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June 30, 2022

Honorable Natalie Braswell, State Comptroller  
State of Connecticut  
Office of the State Comptroller  
165 Capitol Avenue,  
Hartford, CT 06106-1775

**RE: Forecast of Reduction to State of Connecticut Actuarially Determined Employer Contribution (ADEC) Resulting from Past and Future Transfers**

Dear Ms. Braswell:

We have been requested to provide a forecast of the reductions to the State's ADEC for both the State Employees Retirement System (SERS) and the Teachers' Retirement System (TRS) resulting from the additional contributions to these System's assets from the Budget Reserve Fund (BRF) and General Fund Surplus. The table below summarizes the amount of these transfers for fiscal years ending 2021, 2022 and 2023.

<b>Past Transfer Amounts and Expected Transfer Amounts for 2022</b>		
<b>Year</b>	<b>SERS</b>	<b>TRS</b>
2020	\$ 61,621,659	\$ -
2021	\$ 714,663,947	\$ 903,642,800
2022	\$ 2,781,807,202	\$ 903,642,800

**Forecast of Impact on SERS ADEC**

SERS has received the transfers for 2020 and 2021 as shown above. The \$61.6 million transfer made in December of 2020 was treated as a receivable amount in the June 30, 2020 actuarial valuation of SERS. Similarly, two additional transfers were completed in September and December of 2021 which totaled \$714.7 million. These were treated as receivable amounts in the June 30, 2021 actuarial valuation equal to the discounted value at June 30, 2021 of \$697.0 million. For the purpose of forecasting future reductions to the ADEC, the additional transfers for SERS that are expected to impact the June 30, 2022 actuarial valuation (again, to be treated as receivable on the valuation date), are expected to be \$1,739.2 million transferred as of October 1, 2022 and \$1,042.6 million transferred as of December 1, 2022 and have a discounted value as of June 30, 2022 of \$2,724.4 million. These transfer amounts increase the value of assets in the System's actuarial valuation and effectively have a corresponding decrease in the System's



Unfunded Actuarial Accrued Liability (UAAL) as of the valuation date. The UAAL is amortized with future payments which reflect an interest and principal component. By reducing the UAAL with each transfer, the future interest payments are reduced. The table below provides the forecast of savings to the State's ADEC due to the past and future transfers.

**Connecticut SERS - Projected ADEC Reductions Due to Additional Transfers**

Valuation Year	Fiscal Year	ADEC Reductions			Total ADEC Reductions
		due to \$61,621,659 transferred in 2020	due to \$714,663,947 transferred in 2021	due to \$2,781,807,202 transferred in 2022	
2020	2022	4,893,000	0	0	4,893,000
2021	2023	5,267,000	59,274,000	0	64,541,000
2022	2024	5,267,000	59,274,000	231,684,000	296,225,000
2023	2025	5,267,000	59,274,000	231,684,000	296,225,000
2024	2026	5,267,000	59,274,000	231,684,000	296,225,000
2025	2027	5,267,000	59,274,000	231,684,000	296,225,000
2026	2028	5,267,000	59,274,000	231,684,000	296,225,000
2027	2029	5,267,000	59,274,000	231,684,000	296,225,000
2028	2030	5,267,000	59,274,000	231,684,000	296,225,000
2029	2031	5,267,000	59,274,000	231,684,000	296,225,000
2030	2032	5,267,000	59,274,000	231,684,000	296,225,000
2031	2033	5,267,000	59,274,000	231,684,000	296,225,000
2032	2034	5,267,000	59,274,000	231,684,000	296,225,000
2033	2035	5,267,000	59,274,000	231,684,000	296,225,000
2034	2036	5,267,000	59,274,000	231,684,000	296,225,000
2035	2037	5,267,000	59,274,000	231,684,000	296,225,000
2036	2038	5,267,000	59,274,000	231,684,000	296,225,000
2037	2039	5,267,000	59,274,000	231,684,000	296,225,000
2038	2040	5,267,000	59,274,000	231,684,000	296,225,000
2039	2041	5,267,000	59,274,000	231,684,000	296,225,000
2040	2042	5,267,000	59,274,000	231,684,000	296,225,000
2041	2043	5,267,000	59,274,000	231,684,000	296,225,000
2042	2044	5,267,000	59,274,000	231,684,000	296,225,000
2043	2045	5,267,000	59,274,000	231,684,000	296,225,000
2044	2046	5,267,000	59,274,000	231,684,000	296,225,000
2045	2047		59,274,000	231,684,000	290,958,000
2046	2048			231,684,000	231,684,000
<b>Total</b>		<b>131,301,000</b>	<b>1,481,850,000</b>	<b>5,792,100,000</b>	<b>7,405,251,000</b>

In summary for SERS, the total amounts transferred to SERS over the three years will total \$3,558.1 million but will result in a reduction to the total ADECs through fiscal year ending 2048 of \$7,405.3 million.



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**Forecast of Impact on TRS ADEC**

TRS received the \$903.6 million transfer for 2021 from the table above on page 1, however, TRS has actuarial valuations performed biennially and therefore, this transfer will be first recognized in the June 30, 2022 actuarial valuation. The additional transfer expected by October 1, 2022 of \$903.6 million, will be treated as a receivable in the June 30, 2022 actuarial valuation equal to the discounted value of \$888.5 million. The table on the following page provides the forecast of savings to the State's ADEC due to the past and future transfers.



**Connecticut TRS - Projected ADEC Reductions Due to Additional Transfers**

Valuation Year	Fiscal Year	ADEC Reductions		Total ADEC Reductions
		due to \$903,642,800 transferred in 2021	due to \$903,642,800 transferred in 2022	
2022	2024	73,823,000	72,587,000	146,410,000
2023	2025	78,730,000	77,413,000	156,143,000
2024	2026	83,230,000	81,838,000	165,068,000
2025	2027	83,230,000	81,838,000	165,068,000
2026	2028	83,230,000	81,838,000	165,068,000
2027	2029	83,230,000	81,838,000	165,068,000
2028	2030	83,230,000	81,838,000	165,068,000
2029	2031	83,230,000	81,838,000	165,068,000
2030	2032	83,230,000	81,838,000	165,068,000
2031	2033	83,230,000	81,838,000	165,068,000
2032	2034	83,230,000	81,838,000	165,068,000
2033	2035	83,230,000	81,838,000	165,068,000
2034	2036	83,230,000	81,838,000	165,068,000
2035	2037	83,230,000	81,838,000	165,068,000
2036	2038	83,230,000	81,838,000	165,068,000
2037	2039	83,230,000	81,838,000	165,068,000
2038	2040	83,230,000	81,838,000	165,068,000
2039	2041	83,230,000	81,838,000	165,068,000
2040	2042	83,230,000	81,838,000	165,068,000
2041	2043	83,230,000	81,838,000	165,068,000
2042	2044	83,230,000	81,838,000	165,068,000
2043	2045	83,230,000	81,838,000	165,068,000
2044	2046	83,230,000	81,838,000	165,068,000
2045	2047	83,230,000	81,838,000	165,068,000
2046	2048	83,230,000	81,838,000	165,068,000
<b>Total</b>		<b>2,066,843,000</b>	<b>2,032,274,000</b>	<b>4,099,117,000</b>

In summary for TRS, the total amounts transferred to TRS over the two years will total \$1,807.3 million but will result in a reduction to the total ADECs through fiscal year ending 2048 of \$4,099.1 million.



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The undersigned are members of the American Academy of Actuaries and meet the qualification standards to provide the opinion contained herein.

Please let us know if you have any questions.

Sincerely,

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 'Edward J. Koebel'.

Edward J. Koebel, EA, FCA, MAAA  
Chief Executive Officer