

# West Virginia State Police 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**

West Virginia State Police Retirement System  
Audited Schedule of Pension Amounts  
As of and for the Year Ended June 30, 2019

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## 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 West Virginia State Police 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 the 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 West Virginia State Police 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 West Virginia State Police 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 "Suttle & Stalaker, PLLC".

Charleston, West Virginia  
March 5, 2020

**WEST VIRGINIA STATE POLICE RETIREMENT SYSTEM**  
*Schedule Of Pension Amounts*  
**As of and the Year Ended June 30, 2019**

|                                    | Deferred Outflows of Resources |   |  | Deferred Inflows of Resources   |   |   | Pension Expense<br>Excluding that<br>Attributable to<br>Employer-Paid<br>Member Contributions |
|------------------------------------|--------------------------------|---|--|---|---|---|---|
|                                    | Change in<br>Assumptions       | Differences<br>Between Expected<br>and Actual<br>Experience | Total Deferred<br>Outflows of<br>Resources | Net Difference<br>Between Projected<br>and Actual Investment<br>Earnings on Pension<br>Plan Investments | Differences<br>Between Expected<br>and Actual<br>Experience | Total Deferred<br>Inflows of<br>Resources |   |
| Total Pension<br>Asset (Liability) | \$ (218,293,000)               | \$ (11,191,000)   | \$ 8,485,000                               | \$ (2,562,000)  | \$ (6,423,000)  | \$ (8,985,000)                            | \$ 17,332,000   |
| Fiduciary<br>Net Position          | \$ 207,102,000                 |   |  |   |   |   |   |
| Net Pension<br>Asset (Liability)   | \$ 7,565,000                   | \$ 920,000  | \$ 8,485,000                               | \$ (2,562,000)  | \$ (6,423,000)  | \$ (8,985,000)                            | \$ 17,332,000   |

# WEST VIRGINIA STATE POLICE RETIREMENT SYSTEM

## NOTES TO SCHEDULE OF PENSION AMOUNTS

### 1 - NATURE OF ENTITY

The State Police Retirement System (SPRS) is a single employer defined benefit public employee retirement system that was established for all State Police hired on or after March 12, 1994. SPRS provides retirement, 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 15, Article 2 and Article 2A 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 related net pension liability and/or a net pension asset as employees earn pension benefits.

Basis of Accounting - The schedule of pension amounts of the West Virginia State Police 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 liability, 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.

WEST VIRGINIA STATE POLICE 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 these schedules are amortized and included in pension expense over the average remaining service life of 7.78 years.

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

| <u>Measurement date June 30</u> | <u>2017</u> | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> | <u>Total</u> |
|---------------------------------|-------------|---|--|--------------|
| Amount                          | \$ 11,192   |   |  |              |
| Recognition period (years)      | 9.26        |   |  |              |
| Amount recognized in            |             |   |  |              |
| fiscal year:                    |             |   |  |              |
| 2017                            | \$ 1,209    | \$ 1,209                                      | \$ -   | \$ 1,209     |
| 2018                            | 1,209       | 1,209   | -  | 1,209        |
| 2019                            | 1,209       | 1,209   | -  | 1,209        |
| 2020                            | 1,209       | 1,209   | -  | 1,209        |
| 2021                            | 1,209       | 1,209   | -  | 1,209        |
| 2022                            | 1,209       | 1,209   | -  | 1,209        |
| 2023                            | 1,209       | 1,209   | -  | 1,209        |
| 2024                            | 1,209       | 1,209   | -  | 1,209        |
| 2025                            | 1,209       | 1,209   | -  | 1,209        |
| 2026                            | 311         | 311   | -  | 311          |
| Balance as of June 30:          |             |   |  |              |
| 2017                            | \$ 9,983    | \$ 9,983                                      | \$ -   | \$ 9,983     |
| 2018                            | 8,774       | 8,774   | -  | 8,774        |
| 2019                            | 7,565       | 7,565   | -  | 7,565        |
| 2020                            | 6,356       | 6,356   | -  | 6,356        |
| 2021                            | 5,147       | 5,147   | -  | 5,147        |
| 2022                            | 3,938       | 3,938   | -  | 3,938        |
| 2023                            | 2,729       | 2,729   | -  | 2,729        |
| 2024                            | 1,520       | 1,520   | -  | 1,520        |
| 2025                            | 311         | 311   | -  | 311          |

WEST VIRGINIA STATE POLICE RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS  
(Continued)

**3 - AMORTIZATION (Continued)**

Amortization of Differences between Expected and Actual Experience on Pension Plan Investments (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<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> | <u>Total</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|---|--|--------------|
| Amount                          | \$ (201)    | \$ 1,636    | \$ (765)    | \$ (3,610)  | \$ (3,513)  |   |  |              |
| Recognition period (years)      | 9.00        | 9.18        | 9.26        | 8.50        | 7.78        |   |  |              |
| Amount recognized in            |             |             |             |             |             |   |  |              |
| fiscal year:                    |             |             |             |             |             |   |  |              |
| 2015                            | \$ (23)     | \$ -        | \$ -        | \$ -        | \$ -        | \$ -  | \$ (23)                                      | \$ (23)      |
| 2016                            | (23)        | 179         | -           | -           | -           | 179   | (23)   | 156          |
| 2017                            | (23)        | 179         | (83)        | -           | -           | 179   | (106)  | 73           |
| 2018                            | (23)        | 179         | (83)        | (425)       | -           | 179   | (531)  | (352)        |
| 2019                            | (23)        | 179         | (83)        | (425)       | (452)       | 179   | (983)  | (804)        |
| 2020                            | (23)        | 179         | (83)        | (425)       | (452)       | 179   | (983)  | (804)        |
| 2021                            | (23)        | 179         | (83)        | (425)       | (452)       | 179   | (983)  | (804)        |
| 2022                            | (23)        | 179         | (83)        | (425)       | (452)       | 179   | (983)  | (804)        |
| 2023                            | (17)        | 179         | (83)        | (425)       | (452)       | 179   | (977)  | (798)        |
| 2024                            | -           | 179         | (83)        | (425)       | (452)       | 179   | (960)  | (781)        |
| 2025                            | -           | 25          | (83)        | (425)       | (452)       | 25  | (960)  | (935)        |
| 2026                            | -           | -           | (18)        | (210)       | (349)       | -   | (577)  | (577)        |
| Balance as of June 30:          |             |             |             |             |             |   |  |              |
| 2015                            | \$ (178)    | \$ -        | \$ -        | \$ -        | \$ -        | \$ -  | \$ (178)                                     | \$ (178)     |
| 2016                            | (155)       | 1,457       | -           | -           | -           | 1,457   | (155)  | 1,302        |
| 2017                            | (132)       | 1,278       | (682)       | -           | -           | 1,278   | (814)  | 464          |
| 2018                            | (109)       | 1,099       | (599)       | (3,185)     | -           | 1,099   | (3,893)                                      | (2,794)      |
| 2019                            | (86)        | 920         | (516)       | (2,760)     | (3,061)     | 920   | (6,423)                                      | (5,503)      |
| 2020                            | (63)        | 741         | (433)       | (2,335)     | (2,609)     | 741   | (5,440)                                      | (4,699)      |
| 2021                            | (40)        | 562         | (350)       | (1,910)     | (2,157)     | 562   | (4,457)                                      | (3,895)      |
| 2022                            | (17)        | 383         | (267)       | (1,485)     | (1,705)     | 383   | (3,474)                                      | (3,091)      |
| 2023                            | -           | 204         | (184)       | (1,060)     | (1,253)     | 204   | (2,497)                                      | (2,293)      |
| 2024                            | -           | 25          | (101)       | (635)       | (801)       | 25  | (1,537)                                      | (1,512)      |
| 2025                            | -           | -           | (18)        | (210)       | (349)       | -   | (577)  | (577)        |



WEST VIRGINIA STATE POLICE 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<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> | <u>Total</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|---|--|--------------|
| Amount                          | \$ 4,364    | \$ 10,105   | \$ (11,670) | \$ (3,517)  | \$ 2,743    |   |  |              |
| Recognition period (years)      | 5.00        | 5.00        | 5.00        | 5.00        | 5.00        |   |  |              |
| Amount recognized in            |             |             |             |             |             |   |  |              |
| fiscal year:                    |             |             |             |             |             |   |  |              |
| 2015                            | \$ 873      | \$ -        | \$ -        | \$ -        | \$ -        | \$ 873  | \$ -   | \$ 873       |
| 2016                            | 873         | 2,021       | -           | -           | -           | 2,894   | -  | 2,894        |
| 2017                            | 873         | 2,021       | (2,334)     | -           | -           | 2,894   | (2,334)                                      | 560          |
| 2018                            | 873         | 2,021       | (2,334)     | (704)       | -           | 2,894   | (3,038)                                      | (144)        |
| 2019                            | 872         | 2,021       | (2,334)     | (704)       | 549         | 3,442   | (3,038)                                      | 404          |
| 2020                            | -           | 2,021       | (2,334)     | (704)       | 549         | 2,570   | (3,038)                                      | (468)        |
| 2021                            | -           | -           | (2,334)     | (704)       | 549         | 549   | (3,038)                                      | (2,489)      |
| 2022                            | -           | -           | -           | (701)       | 549         | 549   | (701)  | (152)        |
| 2023                            | -           | -           | -           | -           | 547         | 547   | -  | 547          |
| Balance as of June 30:          |             |             |             |             |             |   |  |              |
| 2015                            | \$ 3,491    | \$ -        | \$ -        | \$ -        | \$ -        | \$ 3,491                                      | \$ -   | \$ 3,491     |
| 2016                            | 2,618       | 8,084       | -           | -           | -           | 10,702  | -  | 10,702       |
| 2017                            | 1,745       | 6,063       | (9,336)     | -           | -           | 7,808   | (9,336)                                      | (1,528)      |
| 2018                            | 872         | 4,042       | (7,002)     | (2,813)     | -           | 4,914   | (9,815)                                      | (4,901)      |
| 2019                            | -           | 2,021       | (4,668)     | (2,109)     | 2,194       | 4,215   | (6,777)                                      | (2,562)      |
| 2020                            | -           | -           | (2,334)     | (1,405)     | 1,645       | 1,645   | (3,739)                                      | (2,094)      |
| 2021                            | -           | -           | -           | (701)       | 1,096       | 1,096   | (701)  | 395          |
| 2022                            | -           | -           | -           | -           | 547         | 547   | -  | 547          |

WEST VIRGINIA STATE POLICE 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   | \$     | 7,456                    |
| Interest cost  |        | 14,654                   |
| Projected earnings on plan investments                       |        | (14,413)                 |
| Employee contributions                                       |        | (3,905)                  |
| Recognition of current period deferred outflows/inflows:     |        |                          |
| Change in benefits   |        | 12,731                   |
| Differences between expected and actual experience           |        | (452)                    |
| Differences between projected and actual investment earnings |        | 549                      |
| Recognition of prior years' deferred outflows/inflows:       |        |                          |
| Change in benefits   |        | 1,209                    |
| Differences between expected and actual experience           |        | (352)                    |
| Differences between projected and actual investment earnings |        | <u>(145)</u>             |
| <br>Total pension expense                                    | <br>\$ | <br><u><u>17,332</u></u> |

The average of the expected remaining service lifetime of actives and inactive members as of July 1, 2018, which is 7.78 years.

**5 - NET PENSION LIABILITY AND ACTUARIAL INFORMATION**

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

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

|   |    |                        |
|---|----|------------------------|
| Total Pension Liability   | \$ | (218,293)              |
| Fiduciary Net Position  |    | <u>207,102</u>         |
| Net Pension Asset (Liability)   | \$ | <u><u>(11,191)</u></u> |
| <br>Fiduciary Net Position as a percent<br>of Total Pension Liability |    | <br>94.87%             |

WEST VIRGINIA STATE POLICE RETIREMENT SYSTEM

NOTES TO SCHEDULE OF PENSION AMOUNTS  
(Continued)

**5 - NET PENSION 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                        | Through Fiscal Year 2026  |
| Actuarial assumptions:                     |   |
| Investment rate of return                  | 7.50%   |
| Projected salary increases                 | 4.00%   |
| Inflation rate                             | 3.00%   |
| Discount rate                              | 7.50%   |
| Mortality rates                            | Active - 100% of RP-2014 Non-Annuitant tables (sex-distinct), Scale MP-2016 fully generational<br>Healthy Male Retirees - 103% of RP-2014 Male Healthy Annuitant table, Scale MP-2016 fully generational<br>Healthy Female Retirees - 100% of RP-2014 Female Healthy Annuitant tables, Scale MP-2016 fully generational<br>Disabled Males - 100% of RP-2014 Male Disabled Annuitant table, Scale MP-2016 fully generational<br>Disabled Females - 100% of RP-2014 Female Disabled Annuitant table, Scale MP-2016 fully generational |
| Withdrawal rates                           | 0.23 - 5.70%  |
| Disability rates                           | 0.04 - 0.60%  |
| Retirement rates                           | 20% - 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<br>(6.5%)  | Current<br>Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|-------------------------------------|------------------------|------------------------------------|-----------------------|
| Total net pension asset (liability) | <u>\$ (48,969,000)</u> | <u>\$ (11,191,000)</u>             | <u>\$ 19,103,000</u>  |