

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
ACCOUNTING & INVESTMENT COMMITTEE
MEETING OF OCTOBER 1, 2018**

A meeting of the West Virginia Consolidated Public Retirement Board's Accounting & Investment (A&I) Committee was held in the Consolidated Public Retirement Board's (CPRB) Legal Conference Room, 4101 MacCorkle Avenue, SE, Charleston, West Virginia, on Monday, October 1, 2018. The meeting was called to order at 2:00 p.m. by Chairman Joseph Bunn.

Roll call was taken.

Committee Members present:

Joseph Bunn, Esquire, Chairman, *via telephone*
Mike Hall, *representing Governor Jim Justice*
Diana Stout, Esquire, *representing Treasurer John Perdue*
Mike McKown

Committee Members absent:

Deputy Cabinet Secretary Mary Jane Pickens
Jeffrey Vallet

Others present were:

Jeffrey E. Fleck, CPRB Executive Director
Terasa Miller, CPRB Deputy Director
John Galloway, CPRB Chief Financial Officer
Paula Van Horn, CPRB TDC Manager
Ken Woodson, CPRB Actuary
Melody Bailey, CPRB Actuarial Analyst
Nancy Butcher, CPRB Executive Assistant
Chris Deweese, Suttle & Stalnaker
Evan Shamblin, Suttle & Stalnaker
Ryan Mink, Suttle & Stalnaker, *via telephone*

A quorum was present.

Due notice had been posted.

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

Mr. McKown made a motion to approve the August 29, 2018, minutes of the Committee. The motion was seconded by Ms. Stout. The motion carried.

Item 2: Presentation of the FY2018 Financial Statement Audit

The Chairman recognized John Galloway, CPRB Chief Financial Officer. Mr. Galloway commented that the September 15, 2018 filing deadline for the draft Annual Financial Statements was met and he felt comfortable that the October 15, 2018 deadline for the final Annual Financial Statements would be met. He went on to say that the auditors, Suttle & Stalnaker, did interim field work in May and June and have had a team on site since August 20, 2018. He then introduced Chris Deweese, a partner at Suttle and Stalnaker, to discuss the audit.

Mr. Deweese introduced Evan Shamblin & Ryan Mink, Auditors for Suttle & Stalnaker. He then gave an update on the audit. He stated that they are on target to meet all the state deadlines. He went on to say that there were two major open items: 1) the West Virginia Investment Management Board (WVIMB) financial information and data regarding their private market pool, and 2) the actuarial reports from the CPRB outside actuary. He went on to say that they were expecting the information by the end of the week. Mr. Deweese emphasized that the report before the committee was a draft. He also stated that the opinions were also included in a separate document. He then answered questions from the committee members regarding the administrative expenses in the various plans and long term expected rates of return. Mr. Galloway also responded to questions.

Mr. Deweese complimented CPRB's accounting staff for the excellent work they had completed, with regards to the audit. He then explained the Independent Audit Report. He pointed out that it was their opinion that the financial statements presented fairly, in all material respects, which is the best opinion an audit can receive. He went on to explain the Internal Control over Financial Reporting section and the Compliance and Other Matters section as they relate to the audit. He discussed the material weaknesses and pointed out that these weaknesses disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mr. Deweese and Mr. Shamblin discussed the Internal Control over Financial Reporting and Compliance sections of the report. Mr. Shamblin explained the two deficiencies that were discovered in the audit.

The first deficiency was the Review and Reconciliation of Census Data that was provided to the COMPASS system. The data for the Emergency Medical Services Retirement System (EMSRS) and the Municipal Police Officers and Firefighters Retirement System (MPFRS) was being reported on a calendar-year basis rather than a fiscal-year basis, which would have resulted in the salary methodology actuarial valuations being incorrect had they not been discovered, and a Teachers' Retirement System (TRS) supplemental file of 57 members was not added.

The second deficiency was in Information System Controls, specifically COMPASS, WVOASIS and KRONOS. The issue being not having established information system controls over various functions within its various information system.

Both deficiencies are being addressed. Mr. Deweese, Mr. Shamblin and Mr. Galloway then answered questions from the committee members. Mr. Fleck stated that he has been in contact with the Office of Technology, and they are working to get CPRB a service-level agreement that will address the deficiency with regards to the information systems.

Mr. Hall made a motion to authorize management to release the Independent Auditor's Report and the Audit Financial Statements upon finalization, subject to any administrative changes that need to be made in connection to information forthcoming from the WVIMB and actuaries. Mr. McKown seconded the motion. The motion carried.

Item 9: Other Business

Mr. Fleck gave an update on the Request for Proposal (RFP) for the Third Party Administrator (TPA) for the Teachers' Defined Contribution Retirement System (TDC). He reported that the technical bid opening was held on September 28, 2018. The CPRB RFP Review committee will evaluate the technical bid, oral presentations and then the costs will be open. There were three companies: Empower, Prudential and VOYA, who submitted bids. It is anticipated that an award will be recommended at the November Board meeting.

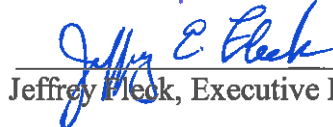
Adjournment

There being no further business to come before the committee, the meeting adjourned at 2:36 p.m.

Respectfully submitted,



Joseph Bunn, Chairman



Jeffrey E. Fleck, Executive Director