

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
BOARD OF TRUSTEES MEETING
MEETING OF OCTOBER 5, 2022**

A meeting of the West Virginia Consolidated Public Retirement Board (“CPRB”), Board of Trustees, was held on Wednesday, October 5, 2022, in the David L. Wyant Conference Room at 4101 MacCorkle Avenue, Charleston, West Virginia, 25302. Due notice had been posted.

Call to Order

The meeting was called to order at 10:08 a.m. by Joseph Bunn, Chair.

Roll Call:

Trustees participating:

Joseph G. Bunn, Chair

Mike McKown, Vice Chair

Garner Marks, *representing Governor James C. Justice, II*

Jeffrey Waybright, *representing State Auditor John B. McCuskey*

Michelle Storage, Esquire, *representing State Treasurer Riley Moore*

Mark D. Scott, Cabinet Secretary, Department of Administration

Bill Barker

Rhonda Bolyard

Woodrow Brogan

Daniel Cart

David Nelson

Reginald Patterson

Dominique Ranieri

Jeffrey Vallet

Trustees absent:

Larry Cole

Beth Morgan

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
Kenneth Woodson, CPRB Actuary
Haley Perry, CPRB Actuarial Analyst
Patricia Bowgren, CPRB IT Staff
Jeaneen Legato, Esquire, CPRB General Counsel
John Galloway, CPRB Chief Financial Officer
John Beane, CPRB IT Manager
Tim Abraham, CPRB Compliance Officer
Alysia Miller, CPRB Paralegal
Emily Lambright, Esquire, Bowles Rice
Craig Slaughter, WV IMB
Chris Meadows, Empower
Gary Pullin, Esquire, CPRB Hearing Officer
Sarah Ghiz Korwan, Esquire, CPRB Hearing Officer
Lealan Miller, Eide Bailly
Lisa Trump, CPRB
Tammy White, CPRB
Vicki Sutton, CPRB
Elizabeth Crowder, CPRB
Jessica Cain, CPRB
Brittney James, CPRB

Tab 1: Approval of the August 17, 2022 Minutes

Chairman Bunn stated that he would entertain a motion to approve the minutes of the August 17, 2022 meeting of the CPRB Board of Trustees.

Jeff Waybright made a motion that the Board approve the minutes of the August 17, 2022 meeting of the Board. Mark Scott seconded the motion. The motion was adopted.

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

Tab 2: Report of the Executive Director

Chairman Bunn recognized Jeffrey Fleck, Executive Director, to give his report to the Board which included the following information:

1. *Recognition of Employees* – Director Fleck noted this meeting is his Executive Assistant Nancy Butcher’s last board meeting because she is taking a new job. He complimented her work and thanked her for her service. Mr. Fleck stated that this is also Hearing Officer Gary Pullin’s last meeting because he is retiring. He complimented Mr. Pullin’s work and thanked him for his service.

Director Fleck informed the members that he had received compliments from CPRB customers regarding exceptional customer service from three (3) staff members: Jessica Cain, Elizabeth Crowder, and Brittney James. Mr. Fleck read the positive feedback to the Board members, introduced the staff, and thanked staff for their efforts.

2. *CPRB Metric Chart* – Director Fleck reviewed the Metric Chart that is located behind Tab #2 of the Board materials. He said that July was a busy month processing almost 800 retirements. He said that most of August and September retirements have been completed and that ten (10) October retirements had already been processed.

Director Fleck stated that in an effort to evaluate how the pandemic and remote work may have affected the CPRB’s efficiency, he compared 2019 pre-pandemic metrics to the current figures. He reported that he found the average time to receive a first retirement check had improved post pandemic. Chairman Joseph Bunn requested that the prior year’s numbers be provided as part of the metrics report in the future for the purpose of focusing on continuous improvement.

3. *TDC Statistics* – Director Fleck reported that the TDC Plan has 3,761 participants including Ms. Bolyard who is the Board’s representative from the TDC plan. He reported that the plan assets were \$612,804,489 as of August 31, 2022, noting that assets had dropped quite a bit since the beginning of the year when it was over \$700,000,000.
4. *Delinquent Employers* – Director Fleck reported that the Cabell Huntington Health Department, which was past due for June and July of 2022, submitted contributions yesterday, curing their delinquency. He stated that the City of Mullins is late on July but that the city is working on their report. Mr. Fleck also noted that Green Acres Regional Center continues to make their payments per the settlement agreement bringing their past due balance down to \$127,000 from the original amount of over \$600,000.
5. *Contract Renewals* – Director Fleck informed the Board that there are two contract renewals for the Board’s consideration.

Director Fleck stated that Bowles Rice is the Board’s outside legal counsel and that the proposed contract is a one-year renewal, beginning January 1, 2023. Mr. Fleck reported that there is no rate increase for 2023 and referred the members to the attorneys’ individual hourly rates provided behind Tab #2 of the Board materials. He noted the addition of one new attorney, Thomas Franke, bringing the total number of attorneys to four.

Chairman Bunn stated that he would entertain a motion to approve the renewal of the Bowles Rice contract for the year 2023.

Mark Scott made a motion that the Board approve the renewal of the contract with Bowles Rice. Jeffrey Vallet seconded the motion. The motion was adopted.

Director Fleck informed the Board that Empower is the third-party administrator of the TDC plan and the current contract with Empower expires at the end of this year. Mr. Fleck explained that the original contract was a three-year contract with the option for five one-year renewals. This renewal would be the first one-year renewal and there is no change in rates for 2023.

Chairman Bunn stated that he would entertain a motion to approve the renewal of the Empower contract for a period of one year.

Jeffrey Vallet made a motion that the Board approve the renewal of the Empower contract. Bill Barker seconded the motion. The motion was adopted.

6. *August Financials*– Director Fleck reported that the financials for the period ending August 31, 2022, showed that the agency was well below the budgeted amounts, especially in the professional and contractual category. He pointed out that the agency has not yet received an invoice from its auditors or outside actuary, Buck Consultants. He added that a credit of approximately \$60,000 was applied to professional and contractual services fund. Mr. Fleck explained that this credit was a payment received from the Division of Natural Resources per the statute to help with the startup cost of the new plan for the Natural Resources Police Officers Retirement System (NRPORS).
7. *Notes, Quotes & Anecdotes* – Director Fleck referred the members to page three of the Department of Administration’s October newsletter, which mentions that CPRB had received the Government Finance Officers Association’s Award of Excellence in Financial Reporting for the tenth year in a row.
8. *Upcoming Fiduciary Training* – Director Fleck reminded the board members that the annual required fiduciary training would be provided from 10:00 - 11:00 am immediately preceding the next board meeting on November 30, 2022.

Tab #3: Plans Investment Data

WVIMB Report – Craig Slaughter

Chairman Bunn recognized Craig Slaughter, WV IMB Executive Director, to give an update on the Plans Investment Data.

Mr. Slaughter stated that the long-term numbers are good. The 20-year number is around 7.9 percent, and the 10-year is about 9.1 percent. He remarked that we were down 6.4 percent for this past fiscal year ending June 30, but that it was not all that bad considering the circumstances. Mr. Slaughter explained that public equity and fixed income, which are both standard institutional assets, were both hit hard due to inflation. He said the reason we were able to do ok is because of alternative assets, such as private markets and hedge funds, which were all positive over this past year. Mr. Slaughter discussed some reasons for the current inflation and noted that stagflation is a risk. He concluded saying that equity is the best returning

asset over the long-term and the private equity portfolio would be expanded, if possible. He then answered questions from board members.

Empower Report – Chris Meadows

Chairman Bunn recognized Chris Meadows of Empower Retirement who gave an update on TDC Outreach.

Mr. Meadows reported that he had conducted 795 educational counseling sessions and 223 distribution counseling sessions since the beginning of the year for a total of 1018 sessions. Mr. Meadows stated that a Fall 2022 newsletter had been sent to TDC participants and contained articles discussing inflation, required minimum distributions, and the upgraded TDC website and mobile app.

Mr. Meadows also updated the Board on the TDC Investment Data. He stated that the downturn in equity markets continued throughout September as investors saw the worst monthly returns since the beginning of the covid lockdown in March of 2020. For the month, the S&P 500 was down more than 9 percent which more than erased the gains seen at the beginning of the third quarter. For the quarter, the S&P was down 4.9 percent bringing the loses for the year to 21.9 percent. He added that the continued higher inflation and higher interest rates have weighed heavily on the markets. Finally, he said that TDC funds faired relatively well this year, with all but two of the active managed funds outperforming their peers.

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

Tab #4: Appeals for Consideration

Michael Karlen - Hearing Officer Sarah Ghiz Korwan

Chairman Bunn recognized Sarah G. Korwan, Hearing Officer, to review the appeal of Michael Karlen.

Ms. Korwan stated that the issue in Mr. Karlen's appeal is whether the Appellant, who was re-employed on June 22, 2020, may reinstate his retirement PERS, about which he first contacted the Board on June 27, 2022.

Based upon the Findings of Fact and Conclusions of Law, Ms. Korwan recommended that that the appeal of Mr. Karlen be denied. Hearing Officer Korwan answered questions from board members.

Chairman Bunn stated that he would entertain a motion to accept the recommendation of Hearing Officer Korwan regarding the appeal of Michael Karlen.

Jeffrey Vallet made a motion to accept the recommendation of Hearing Officer Korwan with regard to the appeal of Michael Karlen. Jeffrey Waybright seconded the motion. The motion was adopted.

Eric Lucas - Hearing Officer Gary Pullin

Chairman Bunn recognized Gary Pullin, Hearing Officer, to review the appeal of Eric Lucas.

Mr. Pullin stated that the issue in Mr. Lucas' appeal is whether the Board correctly established the effective date of Applicant's retirement as January 1, 2022, and correctly determined that Applicant is not entitled to utilize his 367.5 days of unused sick leave for additional service credit in calculating total years of service at retirement and correctly determined that §162-4-4-12.1 of the Code of State Rules and WV Code §5-16-13(f) require participation in the West Virginia Public Employees Insurance Act ("PEIA") at the time of retirement before unused leave can be converted to additional service credit in the calculation of a retirement annuity.

Based on the Findings of Fact and Conclusions of Law, Mr. Pullin recommended that the appeal of Mr. Lucas be denied.

Chairman Bunn stated that he would entertain a motion to accept the recommendation of Hearing Officer Pullin regarding the appeal of Eric Lucas.

Mark Scott made a motion to accept the recommendation of Hearing Officer Pullin with regard to the appeal of Eric Lucas. Reginald Patterson seconded the motion. The motion was adopted.

The appeals for consideration were located behind Tab #4 of the Board materials.

Executive Session

Chairman Bunn stated that there was a legal matter that needed to be discussed in executive session and that he would entertain a motion to go into executive session, as allowed by WV Code §6-9A-4.

Mark Scott made a motion to go into executive session to discuss legal matters. Mike McKown seconded the motion. The motion was adopted

The Board went into executive session at 10:57am.

Chairman Bunn reconvened the public session of the October 5, 2022 meeting of the Board of Trustees from executive session at 11:04 am.

Tab 5: Legal Counsel Reports

Report of In-House Legal Counsel – Jeaneen Legato

Chairman Bunn recognized Jeaneen Legato, General Counsel, to give her report to the Board.

Ms. Legato updated the Board on all pending legal matters including a WV Human Rights Commission case, *Marie Shelton v CPRB*; a WV Supreme Court of Appeals case, *Linda Birchfield-Modad v. CPRB*; a Circuit Court case, *Albert West v. CPRB*; and CPRB's first Intermediate Court case, *Danny Mayo v. CPRB*. Ms. Legato noted that there is a new rule, effective July 1, 2022, which directs appeals of agency administrative decisions be filed with the newly created West Virginia Intermediate Court of Appeals.

Report from Outside Legal Counsel – Ronda Harvey

Chairman Bunn recognized Emily Lambright, Esq. of Bowles Rice to give the report of Ronda Harvey, Outside Legal Counsel, in her absence.

Ms. Lambright reported that there are only two matters outstanding. She stated that the *Tackett* matter is still on hold and awaiting Judge Webster rule to determine next steps. Ms. Lambright reminded the Board that in the *Clark/DNR* case, opposing counsel was working with DNR to obtain old payroll records to determine who had received the subsistence allowance and who had not. Ms. Lambright informed the Board that DNR is having difficulty retrieving older records. Opposing counsel is proposing that if DNR cannot produce all the records, then he would be willing to gather affidavits from each officer. Ms. Lambright recommended no action at this time until it can be determined which records the DNR can produce.

The reports of the In-House and Outside Legal Counsel were located behind Tab #5 of the Board materials.

Tab #6: Committee Reports

Disability Review Committee – Todd Murray

Chairman Bunn recognized Mr. Reginald Patterson to give the report of the Disability Review Committee in the absence of the Disability Committee Chair, Todd Murray.

Mr. Patterson reported that the Committee had met on Tuesday, October 4, 2022, and approved the staff's recommendations of disability retirement applications and made the following recommendations to the Board for their approval:

System	Approved Total Non-Duty	Denied Total Non-Duty	Total
PERS	6	3	9
TRS	8	1	9
TOTALS	14	4	18

Chairman Bunn stated that he would entertain a motion to accept the recommendation of the Disability Review Committee.

Reginald Patterson made a motion that the Board accept and approve the Disability Review Committee's recommendation concerning the disability retirement applications. The motion was seconded by Jeffrey Waybright. The motion was adopted.

Accounting and Audit Committee – Jeffrey Waybright

Chairman Bunn recognized Jeffrey Waybright to give the report of the Accounting and Audit Committee.

Mr. Waybright reported that the Committee met on Tuesday, October 4, 2022 and reviewed the audit results of the June 30, 2022 CPRB financial statements. Mr. Waybright yielded to John Galloway, CPRB CFO, to discuss the audit.

Mr. Galloway stated that CPRB undergoes an annual audit and that it went well, as expected. He reminded the Board of the October 15, 2022, deadline to submit financial statements to the Division of Finance. Mr. Galloway requested that the Board approve the issuance of the audited financial statements with the understanding that minor typographical changes may be needed. Mr. Galloway introduced the audit partner, Lealan Miller of Eide Bailly to discuss the audit results.

Mr. Miller reported to the Board that it had been a successful audit and he anticipates that it will be a clean unmodified opinion attached to the financial statements. Mr. Miller noted that management identified and self-reported one material item related to a non-cash item, depreciation of software, in the internal service fund. Therefore, a restatement of the financial statements for only that one fund has been done to correct the depreciation reported for the previous years. Mr. Miller stated there are no concerns moving forward.

Chairman Bunn stated that he would entertain a motion to approve the June 30, 2022 CPRB financial statements in their current form with the caveat that management is empowered to make typographical modifications necessary to finalize the report.

Jeffrey Waybright made a motion that the Board adopt the June 30, 2022 CPRB financial statements. Dominique Ranieri seconded the motion. The motion was adopted.

Actuarial Assumptions Committee – Mike McKown

Chairman Bunn recognized Mike McKown to give the report of the Actuarial Assumptions Committee.

Mike McKown reported that the Committee had met on Tuesday, October 4, 2022. He stated that Kenneth Woodson, CPRB Actuary, had presented a proposed Unfunded Actuarial Accrued Liability (UAAL) Amortization Policy for the State Police Death, Disability and Retirement Fund (Plan A), State Police Retirement System (Plan B), and the Judges Retirement System (JRS). Mr. McKown said that the Committee recommended adopting the recommendations of the Board Actuary. Mr. McKown yielded to Mr. Woodson who made a brief presentation to the Board regarding the proposed amortization policies.

Chairman Bunn stated that he would entertain a motion to adopt the recommendation of the Board Actuary on the UAAL Amortization Policy for State Police Plan A.

Mike McKown made a motion that the Board adopt the proposed Plan A UAAL Amortization Policy, effective for the July 1, 2022 funding valuation for Plan A as outlined on pages 4 and 5 of Mr. Woodson’s report (Appendix A). David Nelson seconded the motion. The motion was adopted.

Chairman Bunn stated that he would entertain a motion to adopt the recommendation of the Board Actuary on the UAAL Amortization Policy for State Police Plan B.

Mike McKown made a motion that the Board adopt the proposed Plan B UAAL Amortization Policy, effective for the July 1, 2022 funding valuation for Plan B as outlined on pages 12 and 13 of Mr. Woodson’s report (Appendix B). Jeffrey Vallet seconded the motion. The motion was adopted.

Chairman Bunn stated that he would entertain a motion to adopt the recommendation of the Board Actuary on the UAAL Amortization Policy for the Judges Retirement System.

Mike McKown made a motion that the Board adopt the proposed Judges Retirement System UAAL Amortization Policy, effective for the July 1, 2022 funding valuation for JRS as

outlined on pages 20 and 21 of Mr. Woodson's report (Appendix C). Bill Barker seconded the motion. The motion was adopted

Pages 4, 5, 12, 13, 20, and 21 of Kenneth Woodson's Proposed UAAL Amortization Policy for Plan A, Plan B, and JRS report are attached hereto and made a part of these minutes explaining in detail each of the UAAL policies. See Appendix A, Appendix B, and Appendix C.

Mike McKown reported that the Committee had also heard from Kenneth Woodson, Board Actuary, regarding a proposed Asset Smoothing Method for the Natural Resources Police Officers Retirement System (NRPORS). Mr. McKown said that the Committee recommended adopting the recommendations of the Board Actuary. Mr. McKown yielded to Mr. Woodson who made a brief presentation to the Board regarding the proposed asset smoothing method.

Chairman Bunn stated that he would entertain a motion to adopt the recommendation of the Board Actuary on the Asset Smoothing Method for the Natural Resources Police Officers Retirement System.

Mike McKown made a motion that the Board adopt the recommendation of the Board Actuary regarding the Asset Smoothing Method for the Natural Resources Police Officers Retirement System as outlined on page 11 of Mr. Woodson's report (Appendix D). Jeffrey Vallet seconded the motion.

A discussion amongst the members regarding the NRPORS ensued. Chairman Bunn requested that the CPRB Actuary prepare a chart showing how the statutory cap of 12% on employee contributions will affect the unfunded actuarial accrued liability of the NRPORS over the long term and share that information with the Pensions Committee at the next legislative session to ensure they are informed.

A vote was taken and the motion to accept the recommendation of the Board Actuary regarding the proposed Asset Smoothing Method for the NRPORS was adopted.

Page 11 of Kenneth Woodson's Proposed Asset Smoothing Method for NRPORS report is attached hereto and made a part of these minutes explaining in detail the method. See Appendix D.

Tab #7 Old Business

Chairman Bunn inquired as to any old business to come before the Board.

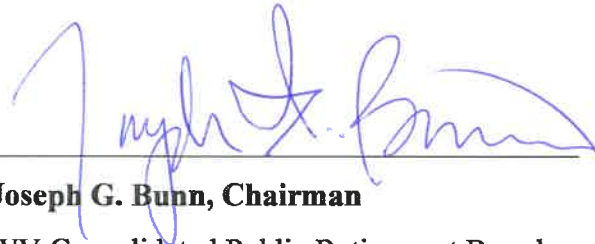
Director Fleck updated the Board on the planned relocation of the CPRB office. He stated that the renovations at the new site were ahead of schedule and that he hopes to move by the end of March 2023. Mr. Fleck noted that there is a drawing of the new space should anyone wish to see it.

Tab #8: New Business

Chairman Bunn inquired as to any new business to come before the Board. None was heard.

Adjournment

There being no further business to come before the board the meeting adjourned at 11:52 a.m.



Joseph G. Bunn, Chairman

WV Consolidated Public Retirement Board



Jeffrey E. Fleck, Executive Director

WV Consolidated Public Retirement Board

APPENDIX A

UAAL Amortization Policy for
State Police Death, Disability and
Retirement Fund (Plan A)

Plan A UAAL Amortization Policy

Due to recent volatility in plan assets, the CPRB Board Actuary is recommending an increase of the amortization period for new gain or loss and assumption change bases.

Current Plan A Amortization Policy:

The primary UAAL as of July 1, 2020 is amortized over seven years on a level-dollar basis. Starting in FY 2021, the change in unfunded liability arising from experience gains or losses and assumption changes each year will be amortized over five years on a level dollar basis. When the primary unfunded actuarial liability becomes negative, all prior bases will be fully amortized.

Plan provision changes are amortized according to West Virginia Statute known as “2005 West Virginia Pension Reform”, that is, allowable plan provision changes for in-pay participants will be amortized over not more than six years on a level dollar basis. Active plan provision changes are not allowed under current West Virginia Statute. Plan provision changes are not deemed to be fully amortized, even if the Primary UAAL is negative. A plan provision base is fully amortized only when the amortizing period expires.

*** Proposed Plan A UAAL Amortization Policy:**

Amortization of UAAL as of July 1, 2022 - The primary UAAL as of July 1, 2022 is projected forward to July 1, 2023, using a \$0 amortization amount for the upcoming fiscal year (FY 2023) and then amortized over 5-years starting from the following valuation date (July 1, 2023), on a level dollar basis.

Amortization of Gains or Losses after July 1, 2022 - Each gain or loss, determined annually as of the current valuation date and projected forward to the following valuation date, using a \$0 amortization amount for the upcoming fiscal year and then amortized over a 10-year period starting from the following valuation date, based on a level dollar amortization amount.

Amortization of assumption changes after July 1, 2022 - Each assumption change has a separate amortization base, determined as of the current valuation date, and projected forward to the following valuation date, using a \$0 amortization amount for the upcoming fiscal year and then amortized over a 10-year period starting from the following valuation date, based on a level dollar amortization amount.

Plan Provision changes - Plan provision changes are amortized according to West Virginia Statute known as “2005 West Virginia Pension Reform”. Each in pay benefit provision change has a separate amortization base determined as of the current valuation date and projected forward to the following valuation date, using a \$0 amortization amount for the upcoming fiscal year and then amortized over a period not to exceed 6-years starting from the following valuation date, based on a level dollar amortization amount. Active plan provision changes are not allowed under current West Virginia Statute.

Bases deemed fully amortized – When the Projected Primary UAAL, as of the following valuation date, becomes negative, the outstanding base for the UAAL as of July 1, 2022, gain or loss bases and assumption change bases will be deemed to be fully amortized. Also, no new gain or loss and assumption change bases will be established. Plan provision changes are not deemed to be fully amortized, even if the Projected Primary UAAL is negative. A plan provision base is fully amortized only when the amortizing period expires.

Total amortization of all bases as of the valuation date - If the total amortization as of the projected valuation date is negative, then the total amortization is set to \$0. This ensures that the recommended employer contribution equals or exceeds the employer normal cost. Note, in this instance if the Projected Primary UAAL is positive, the bases continue and are not deemed to be fully amortized.

Rationale for Plan A Amortization Policy

Projecting the Primary UAAL as of July 1, 2022 to July 1, 2023 and amortizing over 5-years is consistent with the current amortization policy.

In the proposed amortization policy for Plan A, a 10-year amortization period was selected for the individual gain or loss layers. Note, a 10-year amortization period for individual gains or losses would reduce the volatility of the employer contribution rate and only increase the time to full funding by one year, 2029 on a median basis compared to 2028 under the current amortization policy, see Chart 1 below. For additional information regarding the UAAL and ER Contribution Rates, see Charts 2-6 below.

In the proposed amortization policy for Plan A, a 10-year amortization period was selected for assumption changes. Note, an experience study for Plan A is performed every five years. The increase in AAL due to the last experience study in 2021 was about \$22.5 million which included a discount rate change from 7.50% to 7.25%. Plan A experience studies for 2012 and 2017 changed the AAL by 32.7 million and \$1.7 million, respectively. Here we use the 10-year amortization to be in-line with the gain or loss amortization period and to reflect that the plan is closed and consists mostly of retirants with only a few active participants remaining. Also, a 10-year amortization period for assumption changes will help smooth ER contribution rates in years where the discount rate changes.

As mentioned above, Plan A provision changes are amortized according to West Virginia Statute known as “2005 West Virginia Pension Reform”.

The current Plan A amortization policy is to deem the Primary UAAL base fully amortized when the plan is fully funded and therefore the employer would contribute at least the employer normal cost. The proposed Plan A amortization policy continues this approach, except we use the Projected Primary UAAL to determine when existing gain or loss and assumption change bases are deemed to be fully amortized.

Recommendation

The Board Actuary recommends that the CPRB Board adopt the proposed Plan A UAAL Amortization Policy outlined above, effective for the July 1, 2022 funding valuation for Plan A.

APPENDIX B

UAAL Amortization Policy for
State Police Retirement System (Plan B)

Plan B Amortization Policy

The plan is not expected to be fully funded as of July 1, 2022; therefore, an amortization base is expected to be established as of July 1, 2022.

Current Plan B UAAL Amortization Policy:

Use a single base to amortize the Plan B Primary UAAL which includes gains or losses and assumption changes, all combined. Plan provision changes are amortized according to West Virginia Statute “2005 West Virginia Pension Reform”. When the Primary UAAL is negative, the outstanding Primary UAAL amortization base is deemed to be fully amortized and the amortization amount for that valuation year is set to zero. Note the funded status of Plan B as of July 1, 2021 was greater than 100%, therefore the Primary UAAL amortization was set to zero as of July 1, 2021. Going forward, in the first year the plan Funded Position drops below 100%, then reset the Primary UAAL amortization period to 10-years beginning with that year.

*** Proposed Plan B UAAL Amortization Policy:**

Amortization of UAAL as of July 1, 2022 - The Primary UAAL as of July 1, 2022 is amortized over 10-years based on a fixed period and level dollar amortization amount. As mentioned above, the plan is not expected to be fully funded as of July 1, 2022, therefore, an amortization base is expected to be established as of July 1, 2022.

Amortization of Gains or Losses after July 1, 2022 - Each gain or loss, determined annually as of June 30th, has a separate amortization base to be amortized over a 15-year period based on a level dollar amortization amount.

Amortization of assumption changes after July 1, 2022 - Each assumption change has a separate amortization base to be amortized over a 15-year period based on a level dollar amortization amount.

Plan Provision changes after July 1, 2022 - Plan provision changes are amortized according to West Virginia Statute known as “2005 West Virginia Pension Reform”. Each active or vested termination benefit provision change allowed by Statute has a separate amortization base to be amortized over a period not to exceed 10-years based on a level dollar amortization amount. Each in pay benefit provision change allowed by Statute has a separate amortization base to be amortized over a period not to exceed 6-years based on a level dollar amortization amount.

Bases deemed fully amortized - The outstanding base for the UAAL as of July 1, 2022, gain or loss bases and assumption change bases are deemed to be fully amortized as of a valuation date if the Primary UAAL as of the valuation date is negative. Plan provision changes are not deemed to be fully amortized, even if the Primary UAAL is negative. A plan provision base is fully amortized only when the amortizing period expires.

Total amortization of all bases as of the valuation date - If the total amortization as of the valuation date is negative, then the amortization is set to 0. This ensures that the recommended employer contribution equals or exceeds the employer normal cost. Note, in this instance if the Primary UAAL is positive, the bases continue and are not deemed to be fully amortized.

Rationale for Plan B Amortization Policy

The amortization of UAAL as of July 1, 2022 over 10-years is consistent with the current amortization policy.

In the proposed amortization policy for Plan B, a 15-year amortization period was selected for the individual gain or loss layers. Note, a 15-year amortization period for individual gains or losses would reduce the volatility of the employer contribution rate and only increase the time to full funding by about two years, 2032 on a median basis compared to 2030 under the current amortization policy, see Chart 7 below. For additional information regarding the UAAL and ER Contribution Rates, see Charts 8-12 below.

In the proposed amortization policy for Plan B, a 15-year amortization period was selected for assumption changes. Note, an experience study for Plan B is performed every five years. The increase in AAL due to the last experience study in 2021 was about \$11.9 million which included a discount rate change from 7.50% to 7.25%. Plan B experience studies for 2012 and 2017 changed the AAL by (\$1.6) million and \$9.5 million, respectively. Here we use the 15-year amortization to be in-line with the gain or loss amortization period and to follow the guidance in the CCA white paper "Actuarial Funding Policies and Practices for Public Pension Plans". Also, a 15-year amortization period for assumption changes will help smooth ER contribution rates in years where the discount rate changes.

As mentioned above, Plan B provision changes are amortized according to West Virginia Statute known as "2005 West Virginia Pension Reform".

The current Plan B amortization policy is to deem the Primary UAAL amortization payment fully amortized when the Primary UAAL is negative and therefore the employer would contribute at least the employer normal cost. The proposed Plan B amortization policy continues this approach where gain or loss and assumption change bases are deemed to be fully amortized when the Primary UAAL is negative.

Recommendation

The Board Actuary recommends that the CPRB Board adopt the proposed Plan B UAAL Amortization Policy outlined on the previous page, effective for the July 1, 2022 funding valuation for Plan B.

APPENDIX C

UAAL Amortization Policy for
Judges Retirement System

JRS UAAL Amortization Policy

Current Plan JRS Amortization Policy:

Use a single base to amortize the JRS Projected Primary UAAL which includes gains or losses and assumption changes, all combined. When the Projected Primary UAAL is negative, the outstanding Primary UAAL amortization base is deemed to be fully amortized and the amortization amount for that valuation year is set to zero. As mentioned above, the plan is expected to be fully funded for the foreseeable future; therefore, an amortization base will not be established as of July 1, 2022. Going forward, in the first year the plan Funded Position drops below 100%, then reset the Projected Primary UAAL amortization period to 10-years beginning with that year.

Historically JRS Plan provision changes were amortized according to the West Virginia Statute known as “2005 West Virginia Pension Reform”, that is, allowable plan provision changes for in-pay participants were amortized over a period not to exceed six years, on a level dollar basis. Active plan provision changes were not allowed under West Virginia Statute. Plan provision changes were not deemed to be fully amortized, even if the Projected Primary UAAL was negative. A plan provision base was fully amortized only when the amortizing period expired. Note, for JRS “2005 West Virginia Pension Reform” the West Virginia Statute has a sunset provision as of July 1, 2019 and is no longer in force.

A funding credit may be applied to offset the employer contribution for a given year, where the credit is defined as plan assets in excess of 122.5% of the present value of future benefits, not less than zero. The employer contribution, adjusted by the funding credit, cannot be less than the expected member contributions for the year.



Proposed JRS UAAL Amortization Policy:

Amortization of UAAL as of July 1, 2022 - The primary UAAL as of July 1, 2022 is projected forward to July 1, 2023, using a \$0 amortization amount for the upcoming fiscal year (FY 2023) and then amortized over 10-years starting from the following valuation date (July 1, 2023), on a level dollar basis. Not, the plan is fully funded as of July 1, 2022, therefore, an amortization base will not be established for the Primary UAAL as of July 1, 2022.

Amortization of Gains or Losses after July 1, 2022 - Each gain or loss, determined annually as of the current valuation date and projected forward to the following valuation date, using a \$0 amortization amount for the upcoming fiscal year and then amortized over a 15-year period starting from the following valuation date, based on a level dollar amortization amount.

Amortization of assumption changes after July 1, 2022 - Each assumption change has a separate amortization base, determined as of the current valuation date, and projected forward to the following valuation date, using a \$0 amortization amount for the upcoming fiscal year and then amortized over a 15-year period starting from the following valuation date, based on a level dollar amortization amount.

Plan Provision changes - Plan provision changes are amortized in a manner like the West Virginia Statute known as “2005 West Virginia Pension Reform”, prior to the Statute sunset date for JRS. Each in pay benefit provision change allowed by Statute has a separate amortization base determined as of the current valuation date and projected forward to the following valuation date, using a \$0 amortization amount for the upcoming fiscal year and then amortized over a period not to exceed 6-years starting from the following valuation date, based on a level dollar amortization amount. Each Active and terminated vested benefit provision change allowed by Statute has a separate amortization base determined as of the current valuation date and projected forward to the following valuation date,

using a \$0 amortization amount for the upcoming fiscal year and then amortized over a period not to exceed 10-years starting from the following valuation date, based on a level dollar amortization amount.

Bases deemed fully amortized – When the Projected Primary UAAL, as of the following valuation date, becomes negative, the outstanding base for the UAAL as of July 1, 2022, gain or loss bases and assumption change bases will be deemed to be fully amortized. Also, no new gain or loss and assumption change bases will be established. Plan provision changes are not deemed to be fully amortized, even if the Projected Primary UAAL is negative. A plan provision base is fully amortized only when the amortizing period expires.

Total amortization of all bases as of the valuation date - If the total amortization as of the projected valuation date is negative, then the total amortization is set to \$0. This ensures that the recommended employer contribution equals or exceeds the employer normal cost. Note, in this instance if the Projected Primary UAAL is positive, the bases continue and are not deemed to be fully amortized.

Funding Credit - may be applied to offset the employer contribution for a given year, where the credit is defined as plan assets in excess of 122.5% of the present value of future benefits, not less than zero. The employer contribution, adjusted by the funding credit, cannot be less than the expected member contributions for the year. The credit is applied to the employer normal cost first and then to existing plan provision amortizations.

Rationale for JRS Amortization Policy

Projecting the Primary UAAL as of July 1, 2022 to July 1, 2023 and amortizing over 10-years is consistent with the current amortization policy. The plan is expected to be fully funded for the foreseeable future; therefore, no amortization base will be established as of July 1, 2022.

In the proposed amortization policy for JRS, a 15-year amortization period was selected for the individual gain or loss layers. Note, in future years where the plan is not fully funded, a 15-year amortization period for individual gains or losses would reduce the volatility of the employer contribution rate. The plan is expected to be fully funded throughout the projection period, see Chart 13 below. For additional information regarding the UAAL and ER Contribution Amounts, see Charts 14-18 below.

In the proposed amortization policy for JRS, a 15-year amortization period was selected for assumption changes. Note, an experience study for JRS is performed every five years. The increase in AAL due to the last experience study in 2021 was about \$5.0 million which included a discount rate change from 7.50% to 7.25%. The JRS experience study for 2013 increased the JRS AAL by \$4.0 million. Here we use the 15-year amortization to be in-line with the gain or loss amortization period and to follow the guidance in the CCA white paper "Actuarial Funding Policies and Practices for Public Pension Plans". Also, a 15-year amortization period for assumption changes will help smooth ER contribution rates in years where the discount rate changes. For JRS, the "2005 West Virginia Pension Reform" statute has a sunset provision as of July 1, 2019 and is no longer in force, however, as part of the recommended UAAL amortization policy for JRS, the Board Actuary is recommending amortization periods that are consistent with "2005 West Virginia Pension Reform" for plan provision changes in JRS.

The current JRS amortization policy is to deem the Projected Primary UAAL amortization payment fully amortized when Projected Primary UAAL becomes negative and therefore the employer would contribute at least the employer normal cost. The proposed JRS amortization policy continues this approach where gain or loss and assumption change bases are deemed to be fully amortized when the Projected Primary UAAL is negative.

APPENDIX D

Asset Smoothing Method for
Natural Resources Police Officers
Retirement System Funding Valuations

Note, we have presented the NRPORS funded status and the NRPORS actuarially recommended employer contribution rate under various deterministic scenarios. We should mention that many other future outcomes are possible with results that are very different from the results presented above. In particular, future actuarial measurements may differ significantly from current measurements due to System experience differing from that anticipated by the economic and demographic assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in system provisions or applicable law or regulations. For additional actuarial disclosures, see Appendix B below.

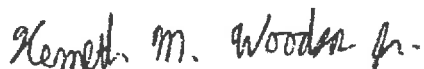
Based on the analysis above, the CPRB Board Actuary has the following recommendation regarding asset smoothing for the NRPORS funding valuation. Note, the asset smoothing method recommended below is the same asset smoothing method currently used by PERS, TRS, and DSRs. In addition, the CPRB Board Actuary believes this asset smoothing method is reasonable and during periods of market asset volatility the asset smoothing method should reduce the volatility in the NRPORS funded status and the NRPORS actuarially recommended employer contribution rate.

Recommendation: The CPRB Board Actuary recommends the following 4-year asset smoothing method for NRPORS, effective with the July 1, 2022, funding valuation for NRPORS.

Asset Valuation Method

4-year 25% level smoothing of actuarial gain or (loss) on trust fund return:

- Implemented over 4 years, prospectively commencing July 1, 2022, for the experience for the trust year ending 6/30/2022.
- Actuarial gain or (loss) on assets is calculated as the difference between the expected return under valuation assumptions based on the smooth Actuarial Value of Assets and the actual trust fund return.
- Actuarial gain or (loss) is recognized at 25% of the original amount each year until fully recognized in the fourth year.
- Total accumulated deferred gain or (loss) amounts are used to adjust the reported Market Value of Assets to determine the Actuarial Value of Assets.



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CPRB Board Actuary