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State of Connecticut Pension Sustainability Commission

October 31, 2018

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Principal and Consulting Actuary



Teachers' Retirement System Viability Commission



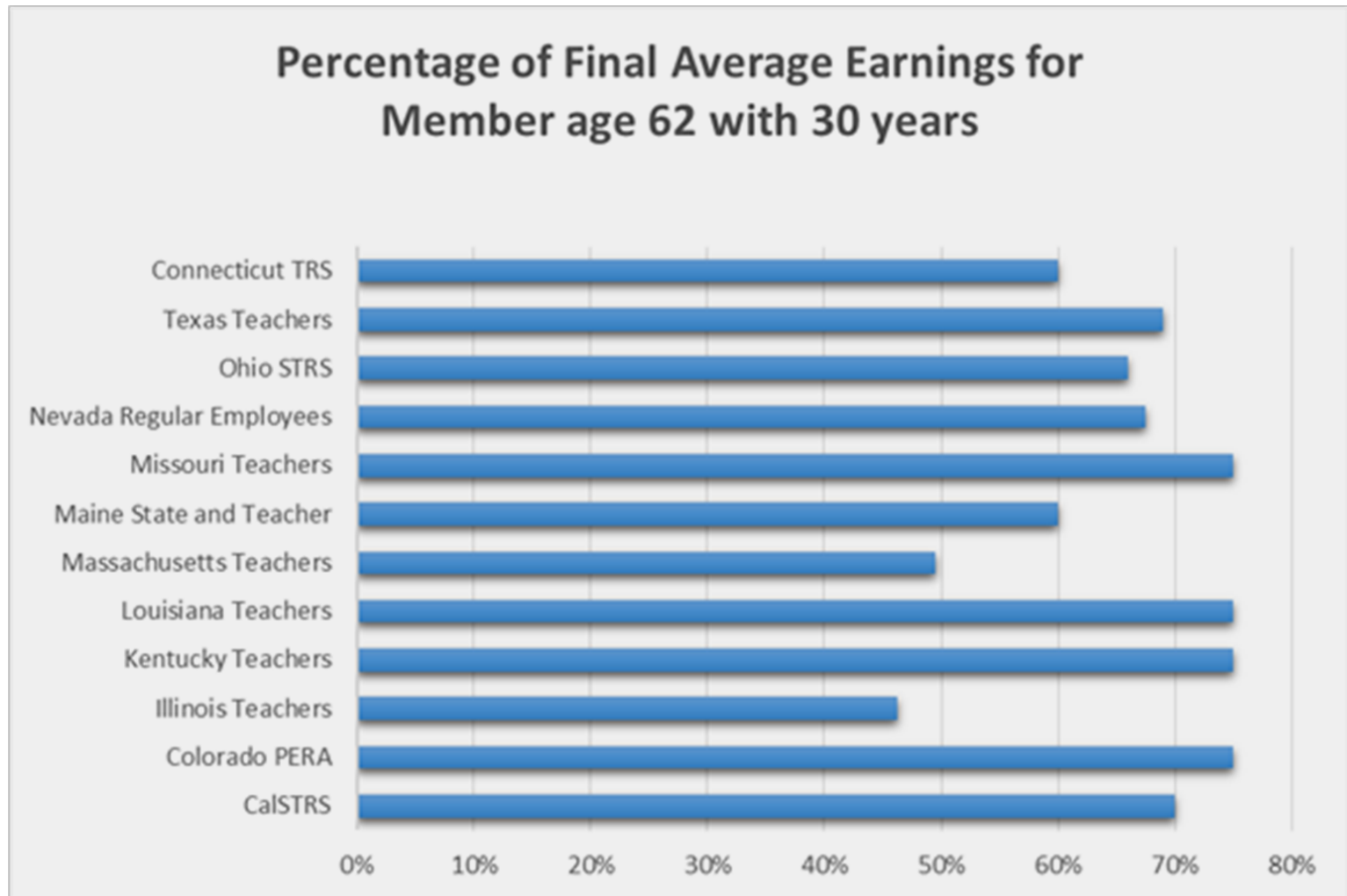
- Commission composed of the Teachers' Retirement Board and Consultant
- Tasked with developing plan which
 - Gives significance to the State's financial capability;
 - Does not include State's ability to raise revenue;
 - Considers actions of other state teacher pension plans;
 - Goals to achieve short and long term sustainability
- Commission defined **viability** as both **sustainable and affordable**
- Commission issued final report March 19, 2018



Benefit Benchmarking

- Compare Teachers' Retirement System primary retirement benefit to other state teachers' pensions without social security coverage
 - Compare benefit at age 62 with 30 years of service
 - Use latest tier of other state plans
- Normal retirement at age 60 with 20 years of service or after 35 years of service
 - Full vesting at 10 years of service
- CT TRS COLA is already “risk shared” for those retiring after 1992

Normal Retirement Benefit Benchmarking

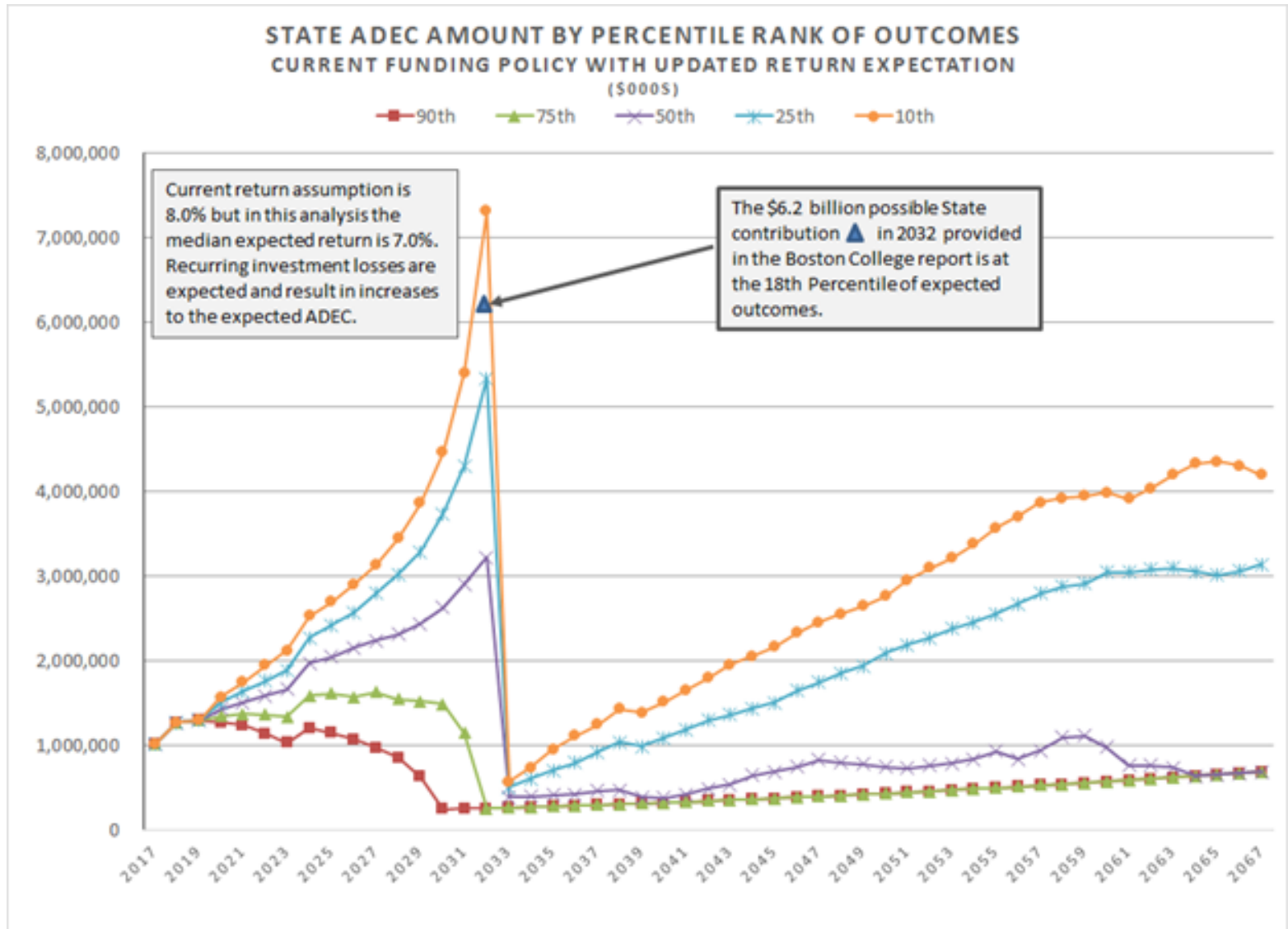


Normal Cost Comparisons

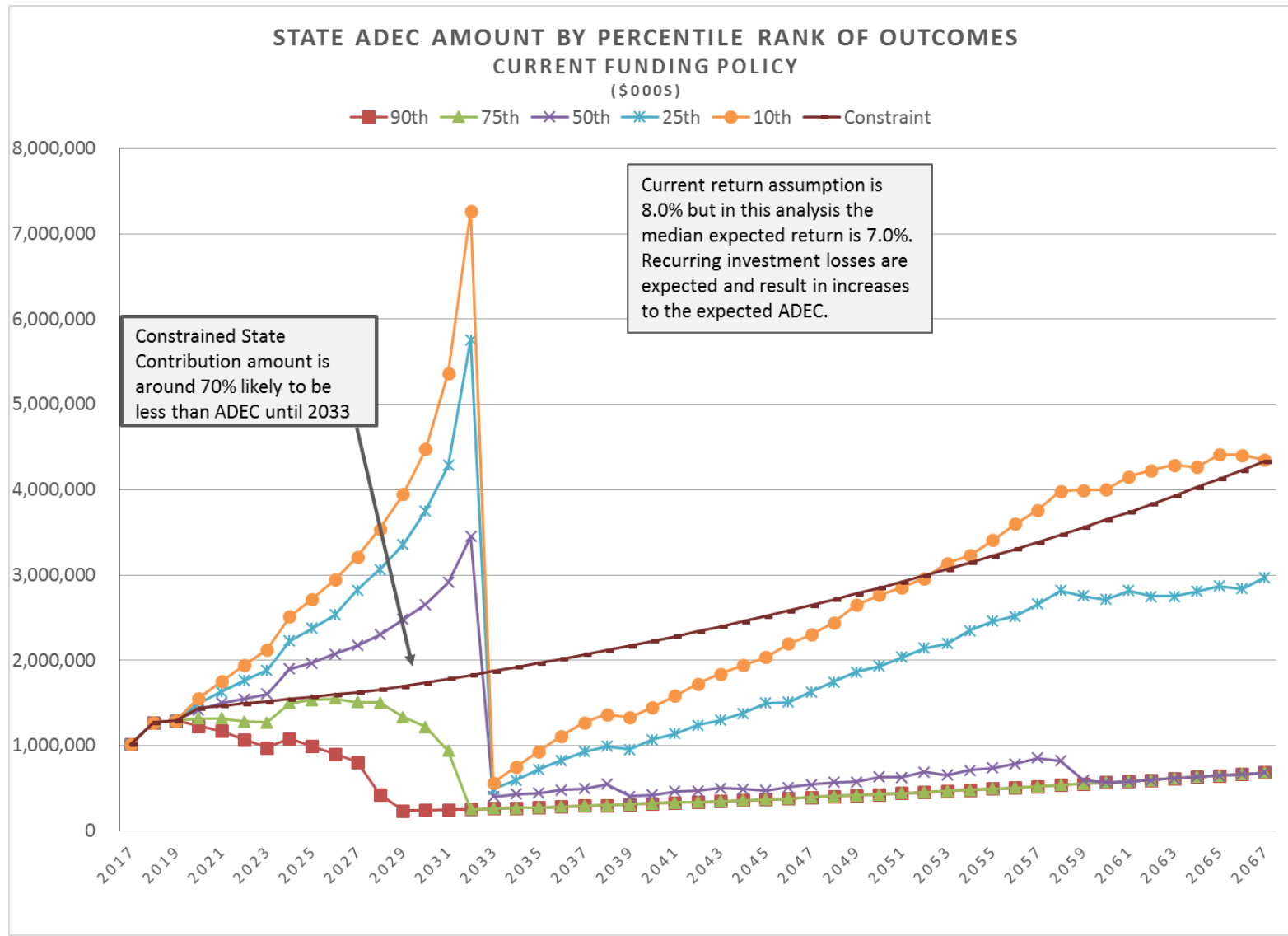


- Pension **Normal Cost** is the expected annual percentage of salary necessary to fund benefit accruals over career
- Currently TRS normal cost is 10.60% of salary
 - 7.00% from member
 - 3.60% from employer
- Under 6.9% discount rate (like SERS) the normal cost is approximately 13.50% (7.00% employee & 6.50% employer)

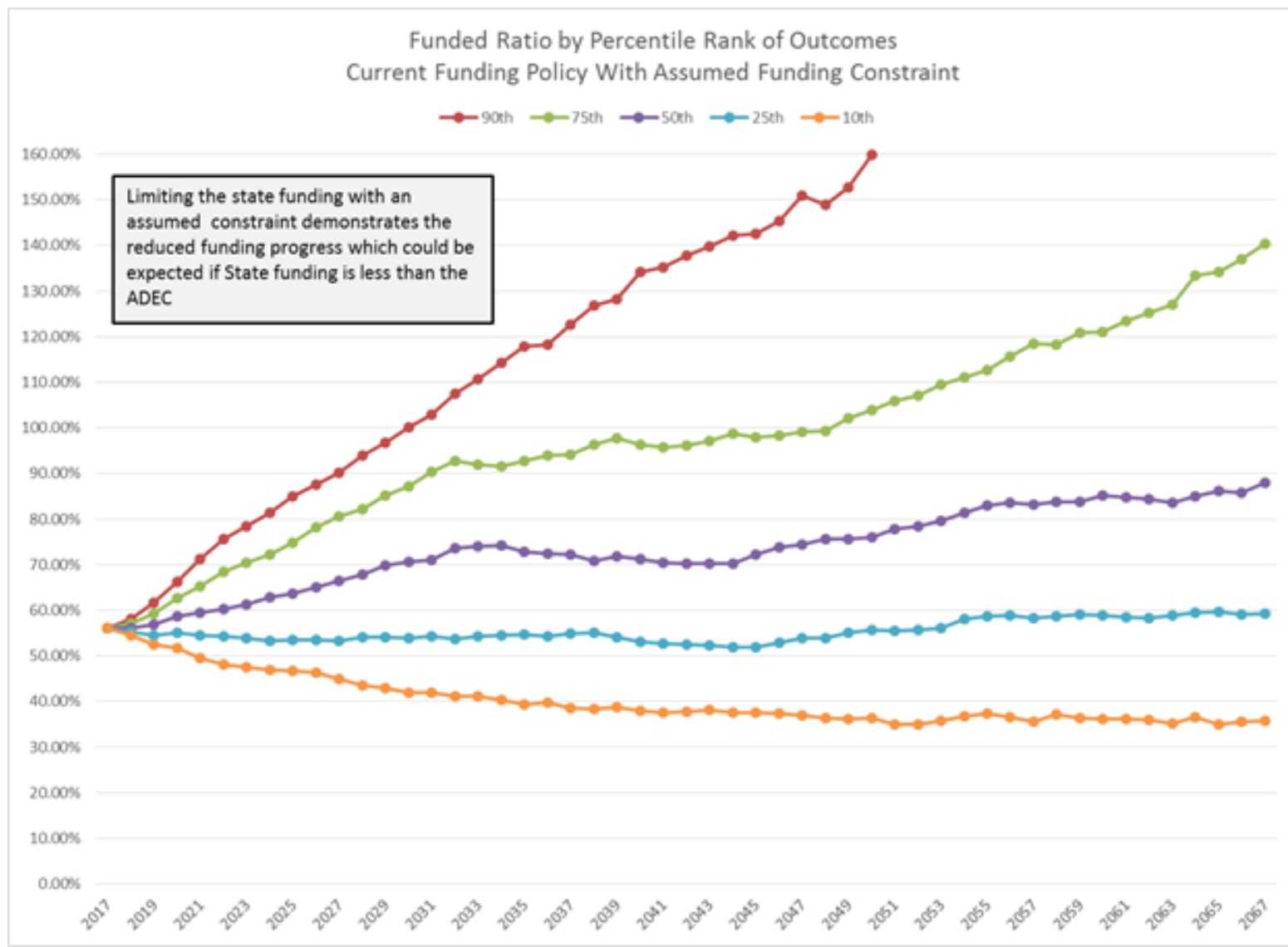
Current Cost Forecast of TRS – Unconstrained Asset Liability Model



Current Cost Forecast of TRS Constrained Asset Liability Model



Current Funded Ratio Forecast of TRS Constrained Asset Liability Model

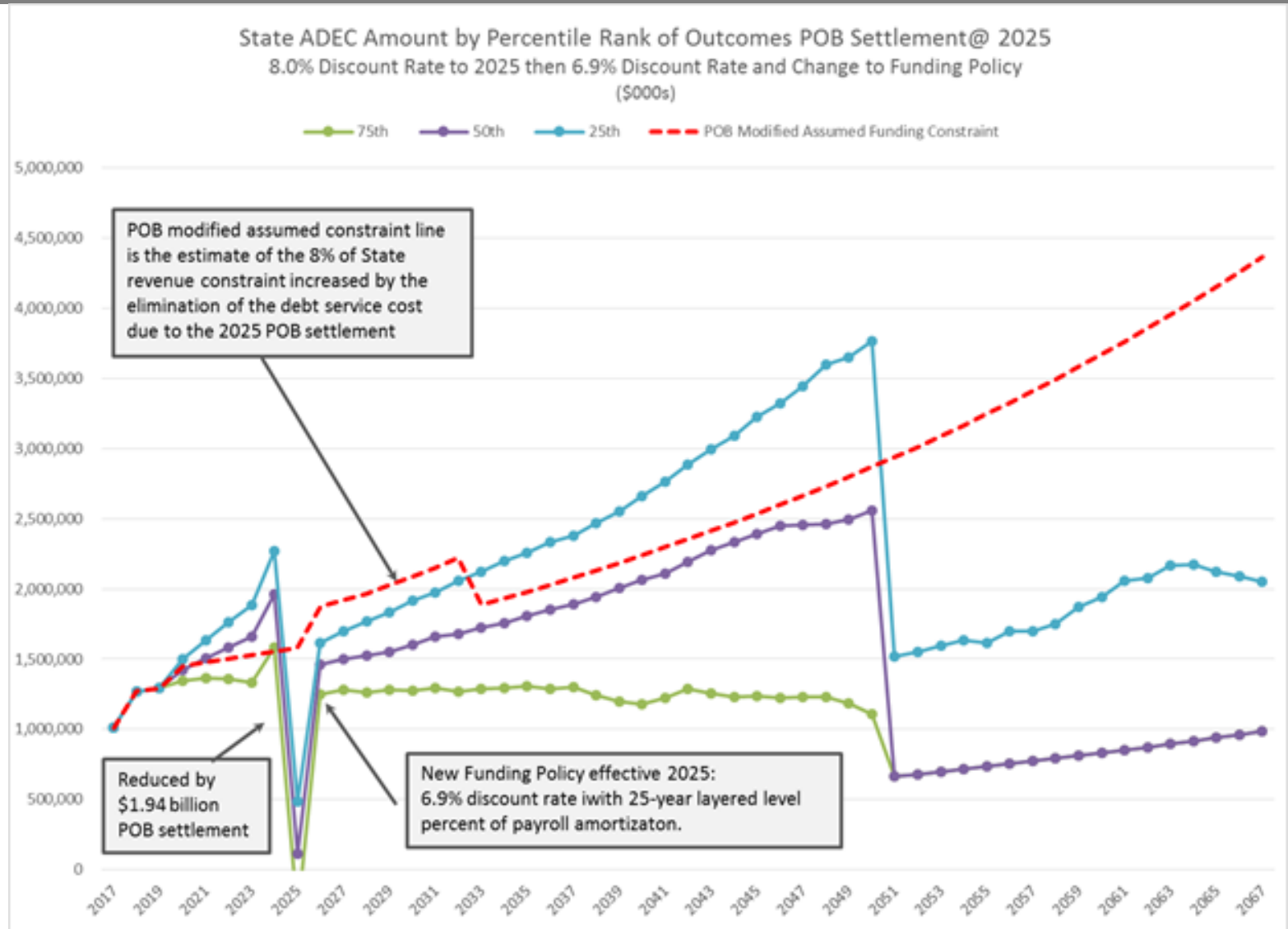




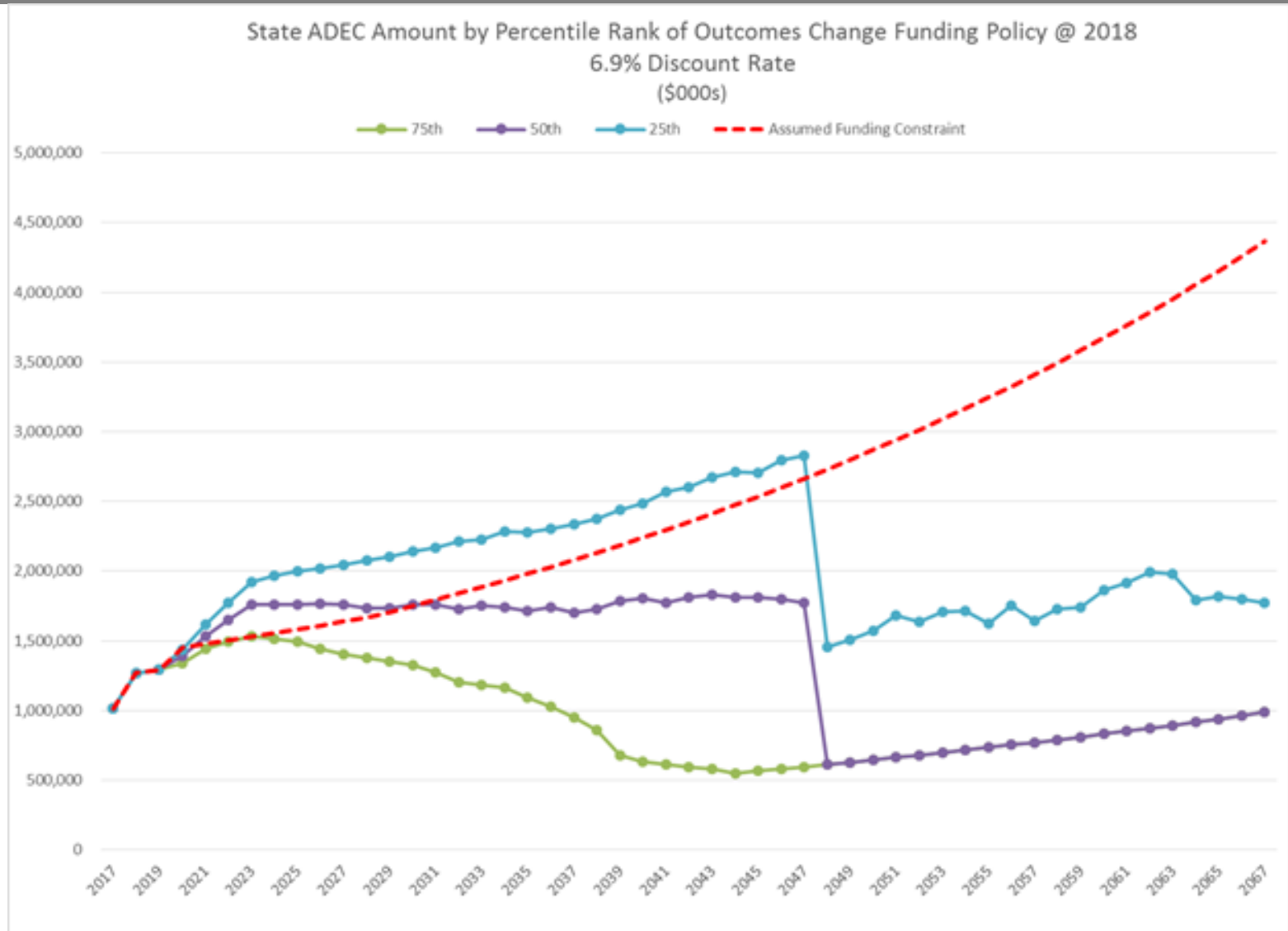
Viability Commission Plans

- Considered POB settlement in FY 2025 then method change
- Considered immediate change of methods and assumptions
 - Likely breach Bond covenant
- Additional consideration given to additional assets

ALM Output of Employer Costs POB Settlement



ALM Output of Employer Costs Change in Funding Policy



Consideration of Legacy Obligation Trust

- Professionally appraised market value of asset could be utilized as asset in valuations.
- State Treasurer's opinion, as sole fiduciary of Funds, as to how the Legacy Obligation Trust would impact future return expectation is what actuary would rely upon for return assumptions.

Actuarial Prefunding of Public Plans



- Purpose of actuarial valuations is to provide employer expected future annual cost of program
 - Funding policy
 - Methods for smoothing assets, amortization of UAAL (length and type)
 - Assumptions
 - Based on best expectation of future trends
 - Relatively equal likelihood of gains and losses



Additional Considerations

- Performed additional projections for TRS with various scenarios of additional assets
 - Already provided to Commission
- Currently completing June 30, 2018 actuarial valuation of plans