

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
ACTUARIAL ASSUMPTIONS REVIEW COMMITTEE
MEETING OF SEPTEMBER 23, 2011**

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 Friday, September 23, 2011. Chairman Dettinger called the meeting to order at 10:30 a.m.

Roll Call

The following Committee Members present were:

Kurt Dettinger, Chairman

Drema Evans

David Fletcher

Joe Lynch

Committee Members not present were:

Joe Bunn

Others present were:

Terasa L. Miller, Acting Executive Director

Harry Mandel, CPRB Actuary

Melody Bailey, CPRB Actuarial Analyst

Vicki Sutton, TRS Manager

Brittany Smith, TRS Membership

A quorum was present, and due notice had been published.

Item #1: Approval of September 16, 2010 Minutes

Mr. Fletcher made a motion to approve the September 16, 2010 minutes. The motion was seconded by Ms. Evans and the motion carried unanimously.

Item #2: Annual Actuarial Interest Rate Review – Harry Mandel

Mr. Mandel reviewed the Interest Rate Analysis and Recommended Assumption of the July 1, 2011 Actuarial Valuations with the Committee:

Mr. Mandel recommended that the interest return rate remain at 7.50% for July 1, 2011 valuations for all eight defined benefit plans administered by the CPRB.

Mr. Mandel announced to the Committee that the 15 year average has been moved to 20 years.

Mr. Fletcher made a motion to accept the recommendation from Mr. Mandel and the interest return rate remain at 7.50% for July 1, 2011 valuations for all eight defined benefit plans administered by the CPRB. Mr. Lynch seconded the motion and the motion carried unanimously.

Item #3: 2011 TRS Experience Study – Harry Mandel

Mr. Mandel reviewed the 2011 TRS Experience Study with the Committee; he made the following recommendations:

Mortality for Healthy Lives: The recommended assumption was developed from the latest RP-2000 mortality tables which are designed to allow generational mortality improvements through scale projections to a given year. Mortality improvements recognized through a single generational projection was set so that the recommended tables would represent a 3% to 5% improvement over current retiree experience developed in the experience study.

Mortality prior to retirement: The RP-2000 Non-Annuitant Table with separate rates for males and females.

Mortality following retirement: The RP-2000 Annuitant Table, projected to 2020 by Scale AA, with separate rates for males and females.

Mortality Disabled Lives recommended assumption change:

Male Disabled Mortality: RP-2000 Disabled Annuitant Male Table projected to 2020 by Scale AA and set back 2 years.

Female Disabled Mortality: RP-2000 Disabled Annuitant Female Table projected to 2020 by Scale AA and set back 1 year.

Salary Scales:

Teacher Experience: The recommended salary scale assumption is based upon an increase in the existing Salary Scale rates of 0.25% at all ages.

Non-teacher Experience: The recommended salary scale adjustment is an increase at the younger ages, reducing by age through the mid 40's with a slight reduction in rates at the ages above 50.

Withdrawal from Service; Select Rates:

Teacher Members are as follows:

Males Service less than 1 year – Recommended 200% of current rates for all ages.

Females Service less than 1 year – Recommended 200% of current rates for all ages.

Males Service 1 to 2 years – Recommended 110% of current rates for all ages.

Females Services 1 to 2 years – Recommended “no change” from current rates.

Males Service 2 to 3 years – Recommended graded factors based on central withdrawal rate of 7.0% at age 27, 6.5% at age 37, 6.0% at age 47 and 5.0% at age 57 and older.

Females Service 2 to 3 years – Recommended graded factors based on central withdrawal rate of 8.0% at age 27, 7.0% at age 32, 6.0% at age 37 and 5.0% at age 42 with greater ages remaining unchanged.

Males Service 3 to 4 years – Recommended “no change” from current rates.

Females Service 3 to 4 years – Recommended graded factors based on central withdrawal rate of 6.0% at 27, 4.0% at 32, 3.6% at age 37 with greater ages remaining unchanged.

Males Service 4 to 5 years – Recommended “no change” from current rates.

Females Service 4 to 5 years – Recommended graded factors based on central withdrawal rate of 4.0% at age 27, 3.3% at age 32, 2.7% at age 37 with greater ages remaining unchanged.

Results for Non-teacher Members are as follows:

Males Service less than 1 year – Recommended 150% of current rates for all ages.

Females Service less than 1 year – Recommended 150% of current rates for all ages.

Males Service 1 to 2 years – Recommended “no change” from current rates.

Females Service 1 to 2 years – Recommended 90% of current rates for all ages.

Males Service 2 to 3 years – Recommended “no change” from current rates.

Females Service 2 to 3 years – Recommended 80% of current rates for all ages.

Males Service 3 to 4 years – Recommended “no change” from current rates.

Females Service 3 to 4 years – Recommended 90% of current rates for all ages.

Males Service 4 to 5 years – Recommended 75% of current rates for all ages.

Females Service 4 to 5 years – Recommended 75% of current rates for all ages.

Withdrawal from Service; Ultimate Rates:

Results for Teacher Members are as follows:

Teacher Male Ultimate 5+ Years Rates – Recommended 80% of current rates for all ages.

Teacher Female Ultimate 5+ Years Rates – Recommended 80% of current rates for all ages.

Results for Non-teacher Members are as follows:

Non-teacher Male Ultimate 5+ Years Rates – Recommended “no change” from current rates.

Non-state Female Ultimate 5+ Years Rates – Recommended 70% of current rates for all ages.

Disablement Rates:

Male Recommended Assumption: Adjustments were made by increasing the central age 52 rate to 0.6% and reducing the central age 57 rate to 0.7%. Ages 48 and later were graded into the two central rates that were adjusted to produce the new rates.

Female Recommended Assumption: All ages were reduced to 80% of their prior rates.

Accrual of Future Service: The recommended assumption is 100.0% future service credits for all groups.

Noncontributory Service Loading: The recommended Sick Leave conversion assumption by subgroup is as follows:

Teacher Male Assumption: There were 1,354 new retirees in the study period. The experience showed a 7.00% average additional service credit which compared to the current assumption of 6.75%. The recommended assumption is to increase the sick leave service rate to 7.00%.

Teacher Female Assumption: There were 3,323 new retirees in the study period. The experience showed a 3.97% average additional service credit which compared to the current assumption of 3.75%. The recommended assumption is to increase the sick leave service rate to 4.00%.

Non-teacher Male Assumption: There were 962 new retirees in the study period. The experience showed a 3.64% average additional service credit which compared to the current assumption of 3.25%. The recommended assumption is to increase the sick leave service rate to 3.50%

Non-teacher Female Assumption: There were 1,829 new retirees in the study period. The experience showed a 2.65% average additional service credit which compared to the current assumption of 3.00%. The recommended assumption is to decrease the sick leave service rate to 2.75%.

Military Service: The recommended assumption for Military Service conversion recognizes the run-out of eligible retirees in the near future. The male assumption is being reduced to 0.50% for both Teacher and Non-teacher groups. The female assumption remains unchanged from the current assumption at 0.00% for both Teacher and Non-teacher groups.

Retirement Rates:

Teacher Male Assumption:

Age 58 rate increased from 15.0% to 17.0%;

Age 59 rate increased from 15.0% to 19.0%;

Age 60 rate decreased from 30.0% to 20.0%;

Age 61 rate decreased from 35.0% to 30.0%.

Teacher Female Assumption:

Age 55 rate increased from 22.5% to 27.5%;

Age 58 rate increased from 17.5% to 18.0%;
Age 59 rate increased from 17.5% to 19.0%;
Age 62 rate increased from 25.0% to 27.5%.

Non-teacher Male Assumption:

Age 55 rate increased from 20.0% to 30.0%;
Age 56 rate increased from 15.0% to 20.0%;
Age 63 rate increased from 20.0% to 25.0%;
Age 64 rate decreased from 20.0% to 17.5%;
Age 65 rate decreased from 40.0% to 30.0%;
Age 66 rate increased from 20.0% to 22.5%.

Non-teacher Female Assumption:

Age 59 rate increased from 15.0% to 17.5%;
Age 60 rate decreased from 25.0% to 20.0%;
Age 61 rate decreased from 27.5% to 20.0%.

Plan Contributions: The recommended assumption is a continuation of mid-year contributions simulating the actual monthly deposits.

Financial Impact of Recommended Assumption on July 1, 2010 Actuarial Valuation:

The Actuarial Accrued Liabilities (AAL) represents the total value of TRS benefits attributable to years of service prior to the actuarial valuation date. The net result of the recommended assumptions on TRS AAL is an increase in the AAL of \$293,714,000, which is a 3.3% increase in the gross AAL.

The Normal Cost (NC) represents the cost of TRS benefits attributable to the current year. The net result of the recommended assumptions on TRS NC is an increase of \$4,607,000 for Type 1 membership, or 0.80% of annual payroll. For Type 3 membership, the TRS NC increase was \$7,383,000, or 0.72% of annual payroll.

The impact on the required employer contribution to exactly meet the ARC is an increase of \$40,170,000. This amount includes the total TRS NC increase of \$11,990,000 and an increase in the FY3034 Amortization Payment of \$28,180,000.

Mr. Fletcher made a motion to accept the TRS Experience Study recommendations by the Board Actuary, Harry Mandel. The motion was seconded by Ms. Evans. The motion carried unanimously.


Item #4: Other Business

Chairman Dettinger then asked the Committee if there was any other business to bring before the Committee and none was heard.


Mr. Fletcher made a motion to adjourn the meeting of the Actuarial Assumptions Review Committee. The motion was seconded by Ms. Evans and the motion carried unanimously.

Chairman Dettinger adjourned the West Virginia Consolidated Public Retirement Board Actuarial Assumptions Review Committee at 11:25 a.m.

Respectfully submitted,



Jeffrey M. Shawver, Chairman



Jeffrey E. Fleck, Executive Director