

# Judges' Retirement System

*Administered by  
The West Virginia Consolidated Public Retirement Board*

2019



**Audited Schedules of  
Pension Amounts**

*Serving Those Who Serve West Virginia*



**Fiscal Year Ended June 30, 2019**

Judges' Retirement System  
Audited Schedule of Pension Amounts  
As of and for the Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3 - 4
Schedule of Pension Amounts	5
Notes to Schedule of Pension Amounts	6 - 11

## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
West Virginia Consolidated Public  
Retirement Board  
Charleston, West Virginia

### Report on the Schedule

We have audited the total pension asset (liability), fiduciary net position, net pension asset (liability), total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions included in the accompanying schedule of pension amounts of the Judges' Retirement System, administered by the West Virginia Consolidated Public Retirement Board, as of and for the year ended June 30, 2019, and the related notes.

### Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the schedule of pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the schedule of pension amounts is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of pension amounts.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the schedule referred to above presents fairly, in all material respects, the total pension asset (liability), fiduciary net position, net pension asset (liability), total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the Judges' Retirement System, as of and for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the West Virginia Consolidated Public Retirement Board as of and for the year ended June 30, 2019, and our report thereon dated October 15, 2019, expressed an unmodified opinion on those financial statements.

### **Restrictions on Use**

Our report is intended solely for the information and use of the West Virginia Consolidated Public Retirement Board, the Judges' Retirement System's participating employer and their auditor and is not intended to be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia  
March 5, 2020

**JUDGES' RETIREMENT SYSTEM**  
*Schedule Of Pension Amounts*  
**As of and the Year Ended June 30, 2019**

Total Pension Asset (Liability)	Deferred Outflows of Resources		Deferred Inflows of Resources		Pension Expense Excluding that Attributable to Employer-Paid Member Contributions			
	Fiduciary Net Position	Net Pension Asset (Liability)	Changes in Assumptions	Total Deferred Outflows of Resources		Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Inflows of Resources	
\$ (115,950,000)	\$ 212,653,000	\$ 96,703,000	\$ 580,000	\$ 580,000	\$ (9,541,000)	\$ (3,033,000)	\$ (12,574,000)	\$ (8,559,000)

# JUDGES' RETIREMENT SYSTEM

## NOTES TO SCHEDULE OF PENSION AMOUNTS

### 1 - NATURE OF ENTITY

Judges' Retirement System (JRS) is a single employer defined benefit public employee retirement system covering State judges and justices who elect to participate. JRS provides retirement as well as death and disability benefits.

During fiscal year 1991, the West Virginia State Legislature created the Consolidated Public Retirement Board (the Board) to administer nine of the State of West Virginia's ten retirement plans. The Board is managed by a Board of Trustees, which consists of, by virtue of their position, the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in the Public Employees' Retirement System, and one participant each from the other seven defined benefit plans administered by the Board.

Chapter 51, Article 9 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction - The Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB Statement No. 68 requires governmental employers to recognize pension expense and a net pension liability and/or a net pension asset as employees earn pension benefits.

Basis of Accounting - The schedule of pension amounts of the Judges' Retirement System (the Plan) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles for governmental units.

Accounting Estimates - The preparation of the schedule of pension amounts in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the total pension liability, fiduciary net position, net pension asset, deferred inflows of resources, deferred outflows of resources, and pension expense as of the measurement date. Actual amounts could differ from those estimates.

Investments - All defined benefit plan funds not required to meet disbursement needs are invested in accordance with the West Virginia Code, as well as policies established by the West Virginia Investment Management Board (WVIMB). The WVIMB has established various investment pools to provide for the investment of the defined benefit plans' assets. These investment pools are structured as multiparticipant variable net asset funds.

The WVIMB was organized on April 25, 1997, as a public body corporate created by *West Virginia Code Section 12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB is governed by a Board of Trustees, consisting of thirteen members. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other WVIMB Trustees for a term of six years.

JUDGES' RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS  
(Continued)

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Date - Total pension liability, net pension asset, deferred inflows of resources, deferred outflows of resources, and pension expense were determined by actuarial valuations as of July 1, 2018 rolled forward to June 30, 2019, which is the measurement date.

**3 - AMORTIZATION**

The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported in the schedule are amortized and included in pension expense over the average expected remaining service life of 4.92 years.

Amortization of Change in Assumptions (in thousands, excluding the recognition period):

<u>Measurement date June 30</u>	<u>2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Amount	\$ 962			
Recognition period (years)	5.06			
Amount recognized in				
fiscal year:				
2018	\$ 191	\$ 191	\$ -	\$ 191
2019	191	191	-	191
2020	191	191	-	191
2021	191	191	-	191
2022	191	191	-	191
2023	7	7	-	7
Balance as of June 30:				
2018	\$ 771	\$ 771	\$ -	\$ 771
2019	580	580	-	580
2020	389	389	-	389
2021	198	198	-	198
2022	7	7	-	7

JUDGES' RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS  
(Continued)

**3 - AMORTIZATION (Continued)**

Amortization of Differences between Expected and Actual Liability Experience (in thousands, excluding the recognition period):

<u>Measurement date June 30</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Amount	\$(5,813)	\$(6,101)	\$(6,054)	\$(4,959)			
Recognition period (years)	4.15	4.18	5.06	4.92			
Amount recognized in FY							
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	(1,401)	-	-	-	-	(1,401)	(1,401)
2017	(1,401)	(1,460)	-	-	-	(2,861)	(2,861)
2018	(1,401)	(1,460)	(1,197)	-	-	(4,058)	(4,058)
2019	(1,401)	(1,460)	(1,197)	(1,008)	-	(5,066)	(5,066)
2020	(209)	(1,460)	(1,197)	(1,008)	-	(3,874)	(3,874)
2021	-	(261)	(1,197)	(1,008)	-	(2,466)	(2,466)
2022	-	-	(1,197)	(1,008)	-	(2,205)	(2,205)
2023	-	-	(69)	(927)	-	(996)	(996)
Deferred Balance at June 30:							
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	(4,412)	-	-	-	-	(4,412)	(4,412)
2017	(3,011)	(4,641)	-	-	-	(7,652)	(7,652)
2018	(1,610)	(3,181)	(4,857)	-	-	(9,648)	(9,648)
2019	(209)	(1,721)	(3,660)	(3,951)	-	(9,541)	(9,541)
2020	-	(261)	(2,463)	(2,943)	-	(5,667)	(5,667)
2021	-	-	(1,266)	(1,935)	-	(3,201)	(3,201)
2022	-	-	(69)	(927)	-	(996)	(996)



JUDGES' RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS  
(Continued)

**3 - AMORTIZATION (Continued)**

Amortization of Differences between Projected and Actual Earnings (in thousands, excluding the recognition period):

<u>Measurement date June 30</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Amount	\$ 5,834	\$ 12,859	\$ (13,856)	\$ (4,262)	\$ 3,116			
Recognition period (years)	5.00	5.00	5.00	5.00	5.00			
Amount recognized in								
fiscal year:								
2015	\$ 1,167	\$ -	\$ -	\$ -	\$ -	\$ 1,167	\$ -	\$ 1,167
2016	1,167	2,572	-	-	-	3,739	-	3,739
2017	1,167	2,572	(2,772)	-	-	3,739	(2,772)	967
2018	1,167	2,572	(2,772)	(853)	-	3,739	(3,625)	114
2019	1,166	2,572	(2,772)	(853)	624	4,362	(3,625)	737
2020	-	2,571	(2,772)	(853)	624	3,195	(3,625)	(430)
2021	-	-	(2,768)	(853)	624	624	(3,621)	(2,997)
2022	-	-	-	(850)	624	624	(850)	(226)
2023	-	-	-	-	620	620	-	620
Balance as of June 30:								
2015	\$ 4,667	\$ -	\$ -	\$ -	\$ -	\$ 4,667	\$ -	\$ 4,667
2016	3,500	10,287	-	-	-	13,787	-	13,787
2017	2,333	7,715	(11,084)	-	-	10,048	(11,084)	(1,036)
2018	1,166	5,143	(8,312)	(3,409)	-	6,309	(11,721)	(5,412)
2019	-	2,571	(5,540)	(2,556)	2,492	5,063	(8,096)	(3,033)
2020	-	-	(2,768)	(1,703)	1,686	1,686	(4,471)	(2,785)
2021	-	-	-	(850)	1,244	1,244	(850)	394
2022	-	-	-	-	620	620	-	620

## JUDGES' RETIREMENT SYSTEM

### NOTES TO SCHEDULE OF PENSION AMOUNTS (Continued)

#### 4 - PENSION EXPENSE

The components of pension expense for the year ended June 30, 2019 (in thousands):

Service cost	\$	2,406
Interest cost		8,608
Projected earnings on plan investments		(15,190)
Employee contributions		(331)
Recognition of current period deferred outflows/inflows:		
Differences between expected and actual experience		(1,008)
Differences between projected and actual investment earnings		624
Recognition of prior years' deferred outflows/inflows:		
Change in assumptions		191
Differences between expected and actual experience		(4,058)
Differences between projected and actual investment earnings		113
Other changes in fiduciary net position		<u>86</u>
Total pension expense	\$	<u>(8,559)</u>

The average of the expected remaining service lifetime of actives and inactive members as of July 1, 2018, which is 4.92 years.

#### 5 - NET PENSION ASSET (LIABILITY) AND ACTUARIAL INFORMATION

The net pension asset (NPA) is the portion of the actuarial present value of projected benefit payments related to past periods.

The components of the net pension asset (liability) as of June 30, 2019, are as follows (in thousands):

Total Pension Liability	\$	(115,950)
Fiduciary Net Position		<u>212,653</u>
Net Pension Asset (Liability)	\$	<u>96,703</u>

Fiduciary Net Position as a percent of Total Pension Liability		183.40%
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JUDGES' RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS  
(Continued)

**5 - NET PENSION ASSET (LIABILITY) AND ACTUARIAL INFORMATION (Continued)**

The total pension liabilities for financial reporting purposes were determined by actuarial valuation as of July 1, 2018 and rolled forward to June 30, 2019 using the actuarial assumptions and methods described, as follows:

Actuarial cost method	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value
Amortization method	Level dollar, fixed period
Amortization period	-
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation rate	3.00%
Discount rate	7.50%
Mortality rates	Active - N/A Healthy Male Retirees - 103% of RP-2014 Healthy Annuitant tables, rolled back to 2006, Projected with Scale MP-2016 fully generational  Healthy female Retirees - RP-2014 Healthy Annuitant tables, rolled back to 2006, Projected with Scale MP-2016 fully generational Disabled - RP-2014 Healthy Annuitant tables; rolled back to 2006, Projected with Scale MP-2016 fully generational
Withdrawal rates	-
Disability rates	-
Retirement rates	5% - 100%
Date range in most recent experience study	2011 - 2016

**6 - SENSITIVITY OF THE NET PENSION ASSET (LIABILITY) TO CHANGE IN THE DISCOUNT RATE**

Sensitivity of Discount Rate	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Total net pension asset (liability)	<u>\$ 84,091,000</u>	<u>\$ 96,703,000</u>	<u>\$ 107,410,000</u>