA	(88,597)
	Salary Experience	(25,749)
	Post-retirement Mortality	336
	Retirements	46,175
	Turnover and Other	<u>81,076</u>
	Total Actuarial (Gain)/Loss	(\$602,095)
6.	UAAL as of June 30, 2023 (4 + 5)	\$16,422,061

All dollar amounts are in thousands.



Section V: Actuarial Valuation Results

Section IV of this report presented the System's total present value of future benefits allocated between the present value of future normal cost contributions and actuarial accrued liability. The portion of the active members' present value of benefits allocated to future years of service is funded through annual normal cost contributions comprised of both active member and employer contributions. The System's annual normal cost rate is calculated as a percent of covered payroll, which is expected to remain level over all future years of service. The portion of the total normal cost rate in excess of the active member contribution rate is the state normal cost rate. The normal cost rate developed as of the valuation date is presented in Table V-1. Table V-1 also shows the state contribution rates necessary to amortize the UAAL in accordance with the funding requirements in the statutes.

Table V-1: Actuarially Determined Employer Contribution (ADEC) Rate	
Normal Cost Rate of Active Members by Expected Benefit Type	
Service Retirement	10.19%
Termination	2.16%
Disability Retirement	0.17%
Survivors' Benefits	<u>0.13%</u>
Total Normal Cost Rate for Active Members	12.65%
Less: Active Member Contribution Rate	<u>7.00%</u>
State Normal Cost Rate	5.65%
Unfunded Actuarial Accrued Liability (UAAL)	
June 30, 2018 Transitional (25 years)	27.53%
June 30, 2020 Incremental (22 years)	1.83%
June 30, 2022 Incremental (24 years)	(2.28)%
June 30, 2023 Incremental (25 years)	<u>(1.03)%</u>
Total UAAL Rate	<u>26.05%</u>
Actuarially Determined Employer Contribution (ADEC) Rate	31.70%



Section VI: Accounting Information

The Governmental Accounting Standards Board has issued Statement No. 67 which replaces Statement No. 25 for plan years beginning after June 15, 2013. The information required under GASB 67 will be issued in a separate report.

We are providing the schedule of funding progress as shown below for informational purposes. This schedule is no longer required under GASB 67.

Table VI-1: Schedule of Funding Progress						
Actuarial Valuation as of June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Active Member Payroll [(b) - (a)] / (c)
2010	\$14,430.2	\$23,495.9	\$9,065.7	61.4%	\$3,646.0	248.6%
2012	13,734.8	24,862.2	11,127.4	55.2	3,652.5	304.7
2014	15,546.5	26,349.2	10,802.7	59.0	3,831.6	281.9
2016	16,712.3	29,860.3	13,148.0	56.0	3,949.9	332.9
2018	17,951.8	34,712.0	16,760.2	51.7	4,075.9	411.2
2020	19,055.1	37,128.0	18,072.9	51.3	4,438.4	407.2
2022	22,729.2	39,860.3	17,131.1	57.0	4,695.7	364.8
2023	24,455.0	40,877.0	16,422.0	59.8	4,904.4	334.8

All dollar amounts are in millions



Section VI: Accounting Information

The information presented above was determined as part of the actuarial valuation as of June 30, 2023. Additional information as of the latest actuarial valuation follows.

Table VI-2: Additional Information	
Valuation date	June 30, 2023
Actuarial cost method	Entry Age
Amortization method	Level percent of pay closed, grading to a level dollar amortization method for the June 30, 2024 valuation.
Remaining amortization periods	
June 30, 2018 Transitional	25 years
June 30, 2020 Incremental	22 years
June 30, 2022 Incremental	24 years
June 30, 2023 Incremental	25 years
Equivalent single amortization period	24.9 years
Asset valuation method	Four-year smoothed market value
Actuarial assumptions:	
Investment rate of return (includes inflation)	6.90%
Projected salary increases (includes inflation)	3.00% - 6.50%
Inflation	2.50%
Cost-of-living adjustments	
Retirements prior to September 1, 1992	3.00%
Retirements on or after September 1, 1992	
Hired prior to July 1, 2007	2.00%
Hired on or after July 1, 2007	1.75%



Section VII: Risk Assessment

Overview

Actuarial Standards of Practice (ASOP) No. 51, issued by the Actuarial Standards Board, provides guidance on assessing and disclosing risks related to pension plan funding. This guidance is binding on all credentialed actuaries practicing in the United States. This standard was issued as final in September 2017 with application to measurement dates on or after November 1, 2018.

The term “risk” frequently has a negative connotation, but from an actuarial perspective, it may be thought of as simply the fact that what actually happens in the real world will not always match what was expected, based on actuarial assumptions. Of course, when actual experience is better than expected, the favorable risk is easily absorbed. The risk of unfavorable experience will likely be unpleasant, and so there is an understandable focus on aspects of risk that are negative.

Risk usually can be reduced or eliminated at some cost. Consumers, for example, buy auto and home insurance to reduce the risk of accidents or catastrophes. Another way to express this concept, however, is that there is generally some reward for assuming risk. Thus, retirement plans invest not just in US Treasury bonds which have almost no risk, but also in equities which are considerably riskier – because they have an expected reward of a higher return that justifies the risk.

Under ASOP 51, the actuary is called on to identify the significant risks to the pension plan and provide information to help those sponsoring and administering the plan understand the implications of these risks. In this section, we identify some of the key risks for the System and provide information to help interested parties better understand these risks.



Section VII: Risk Assessment

Investment Risk

The investment return on assets is the most obvious risk – and usually the largest risk – to funding a pension plan. To illustrate the magnitude of this risk, the following chart shows the Asset Volatility Ratio (AVR), defined as the fair value of assets divided by covered payroll.

(\$ in thousands)

Valuation	Market Value of Assets	Covered Payroll	Asset Volatility Ratio
2014	\$16,220,889	\$3,831,624	4.23
2016	\$15,584,564	\$3,949,926	3.95
2018	\$17,946,839	\$4,075,939	4.40
2020	\$18,286,419	\$4,438,394	4.12
2022	\$21,574,433	\$4,695,730	4.59
2023	\$23,763,127	\$4,904,426	4.85

The asset volatility ratio is especially useful to compare across plans or through time. It is also frequently useful to consider how the AVR translates into changes in the Required Contribution Rate (actuarially determined employer contribution rate). For example, in the table below with an AVR of 5.00, if the market value return is 10% below assumed, or negative 3.10% (6.90% minus 10.00%) for the System, there will be an increase in the Required Contribution Rate of 1.06% of payroll in the first year. Without asset smoothing or without returns above the expected return in the next three years, the impact on the Required Contribution Rate would be 4.25%. A higher AVR would produce more volatility in the Required Contribution Rate.

AVR	Unsmoothed Amortization	Smoothed Amortization
4.0	3.40%	0.85%
5.0	4.25%	1.06%
6.0	5.10%	1.28%



Section VII: Risk Assessment

Mortality Risk

The mortality assumption is a significant assumption for valuation results, second only to the investment assumption in most situations. The System's mortality assumption utilizes a mortality table (with separate rates for males and females, as well as different rates by status) and a projection scale for how the mortality experience is expected to improve through time.

The future, however, is not known, and actual mortality improvements may occur at a faster rate than expected, or at a slower rate than expected (or even decline). Although changes in mortality will affect the benefits paid, this assumption is carefully studied during the regular experience studies that the System conducts so that incremental changes can be made to smoothly reflect emerging experience.

Contribution Risk

The System is primarily funded by member and employer contributions to the trust fund, together with the earnings on those accumulated contributions. Each year in the valuation, the Actuarial Determined Employer Contribution (ADEC) is determined, based on the System's funding policy. This rate is the sum of the rates for the normal cost for the plan, the amortization of the UAAL, and the administrative expenses. There are statutory provisions which mandate the full ADEC is contributed to the Fund each year and, in our opinion, there is no Contribution Risk at this time.



Section VII: Risk Assessment

Liquidation Risk

Under the revised Actuarial Standards of Practice (ASOP) No. 4 effective for valuations after February 15, 2023, we must now include a low-default-risk obligation measure of the Fund's liability in our funding valuation report. This is an informational disclosure as described below and would not be appropriate for assessing the funding progress or health of this plan.

This measure uses the unit credit cost method and reflects all the assumptions and provisions of the funding valuation except that the discount rate is derived from considering low-default-risk fixed income securities. We considered the FTSE Pension Discount Curve based on market bond rates published by the Society of Actuaries as of June 30, 2023 and with the 30-year spot rate used for all durations beyond 30. Using these assumptions, we calculate a low-default-risk obligation measure liability of approximately \$45.3 billion.

This amount approximates the termination liability if the plan (or all covered employment) ended on the valuation date and all of the accrued benefits had to be paid with cash-flow matched bonds. This assurance of funded status and benefit security is typically more relevant for corporate plans than for governmental plans since governments rarely have the need or option to completely terminate a plan.

Appendix A: Membership Data



Table A-1: Schedule of Active Participant Data as of June 30, 2023										
AGE	Years of Service								No.	Avg. Pay
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 & up		
Under 25	627	1							628	51,561
25 to 29	3,596	690							4,286	57,219
30 to 34	2,315	3,204	543	1					6,063	66,817
35 to 39	1,332	2,209	3,087	662					7,290	78,605
40 to 44	1,023	1,213	1,743	3,756	662				8,397	91,513
45 to 49	820	780	928	1,963	3,074	377			7,942	97,640
50 to 54	650	616	717	1,209	2,201	2,226	210		7,829	100,791
55 to 59	352	361	511	924	1,198	1,291	898	195	5,730	100,851
60 to 64	172	201	306	643	743	547	394	441	3,447	99,641
65 to 69	64	67	92	276	301	243	107	209	1,359	100,434
70 & up	19	26	24	58	98	74	57	109	465	104,625
Total	10,970	9,368	7,951	9,492	8,277	4,758	1,666	954	53,436	87,866

Table A-2: Comparative Summary of Active Data		
	June 30, 2022	June 30, 2023
Average Age	44.7 years	44.8 years
Average Service	14.3 years	14.2 years
Average Pay	\$86,119	\$87,866



Table A-3: Number of Monthly Retirement Allowances Of Benefit Recipients as of June 30, 2023		
Payee Type	Number	Monthly Retirement Allowances
Service Retirement		
A (Life Annuity)	3	\$7,313
B (100% Cash Refund)	2	6,991
C (Period Certain and Life)	501	2,108,120
D (Joint and Survivor)	8,703	46,438,177
N (25% Cash Refund)	28,204	136,769,326
Total	37,413	\$185,329,927
Disability Retirement		
A (Life Annuity)	0	\$0
B (100% Cash Refund)	0	0
C (Period Certain and Life)	1	3,182
D (Joint and Survivor)	0	0
N (25% Cash Refund)	0	0
W (Disability)	262	670,674
Total	263	\$673,856
Beneficiaries	2,167	\$6,679,886
GRAND TOTAL	39,843	\$192,683,669



Appendix B: Actuarial Assumptions and Methods

Investment Rate of Return

Assumed annual rate of 6.90% net of investment expenses.

Rates of Annual Salary Increase

Rates of Annual Salary Increase Assumption	
Years of Service	
0	6.50%
1	6.25
2	6.00
3	6.00
4	6.00
5	6.00
6	6.00
7	6.00
8	6.00
9	6.00
10	5.50
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	3.00
21+	3.00



Appendix B: Actuarial Assumptions and Methods

Active Member Decrement Rates

- a. Tables below provide a summary of the assumed rates of service retirement.

Annual Rates of Retirement				
Unreduced				
Age	Less than 35 years of Service		35 or more years of Service	
	Male	Female	Male	Female
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	
	Male	Female	Male	Female
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%		



Appendix B: Actuarial Assumptions and Methods

- b. Table below provides a summary of the assumed rates of disability.

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%

- c. Table below provides a summary of the assumed rates of withdrawal for active members prior to eligibility for retirement.

Annual Rates of Withdrawal					
			10 or more years of service		
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			



Appendix B: Actuarial Assumptions and Methods

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:

Annual Rates of Death*		
<u>Age</u>	<u>Male</u>	<u>Female</u>
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.

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:

Annual Rates of Death*						
<u>Age</u>	<u>Healthy</u>		<u>Disabled</u>		<u>Survivor</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
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 shown are for 2010, the base year of the tables



Appendix B: Actuarial Assumptions and Methods

Asset Valuation Method

The actuarial value of assets recognizes a portion of the difference between the actual market value of assets and the expected actuarial value of assets, based on the assumed rate of investment return. The amount recognized each year is 25% of the difference between market value and expected actuarial value.

Actuarial Cost Method

The Entry Age Normal actuarial cost method allocates the plan's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of payroll necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

The unfunded accrued liability is determined by subtracting the actuarial value of assets from the actuarial accrued liability. The UAAL as of June 30, 2018 is amortized as a level percent of pay and will grade to a level dollar method beginning with the June 30, 2024 valuation. Future changes to the UAAL will be amortized utilizing layered 25-year closed amortization bases established at the end of each plan year.

Payroll Growth Rate

This assumption only applies to the level percent of pay amortization method. The total annual payroll of active members is assumed to increase at an annual rate of 3.00%. This rate does not anticipate increases in the number of members. This rate will grade to 0% in the following steps: 2.40% for the FY 2022 payment, 1.80% for the FY 2023 payment, 1.20% for the FY 2024 payments, 0.60% for the FY 2025 payment and 0% for fiscal years thereafter.

Future Cost-of-living Increases

Members who retired prior to September 1, 1992 are assumed to receive an annual Cost-of-Living Adjustment (COLA) of 3.0%. Members who retired on or after September 1, 1992, and were hired prior to July 1, 2007, are assumed to receive an annual Cost-of-Living Adjustment (COLA) of 2.0%. Members who retired on or after September 1, 1992, and were hired on or after July 1, 2007, are assumed to receive an annual Cost-of-Living Adjustment (COLA) of 1.75%.

Marriage Assumption

85% of males and 75% of females assumed to be married, with female spouses 3 years younger than males.

Plan N Partial Refund Option (Normal Form of Payment):

For any member who retires having earned 10 or more years of service prior to July 1, 2019, upon death, the member's beneficiary will receive a lump sum payment of the member's contributions with interest to the member's date of retirement less 25% of the total payments received to the member's date of death. A 12-year Certain and Life payment form is used to approximate the Plan N option where available data does not allow liabilities to be calculated directly.

For any member who retires having earned less than 10 years of service prior to July 1, 2019, upon death, the member's beneficiary will receive a lump sum payment of the member's contributions with interest to the member's date of retirement less 50% of the total payments received to the member's date of death. A 9-year Certain and Life payment form is used to approximate the Plan N option where available data does not allow liabilities to be calculated directly.



Appendix B: Actuarial Assumptions and Methods

Changes from Prior Valuation

None



Appendix C: Summary of Plan Provisions

Outlined below are the principal provisions of the system which were reflected in the results shown in this report.

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.

Annual Salary

Annual Salary rate for service as a Connecticut teacher during a school year excluding amounts paid for extra duty assignments, coaching, unused sick time, unused vacation or terminal pay.

Average Annual Salary

Average of Annual Salary received during three years of highest salary.

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 war-time 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.

Benefit - 2% of Average Annual Salary times years of Credited Service (maximum benefit is 75% of Average Annual Salary)

In addition, amounts derived from the accumulation of mandatory contributions made prior to July 1, 1989 and voluntary contributions by the teacher are payable.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

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.

Benefit - Reduced normal retirement benefit. The early retirement factors currently in effect are 6% per year for the first five years by which early retirement precedes the minimum normal retirement age and 4% per year for the next five years by which early retirement precedes the minimum normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% for each year by which early retirement precedes the minimum retirement age.



Appendix C: Summary of Plan Provisions

Proratable Retirement

Eligibility - Age 60 with 10 years of Credited Service.

Benefit - 2% less 0.1% for each year less than 20 years of Average Annual Salary times years of Credited Service in Connecticut, plus 1% of Average Annual Salary times years of additional Credited Service time.

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.

Benefit - 2% of Average Annual Salary times Credited Service to date of disability, but not less than 15% of Average Annual Salary, nor more than 50% of Average Annual Salary. In addition, disability benefit under this plan (without regard to any cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed Average Annual Salary.

Termination of Employment

Less than 5 years of Credited Service - Return mandatory contributions with interest.

5 or more years of Credited Service - Return employee mandatory contributions with interest and 1% contributions made prior to July 1, 1989 without interest.

10 or more years of Credited Service - Member is 100% vested in the accrued benefit based on Credited Service and Average Annual Salary as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age 60.

Member may elect return of all contributions plus interest on employee mandatory contributions in lieu of vested benefit.

Pre-Retirement Death Benefits

A lump sum plus one of the following: survivor's benefit, return of all contributions with interest, or surviving spouse's benefit.

- Lump Sum: \$1,000 for the first 5 years of Connecticut service plus \$200 per year thereafter. Maximum benefit: \$2,000.
- Survivor's Benefit: For active teachers who die while in service, the family maximum benefit payable to survivors is \$1,500 per month. Each minor child is entitled to \$300 per month. The surviving spouse's benefit is \$300 per month if the member has 12 or less years of service. For each additional year of service, the surviving spouse's monthly benefit is increased \$25, up to a maximum of \$600.
- Accumulated contributions with interest plus dependent children's benefits as described in the "Survivor's Benefit" paragraph.
- Surviving Spouse's Benefit: An active member who is eligible for immediate retirement and who has named his or her spouse as primary beneficiary will be covered by a 100% Plan D co-participant option in the event of his or her death prior to retirement.



Appendix C: Summary of Plan Provisions

Benefit Options

Normal form: Partial Refund Option – For any member who retires having earned 10 or more years of service prior to July 1, 2019, 75% of total benefit is paid as a life annuity. If 25% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of the benefit commencement, the difference is paid to the Member's beneficiary. For any member who retires having earned less than 10 years of service prior to July 1, 2019, 50% of total benefit is paid as a life annuity. If 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of the benefit commencement, the difference is paid to the Member's beneficiary.

Optional Forms: 5-, 10-, 20-, or 25-year certain and life and 33-1/3%, 50%, 66-2/3%, 75%, or 100% co-participant annuity (if co-participant dies first, benefit reverts to unreduced amount). Amounts payable under the optional forms are determined on an actuarially equivalent basis as set by the board.

Cost-of-Living Allowance

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%

Teachers' Mandatory Contribution

Effective July 1, 1992, each teacher is required to contribute 6% of annual salary for the pension benefit. Beginning January 1, 2018, each teacher is required to contribute 7% of annual salary. Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%.

State Contribution

The State's contribution requirement is determined in accordance with Section 10-183z (as amended by Section 88 of Public Act 19-117).

Early Retirement Incentive

A local or regional board of education may establish a retirement incentive plan. The plan shall provide for purchase of additional credited service by a board of education and a member of the system who chooses to participate in the plan, of additional credited service for such member and for payment by the board of education of not less than fifty per cent of the entire cost of such total cost. Any such plan shall specify a maximum number of years to be purchased, not to exceed five. Members must have attained age 50 and be eligible for retirement with the additional purchased service. The amount of service purchased cannot exceed the lesser of five years and one-fifth of the member's credited service.



Actuarial Accrued Liability - The difference between the actuarial present value of future benefits payments and the actuarial present value of future normal costs. Also referred to as “accrued liability.”

Actuarial Assumptions - Estimates of expected future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Demographic estimates (rates of mortality, disability, turnover and retirement) are generally based on past experience, modified for projected changes in conditions. Fiscal estimates (salary increases, inflation and real investment return) consist of the underlying rates in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method - A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future benefit payments” between future normal cost and actuarial accrued liability.

Actuarial Present Value - The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment. Also referred to as “present value.”

Actuarial Value of Assets - The value of current plan assets recognized for valuation purposes.

Amortization - Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with a lump sum payment.

Experience Gain (Loss) - A measure of difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

Normal Cost - The annual cost assigned, under the actuarial funding method, to current and subsequent plan years.

Unfunded Actuarial Accrued Liability - The difference between the actuarial accrued liability and actuarial value of assets. Also referred to as “unfunded accrued liability.”