

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
BOARD OF TRUSTEES MEETING
MEETING OF AUGUST 26, 2020**

A meeting of the West Virginia Consolidated Public Retirement Board (CPRB), Board of Trustees, was held on Wednesday, August 26, 2020 in the Large Conference Room at 4101 MacCorkle Avenue, Charleston, West Virginia, 25302. The meeting was called to order at 10:04 a.m. by David L. Wyant, Chair.

Due Notice had been posted.

Roll Call was taken.

Trustees participating:

David L. Wyant, Chair

Michael Corsaro, Vice-Chair

Mike Hall, *representing Governor James C. Justice, II*

Diana Stout, *representing Treasurer John Perdue* (In person)

Cabinet Secretary Allan McVey (In person)

Bill Barker

Michael Haney

Mike McKown

Jeffrey Vallet

Trustees absent:

Jeff Waybright, *representing Auditor John B. McCuskey*

Andy Bird

Joe Bunn

Joe Lynch

D. Todd Murray

A quorum was present.

Others present:

Jeffrey E. Fleck, CPRB, Executive Director

Terasa Miller, CPRB, Deputy Director

Nancy Butcher, CPRB, Executive Assistant

Jeanen Legato, CPRB, General Counsel

Tina Baker, CPRB, Internal Auditor
Ken Woodson, CPRB Actuary
Patricia Bowgren, CPRB IT Staff
Tanner Mann, CPRB Actuarial Analyst Trainee
John Galloway, CPRB Chief Financial Officer
Craig Slaughter, Executive Director, WVIMB
Chris Meadows, Empower Retirement
Ronda Harvey, Esquire, Bowles Rice
Tom Heywood, Esquire, Bowles Rice
Melody Simpson, Esquire, Bowles Rice
Carte Goodwin, Esquire, Frost Brown Todd
Will Swann, Esquire, Frost Brown Todd
Dale Lee, WVEA
Brittani Huffman, CPRB, Membership
Heather Drake, CPRB, Membership
Jessica Cain, CPRB, Membership
Matt Short, CPRB, Retirement
Steve Wolfe, CPRB, Refunds/Deaths
Bonita Knapp, CPRB, Administration
Alyssia Eads, CPRB
Brianna Means, CPRB
Coleen Phillips, CPRB

Tab 1: Approval of the July 15, 2020 Minutes

Mr. McVey made a motion to approve the minutes of the July 15, 2020 meeting of the Board. The motion was seconded by Mr. Haney. The motion was adopted.

The minutes were located behind Tab # 1 of the Board materials.

Tab 2: Reports of the Chairman and Executive Director

Mr. Jeffrey Fleck, Executive Director, gave his report to the Board which included the following information:

1. Executive Director Fleck reported on the Metric Chart. He said that some CPRB staff had been working from home and working Saturdays processing retirements and refunds. He reported that 609 TRS retirement applications had been received and 104 PERS retirement applications had been received since July 1, 2020.
2. Executive Director Fleck reviewed the TDC Statistics. He reported that the Plan had 4,026 participants and its assets were \$598,892,665.
3. Executive Director Fleck updated the Board on the Delinquent Employers. He stated that Green Acres continues to reimburse according to their agreement. He added that Big Bend P.S.D. had not remitted contributions since January 2020. He went on to say that letters had been sent to the State Auditor and to the Sheriff of Summers County informing them of the delinquency.
4. Executive Director Fleck reviewed the July financials. He stated that the agency was at 78% of its July budget allocation.
5. Executive Director Fleck announced that the Direct Award contract with InRule for software and maintenance expired on July 1, 2020 and needed to be renewed. He stated that the cost for the annual subscription was \$71,400 and with three one-year renewals.

Mr. Vallet made a motion to renew the contract with InRule with an annual subscription rate of \$71,400, with three one-year renewals. Mr. Barker seconded the motion. The motion was adopted.

6. Executive Director Fleck announced the contract with the In-House Legal Counsel renewal would be discussed during Executive Session.
7. Executive Director Fleck updated the Board on the progress on the Deloitte Direct Award. He stated that the work for the new DNR retirement system would be completed in time for the system to be operational on January 1, 2021.
8. Executive Director Fleck updated the Board on the COVID-19 status of the CPRB staff. He explained that staff had been returning to the office in three phases based on directives from the Governor's office. He added that approximately 50% of CPRB staff had returned to the office. He said that the agency has employed a Certified Nursing Assistant to check temperatures of people entering the building each day and that face masks are mandatory for common areas.

9. Executive Director Fleck reported to the Board that this years' "Legislative Lunch & Learn" had been presented as a Webinar by Deputy Director Terasa Miller.
The Report of the Executive Director was located behind Tab #2 of the Board Materials.

Tab #3: Plans Investment Data

Craig Slaughter, Executive Director of the West Virginia Investment Management Board (WVIMB), reviewed the Plan's Investment Returns Preliminary Report for the period ending June 30, 2020. He reported that investments were up 2.2% year to date. He added that despite the drag on the economy the COVID-19 virus has caused, the market has done relatively well because of technology stocks. He added that there are long-term concerns in the market with regard as to how banks respond to the market down-turn. He then answered questions from the committee members.

Chris Meadows of Empower Retirement gave an update on the TDC Outreach and Reality Investing. Mr. Meadows reported that since the July Board meeting his on-site meetings and one-on-one counselling sessions had been cancelled due to the COVID-19 Pandemic, but he was conducting telephone counselling sessions. He reported that the year to date totals show a total of 786 counseling sessions.

Mr. Meadows said that a mailing had been sent to TDC members to announce an opportunity for the members to have a review of their accounts to see if there were where they wanted to be in their retirement accounts. He announced that 52 members had responded to the mailing and had set up counselling sessions.

Chris Meadows of Empower Retirement gave an update on the TDC Investment Data. He reported following a substantial bounce back in the second quarter, the markets were performing well thru July and into August. He added that almost all equity indexes saw solid gains.

The Plans Investment Data reports, TDC Educational Meeting reports and TDC Investment Data were located behind Tab #3 of the Board materials.

Tab #4: Consideration of the Current Disability Retirement Applications

Mr. Corsaro reported that the Disability Committee met on Tuesday, August 25, 2020 via telephone conference call and the Disability Committee approved the staff's recommendations of disability retirement applications and made the following recommendations to the Board for their approval:

System	Approved	Denied	Total
PERS	8	1	9
TDC	1	0	1
TRS	6	0	6
TOTALS	15	1	16

Mr. Vallet made a motion the Board accept and approve the recommendation of the Disability Review Committee concerning the disability retirement applications. The motion was seconded by Mr. Haney. The motion was adopted.

The Disability report and minutes were located behind Tab #4 of the Board materials.

Tab #5: Legal Counsel Reports

Report of In-House Legal Counsel – Jeaneen Legato

Jeaneen Legato, In-House Legal Counsel, presented her report to the Board on all pending legal matters. She reported on all current Administrative and Circuit Court matters. She reported that the first Administrative Hearing for former Justice Loughry has been continued due to COVID-19.

Report from Outside Legal Counsel – Ronda Harvey

Ms. Harvey updated the Board on matters still pending in the Circuit Courts of West Virginia and other administrative matters. She added that because of COVID-19, hearings in the courts have been slowed.

The reports of the In-House and Outside Legal Counsel were located behind Tab #6 of the Board materials.

Chairman Wyant announced that the meeting would move to Tab 7 – State Police Plan A Amortization Policy.

Tab #7: State Police Plan A Amortization Policy

Chairman Wyant recognized Kenneth Woodson, CPRB Actuary, to give an overview of the current Unfunded Actuarial Accrued Liability (UAAL) Amortization Policy. He stated that the UAAL is defined as the Actuarial Accrued Liability minus the Market Value of Assets as of a specific date. The current UAAL Amortization Policy is to amortize the UAAL by June 20, 2025, on a level dollar basis. The June 30, 2025 date is the endpoint of a 30-year funding period that began on June 30, 1995. The current amortization policy for Plan A is not memorialized in statute, however, approval of the CPRB Board is required to change the amortization policy.

Mr. Woodson went on to say that using a fixed period level dollar amortization is very conservative and effective way of eliminating the UAAL by a fixed point in the future, June 30, 2025. The main drawback to fixed period amortization is as you approach the end of the fixed period the plan may experience large liability and/or asset losses that would have to be funded over a short period of time. He added that under the current Plan A amortization policy, each year gains or losses and assumption changes are combined with the primary UAAL into one amortization base and the combined amount is amortized from the current funding valuation date to the end of the fixed period June 30, 2025 and the current Plan A amortization policy does not address the amortization of gains or losses and assumptions that occur after June 30, 2025.

Mr. Woodson gave an overview of the new UAAL Amortization Policy. He said that the new policy would amortize the Plan A UAAL, calculated as of July 1, 2020, over a seven-year period as a level dollar amount, meaning that the UAAL would be amortized like a fixed rate mortgage, where the interest rate per year is 7.5% and the amortization period would end on July 30, 2027. He added that the gains or losses and assumption changes would be amortized over a five-year period as a level dollar amount beginning on or after FY 2021. He also said that when Plan A is fully funded, then all prior amortization layers are fully amortized. He concluded by saying that after reviewing several alternatives, he stated that he believes the new amortization policy is reasonable and provides a sound way to amortize the Plan A UAAL and future gains or losses and assumption changes.

After discussion among the Board members and Board legal counsel, it was decided to delay any action on this matter until Board Counsel had sufficient time to review the legalities of changing the policy.

Tab #6: Committee Reports

Accounting & Investment Committee

Chairman recognized Ms. Stout to give a report from the Accounting & Investment Committee. She reported that the Accounting & Investment Committee had met on Tuesday, August 25, 2020 and that the Committee did not have anything that required Board action.

Internal Audit Committee

Chairman Wyant recognized Cabinet Secretary McVey to give a report from the Internal Audit Committee. He reported that the Internal Auditor Tina Baker had presented the CY 2019 Internal Audit Compliance Review and the DSRS Annuity Calculations Follow-Up Review. He stated that Board acceptance of both reports were required.

Mr. McVey made a motion that the Board accept the CY 2019 Internal Audit Compliance Report by the Internal Auditor Tina Baker. Mr. Vallet seconded the motion. The motion was adopted.

Mr. McVey made a motion that the Board accept the DSRS Annuity Calculations Follow-Up Review by the Internal Auditor Tina Baker. Mr. Corsaro seconded the motion. The motion was adopted.

Chairman Wyant said he would entertain a motion to go into Executive Session as allowed by West Virginia Code §6-9A-4.

Mr. Corsaro made a motion to go into Executive Session as allowed by West Virginia Code §6-9A-4 to discuss commercial competition and a contractual matter. Mr. McVey seconded the motion. The motion was adopted.

The Board went into Executive Session at 11:05 a.m. as allowed by West Virginia Code §6-9A-4 to discuss commercial competition and a contractual matter.

Chairman Wyant reconvened the Board meeting from Executive Session at 12:20 p.m. He announced that no decisions were made during Executive Session.

Chairman Wyant declared the Board meeting in recess to allow the Outside Legal Services Committee to meet at 12:22 p.m.

Chairman Wyant reconvened the Board meeting at 12:45 p.m.

Outside Legal Services Committee

Mr. Wyant informed the Board that the Outside Legal Services Committee had met during the Board meeting recess to consider the proposals from two of the law firms responding the Outside Legal Services RFP.

Mr. Corsaro made a motion to award the Outside Legal Services contract to Bowles Rice LLP. Mr. McVey seconded the motion. The motion was adopted.

Actuarial Assumptions Committee Report

Chairman Wyant recognized Ken Woodson, Board Actuary to present the Annual Interest Rate Review for All Plans and the 2020 TRS Experience Study.

2020 Interest Rate Review

Mr. Woodson informed the Committee, as directed by the Board, the actuarial valuation interest rate assumption was 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 stated that the 2020 TRS Experience Study report summarizes the interest rate review results and the assumption being recommended effective with the July 1, 2020 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 FY2020 was reported by the Investment Management Board (WVIMB) for each plan. Future return projections were completed by WVIMB and Buck Global, LLC based on June 30, 2020 assets. National practice averages were summarized by the Boston College Public Plans Data as of August 2020.

All defined benefit plans' trust fund assets were invested similarly by the WVIMB. Therefore, a single interest rate was applied to all eight plans administered by the Board. Historical analysis focuses on the results for PERS as the "flagship" plan for West Virginia public employers.

Mr. Woodson stated that the PERS estimated annual rate of return (after investment and administrative expenses) for FY2020 was 2.11% and the PERS 20-year historical average (after investment and administrative expense) was 6.83%. He added that WVIMB projected a 10-year expected return of 7.56% after addition of management alpha and adjustment for administrative expense and Buck Global, LLC projected a 10-year expected return of 6.28% and a 30-year expected return of 7.96%, both after adjustment for administrative expense.

He said that 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 was 7.19% and the weighted averaging of the five factors, plus inclusion of a stability factor, results in an interest rate of 7.50% for all eight defined. He added that for the actuarial valuations of the defined benefit plans administered by the Board, the current inflation rate is set at 3.0%, which according to some of the sources may be high, however, based on the unprecedented fiscal response by the U.S. to reduce the financial impact on the U. S. economy from COVID-19 and the Federal Reserve's recent indication that it would be slower to tighten policy when it sees inflation rising, it appears that inflation will increase in the future and as a result he recommended continuing the inflation rate of 3.0% for the July 1, 2020 actuarial valuations for all eight plans administered by the CPRB. In the future, the inflation rate assumption of 3.0% would be monitored closely.

The Actuarial Assumption Review Committee approved and recommend that the Board continue the 7.50% interest return rate and discount assumption for the eight defined benefit plans, effective with the July 1, 2020 actuarial valuations and to continue the 3.00% annual inflation rate assumption for the eight defined benefit plans effective with the July 1, 2020 actuarial valuations.

Mr. Vallet made a motion the Board accept the recommendation of the Committee to the continued use of the 7.50% interest return rate and discount assumption for the eight defined benefit plans, effective with the July 1, 2020 actuarial valuations.

Mr. McVey made a motion the Board accept the recommendation of the Committee to continue the 3.00% annual inflation rate assumption for the eight defined benefit plans effective with the July 1, 2020 actuarial valuations. The motion was seconded by Mr. Vallet. The motion was adopted.

2020 TRS Experience Study.

Ken Woodson, CPRB Actuary, reviewed the 2020 TRS Experience Study. He informed the Committee that Buck Global, LLC had reviewed the post-retirement mortality experience of TRS from July 1, 2014 to June 30, 2019. The analysis was based on a comparison of expected deaths and actual deaths, as well as a comparison of the liabilities expected to be extinguished to those actually extinguished by post-retirement deaths. He went on to say that on a headcount basis, more deaths than were expected under the current mortality assumptions were observed among both healthy and disabled pensioners over the five-year experience period. He added that on a liability-weighted basis, liabilities released by actual post-retirement deaths exceeded releases forecast on the basis of the current assumptions and based on those results and the requirements of ASOP 35, an update to the mortality assumptions was recommended.

Mr. Woodson went on to say that although the PUB-2010 study developed a unique set of mortality tables for teachers, the tables developed for general employees were a closer fit with recent TRS experience, and the headcount-weighted version of those tables fit that experience more closely than the amount-weighted version, therefore the Society of Actuaries public sector mortality tables, Pub-2010 General, median and headcount weighted, PubG.H-2010 were selected as the underlying base tables. He recommended the mortality tables listed in the 2020 TRS Experience Study Report.

Mr. Woodson reviewed the 2020 TRS Experience Study – Salary Scales. He stated that for TRS Teachers, the new salary scale assumption, with the 3.0% annual inflation assumptions, ranges from 6.155% at age 20 down to 3.00% at age 70. For ages, 20 to 56, the recommended salary increase rate is about 0.15% higher than the current assumed salary increase rate. For Teachers age 56 to 70, the difference between the recommended salary increase rate and the current assumed salary increase rate grades down from 0.15% to 0.00%.

He added that for TRS Non-Teachers, the new salary scale assumption with 3.0% annual inflation assumption, ranges from 6.760% at age 20 down to 3.0% at age 70. For ages 20-65, the recommended salary increase rate is about 0.25% higher than the current assumed salary increase rate. For Non-teachers age 65 to 70, the difference between the

recommended salary increase rate and the current assumed salary increase rate grades down from 0.25% to 0.00% as shown in the 2020 TRS Experience Study Report.

He also stated that analyzing the cost impact as of July 1, 2019, implementing the new salary scales should increase TRS AAL by about \$20 million and increase the annual TRS employer contribution by approximately \$6.6 million or 0.42% of total payroll.

Mr. Woodson also reviewed the Withdrawal from Service in the 2020 TRS Experience Study. He reported that for TRS, the new withdrawal rates were determined separately for Teachers and Non-teachers. Within each of these groups, the withdrawal rates were displayed by age, gender, and length of service, where the service selection period was 5 years. He said that as seen the TRS Experience Study, we see that the across most classifications, Teacher and Non-teacher, select service period and gender, withdrawal rates have increased significantly since the 2016 TRS Experience Study. He also said that analyzing the cost impact as of July 1, 2019, implementing the new withdrawal rates should decrease TRS AAL by about \$22 million and decrease the annual TRS employer contribution by approximately \$16.46 million or 1.05% of total payroll.

Mr. Woodson also reviewed the Disablement Rates stating that for the TRS, the new disablement rates were determined separately by age and gender and analyzing the cost impact as of July 1, 2019, implementing the new disablement rates should decrease TRS AAL by about \$1 million and decrease the annual TRS employer contributions by approximately \$300,000 or 0.02% of total payroll.

Mr. Woodson explained the Family Composition and Accrual of Future Service. He stated that there is no change in the current assumption for family composition, adding that it is assumed that 85% of males and 80% of females are married, with husbands 3 years older than wives. He also stated that remarriage rates were not used. He went on to say that no there is no change in the current assumption for the accrual of future service. He said that it is assumed that active members will accrue 1 year of service for each future year of employment.

Mr. Woodson reviewed the Retirement Rates. He said that the experience results were broken down by Teachers and Non-teachers and then by males and females within the job classification. The experience was generally consistent with the current retirement rates assumption, indicating that major changes to the current assumption were not

required. Adjustments at key ages were made to continue refining the retirement rates based on the ongoing experience, as shown in the report. He added that analyzing the cost impact as of July 1, 2019, implementing the new retirement rates should decrease TRS AAL by about \$18 million and decrease the annual TRS employer contribution by approximately \$3 million or 0.19% of total payroll.

Mr. Woodson explained the Noncontributory Service Loadings. He stated that for Males, Teacher and Non-teacher, the military service loading percentage experience during the study period decreased compared to the TRS 2016 Experience Study. The decline in experienced military service supports the reduction in the number of “Draft” service members still eligible to retire in future years. However, recent experience is still somewhat greater than the current assumption, through the experience is expected to shift greatly over the next five years. He also said that the military service loading remained unchanged at 0.50%. He added that for Females, Teachers and Non-teachers, the military service loading percentage experience during the study period showed very low usage in all years. He said that the 2020 results show that military service conversion for females is not significant with a rate under 1/10th of one percent. He added that for valuation purposes 0.000% is continued as the appropriate assumption for the 2020 Study.

Mr. Woodson discussed the unused leave Noncontributory Service Loadings. He stated that for Male Teachers, the unused leave service loading percentage experience during the study period was 6.914%. This was a slight decrease from the 7.586% for unused leave conversion in the 2016 TRS Experience Study period. The unused leave Noncontributory Service Loading assumption for Male Teachers was decreased to 7.00%, compared to the prior assumption of 7.250%. For Female Teachers, the unused leave service loading percentage experience during the study period was 4.656%. This was a decrease from the 4.719% for unused leave conversion in the 2016 TRS Experience Study period. The unused leave Noncontributory Service Loading assumption for Female Teachers was increased to 4.600%, compared to the prior assumption of 4.500%. He stated that for Male Non-teachers, the unused leave service loading percentage experience during the study period was 6.239%. This was an increase from the 5.171% for unused leave conversion in the 2016 TRS Experience Study period. The unused leave Noncontributory Service Loading assumption for Male Non-teachers was increased to 5.500%, compared to the prior assumption of 4.000%. He stated that for Female Non-

teachers, the unused leave service loading percentage experience during the study period was 4.320%. This was an increase from the 3.872% for unused leave conversion in the 2016 TRS Experience Study period. The unused leave Noncontributory Service Loading assumption for Female Non-teachers was increased to 4.000%, compared to the prior assumption of 3.250%.

Mr. Woodson went on to say that there is no change in the current assumption for the timing of contribution deposits into the TRS Trust Fund with the WVIMB and that plan contributions for both member and employer are assumed to be paid in the middle of the fiscal year, January 1.

The Actuarial Assumption Review Committee approved and recommend that the Board approve all the new TRS assumptions outlined in the 2020 TRS Experience Study Report, effective June 30, 2020 for TRS financial disclosure purposes and effective July 1, 2020 for the TRS actuarial valuation for funding.

Mr. Vallet made a motion to accept the recommendations of the Committee to adopt all of the new TRS assumptions outlined in the 2020 TRS Experience Study Report, effective June 30, 2020 for TRS financial disclosure purposes and effective July 1, 2020 for the TRS actuarial valuation for funding. Ms. Stout seconded the motion. The motion was adopted.

Chairman Wyant announced the return to Tab #2 the Reports of the Executive Director regarding the contract renewal of the In-House Legal Counsel contract.

Secretary McVey made a motion to approve the renewal of the contract with the In-House Legal Counsel, J. Jeaneen Legato, with an increase in the yearly salary of \$107,500 to a yearly salary of \$120,000 per year for a 5-year period, effective November 1, 2020. Mr. Barker seconded the motion. The motion was adopted.

Tab #8: Old Business

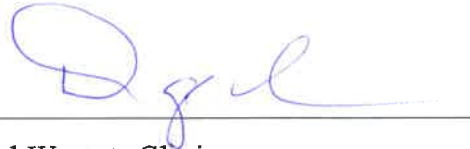
Mr. Wyant inquired as to any old business to come before the Board. None was heard.

Tab #9: New Business

Mr. Wyant inquired as to any new business to come before the Board. Mr. Fleck announced the passing of Harry Mandel who served as the Board Actuary for many years.

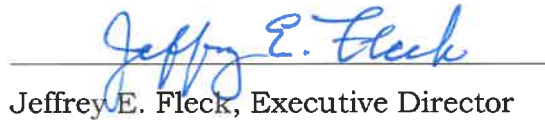
Adjournment

There being no further business to come before the board, the meeting adjourned at 1:38 p.m.



David Wyant, Chair

Consolidated Public Retirement Board



Jeffrey E. Fleck, Executive Director

Consolidated Public Retirement Board