

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
ACTUARIAL ASSUMPTIONS REVIEW COMMITTEE
MEETING OF OCTOBER 1, 2018**

A meeting of the West Virginia Consolidated Public Retirement Board's Actuarial Assumptions Review Committee was held in the Legal Conference Room, located at 4101 MacCorkle Avenue, SE, Charleston, West Virginia, on October 1, 2018. Chairman Mike Hall called the meeting to order at 1:00 p.m.

Roll Call

Committee Members present:

Mike Hall, Chair
Joe Bunn, Esquire – *Via telephone*
Captain Michael Corsaro
Mike McKown

Committee Members absent:

Jeffrey Vallet

Others present:

Jeff Fleck, CPRB Executive Director
Terasa Miller, Deputy Director
Nancy Butcher, CPRB Executive Assistant
Ken Woodson, CPRB Actuary
Melody Bailey, CPRB Actuarial Analyst
John Galloway, CPRB Chief Financial Officer
Craig Slaughter, WVIMB

A quorum was present.

Due Notice was published.

Item #1: Approval of October 3, 2017 Minutes

Mr. McKown made a motion to approve the October 3, 2017 meeting minutes. The motion was seconded by Captain Corsaro. The motion was adopted.

Item #2: Annual Interest Rate Review for All Plans

Ken Woodson, CPRB Actuary, reviewed the 2018 Annual Actuarial Interest Rate Review for all the CPRB Plans with the Committee.

Overview

Mr. Woodson informed the Committee, as directed by the Board, the actuarial valuation interest rate assumption is reviewed annually. This includes an experience review of the interest return for the PERS trust fund, expected returns based upon projections by investment professionals and national public plan practices.

He announced that this report summarizes the interest rate review results and the assumption being recommended effective with the July 1, 2018 actuarial valuations applicable to each of the eight defined benefit plans administered by the Board. The review was completed by Board staff and reviewed by the CPRB Actuary. Preliminary investment experience for FY2018 was reported by the Investment Management Board (WVIMB) for each plan. Future return projections were completed by WVIMB and Buck based on June 30, 2018 assets. National practice averages were summarized from the Boston College Public Plans Data as of September 2018.

All defined benefit plans' trust fund assets are invested similarly by the WVIMB. Therefore, a single interest rate is applied to all eight plans administered by the Board. Some differences in actual returns between the plans are a result of the timing of deposits and the level of benefit payments which impact cash flow. Historical analysis focuses on the results for PERS as the "flagship" plan for West Virginia public employers.

Highlights of the Interest Rate Analysis

1. PERS experience (after administrative expense) for FY2018 was 8.89%.
2. PERS 20-year historical average (after administrative expense) was 7.12%.
3. WVIMB projected a 10-year expected return of 6.49% after addition of management alpha and adjustment for administrative expense.
4. Buck projected a 10-year expected return of 8.69% and a 30-year expected return of 10.11%, both after adjustment for administrative expense.
5. Based on data from the Boston College Center for Retirement Research, the average interest rate assumption for the nation's largest state and local pension plans is 7.38%.
6. Weighted averaging of the five factors, plus inclusion of a stability factor, results in an interest rate of 7.65%.

Mr. Woodson recommended the Actuarial Assumption Review Committee approve and recommend to the Board their approval to continue the 7.50% interest return rate and discount assumption for the eight defined benefit plans, effective with the July 1, 2018 actuarial valuations.

Mr. McKown made a motion the Committee accept the recommendation of the Actuary and to recommend to the Board that they approve the continued use of the 7.50% interest return rate and discount assumption for the eight defined benefit plans, effective with the July 1, 2018 actuarial valuations. The motion was seconded by Captain Corsaro. The motion was adopted.

Item #3: Interest Rate for Calculation of Certain and Life Lump-Sum Payouts for TRS.

Ken Woodson, CPRB Actuary, reviewed the Interest Rate for Calculation of Certain and Life Lump-Sum Payouts for TRS.

Overview

Mr. Woodson informed the Committee that one of the options available to TRS members upon retirement is a 10-year Certain and Life Annuity, which provides a monthly benefit payable for the lifetime of the retirant. If the retirant dies prior to receiving 120 payments, the remaining payments continue to the named beneficiary. If the named beneficiary pre-deceases the retiree, or if the beneficiary dies prior to receiving the remaining payments, the present value of the remaining payments is to be paid to the retirant's contingent beneficiary or estate in a lump-sum.

In 1987, the plan administrator, at the time, sent a request to the contract actuary for the plan (John S. Agatston Actuarial Services) to calculate the present-value lump sum payable for a particular member. Agatston provided a cost for the individual account in question, and also a table of values to be used to calculate the present value of future lump sums as they became payable. The table they provided used an interest rate of 7.0%, which is 1% lower than the 8.0% discount rate in use for valuation purposes at the time. This table has been in use from 1987 through the present.

In 1994, new factors for administration of TRS benefits were approved by the Board. These factors (including those for Early Retirement and Conversation to Optional Payment Forms) used an interest rate of 6.5%, which is 1% lower than the 7.5% discount rate in use for valuation purposes at the time. New factors for calculation the lump-sum payout of a Certain and Life Annuity were not developed at that time.

Mr. Woodson recommended that the Committee approve and recommend to the Board the continued use of the factors currently in use for TRS 10-Year Certain and Lump-Sum payouts (which uses a 7.0% interest rate).

Captain Corsara made a motion to accept the recommendations of the Board actuary and to recommend to the Board that they adopt the recommendations of the Actuary. Mr. McKown seconded the motion. The motion was adopted.

Item #4: JRS Retiree Mortality Assumptions

Ken Woodson, CPRB Actuary, informed the Committee that an experience study was conducted in the fall of 2017, with new actuarial assumptions for the State Police Plan A, State Police Plan B, DSRS, EMSRS, & MPFRS retirement plans approved by the Actuarial Assumptions Review Committee on October 3, 2017, and by the board on October 7, 2017. These changes included an update of the mortality improvement scale from a projection to 2015 using scale BB to a fully-generational projection using scale MP-2016. At the time, the JRS plan was not studied.

When the JRS valuation for July 1, 2017 was performed by Buck (then known as Conduent), the actuaries chose to update the mortality table used for JRS retirees to be consistent with that of the uniformed services plan. However, the change in the mortality table and improvement scale was not approved by the Board at that time, as required by W.Va. Code §51-9-3a.

Mr. Woodson recommended that the Committee recommend that the Board approve the following assumptions for use in the Judges Retirement System:

Healthy Retired Males: 103% of the RP-2014 Male Healthy Annuitant Mortality Table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis;

Healthy Retired Females: RP-2014 Female Healthy Annuitant Mortality Table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis:

And,

Disabled Retirees: RP-2014 Disabled Retiree Mortality Tables, rolled back to 2006 and projected with scale MP-2016 on a fully generational basis.

Mr. McKown made a motion to accept the recommendations of the Actuary and to recommend to the Board the adoption of the recommendations. Captain Corsaro seconded the motion. The motion was adopted.

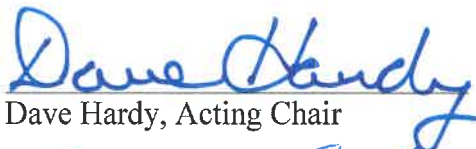
Item #5: Other Business


The Chairman asked if there was any other business to come before the committee. None was heard.

Captain Corsaro made a motion that the meeting be adjourned. Mr. McKown seconded the motion. The motion carried.

There being no further business to come before the committee, the meeting adjourned at 1:35 p.m.

Respectfully submitted,


Dave Hardy, Acting Chair


Jeffrey E. Fleck, Executive Director