

GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

1000 Town Center = Suite 1000 • Southfield, Michigan 48075 • 248-799-9000 • 803-521-0498 • (ax 245-799-9020

January 27, 2000

Mr. William Sudol, Administrator Connecticut Teachers' Retirement System 21 Grand Street Hartford, Connecticut 06106

Re: Proposals to Modify Normal Retirement Benefit Eligibility - Part 2

Dear Bill:

In response to a request by Clare Barnett, we have prepared the enclosed supplemental actuarial report on the contribution rates required to support 3 proposed changes in the Connecticut Teachers' Retirement System (CTRS).

PROPOSED PLAN CHANGES:

Proposal #1: A member will be eligible for an unreduced Normal Retirement Benefit after the earlier of: Age 60 and 20 years of Credited Service in Connecticut, or any age and 33 years of Credited Service including at least 25 years of service in Connecticut.

A member will be eligible for an unreduced Normal Retirement Benefit after the earlier of: Age 60 and 20 years of Credited Service in Connecticut, or any age and 32 years of Credited Proposal #2: Service including at least 25 years of service in Connecticut.

A member will be eligible for an unreduced Normal Retirement Benefit after the earlier of: Age 60 and 20 years of Credited Service in Connecticut, or any age and 30 years of Credited Proposal #3: Service including at least 25 years of service in Connecticut.

In order that these results be comparable to those in our December 15, 1999 supplemental actuarial report, we have used the census date as of June 30, 1998.

Please call me with any questions.

Sincerely. Brian F. Dunn

Brian F. Dunn

BFD:cg Enclosure

Clare Barnett (Connecticut Teachers' Retireme CC: Mark Johnson (GRS)

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Requested by:

Clare Barnett, Chair, Connecticut Teachers' Retirement Board

Date:

January 27, 2000

Submitted by:

Brian F. Dunn

Gabriel, Roeder, Smith & Company

This report contains the results of the valuation of 3 proposed changes to the normal retirement provisions of the Connecticut Teachers' Retirement System. The current actuarial assumptions do not adequately anticipate the change in teacher retirement patterns that would probably take place if this proposal were adopted. Therefore, valuation of the proposed change was prepared on the basis of the following set of actuarial assumptions:

> The current assumptions adopted by the Board in 1996 with a modification to the normal retirement assumptions to anticipate the greater utilization that would likely result if one of the changes were adopted.

Increases in unfunded actuarial accrued liability (UAAL) related to this proposal is amortized as a level percent of payroll over a 30 year period.

The date of the valuation was June 30, 1998. This means that the results of the supplemental valuation indicates what the June 30, 1998 valuation would have shown if the proposed changes had been in effect on that date. Supplemental valuations do not predict the result of future activatial valuations. (Future activities can affect future valuation results in a unpredictable manner.) Rather, supplemental valuations give an indication of the probable effect of the proposed changes only on future valuations without comment on the complete end result of the future valuations.

The valuation was based upon the data submitted for the annual actuarial valuation as of June 30,

1998. A brief summary of the data is present below.

A dive Members as of 6/36/98

A dive Members as of 6/36/98

Covered Pavioli age Service

Number 3,298,881,412 45.9

15.9

Number 3,298,881,412 45.9

15.9

Payroll Age Average

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PRESENT PLAN PROVISIONS:

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• NORMAL RETIREMENT

Eligibility: Age 60 and 20 years of Credited Service in Connecticut, or 35

years of Credited Service including at least 25 years of service in

Connecticut.

Benefit: 2% times years of Credited Service times Average Annual Salary

(maximum is 75%).

PROPOSED PLAN CHANGE #1:

NORMAL RETIREMENT

Eligibility: Age 60 and 20 years of Credited Service in Connecticut, or any

age and 33 years of Credited Service including at least 25 years of

service in Connecticut.

Benefit: 2% times years of Credited Service times Average Annual Salary

(maximum is 75%).

PROPOSED PLAN CHANGE #2:

NORMAL RETIREMENT

Eligibility: Age 60 and 20 years of Credited Service in Connecticut, or any

age and 32 years of Credited Service including at least 25 years of

service in Connecticut.

Benefit: 2% times years of Credited Service times Average Annual Salary

(maximum is 75%).

PROPOSED PLAN CHANGE #3:

♦ NORMAL RETIREMENT

Eligibility: Age 60 and 25 years of Credited Service in Connecticut, or any

age and 30 years of Credited Service including at least 25 years of

service in Connecticut.

Benefit: 2% times years of Credited Service times Average Annual Salary

 $(\max in um is 75\%).$

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ILLUSTRATIONS:

Teacher was hired at age 23 and taught continuously in Connecticut ever since.

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When she has completed 35 years of Credited Service, her accrued annual normal retirement benefit will be 70% (2% x 35 years of Credited Service) of her Average Annual Salary, payable at age 58.

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When she has completed 33 years of service, her normal retirement benefit would be 66% (2% x 33 years) of her Average Annual Salary, payable at age 56.

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When she has completed 32 years of service, her normal retirement benefit would be 64% (2% x 32 years) of her Average Annual Salary, payable at age 55.

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When she has completed 30 years of service, her normal retirement benefit would be 60% (2% x 30 years) of her Average Annual Salary, payable at age 53.

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Current Retirement Rates*

	Curre	Kates.	
Age	Normal	Early	Proratable
45		1.0%	
46		1.0	•
47		1.0	; i
48	•	1.0	i
49		1.0	1
- 50		2.0	•
51	朱本	2.0	•
52	**	3.0	٠.
53	**	3.0	
54	**	4.0	*
55	20.0%	5.0	:
56	20.0	6,0	
57	20.0	7.0	:
58	20.0	7.0	<u>.</u>
59	20.0	7.0	
60	20.0		10.0%
61	20.0		10.0
62	20.0		10.0
63	20.0		10.0
64	20.0		10.0
65	30.0		10.0
66	30.0		10.0 10.0
67	30.0	•	10.0
6 8	30.0		10.0
69	30.0		10.0
70	50.0		100.0
71	50.0		100.0
72	50.0		100.0
73	50.0		100.0
74	50.0		100.0
75	100.0		100.0

^{*} Modified retirement rates apply only when a member's eligibility for normal retirement binefits is effected by the proposed change(s). The modified rate at a given age, up to but not including 75, = the current rate + 10.0%.

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^{**} Rate of 30.0% applies to members who qualify for normal retirement under the proposed change(s) at these ages.

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The probable effect on State contributions of each Proposal is as follows:

Proposal #1: Unreduced benefits after the earlier of age 60 and 20 years of service	Increase in Computed State Contributions as a % of Member Payroll
Normal Cost Unfunded Actuarial Accrued Liability Total	0.23% <u>0.47</u> 0.70%
Dollar Increase in Unfunded Actuarial Accrued Liability Projected Teacher Payroll for 2000-01 Fiscal Year Estimated Increase in State Contribution 2000-01 Fiscal Year	\$ 222,935,070 \$2,661,242,595 \$ 18,628,698

roposal #2: Unreduced benefits after the earlier of age 60 and 20 years of service or any age and 32 years of service	Increase in Computed State Contributions as a % of Member Payroll
Normal Cost Unfunded Actuarial Accrued Liability	0.36% 0.70 1.06%
Total Dollar Increase in Unfunded Actuarial Accrued Liability Projected Teacher Payroll for 2000-01 Fiscal Year Estimated Increase in State Contribution 2000-01 Fiscal Year	\$ 332,775,989 \$2,661,242,595 \$ 28,209,172
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		10-23 42-3 1-3 Same		3 0
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Proposal #3: Unreduced benefits after the earlier of age 60 and 20 years of service or any age and 30 years of service	Increase in Computed State Contributions as a % of Member Payroll
Normal Cost Unfunded Actuarial Accrued Liability Total	0.64% 1.14 1.78%
Dollar Increase in Unfunded Actuarial Accrued Liability Projected Teacher Payroll for 2000-01 Fiscal Year Estimated Increase in State Contribution 2000-01 Fiscal Year	\$ 538,330,215 \$2,261,242,595 \$ 47,370,118

We have also been asked to estimate the increase in computed State contribution rate if each of these proposals were to be "phased-in" over a specified number of years: 2 years for Proposal #1, 3 years for Proposal #2, and 5 years for Proposal #3.

Approximate results are as follows:

Proposal	Years to Phase-in	Per Year Increase in Computed State Contribution Rate		
#1	2	0.35%		
#2	3	0,35%		
#3	5	0.36%		

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