

**MINUTES OF THE  
WV CONSOLIDATED PUBLIC RETIREMENT BOARD  
ACTUARIAL ASSUMPTIONS REVIEW COMMITTEE  
MEETING OF OCTOBER 3, 2017**

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 3, 2017. Chairwoman Ann Urling called the meeting to order at 10:30 a.m.

**Roll Call**

**Committee Members present were:**

Ann Urling, Chairwoman  
Joe Bunn, Esquire  
Captain Michael Corsaro  
Mike McKown  
Jeffrey Vallet

**Others present were:**

Jeff Fleck, CPRB Executive Director  
Terasa Miller, Deputy Director  
Candi Kinslow, CPRB Executive Assistant  
Melody Bailey, CPRB Actuarial Analyst  
Cabinet Secretary John Myers  
David Driscoll, Buck Consultants, *via telephone*  
Troy Jaros, Buck Consultants, *via telephone*  
Paul Baugher, Interviewee for Actuary Position

**A quorum was present.**

**Due Notice was published.**

**Item #1: Approval of March 7, 2017 Minutes**

Mr. McKown made a motion to approve the March 7, 2017 meeting minutes. The motion was seconded by Mr. Vallet. The motion was adopted.

**Item #2: Annual Interest Rate Review for (All Plans) – Melody Baily**

Melody Bailey, Actuarial Analyst, reviewed the 2017 Annual Actuarial Interest Rate Review for all of the CPRB Plans with the Committee.

## **Overview**

Ms. Bailey 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.

She announced that this report summarizes the interest rate review results and the assumption being recommended effective with the July 1, 2017 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 actuaries with Conduent. Preliminary investment experience for FY2017 was reported by the Investment Management Board (WVIMB) for each plan. Future return projections were completed by WVIMB and Conduent based on June 30, 2017 assets. National practice averages were summarized from the Boston College Public Plans Data as of October 2, 2017.

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 FY2017 was 15.32%.
2. PERS 20-year historical average (after administrative expense) was 7.21%.
3. WVIMB projected a 10-year expected return of 7.21% after addition of management alpha and adjustment for administrative expense.
4. Conduent projected a 10-year expected return of 8.37% and a 30-year expected return of 9.77%, 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 7.54%.

6. Weighted averaging of the five factors, plus inclusion of a stability factor, results in an interest rate of 7.78%.

Ms. Bailey 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, 2017 actuarial valuations.

Captain Corsaro made a motion the Committee accept the recommendation of the Actuarial Analyst and report it to the Board for their approval to continue the 7.50% interest return rate and discount assumption for the eight defined benefit plans, effective with the July 1, 2017 actuarial valuations. The motion was seconded by Mr. McKown. The motion was adopted.

### **Item #3: State Police Plan A, State Police Plan B, DSRS, EMSRS, & MPFRS Experience Study & Proposed Assumptions – Melody Bailey**

Melody Bailey, Actuary Analyst reviewed the State Police Plan A, State Police Plan B, DSRS, EMSRS, & MPFRS Experience Study & Proposed Assumptions with the Committee.

#### **Overview**

Ms. Bailey informed the Committee that there is no statutory requirement to complete an experience study for the State Police Death, Disability, and Retirement Fund (SPTA); the State Police Retirement System (SPTB); the Deputy Sheriffs Retirement System; the Emergency Medical Services Retirement System; or the Municipal Police Officers and Firefighters Retirement System. This experience study is being completed to provide an analysis of the adequacy of current actuarial assumptions, recommend appropriate actuarial assumption changes, and to meet actuarial standards of practice. The last experience study for the Trooper plans and DSRS was completed in 2012, modifying the assumptions for the July 1, 2012 actuarial valuations. The EMSRS and MPFRS plans have not yet had a formal experience study, but assumptions for the plan were reviewed in 2013, modifying the July 1, 2013 actuarial valuation assumptions.

Ms. Bailey announced, the current study period included data from July 1, 2011 through July 1, 2016. The data used in the study was the actuarial valuation data for past valuations during the study period.

#### **Cost Summary**

Ms. Bailey announced the cost analysis is based on the last completed actuarial valuation on July 1, 2016. That valuation is re-run applying the recommended assumptions to the July 1,

2016 actuarial valuation data. This allows for costs to be determined as if the change were completed July 1, 2016. The recommended assumptions will be first effective July 1, 2017.

**For SPTA**, the proposed assumptions would increase the AAL by \$1.708 million, and would increase Normal Cost by 3.67% of pay, resulting in a total increase of \$439,000 to the annual employer cost.

**For SPTB**, the proposed assumptions would increase the AAL by \$9.532 million, and would increase Normal Cost by 2.73% of pay, resulting in a total increase of \$2,240,000 to the annual employer cost.

**For DSRS**, the proposed assumptions would decrease the AAL by \$2.586 million, and would decrease Normal Cost by 0.72% of pay, resulting in a total decrease of \$618,000 (or 1.21% of pay) to the FY2017 employer cost.

**For EMSRS**, the proposed assumptions would decrease the AAL by \$194,000, and would decrease Normal Cost by 1.37% of pay, resulting in a total decrease of \$401,000 (or 1.49% of pay) to the annual employer cost.

**For MPFRS**, the proposed assumptions would decrease the AAL by \$157,000, and would decrease Normal Cost by 0.87%, resulting in a total decrease of \$71,000 (or 0.90% of pay) to the annual employer cost.

Ms. Bailey recommended the Actuarial Assumption Review Committee approve and recommend to the Board adoption of the revised assumptions to the State Police Plan A, State Police Plan B, DSRS, EMSRS, and MPFRS Plans as described above, to be effective with the July 1, 2017 Actuarial Valuations.

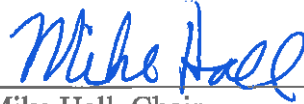
Mr. Vallet made a motion the Actuarial Assumption Review Committee approve and recommend to the Board adoption of the revised assumptions to the State Police Plan A, State Police Plan B, DSRS, EMSRS, and MPFRS Plans as presented by the Actuarial Analyst, to be effective with the July 1, 2017 Actuarial Valuations. The motion was seconded by Mr. McKown. The motion was adopted.

#### **Item #4: Other Business**

Chairwoman Urling asked the Actuarial Assumptions Review Committee if there was any other business to bring before the Committee. None was heard.

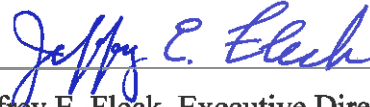
There being no further business to come before the committee, the meeting adjourned at 10:55 a.m.

Respectfully submitted,



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Mike Hall, Chair



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Jeffrey E. Fleck, Executive Director