

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
BOARD OF TRUSTEES MEETING
MEETING OF OCTOBER 3, 2018**

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, on Wednesday, October 3, 2018. The meeting was called to order at 10:00 a.m. by Chairman David Wyant.

Roll Call was taken.

Trustees present were:

David Wyant, Esquire, Chairman
Mike Hall, *representing Governor James C. Justice, II*
Jeff Waybright, *representing Auditor John B. McCuskey*
Diana Stout, Esquire, *representing Treasurer John Perdue*
Acting Cabinet Secretary Mary Jane Pickens
Bill Barker
Andy Bird
Captain Michael Corsaro, Vice Chairman
Michael Haney
Joe Lynch
Mike McKown
D. Todd Murray
Jeffrey Vallet

Trustees absent:

Joseph Bunn, Esquire

A quorum was present.

Due notice had been posted.

Also in attendance were:

Jeffrey E. Fleck, CPRB, Executive Director
Terasa Miller, CPRB, Deputy Director
Nancy Butcher, CPRB, Executive Assistant
Janean Legato, Esquire, CPRB, General Counsel
John Galloway, CPRB, Chief Financial Officer
Ken Woodson, CPRB, Actuary
Melody Bailey, CPRB, Actuarial Analyst
Alysia Miller, CPRB, Paralegal

John Beane, CPRB, I.T. Manager
Patricia Bowgren, CPRB, I.T. Staff
Tammy Patton, CPRB I.T. Staff
Tim Abraham, CPRB, Chief Compliance Officer
Tina Baker, CPRB, Internal Auditor
Lori Cottrell, CPRB, Accounting Manager
Michael Ciarochi, CPRB Accounting Staff
Craig Slaughter, Executive Director, WVIMB
Chris Meadows, Empower Retirement
Don Jurgen, Empower Retirement
Ronda Harvey, Esquire, Bowles Rice
Chris Deweese, Suttle & Stalnaker
Evan Shamblin, Suttle & Stalnaker
Tom Zacharias, Deloitte
Tony Agentowicz, VOYA Financial

Tab 1: Approval of the August 29, 2018 Meeting Minutes

Mr. Vallet made a motion to approve the minutes of the August 29, 2018, meeting of the Board.

The motion was seconded by Mr. Haney. The motion carried.

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

Tab 2: Reports of the Chairman and Executive Director

Chairman Wyant welcomed Mike Hall, representing Governor Jim Justice, to the Board and welcomed back, Deputy Cabinet Secretary Mary Jane Pickens.

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 stated that this year, on July 1, there were almost 900 employee retirements and approximately 90 percent of those have been completed. He pointed out that the number of days processing applications continues to decrease as well as the amount of time until the first retirement check is received. He went on to say that it is the goal of the agency that the process takes less than 30 days to complete.
2. Executive Director Fleck reported on the Teachers' Defined Contribution (TDC) plan. He informed the Board that the total participants in the plan is 4,241 and the total assets are \$527,597,667.
3. Executive Director Fleck reported on the Delinquent Employers. He reported that the

Green Acres Center is current with their payments per their settlement agreement. He also reported that the Doddridge County Board of Education was on the list, but they had submitted their contributions and the Boone County Board of Education's contributions were expected by the end of the week.

4. Executive Director Fleck announced that the October edition of the Department of Administration's *Notes, Quotes and Anecdotes* had an article regarding CPRB's recognition by the Government Finance Officers Association (GFOA) of the United States for their excellence in financial reporting.
5. Executive Director Fleck gave an update of the August financials, noting again, that the agency is under budget by \$1.7 million. He also noted that Personal Services is over budget due to three pay periods in August.
6. Executive Director Fleck gave a Legislative Update. He explained that Ken Woodson, CPRB Actuary had made a presentation to the Joint Committee on Pensions and Retirement during the September interim meetings on behalf of the CPRB regarding the proposed Division of Natural Resources (DNR) officers pension plan. He also informed the Board that he, Deputy Director Terasa Miller and Board Counsel, Jeaneen Legato had attended the Entrance Interview with the Legislative Auditor for the Audit regarding Retirees Who Return to Work in PERS, TRS and JRS.
7. Executive Director Fleck gave an update on the RFP for the TPA for the TDC. He informed the Board members that three bids were submitted. The companies responding to the RFP were Empower, Prudential and Voya.
8. Executive Director Fleck announced that Fiduciary Training for the members of the CPRB Board and staff members of the agency would be held on Wednesday, November 14, 2018 at 10:00 a.m. The Board meeting would begin following training.

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 Reports for the periods ending July 31, 2018 and August 31, 2018. He noted that the investment returns for the most recent quarter were up 1.5 percent.

Chris Meadows of Empower Retirement gave an update on the TDC Educational meetings. He reported that his on-site visits included 9 locations in three counties. Those counties were Wood, Tyler and Kanawha where he conducted 17 in-person retirement reviews and he completed 72 distributions and telephone counselling sessions. He announced that he had conducted a total of 71 meetings with 930 consultations thus far this year.

The Plans Investment Data reports were located behind Tab #3 of the Board materials.

Tab 4: Consideration of Current Disability Retirement Applications

Mr. Murray reported the Disability Committee met on October 2, 2018, 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
DSRS	2 1-Total Non-Duty & 1 Partial Duty	0	2 1-Total Non-Duty & 1 Partial Duty
PERS	6	0	6
TDC	1	0	1
TRS	6	0	6
TOTALS	15	0	15

Captain Corsaro made a motion the Board accept and approve the Disability Committee’s recommendations concerning the disability retirement applications. The motion was seconded by Mr. Lynch. Ms. Stout requested she be excused from voting as one of the PERS applicants was an employee of the Treasurer’s Office. Her request was granted. The motion to accept and approve the recommendations carried.

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

Chairman Wyant announced that we would be going to Tab #6 to allow for a presentation by Suttle & Stalaker.

**Tab 6: Committee Reports & Minutes
Accounting and Investment Committee**

Diana Stout, a member of the Accounting and Investment Committee, stated that the Accounting and Investment Committee met on Monday, October 1, 2018. She reported on the 2018 Audited Financial Statements and Independent Auditor’s Report. She also reported that the September 15, 2018

deadline for the draft report, that was set by FARS, had been met with the expectation that the October 15, 2018 deadline for the final report would be met. She introduced John Galloway, the Chief Financial Officer for the Consolidated Public Retirement Board who gave a brief statement about the audit. Mr. Galloway introduced Chris Deweese, Director, Suttle & Stalnaker, who oversaw the audit, to give additional comment and explanation of the audit. Mr. Deweese commented that the audit has a “clean opinion” which is the best opinion you can receive on the audit report. He went on to say that the Government Auditing Standards Report on Financial Reporting related to Internal Control Compliance found two issues; one related to information systems and the other to the review of census data and that both issues have been addressed. He commented that they are on track to have the Audit completed before the deadline.

Ms. Stout made a motion to accept the draft Report of the Independent Auditor, subject to findings and corrections and to release the Report after corrections are made. Mr. McKown seconded the motion. The motion carried.

The minutes of the Accounting and Investment Committee and the draft Report by Suttle and Stalnaker were located behind Tab #6 of the Board materials.

The Chairman announced the return to Tab 5.

Tab 5: Legal Counsel Reports

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

Mr. Vallet made a motion the Board go into Executive Session to discuss legal matters as allowed by West Virginia Code §6-9A-4. The motion was seconded by Mr. Haney. The motion carried.

The Board went into Executive Session at 10:21 a.m.

Chairman Wyant reconvened the Public Session of the October 3, 2018, meeting of the CPRB from Executive Session at 11:10 a.m.

Chairman Wyant announced the Board was in Executive Session to discuss legal matters as allowed by West Virginia Code §6-9A-4 and that no decisions were made during Executive Session.

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 and Less than Honorable Service (LTHS) cases.

Ms. Legato reviewed the Less than Honorable Service (LTHS) case of Menis Ketchum, a PERS member and former Supreme Court Justice. She announced on August 23, 2018, Justice Ketchum entered a guilty plea to the federal felony offense of wire fraud in the United States District Court for the Southern District of West Virginia. On that same day, Judge Copenhagen accepted his plea and adjudged him guilty.

Ms. Legato recommended the Board disqualify and terminate the PERS membership of Menis Ketchum for rendering LTHS.

Mr. Vallet made a motion the Board accept the recommendation of Counsel to disqualify and terminate the PERS membership of Menis Ketchum and to authorize counsel to proceed with LTHS proceedings against him. The motion was seconded by Mr. Bird. The motion carried.

Ms. Legato reviewed the Less than Honorable Service (LTHS) case of Charisse Morris, a TRS member and former teacher in Kanawha County. She announced on July 31, 2018, Ms. Morris entered a plea of guilty in the Circuit Court of Kanawha County to the felony offense of fraudulent schemes. On the same day, Judge Bailey accepted her plea and adjudged her guilty.

Ms. Legato recommended the Board disqualify and terminate the TRS membership of Charisse Morris for rendering LTHS.

Captain Corsaro made a motion the Board accept the recommendation of Counsel to disqualify and terminate the TRS membership of Charisse Morris and to authorize counsel to proceed with LTHS proceedings against her. The motion was seconded by Mr. Haney. The motion carried.

Ms. Legato reviewed the Less than Honorable Service (LTHS) case of Jeffrey Pettry, a PERS member and former correctional officer for Southern Regional Jail. She announced on May 29, 2018, Mr. Pettry entered a plea of guilty and was adjudged guilty in the Circuit Court of Raleigh County for committing the felony offense of imposition of sexual intercourse on an incarcerated person.

Ms. Legato recommended the Board disqualify and terminate the PERS membership of Jeffrey Pettry for rendering LTHS.

Ms. Stout made a motion the Board accept the recommendation of Counsel to disqualify and terminate the PERS membership of Jeffrey Pettry and to authorize counsel to proceed with LTHS proceedings against him. The motion was seconded by Mr. Barker. The motion carried.

Ms. Legato reviewed the Less than Honorable Service (LTHS) case of Thomas Watkins, a TRS

member and former teacher in Kanawha County. She announced on August 27, 2018, Mr. Watkins entered a plea of guilty in the Circuit Court of Kanawha County to the felony offense of fraudulent schemes. On the same day, Judge Greear accepted his plea and adjudged him guilty.

Ms. Legato recommended the Board disqualify and terminate the TRS membership of Thomas Watkins for rendering LTHS.

Mr. Vallet made a motion the Board accept the recommendation of Counsel to disqualify and terminate the TRS membership of Thomas Watkins and to authorize counsel to proceed with LTHS proceedings against him. The motion was seconded by Captain Corsaro. The motion carried.

Ms. Legato updated the Board on a matter pending in the Circuit Court of Kanawha County, **Beverly Mayle**, a TRS disability appeal which has been assigned to Judge Kaufman who has entered a Scheduling Order. Petitioner's brief was due on or before September 21, 2018 and the CPRB brief is due on or before October 21, 2018. Petitioner's reply is due on or before November 5, 2018 and proposed orders are due on or before November 9, 2018. Ms. Mayle is represented by Lonnie Simmons.

The report of the Inside Legal Counsel was located behind Tab #5 of the Board materials.

Report from Outside Legal Counsel – Ronda Harvey

Ms. Harvey updated the Board on the DNR matter that is still pending before Judge Jennifer Bailey in the Circuit Court of Kanawha County, dealing with whether subsistence allowance paid to DNR officers should be included in calculating retirement benefits. One issue before Judge Bailey was the *Petitioners' Motion for Return of Appeal Fees* that was paid by Lonnie Simmons, Counsel for Petitioners, for each of his clients. Judge Bailey issued an Order on September 4, 2018 granting the Motion and refunding Petitioners' counsel all but \$200 paid for filing the consolidated appeal. We are awaiting her decision.

Ms. Harvey informed the Board of three appeals by retired DNR officers who did not join the group appeal on the issue. Hearing Officer Gary Pullin heard the appeals of Joseph A. Ward and Thomas D. Tolley, who are appealing jointly, and Glen Cook on September 4, 2018. We are waiting on decisions from Hearing Officer Pullin.

Ms. Stout inquired about legislation regarding the subsistence allowance issue. Director Fleck responded that there had been legislation in 2015 but it had not passed.

The report of the Outside Legal Counsel was located behind Tab #5 of the Board materials.

Tab 6: Committee Reports & Minutes

Actuarial Assumptions Review Committee

Mike Hall, Chair of the Actuarial Assumptions Review Committee, stated that the Committee met on Monday, October 1, 2018. Mr. Hall announced that Ken Woodson, CPRB Actuary, would report on the Interest Rate Review. Mr. Woodson gave an overview of the Interest Rate Review which recommended that the Board approve the continued use of 7.5% as the interest return rate and discount rate assumption for the eight defined benefit plans, effective with the July 1, 2018 actuarial valuations. Mr. Vallet made a motion that the Board approved the continued use of the 7.5% interest return rate and discount rate assumption. Mr. Haney seconded the motion. The motion carried.

Mr. Woodson gave a review of the Interest Rate for Lump-Sum Payout of the 10-year Certain and Life Benefit Option for TRS. He explained how the lump-sum payout works and recommended that the Board approve an interest rate of 7.0% on the value of the lump-sum payout. Mr. McKown made a motion to approve the continued use of the factors currently in use for TRS 10-Year Certain and Life lump-sum payouts. Mr. Barker seconded the motion. The motion carried.

Mr. Woodson also gave an overview of the JRS Retiree Mortality Assumption and recommended that the Board adopt the assumptions as presented. Captain Corsaro made a motion that the Board adopt the assumptions as presented by the Board Actuary. Mr. Lynch seconded the motion. The motion carried.

Internal Audit Committee

Mary Jane Pickens, Chair of the Internal Audit Committee, stated that the Committee met on Tuesday, October 2, 2018. She reported that Tina Baker, CPRB Internal Auditor, gave a review of the Fraud Prevention Controls for the Retiree Self Service (RSS) portal and had recommended that periodic risk assessments be conducted to provide assurance that RSS controls are adequate to prevent account takeovers or other fraudulent activities. She went on to report that Ms. Baker provided the 2018 and 2019 draft Internal Audit Project Schedule and she also provided the Independent Accountant's Report in Applying Agreed-Upon Procedures by the State Auditor and Chief Inspector on the Wood County Board of Education's participation in the applicable state-wide retirement systems to the Committee.

Ms. Pickens made a motion that the Board accept the review of the Internal Auditor, Tina Baker on the Fraud Prevention Controls for the RSS portal and her recommendations. Ms. Stout seconded the motion. The motion carried.

Ms. Pickens also made a motion to accept the Internal Auditor's 2018 and 2019 Internal Audit Project Schedule. Mr. Waybright seconded the motion. The motion carried.

The minutes and reports of the Actuarial Assumptions Review Committee and the Internal Audit Committee were located behind Tab #6 of the Board materials.


Tab 7: Other, Old Business

Captain Corsaro inquired about the status of the Delinquent Employer legislation from the 2018 Legislative Session. Mr. Fleck reported that the legislation died at the end of the regular Legislative Session. Captain Corsaro made a motion that the legislation be reintroduced for the 2019 Legislative Session. Mr. Lynch seconded the motion. The motion carried.

Tab 8: Other, New Business

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

There being no further business to come before the Board, the meeting adjourned at 11:38 a.m.



David Wyant, Chairman
Consolidated Public Retirement Board



Jeffrey E. Fleck, Executive Director
Consolidated Public Retirement Board