

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
BOARD OF TRUSTEES MEETING
MEETING OF MARCH 8, 2017**

A meeting of the West Virginia Consolidated Public Retirement Board (CPRB) Board of Trustees was held in the CPRB Conference Room at 4101 MacCorkle Avenue, SE, Charleston, West Virginia 25304, and was called to order at 10:06 a.m. by Chairman David Wyant.

Roll Call was taken.

Trustees present were:

David Wyant, Esquire, Chairman
Jeff Waybright, *representing Auditor John B. McCuskey*
Diana Stout, Esquire, *representing Treasurer John Perdue*
Cabinet Secretary John A. Myers
Andy Bird
Joseph Bunn, Esquire
Captain Michael Corsaro
Angela Crank
Michael Haney
Joe Lynch
Mike McKown
Jeffrey Vallet

Trustees absent were:

Jason Pizatella, *representing Governor James C. Justice, II*
D. Todd Murray
David Stover

A quorum was present.

Due notice had been posted.

Also in attendance were:

Jeffrey E. Fleck, CPRB Executive Director
Candi Kinslow, CPRB Executive Assistant
Jeaneen Legato, Esquire, CPRB General Counsel
Ronda Harvey, Esquire, Bowles Rice
Darden Greene, CPRB Chief Financial Officer
Melody Bailey, CPRB Actuary Assistant
John Beane, CPRB IT Manager
Annamarie Short, CPRB Chief Compliance Officer

Heather Drake, CPRB Administrative Assistant
Tina Baker, CPRB Internal Auditor
Alysia Miller, CPRB Paralegal
Caroline Brady, CPRB PERS Assistant Manager
Eric Stringer, CPRB IT Staff
Tom Sauvageot, WVIMB Investment Officer
Eric Sanderson, Empower Retirement
Chris Meadows, Empower Retirement
Amy Heyel, Empower Retirement
Michael Burroughs, AAG
David Driscoll, Buck Consultants
Tom Zacharias, Deloitte
David A. Haney, WVEA

Tab 1: Approval of the January 25, 2017 Meeting Minutes

Captain Corsaro made a motion to approve the minutes of the January 25, 2017 meeting of the CPRB. The motion was seconded by Mr. Lynch. The motion carried unanimously.

The minutes are located behind Tab #1.

Tab 2: Reports of the Chairman and Executive Director

The Board heard the report from Jeffrey Fleck, Executive Director which included the following information:

1. Executive Director Fleck reported on the January and February 2017 Teachers' Retirement System (TRS) and Public Employees Retirement System (PERS) retirements and requested estimate numbers. He reported for January there were 66 TRS estimates and 79 retirements and in PERS there were 163 estimates and 141 retirements. He reported for February there were 150 TRS estimates and 71 retirements and in PERS there were 156 estimates and 96 retirements.
2. Executive Director Fleck reported on the Teachers' Defined Contribution (TDC) 2017 Educational Meetings. He announced there have been a total of 22 meetings so far this year in TDC, with 238 in attendance. He announced as of February 28, 2017, there were a total of 4,406 participants and \$450,224,051 in total assets in the TDC Empower Retirement Advisory Services Statistics.

Jason Pizatella, *representing Governor James C. Justice, arrived at 10:10 a.m.*

3. Executive Director Fleck reported on the Delinquent Employers. He announced that

Green Acres Regional Center continues to make their contribution payments as per the agreement and are on time. Mingo County PSD are current with their employee contribution payments, but are still behind in their employer contributions, in the amount of \$51,161.87.

4. Executive Director Fleck updated the Board on the COMPASS project. He announced the COMPASS project is now 91% complete of the overall project status. The User Acceptance Testing (UAT) will continue until we Go-Live with Phase 4B of the project for the Active Employees. He announced the Go- Live date has been moved from March 31st to May 1, 2017 at no additional cost to the CPRB.
5. Executive Director Fleck reviewed the January and February 2017 financials with the Board. He announced that as of February 28th, we are at 42.72% of budget.
6. Executive Director Fleck reviewed the SHI International Corporation's service agreement. He announced the cost for this service agreement is \$170,713.40 and is for the computer system. He announced after this year the West Virginia Office of Technology will take over this cost, but we have to pay for it the first year.

Mr. Vallet made a motion the Board approve the cost of the SHI International Corporation's service agreement in the amount of \$170,713.40. The motion was seconded by Captain Corsaro. There was discussion on the motion. The motion carried unanimously.

Chairman Wyant directed Executive Director Fleck to bring back to the Board a breakdown of the costs for the computer project and where these funds are coming from in the CPRB's budget.

7. Executive Director Fleck announced the CPRB's second floor reconfiguration has been completed and all staff are back in our building.
8. Executive Director Fleck reported on the Legislative Update. He reviewed an article from the Charleston Gazette, regarding researchers from the Pew Charitable Trust Foundation that the West Virginia's public pension funds were a "tremendous turnaround story." Director Fleck announced our pension plans went from the nation's worst funded pensions to being named the 20th best-funded plans in 2015 in the Nation. Executive Director Fleck reviewed the Legislative Bills that are currently in the House and the Senate.

Captain Corsaro asked Director Fleck about the status of the delinquent agency, Mingo County PSD and why they were not paying on time. He announced this is the third Board Meeting that it was reported that Mingo County said they were sending us \$30,000.00 and we have not received a payment

from them. Executive Director Fleck announced that Mingo County has said they were sending \$30,000.00, but have failed to do so. Executive Director Fleck informed the Board that he will call the Mingo County PSD regarding the money they owe and will report back to the Board at the next meeting.

The Report of the Executive Director is located behind Tab #2.

Tab 3: Plans Investment Data

Tom Sauvageot, Investment Officer of the West Virginia Investment Management Board (WVIMB) reviewed the Plan’s Investment Returns for December 31, 2016 and January 31, 2017. He announced that plans were up 7.8% and our five-year mark was up 8%.

Eric Sanderson, reviewed the TDC Investment Funds and Investment Performance with the Board for the period ending February 28, 2017. He announced that he, Chris Meadows, Any Heyel and Mike Burroughs reported on the TDC Managed Accounts at the Accounting & Investment Committee Meeting this morning.

The Plan’s Investment Data reports are located behind Tab #3.

Tab 4: Consideration of Current Disability Retirement Applications

Captain Corsaro reported the Disability Committee met on March 7, 2017. The Committee approved the staff’s recommendations and made the following recommendations to the Board for their approval.

System	Approved	Denied	Total
EMSRS	0	1	1
PERS	11	2	13
TDC	3	0	3
TRS	4	0	4
TRS (TDC Transfers)	10	1	11
TOTAL	28	4	32

Mr. Lynch made a motion the Board accept and approve the Disability Committee’s

recommendations concerning the disability retirement applications. The motion was seconded by Mr. Haney. The motion carried unanimously.

The Disability list is located behind Tab #4.

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, Circuit Court, Supreme Court and Less than Honorable Service (LTHS) cases.

Ms. Legato updated the Board on the case of Joseph Talbot v. CPRB. She announced on January 27, 2017, opposing counsel filed a motion in *Aid of Collection of Judgment* which requests that Petitioner be awarded interest. She announced on March 6, 2017, Judge Alsop ruled in our favor and denied opposing counsel's request for interest.

Ms. Legato updated the Board on the case of Joseph Menendez v. CPRB. She announced on January 12, 2016, Judge Bailey entered an Order which reversed the Board's Final Order and granted the Petitioner's request to have his disability retirement annuity reinstated. On November 14, 2016, opposing counsel filed *Petitioner's Motion to Compel an Accounting and for Payment of Sums Due* which is a motion that challenges the Board's calculation of the Petitioner's disability annuity upon reinstatement. On December 14, 2016, we filed a response in opposition to the motion.

Ms. Legato updated the Board on the case of Randall Myers v. CPRB. She announced that the petitioner had until February 27, 2017, to file his petition. Mr. Myers, by counsel, David Tyson, filed a *Petition for Appeal* in the Circuit Court of Lewis County. She announced we discovered the petition was not filed until March 1, 2017, which is outside the formal time to file and we will be filing a motion to dismiss.

Ms. Legato updated the Board on the LTHS case of Michael Thornsby. She announced on February 26, 2017, Judge Bailey entered a *Final Order Granting West Virginia Consolidated Public Retirement Board's Petition to Terminate Michael Thornsby's Retirement Benefits*. A copy of the *Order* is attached to her report.

Ms. Legato updated the Board on the LTHS case of Mark Cowden. She announced on October 17, 2016, this DSRS retiree was convicted of one federal felony count of Deprivation of Rights while acting under color of law. During the November 16, 2016 Board Meeting, the Board voted to terminate Mr. Cowden's DSRS membership for rendering *less than honorable service*.

By letter dated November 30, 2016 (received December 6, 2016), Mr. Cowden by counsel, Michael Edward Nogay, requested a judicial determination of the Board's decision.

On December 22, 2016, we filed a *Petition for a Judicial Determination of Less Than Honorable Service* in the Circuit Court of Kanawha County. The case has been assigned to Judge Kaufman.

Ms. Legato reported she attended a House Pension Committee Meeting regarding a Bill that will allow the less than honorable cases to include misdemeanor offenses.

The report of the In-House Legal Counsel is located behind Tab # 5.

Report from Outside Legal Counsel – Ronda Harvey

Ms. Harvey, Outside Legal Counsel with Bowles Rice, updated the Board on the case of *IMB and VALIC v. CPRB*. She announced the arbitration is currently going on before the Business Court Panel of Judge Young, Judge Tabit, and Judge Wilkes. She announced a decision is expected within 45 days of the end of the arbitration.

Ms. Harvey updated the Board on the case of *Allen E. Tackett v. CPRB*. She announced on August 18, 2016, Petitioner filed a Petition for Writ of Mandamus against Judge Carrie Webster in the Supreme Court of Appeals of West Virginia, asking that the Court order Judge Webster to issue a ruling in the case. The Court issued a Scheduling Order on August 22, 2016, requiring a response to the petition be filed by September 16, 2016, unless sooner mooted by entry of a ruling in the pending Circuit Court action. On September 16, 2016, Judge Webster entered an order denying Petitioner's appeal, and directing the parties to meet and confer on the issue of attorneys' fees. On September 26, 2016, the Supreme Court refused the Writ of Mandamus as a result of mootness. On October 14, 2016, Petitioner filed a Notice of Appeal with the Supreme Court, raising two assignments of error: (1) whether CPRB's calculation of General Tackett's military service credit must be reversed, and (2) whether General Tackett is entitled to attorneys' fees. Pursuant to a Scheduling Order issued by the

Court, General Tackett filed an appeal brief and Appendix Record on January 17, 2017. We filed our response on March 3, 2017. She announced General Tackett has requested oral argument. Thus, the Supreme Court could schedule a hearing date.

Ms. Harvey updated the Board on the case of *Thomas Ward v. CPRB*. She announced it appears that the Petitioner actually withdrew his PERS accumulated contributions. Thus, he has no further issue. She announced attempts have been made to reach Petitioner's counsel to request that he voluntarily dismiss the matter. If he is not agreeable, a motion to dismiss will be filed.

The report of Outside Legal Counsel is located behind Tab #5.

Tab 6: Committee Reports

Chairman Wyant moved the agenda around to address the Executive Director & Actuary Review Committee.

Executive Director & Actuary Review Committee

Chairman Wyant announced the Executive Director & Actuary Review Committee met yesterday and discussed various ways of advertisement for a Board Actuary. He announced the Committee approved an Ad for the Board Actuary position.

The minutes of the Executive Director & Actuary Review Committee are located behind Tab #6.

Accounting and Investment Committee

Mr. Bunn, Chairman of the A&I Committee announced the Committee met this morning and had recommendations to make to the Board on behalf of the Committee.

Mr. Bunn announced the A&I Committee recommend the Board approve and authorize staff to amend and lower the TDC Portion of the COMPASS computer project expenses from 4% to 3.36567% and permit COMPASS related invoices during the 2017 calendar year to be paid from the TDC Revenue Sharing account, not to exceed \$234,741.14.

Mr. Vallet made a motion the Board approve and authorize staff to amend and lower the TDC Portion of the COMPASS computer project expenses from 4% to 3.36567% and permit COMPASS related invoices during the 2017 calendar year to be paid from the TDC Revenue Sharing account, not

to exceed \$234,741.14. Ms. Crank seconded the motion. There was discussion on the motion. The motion carried unanimously.

Mr. Bunn announced the A&I Committee recommends the Board raise the administrative fees from \$15.00 to \$25.00 on the TDC Quarterly Administrative Fees, effective as soon as administratively practicable.

Mr. Vallet made a motion the Board approve the recommendation of the A&I Committee and raise the administrative fees from \$15.00 to \$25.00 on the TDC Quarterly Administrative Fees, effective as soon as administratively practicable. Ms. Crank seconded the motion. There was discussion on the motion. The motion carried unanimously.

The minutes of the A & I Committee are located behind Tab #6.

Actuarial Assumptions Review Committee

Chairman Wyant announced he would entertain a motion to go into Executive Session to discuss a legal matter.

Mr. Bunn made a motion the Board go into Executive Session to discuss a legal matter as allowed by West Virginia Code §6-9A-4. The motion was seconded by Captain Corsaro. The motion carried unanimously. Melody Bailey, CPRB Actuarial Analyst and David Driscoll of Buck Consultants were asked to stay during Executive Session. The Board went into Executive Session at 10:52 a.m.

Chairman Wyant reconvened the Public Session of the March 8, 2017 meeting of the CPRB from Executive Session at 11:09 a.m. Chairman Wyant announced the Board was in Executive Session to discuss a legal matter as allowed by West Virginia Code §6-9A-4. He announced there were no decisions made during Executive Session.

Chairman Wyant announced, we will now return to Tab# 6 on the Agenda, Committee Reports and address the Actuarial Assumptions Review Committee.

Actuarial Assumptions Review Committee

Mr. Pizatella, Chairman of the Actuarial Assumptions Review Committee announced the Committee met yesterday and discussed adoption of the method of Asset Smoothing in TRS. He announced the method of asset smoothing in the July 1, 2016, actuarial valuation of TRS would have the following

effects:

- The value of assets used to determine funding in FY 2018 will be raised by approximately \$393.2 million.
- The unfunded liability of the System as of July 1, 2016, would be reduced by the same amount.
- The actuarially determined contribution for FY 2018 would be reduced by approximately \$43.2 million.

Mr. Pizatella made a motion the Board adopt and approve the proposal for asset smoothing in TRS to be effective for the July 1, 2016 valuations which affects FY 2018. Captain Corsaro seconded the motion. The motion carried unanimously.

The minutes of the Actuarial Assumptions Review Committee are located behind Tab #6.

Tab 7: Other, Old Business

Chairman Wyant asked if there was any old business to bring before the Board. None was heard.

Tab 8: Other, New Business

Chairman Wyant asked if there was any other new business to bring before the Board. None was heard.

Chairman Wyant adjourned the March 8, 2017 meeting of the West Virginia Consolidated Public Retirement Board (CPRB) at 11:12 a.m.



David Wyant, Chairman
Consolidated Public Retirement Board



Jeffrey E. Fleck, Executive Director
Consolidated Public Retirement Board