

**MINUTES OF THE
WV CONSOLIDATED PUBLIC RETIREMENT BOARD
ACTUARIAL ASSUMPTIONS REVIEW COMMITTEE
MEETING OF DECEMBER 15, 2020**

A meeting of the West Virginia Consolidated Public Retirement Board's Actuarial Assumptions Review Committee was held on Tuesday, December 15, 2020. Due to the COVID 19 Pandemic, the meeting was conducted via conference call. The call-in information for the meeting was included on the Committee meeting agenda, the CPRB website and on the West Virginia Secretary of State's meetings page. The meeting was called to order by Chair Mike Hall at 2:30 p.m.

Due Notice had been published.

Roll Call:

Committee Members present:

Mike Hall, Chair, *representing Governor Jim Justice (via telephone)*
Joseph Bunn *(via telephone)*
Michael Corsaro *(via telephone)*
Mike McKown (in person)
Jeff Vallet *(via telephone)*

Committee Members absent:

None

A quorum was present.

Others present:

Jeff Fleck, CPRB Executive Director
Terasa Miller, Deputy Director
Nancy Butcher, CPRB Executive Assistant
Ken Woodson, CPRB Actuary
Tanner Mann, CPRB Actuarial Analyst *(via telephone)*

Item #1: Approval of August 25, 2020 Minutes

Mr. Vallet made a motion to approve the August 25, 2020 meeting minutes. The motion was seconded by Mr. McKown. The motion was adopted.

Item #2: Initial Assumptions Summary and Recommended Assumptions for the Natural Resources Police Officers Retirement System (NRPORS)

Ken Woodson, CPRB Actuary, reviewed the Initial Assumptions Summary and Recommended Assumptions for the NRPORS with the Committee. His overview stated that the NRPORS is a new West Virginia retirement system with an effective date of January 2, 2021. He went on to say that as a defined benefit plan, NRPORS requires a set of assumptions to be used in the annual funding valuations. He stated that the plan provisions of NRPORS had been modeled after the Deputy Sheriffs' Retirement System (DRRS) but there were a few differences between the plan provisions for DRSR and NRPORS.

Mr. Woodson stated that the requirements for retirement with unreduced benefits under NRPORS were the attainment of any of the following eligibility conditions:

- Retirement from active employment following the attainment of age 55 and a total of age plus years of service of 70 or more.
- Retirement from active employment following the attainment of age 62 and completion of 10 or more years of service.
- After termination from employment prior to retirement eligibility, upon attainment of age 55 having 15 or more years of service at employment termination and leaving member contributions on deposit.
- After termination from employment prior to retirement eligibility, upon attainment of age 62 having 10 or more years of service at employment termination and leaving member contributions on deposit.

Mr. Woodson went on to say that for NRPORS retirements on or before July 1, 2025, the normal form annual retirement benefit amount is 2.25% of Final Average Salary for each year of benefit service and for NRPORS retirements after July 1, 2025, the normal form annual retirement benefit amount is 2.50% of Final Average Salary for each year of benefit service.

Mr. Woodson added that due to the small number of members in NRPORS and the lack of retirement experience under the new plan provisions, the CPRB Board Actuary was recommending defining the initial actuarial assumptions for NRPORS using the same corresponding actuarial assumptions currently in use by DRSR, except for the withdrawal rates, retirement rates, and salary scale. He also said that the actuarial assumptions for NRPORS would be monitored in the future as NRPORS plan experience unfolds. He went on to say that the NRPORS actuarial assumptions would be reviewed as part of the CPRB 2021 Uniformed Services Plan Experience Study to be conducted

in May 2021. He said that NRPORS assumptions that are recommended as part of the 2021 Uniformed Services Experience Study would be effective starting with the July 1, 2021 Actuarial Valuation for funding and would be effective June 30, 2021 for financial disclosure purposes under GASB 67 and 68.

Mr. Woodson reviewed the following for NRPORS:

Interest Rate Net of Expenses

Mr. Woodson recommended that the interest rate assumption, net of expenses, be 7.5 % and the inflation assumption be 3.0% per annum.

Mortality Rates

Mr. Woodson recommended the initial mortality assumption for NRPORS be the mortality tables approved by the CPRB Board as part of the 2017 Uniform Services Experience Study for the following CPRB Defined Benefit plans administered by the CPRB, Trooper Plan A, Trooper Plan B, DSRS, EMSRS, and MPFRS.

Pre-Retirement Mortality

Mr. Woodson recommended use of the RP-2014 Employee Mortality Tables rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis.

Post-Retirement Mortality

Mr. Woodson recommended that the Board approve the Post-Retirement Mortality table for Healthy Males at 103% of RP-2014 Healthy Annuitant Mortality table, for Healthy Females at RP-2014 Healthy Annuitant Mortality table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis and for the Disabled at RP-2014 Disable Retiree Mortality Tables, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis.

Withdrawal Rates

Mr. Woodson recommended using 50% of the corresponding DSRS Withdrawal Rates as the initial withdrawal rates assumption for NRPORS.

Disablement Rates

Mr. Woodson's recommendation for the Disablement Rates was to set the initial disablement rates for NRPORS equal to the corresponding disablement rates for DSRS.

Retirement Rates

Mr. Woodson recommended the retirement benefit multiplier for retirements on or before July 1, 2025 be 2.25% for each year of benefit service times final average salary and for retirements after July 1, 2025, the retirement benefit multiplier be 2.50% for

each year of benefit service times final average salary. Mr. Woodson added that 40% of NRPORS members are assumed to retire when first eligible for unreduced benefits at the earlier age of 55 and age plus service at least 70 or attainment of age 62 and 10 years of service. He also said that an active member who has already attained eligibility for normal retirement has a 20% probability of retiring each year thereafter with 100% retiring on or after attainment of age 62. He added that the NRPORS retirement assumption would be reviewed during the 2021 Uniformed Services Experience Study.

Salary Scale

Mr. Woodson's recommended initial assumption for Salary Scale for NRPORS be 5.50% in each of the first two years of service, with 5.00% in each of the next three years of service further reducing to 4.50% for each of the next five years of service and 4.00% thereafter.

Noncontributory Service Loadings

Mr. Woodson recommended that the Board set the initial Noncontributory Service Loadings assumption for NRORS to one additional year of service for benefits due to allowable military service, plus two additional years of unused annual leave and/or sick leave for a total of three additional years of benefit service.

Family Composition

Mr. Woodson's recommended assumption for Family Composition was that 90% of all members are married, with husbands three years older than wives and remarriage rates were not used, and no dependent children were assumed.

Accrual of Future Service

Mr. Woodson recommended assumption for the Accrual of Future Service is each active NRPORS member is assumed to earn a full year of service for each future year of employment.

Plan Contributions

Mr. Woodson said that the Plan Contributions assumption refers to the expected timing of contribution deposits into the NRPORS Trust Fund with the IMB. He said the time of contribution to the NRPORS Trust Fund impacts when the IMB can invest those contributions. He recommended that the assumption for Plan Contributions for NRPORS was to assume plan contributions, both member and employer, occur in the middle of the plan year.

Appendix A

NRPORS Initial Actuarial Assumptions

Retirement Rates

40% of members are assumed to retire when first eligible for unreduced benefits at the earlier of age 55 and a total of age plus years of service of 70 or more, or age 62 and completion of 10 years. An active member who has already attained eligibility for normal retirement has a 20% probability of retiring each year thereafter with 100% retiring on or after age 62.

Family Composition

It is assumed that 90% of all members are married, with husbands 3 years older than wives. Remarriage rates are not used, and no dependent children are assumed.

Accrual of Future Service

It is assumed that all active members will accrue 1 year of service for each future year of employment.

Noncontributory Service Loadings

At retirement, a member is assumed to be granted 1 additional year of service for benefits due to allowable military service, plus 2 additional years for unused annual leave and/ or sick leave for a total of 3 additional years.

Asset Valuation Method

Market value.

System Contributions

Both employee and employer contributions to the System are assumed to be paid in the middle of the year.

Appendix A
NRPORS Initial Actuarial Assumptions

Rates of Withdrawal and Disablement

Age	Rate of Withdrawal	Rate of Disablement
20	0.06160	0.0004
21	0.05984	0.0004
22	0.05808	0.0004
23	0.05632	0.0004
24	0.05456	0.0004
25	0.05280	0.0004
26	0.05104	0.0006
27	0.04928	0.0008
28	0.04752	0.0011
29	0.04576	0.0013
30	0.04400	0.0015
31	0.04224	0.0018
32	0.04048	0.0021
33	0.03872	0.0024
34	0.03696	0.0027
35	0.03520	0.0030

Age	Rate of Withdrawal	Rate of Disablement
36	0.03344	0.0033
37	0.03168	0.0036
38	0.02992	0.0039
39	0.02816	0.0042
40	0.02640	0.0045
41	0.02464	0.0045
42	0.02000	0.0045
43	0.02000	0.0060
44	0.02000	0.0060
45	0.02000	0.0060
46	0.02000	0.0056
47	0.02000	0.0052
48	0.02000	0.0048
49	0.02000	0.0044
50+	0.02000	0.0040

Withdrawal and disablement rates cease once an employee is eligible for unreduced retirement.

Rates of Disablement and Death – Type of Disability and Death

Disability retirement benefits and death benefits vary by duty and non-duty causes. Disability retirements and pre-retirement deaths are assumed to occur with the following probabilities:

Type of Disability	Probability
Duty-Related Total	0.50
Duty-Related Partial	0.25
Non Duty-Related Total	0.20
Non Duty-Related Partial	0.05

Type of Death	Probability
Duty-Related	0.70
Non Duty-Related	0.30

January 1, 2021 Actuarial Valuation Estimated Financial Impact

Mr. Woodson said that the estimated financial impact of the initial assumptions for NRPORS is measured as of July 1, 2021. He said this would provide an estimate of the impact of the assumptions on future valuations. He went on to say that the estimated NRPORS AAL as of January 1, 2021 is \$25,039,000 and the estimated NRPORS Market Value of Assets as of January 1, 2021 is \$19,659,000. He added that the estimated NRPORS Employer Normal Cost is \$417,000 or 6.7% of covered payroll and the estimated amortization of the NRPORS UAAL is \$439,000 or 7.06% of covered payroll. The estimated NRPORS ARC as of January 1, 2021 is \$856,000 or 13.76% of covered payroll.

Mr. Vallet made a motion that the Committee accept the recommendation of the Actuary and to recommend to the Board the adoption of the recommendations of the Actuary regarding the NRPORS as contained in Appendix A. The motion was seconded by Mr. Corsaro. The motion was adopted. (Appendix A is made a part of these minutes.)

Item #3: Other Business.

Mr. Hall inquired as to other business to come before the committee. None was heard.

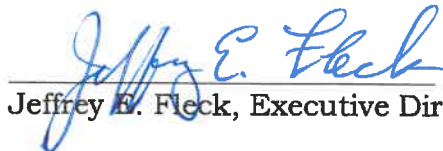
Adjournment

Mr. Vallet made a motion the meeting adjourn. Mr. Corsaro seconded the motion. The motion was adopted. The meeting adjourned at 3:22 p.m.

Respectfully submitted,



Mike McKown, Chair



Jeffrey E. Fleck, Executive Director