

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
ACTUARIAL ASSUMPTIONS REVIEW COMMITTEE
MEETING OF AUGUST 31, 2021**

A meeting of the West Virginia Consolidated Public Retirement Board's Actuarial Assumptions Review Committee was held on Tuesday, August 31, 2021. The meeting was called to order by Mike McKown, Chair, at 2:30 p.m.

Due Notice had been published.

Roll Call:

Committee Members present:

Mike McKown, Chair *(in person)*
Ann Urling, *representing Governor Jim Justice (via telephone)*
Sarah Canterbury, Esquire, *representing State Treasurer Riley Moore (via telephone)*
Bill Barker *(via telephone)*
Jeff Vallet *(via telephone)*

Committee Members absent:

None

A quorum was present.

Others present:

Jeff Fleck, CPRB Executive Director
Terasa Miller, Deputy Director
Nancy Butcher, CPRB Executive Assistant
Ken Woodson, CPRB Actuary
Tom Sauvageot, WV IMB
David Driscoll, Buck Consulting *(via telephone)*

Item #1: Approval of December 15, 2020 Minutes

Mr. Vallet made a motion to approve the December 15, 2020 meeting minutes. The motion was seconded by Ms. Urling. The motion was adopted.

Item #2: Annual Interest Rate Review for all Plans

Ken Woodson, CPRB Actuary, reviewed the Annual Interest Rate for all the Plans with the Committee. He stated that the PERS estimated annual rate of return, after investment and administrative expenses, for FY 2021 was 30.24% and the PERS 20-year average annual return, after investment and administrative expenses, was 8.41%.

He added that the WVIMB projected a 10-year expected average annual return of 7.07% after the addition of management alpha and adjustment for administrative expenses.

He went on to say that Buck projected a 10-year expected average annual return of 6.67% and a 30-year expected average annual return of 7.56%, both after adjustment for administrative expenses and based on data from Boston College Center for Retirement Research, the average interest rate assumption for the nation's largest state and local pension plans was 7.12%. Also from the Buck Global LLC, 10-year and 30-year projections, the arithmetic average annual inflation rate over the next ten years is estimated to be 1.86% and the arithmetic average annual inflation rate over the next thirty years is expected to be 2.09%. He added that based on data from Boston College Center for Retirement Research, the average annual inflation rate assumption for the nation's largest state and local pension plan was 2.59%. He also said that the current annual inflation rate assumption is 3.00% for the nine defined benefit plans administered by the CPRB and based on the resources mentioned above, it appeared that the current annual inflation rate assumption is high, however, after considering potential inflationary concerns, he would be recommending to lower the annual inflation rate assumption from 3.00% to 2.75% per year for all plans administered by the CPRB, to recognize a portion of the difference between the current annual inflation rate assumption and the estimated annual inflation rate from the resources mentioned above.

Mr. Woodson stated that lowering the annual interest rate assumption to 7.25% and lowering the annual inflation rate to 2.75% would increase the Actuarial Accrued Liability (AAL) by about 2.2% as of July 1, 2020, or about \$438 million for all nine defined benefit plans combined. He added that the employer contribution amount would increase by about \$56 million per year, measured as of July 1, 2020, for all nine plans combined. He concluded by saying that due to the extraordinary FY 2021 asset return of approximately 30.0%, the estimated employer contribution for FY 2023 for all nine plans combined would be about \$44 million less than the FY 2022 employer contribution for all nine plans combined, even with the proposed assumptions from the 2021 Experience Study.

Mr. Woodson recommended that the Actuarial Assumptions Committee recommend to the Board approval to lower the annual interest rate assumption from 7.50% to 7.25% per year and to lower the annual inflation rate assumption from 3.00% to 2.75% per year for the nine defined benefit plans administered by the CPRB, effective

with the July 1, 2021, actuarial valuations, and June 30, 2021, GASB 67 and GASB 68 disclosures.

Mr. Vallet made a motion that the Actuarial Assumptions Committee recommend to the Board approval to lower the annual interest rate assumption from 7.50% to 7.25% per year and to lower the annual inflation rate assumption from 3.00% to 2.75% per year for the nine defined benefit plans administered by the CPRB, effective with the July 1, 2021, actuarial valuations and June 30, 2021, GASB 67 and GASB 68 disclosures. Mr. Barker seconded the motion. The motion was adopted.

Item #3: 2021 Uniform Services Retirement Systems Experience Study

Mr. Woodson reviewed the Uniform Services Retirement Systems Experience Study. He stated that this study is done every 5 years and it was last done in 2017. He added that this study included Plan A, Plan B, DSRS, EMSRS, MPFRS and NRPORS and that the study develops the actuarial assumptions to be effective starting with the July 1, 2021 actuarial valuation for funding and would be effective June 30, 2021 for financial disclosure purposes under GASB 67 and GASB 68. He went on to say that the changes in actuarial assumptions for the 2021 experience study were jointly recommended by him and David Driscoll, Lead Actuary for Buck Global, LLC, and the study period included actuarial valuation data from July 1, 2015 through June 30, 2020.

Mr. Woodson reviewed the Mortality Assumptions. He stated that to improve mortality experience credibility, the Uniformed Services Plans administered by the CPRB, Plan A, Plan B, DSRS, EMSRS, MPFRS and NRPORS were combined. He stated that the recommended mortality tables were listed on page 25 of the 2021 Uniformed Services Experience Study Report and that all six West Virginia Uniformed Services plans combined, analyzing the cost impact as of July 1, 2020, implementing the proposed new mortality tables should increase the aggregated AAL by about \$9.7 million and increase the aggregated annual employer contribution by approximately \$1.7 million or 1.08% of total combined payroll.

(Page 25 of the Uniformed Services Experience Study Report is attached to and made a part of these minutes. Attachment #1)

Mr. Woodson also reviewed the Salary Scales, the Withdrawal from Service, the Disablement Rates, the Family Composition and Accrual of Future Service, the

Retirement Rates, the Noncontributory Service Loadings, the Post-Decrement Probabilities Type of Death, and the Plan Contributions. He then requested that the Committee recommend to the Board the adoption of all the new Plan A assumptions outlined in the 2021 Uniformed Services Experience Study, Appendix A-1, effective June 30, 2021 for Plan A financial disclosure purposes and effective July 1, 2021, for the Plan A actuarial valuation for funding.

Mr. Vallet made a motion that the Committee recommend to the Board the adoption of all the new Plan A assumptions outlined in the 2021 Uniformed Services Experience Study, effective June 30, 2021 for Plan A financial disclosure purposes and effective July 1, 2021, for the Plan A actuarial valuation for funding. Mr. Barker seconded the motion. The motion was adopted.

Mr. Woodson requested that the Committee recommend to the Board the adoption of all the new Plan B assumptions outlined in the 2021 Uniformed Services Experience Study, Appendix A-2, effective June 30, 2021 for Plan B financial disclosure purposes and effective July 1, 2021, for the Plan B actuarial valuation for funding.

Mr. Vallet made a motion that the Committee recommend to the Board the adoption of all the new Plan B assumptions outlined in the 2021 Uniformed Services Experience Study, effective June 30, 2021 for Plan B financial disclosure purposes and effective July 1, 2021, for the Plan B actuarial valuation for funding. Mr. Barker seconded the motion. The motion was adopted.

Mr. Woodson requested that the Committee recommend to the Board the adoption of all the new DSRS assumptions outlined in the 2021 Uniformed Services Experience Study, Appendix A-3, effective June 30, 2021 for DSRS financial disclosure purposes and effective July 1, 2021, for the DSRS actuarial valuation for funding.

Mr. Vallet made a motion that the Committee recommend to the Board the adoption of all the new DSRS assumptions outlined in the 2021 Uniformed Services Experience Study, effective June 30, 2021 for DSRS financial disclosure purposes and effective July 1, 2021, for the DSRS actuarial valuation for funding. Mr. Barker seconded the motion. The motion was adopted.

Mr. Woodson requested that the Committee recommend to the Board the adoption of all the new EMSRS assumptions outlined in the 2021 Uniformed Services Experience Study, Appendix A-4, effective June 30, 2021 for EMSRS financial disclosure purposes and effective July 1, 2021, for the EMSRS actuarial valuation for funding.

Mr. Barker made a motion that the Committee recommend to the Board the adoption of all the new EMSRS assumptions outlined in the 2021 Uniformed Services Experience Study, effective June 30, 2021 for EMSRS financial disclosure purposes and effective July 1, 2021, for the EMSRS actuarial valuation for funding. Mr. Vallet seconded the motion. The motion was adopted.

Mr. Woodson requested that the Committee recommend to the Board the adoption of all the new MPFRS assumptions outlined in the 2021 Uniformed Services Experience Study, Appendix A-5, effective June 30, 2021 for MPFRS financial disclosure purposes and effective July 1, 2021, for the MPFRS actuarial valuation for funding.

Mr. Barker made a motion that the Committee recommend to the Board the adoption of all the new MPFRS assumptions outlined in the 2021 Uniformed Services Experience Study, effective June 30, 2021 for MPFRS financial disclosure purposes and effective July 1, 2021, for the MPFRS actuarial valuation for funding. Mr. Vallet seconded the motion. The motion was adopted.

Mr. Woodson requested that the Committee recommend to the Board the adoption of all the new NRPORS assumptions outlined in the 2021 Uniformed Services Experience Study, Appendix A-6, effective June 30, 2021 for NRPORS financial disclosure purposes and effective July 1, 2021, for the NRPORS actuarial valuation for funding.

Mr. Barker made a motion that the Committee recommend to the Board the adoption of all the new NRPORS assumptions outlined in the 2021 Uniformed Services Experience Study, effective June 30, 2021 for NRPORS financial disclosure purposes and effective July 1, 2021, for the NRPORS actuarial valuation for funding. Mr. Vallet seconded the motion. The motion was adopted.

(Appendix A of the Uniformed Services Experience Study, Detailed New Assumptions – By Plan is attached to and made a part of these minutes. Attachment #2)

Item #4: 2021 Judges’ Retirement System Experience Study

Mr. Woodson gave an overview of the 2021 Judges’ Retirement System (JRS) Experience Study. He said that the JRS plan covers judges serving in the Circuit Courts and justices of the State Supreme Court of Appeals and that an experience study of the plan is done at least once every five years. He added that the experience study develops the actuarial assumptions to be effective starting with the July 1, 2021 actuarial valuation for funding and would be effective June 30, 2021 for financial disclosure purposes under GASB 67 and GASB 68. He also said that changes in actuarial assumptions from the 2021 experience study were jointly recommended by himself and David Driscoll, Lead Actuary for Buck Global, LLC. He also stated that the study period includes actuarial valuation data from July 1, 2015 through June 30, 2020.

Mr. Woodson reviewed the mortality assumption tables, the withdrawal rates and disablement rates, the salary scales, the family composition and accrual of future service, the retirement rates, the noncontributory service loadings, and the plan contributions. He then requested that the Committee recommend to the Board the adoption of all the new JRS assumptions outlined in the 2021 Judges’ Experience Study, Appendix A, effective June 30, 2021 for JRS financial disclosure purposes and effective July 1, 2021, for the JRS actuarial valuation for funding.

Mr. Barker made a motion that the Committee recommend adoption of all the new JRS assumptions outlined in the 2021 Judges’ Experience Study, effective June 30, 2021 for JRS financial disclosure purposes and effective July 1, 2021, for the JRS actuarial valuation for funding. Mr. Vallet seconded the motion. The motion was adopted.

(Appendix A of the Judges’ Experience Study, Detailed New Assumptions is attached to and made a part of these minutes. Attachment #3)

Item #5: PERS and TRS Updated 2021 Assumptions

Mr. Woodson gave an overview of the Updated 2021 Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) Assumptions. He explained that an experience study for PERS was completed in 2019 and an experience study for

TRS was completed in 2020. He said that as of 2021, on the basis of the annual interest rate review for all defined benefit plans administered by the CPRB, he was recommending that the interest rate used to discount liabilities be lowered from the current rate of 7.5% per annum, net of expenses, to the proposed rate of 7.25% per annum, net of expenses, and that the inflation assumption be lowered from the current rate of 3.00% per annum to the proposed rate of 2.75% per annum. He added that for both PERS and TRS, the salary increase assumption depends on the inflation rate assumption, therefore, the salary increase assumption, net of inflation for PERS and TRS were reviewed. Based on the analysis, he was recommending a change for the PERS salary increase assumption, net of inflation, but he was recommending no change in the salary increase assumption, net of inflation, for TRS. He added that all other assumption for PERS and TRS remain unchanged from those adopted on the basis of the experience studies mentioned before. He also reviewed the Salary Scales.

Mr. Woodson requested that the committee recommend to the Board the adoption of all the new PERS assumptions outlined in the 2021 PERS and TRS Assumptions Changes Report, Appendix A, effective June 30, 2021, for PERS financial disclosure purposes and effective July 1, 2021, for the PERS actuarial valuation for funding.

Mr. Vallet made a motion that the Committee recommend adoption of all the new PERS assumptions outlined in the 2021 PERS and TRS Assumption Changes Report, effective June 30, 2021 for PERS financial disclosure purposes and effective July 1, 2021, for the PERS actuarial valuation for funding. Mr. Barker seconded the motion. The motion was adopted.

Mr. Woodson requested that the committee recommend to the Board the adoption of all the new TRS assumptions outlined in the 2021 PERS and TRS Assumptions Changes Report, Appendix A, effective June 30, 2021, for TRS financial disclosure purposes and effective July 1, 2021, for the TRS actuarial valuation for funding.

Mr. Vallet made a motion that the Committee recommend adoption of all the new TRS assumptions outlined in the 2021 PERS and TRS Assumption Changes Report, effective June 30, 2021 for TRS financial disclosure purposes and effective July 1, 2021, for the TRS actuarial valuation for funding. Mr. Barker seconded the motion. The motion was adopted.

(Appendix A of the 2021 PERS and TRS Recommended Assumption Changes, Detailed Actuarial Assumptions is attached to and made a part of these minutes. Attachment #4)

Item #6: Old Business

Mr. McKown inquired as to old business to come before the committee. None was heard.

Item #7: New Business

Mr. McKown inquired as to new business to come before the committee. None was heard.

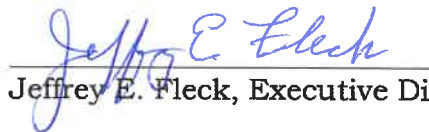
Adjournment

Ms. Urling made a motion the meeting adjourn. Mr. Vallet seconded the motion. The motion was adopted. The meeting adjourned at 4:42 p.m.

Respectfully submitted,



Mike McKown, Chair



Jeffrey E. Fleck, Executive Director