

West Virginia State Police Death, Disability and Retirement System

Administered by
The West Virginia Consolidated Public Retirement Board

2020



Audited Schedule of Pension Amounts

Serving Those Who Serve West Virginia

As of and for the Year Ended June 30, 2020



West Virginia State Police Death, Disability and Retirement System
Audited Schedule of Pension Amounts
As of and for the Year Ended June 30, 2020

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Independent Auditor's Report

To the Members of the
West Virginia Consolidated Public Retirement Board
Charleston, West Virginia

Report on Schedule of Allocations and Pension Amounts by Employer

We have audited the total pension asset (liability), fiduciary net position, net pension asset (liability), total deferred outflows of resources, total deferred inflows of resources and total pension expense included in the accompanying schedule of pension amounts (the Schedule) of the West Virginia State Police Death, Disability and Retirement System, administered by the West Virginia Consolidated Public Retirement Board, as of and for the year ended June 30, 2020, and related notes.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of pension amounts is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of pension amounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the Schedule referred to above present fairly, in all material respects, total pension asset (liability), fiduciary net position, net pension asset (liability), total deferred outflows of resources, total deferred inflows of resources and total pension expense for the West Virginia State Police Death,

Disability and Retirement System, as of and for the year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the West Virginia Consolidated Public Retirement Board as of and for the year ended June 30, 2020, and our report thereon, dated October 14, 2020, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the West Virginia Consolidated Public Retirement Board's management, the West Virginia State Police Death, Disability and Retirement System's participating employer and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Boise, Idaho
March 22, 2021

WEST VIRGINIA STATE POLICE DEATH, DISABILITY AND RETIREMENT SYSTEM
Schedule Of Pension Amounts
As of and the Year Ended June 30, 2020

	Fiduciary Net Position	Net Pension Asset (Liability)	Deferred Outflows of Resources		Deferred Inflows of Resources
			Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Outflows of Resources	
\$ (773,745,000)	\$ 675,604,000	\$ (98,141,000)	\$ 16,077,000	\$ 16,077,000	\$ -
					\$ 14,794,000

WEST VIRGINIA STATE POLICE DEATH, DISABILITY AND RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS

1 - NATURE OF ENTITY

The State Police Death, Disability and Retirement System (SPDDRS) is a single employer defined benefit public employee retirement system covering all West Virginia State Police (State Police) hired on or before March 11, 1994. This plan is closed to new entrants.

During fiscal year 1991, the West Virginia State Legislature created the Consolidated Public Retirement Board (the Board) to administer nine of the State of West Virginia's ten retirement plans. The Board is managed by a Board of Trustees, which consists of, by virtue of their position, the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in the Public Employees' Retirement System, and one participant each from the other seven defined benefit plans administered by the Board.

Chapter 15, Article 2 and Article 2A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction - The Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB Statement No. 68 requires governmental employers to recognize pension expense and related net pension liability and/or a net pension asset as employees earn pension benefits.

Basis of Accounting - The schedule of pension amounts of the West Virginia State Police Death, Disability and Retirement System (the Plan) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles for governmental units.

Accounting Estimates - The preparation of the schedule of pension amounts in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the total pension liability, fiduciary net position, net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense as of the measurement date. Actual amounts could differ from those estimates.

WEST VIRGINIA STATE POLICE DEATH, DISABILITY AND RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - All defined benefit plan funds not required to meet disbursement needs are invested in accordance with the West Virginia Code, as well as policies established by the West Virginia Investment Management Board (WVIMB). The WVIMB has established various investment pools to provide for the investment of the defined benefit plans' assets. These investment pools are structured as multiparticipant variable net asset funds.

The WVIMB was organized on April 25, 1997, as a public body corporate created by *West Virginia Code Section 12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB is governed by a Board of Trustees, consisting of thirteen members. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other WVIMB Trustees for a term of six years.

Measurement Date - Total pension liability, net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense were determined by actuarial valuations as of July 1, 2019 rolled forward to June 30, 2020, which is the measurement date.

3 - AMORTIZATION

The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported in these schedules would be amortized and included in pension expense over the average expected remaining service life of 0.01 of a year.

WEST VIRGINIA STATE POLICE DEATH, DISABILITY AND RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS
(Continued)

3 - AMORTIZATION (Continued)

Amortization of Differences between Projected and Actual Earnings (in thousands, excluding the recognition period):

<u>Measurement date June 30</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Amount	\$ 45,799	\$ (45,274)	\$ (13,490)	\$ 11,933	\$ 29,210			
Recognition period (years)	5.00	5.00	5.00	5.00	5.00			
Amount recognized in fiscal year:								
2016	\$ 9,160	\$ -	\$ -	\$ -	\$ -	\$ 9,160	\$ -	\$ 9,160
2017	9,160	(9,055)	-	-	-	9,160	(9,055)	105
2018	9,160	(9,055)	(2,698)	-	-	9,160	(11,753)	(2,593)
2019	9,160	(9,055)	(2,698)	2,387	-	11,547	(11,753)	(206)
2020	9,159	(9,055)	(2,698)	2,387	5,842	17,388	(11,753)	5,635
2021	-	(9,054)	(2,698)	2,387	5,842	8,229	(11,752)	(3,523)
2022	-	-	(2,698)	2,387	5,842	8,229	(2,698)	5,531
2023	-	-	-	2,387	5,842	8,229	-	8,229
2024	-	-	-	-	5,842	5,842	-	5,842
Balance as of June 30:								
2016	\$ 36,639	\$ -	\$ -	\$ -	\$ -	\$ 36,639	\$ -	\$ 36,639
2017	27,479	(36,219)	-	-	-	27,479	(36,219)	(8,740)
2018	18,319	(27,164)	(10,792)	-	-	18,319	(37,956)	(19,637)
2019	9,159	(18,109)	(8,094)	9,546	-	18,705	(26,203)	(7,498)
2020	-	(9,054)	(5,396)	7,160	23,368	30,528	(14,450)	16,078
2021	-	-	(2,698)	4,773	17,526	22,299	(2,698)	19,601
2022	-	-	-	2,387	11,684	14,071	-	14,071
2023	-	-	-	-	5,842	5,842	-	5,842

WEST VIRGINIA STATE POLICE DEATH, DISABILITY AND RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS
(Continued)

4 - PENSION EXPENSE

The components of pension expense for the year ended June 30, 2020 (in thousands):

Service cost	\$	153
Interest cost		55,378
Projected earnings on plan investments		(50,408)
Employee contributions		(35)
Recognition of current period deferred outflows/inflows:		
Differences between expected and actual experience		4,601
Differences between projected and actual investment earnings		5,842
Recognition of prior years' deferred outflows/inflows:		
Differences between projected and actual investment earnings		(207)
Other changes in fiduciary net position		<u>(530)</u>
Total pension expense	\$	<u>14,794</u>

The average of the expected remaining service lifetime of actives and inactive members as of July 1, 2019, which is 0.01 years.

5 - NET PENSION LIABILITY AND ACTUARIAL INFORMATION

The net pension liability (NPL) is the portion of the actuarial present value of projected benefit payments related to past periods.

The components of the net pension liability as of June 30, 2020, are as follows (in thousands):

Total Pension Liability	\$	(773,745)
Fiduciary Net Position		<u>675,604</u>
Net Pension Asset (Liability)	\$	<u>(98,141)</u>
Fiduciary Net Position as a percent of Total Pension Liability		87.32%

WEST VIRGINIA STATE POLICE DEATH, DISABILITY AND RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS
(Continued)

5 - NET PENSION LIABILITY AND ACTUARIAL INFORMATION (Continued)

The total pension liabilities for financial reporting purposes were determined by actuarial valuation as of July 1, 2019 and rolled forward to June 30, 2020 using the actuarial assumptions and methods described, as follows:

Actuarial cost method	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value
Amortization method	Level dollar, fixed period
Amortization Period	-
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.0%
Inflation rate	3.0%
Discount rate	7.5%
Mortality rates	<p><i>Active</i> - RP-2014 Employee Mortality Tables, rolled back to 2006 and projected with Scale MP-2016 fully generational</p> <p><i>Health Male Retirees</i> - 103% of RP-2014 Male Healthy Annuitant Table, rolled back to 2006 and projected with Scale MP-2016 fully generational</p> <p><i>Health Female Retirees</i> - RP-2014 Female Healthy Annuitant Table, rolled back to 2006 and projected with Scale MP-2016 fully generational</p> <p><i>Disabled Males</i> - RP-2014 Male Disabled Annuitant Table, rolled back to 2006 and projected with Scale MP-2016 fully generational</p> <p><i>Disabled Females</i> - RP-2014 Female Disabled Annuitant Table, rolled back to 2006 and projected with Scale MP-2016 fully generational</p>
Withdrawal rates	0.08% - 2.67%
Disability rates	0.04% - 0.60%
Retirement rates	25% - 100%
Date range of most recent experience study	2011 - 2016

WEST VIRGINIA STATE POLICE DEATH, DISABILITY AND RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS
(Continued)

6 - SENSITIVITY OF THE NET PENSION ASSET (LIABILITY) TO CHANGE IN THE DISCOUNT RATE (in thousands)

Sensitivity of Discount Rate	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension asset (liability)	<u>\$ (194,428)</u>	<u>\$ (98,141)</u>	<u>\$ (19,131)</u>