

CavMac CHRONICLE

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Public Education Challenges and Actuarial Consequences

At the National Council on Teacher Retirement (NCTR) Annual System Directors' Meeting in June, Bryan Hoge presented on the topic of Public Education Challenges and Actuarial Consequences. The presentation focused on the potential risks teacher retirement systems face with respect to school choice, voucher programs, charter schools, and benefit enhancements.

One of the main concerns with school choice and voucher programs is the potential for a reduction in student population, leading to a reduction in teachers and covered payroll in the retirement system. If covered payroll does not grow as expected, systems may be faced with rising contribution rates. Interestingly, one system director from a state with a very robust voucher program - which has been in place for over a decade - stated that their system has not seen a decline in teacher membership. Currently, almost half of states have some sort of school choice or voucher program, and there is a wide range in how they operate. So, it is still too early to tell if the same will hold true in other states.

The other main topic focused on enhancing benefits for newer tier members and the potential for reopening closed benefit tiers. Many retirement systems are under pressure to increase benefits for their members, and while the cost of those benefit enhancements is an extremely important consideration, there are many nuances in how the cost is developed. Actuaries and the retirement system staff should consider things such as the benefit enhancement's impact on member behavior, who is expected to utilize the new benefit, and the assumptions and methods used to value the benefit enhancement. And remember, while actuaries help to determine the *expected* cost of the benefit enhancement, the *true* cost will unfold according to actual plan experience.

Please contact one of our consultants to discuss the potential cost impact and risks around changing benefits for your members. And look out for Alisa Bennett at the NCTR annual conference in October as she presents on the impact of teacher salary increases with and without a declining active population.

Social Security 2025 Trustees Report



Each year, the Social Security Administration's Office of the Chief Actuary assists the Board of Trustees in preparing actuarial assessments and projections of the Social Security program. While Social Security has a number of differences from the funded retirement systems with which CavMac works, the information in this report is helpful to actuaries and public retirement system professionals in understanding the broader retirement landscape.

The estimated depletion date for Social Security moved forward slightly from the 4th quarter of 2033 to the 1st quarter of 2033. One factor in this that affects many public employees who are not covered by Social Security is the repeal of the Windfall Elimination Program and the Government Pension Offset, which has resulted in benefit increases for those affected. (continued on next page)...





Social Security 2025 Trustees Report

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Another factor was a change in the actuarial assumption regarding fertility rates to reflect the trend toward women having children at later ages. A final factor in moving the depletion sooner was a reduction in the assumption of the proportion of the GDP due to labor. While these assumptions negatively affect Social Security, they are not likely to be a factor in the pre-funded retirement plans the state and local governments provide.

Please contact one of our consultants if you would like to discuss this year's report.



But Did You Know?

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CavMac at Work

CavMac currently performs actuarial valuation reports for nearly 70 statewide plans across the country and Puerto Rico. Fun facts about our work:

- 52% of these clients have been with CavMac for 15+ years
- Montana has the most plans, 9 in counting
- Alabama RSA, Georgia ERS and TRS, Kentucky Teachers and Mississippi PERS have been with CavMac since inception

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Look for CavMac at These Upcoming Conferences

- Larry Langer, Todd Green and Ed Koebel at the National Association of State Retirement Administrators (NASRA) Annual Conference from August 9th – 13th in Seattle (Larry will be a part of the actuarial panel on the 11th)
- Todd Green, Alisa Bennett and Bryan Hoge at the National Council on Teacher Retirement (NCTR) Annual Conference from October 4th – 7th in Salt Lake City (Alisa is speaking on Actuarial Integrity on the 7th)
- Ed Koebel and Darby Carraway at the Public Pension Financial Forum (P2F2) Annual Conference from October 26th – 29th in Phoenix (Ed is speaking on Actuarial Risk on the 26th)

Celebrating 10 Years at CavMac



Congratulations to Nathaniel Hutchinson, who has worked at CavMac since 2015. Nathaniel is an important member of our Other Post-Employment Benefits (OPEB) team and currently serves as a project manager for many of our State and Municipal OPEB plans. His main responsibilities include the preparation and supervision of annual OPEB valuations and GASB 74 and 75 disclosure reports. He has also prepared supplementary materials such as gain-loss analyses, experience studies, alternative benefit scenarios and IBNR calculations.

Nathaniel attended Davidson College in North Carolina where he received a Bachelor in Mathematics. He was there at the same time as Steph Curry. Afterwards, he attended Georgia State University where he received a Master in Actuarial Science.

Nathaniel is married to Pamela, his wife of 3 years. Together they have a dog, a 3-year old Cavachon, a mix between a Cavalier King Charles and a Bichon Frise, named Murphy who was adopted from a rescue shelter near the Kennesaw office. Some fun facts about Nathaniel:

- He is an avid Braves fan and recently attended the All Star Game in Atlanta
- He loves craft beer and worked in craft beer sales before pivoting to actuarial science
- He is the former Vice President of the Atlanta Actuarial Club
- He collects vinyl records, and his favorite find has been the original vinyl pressing of the Star Wars score

CavMac Comedy



Why was the student confused when he went from English class to Math class? Because he was taught that a double negative in English is bad, but in Math, it's a positive.

Why doesn't anybody talk to circles? Because there's no point.