

**MINUTES OF THE  
WV CONSOLIDATED PUBLIC RETIREMENT BOARD  
ACTUARIAL ASSUMPTIONS REVIEW COMMITTEE  
MEETING OF MAY 20, 2015**

A meeting of the West Virginia Consolidated Public Retirement Board's Actuarial Assumptions Review Committee was held in the Legal Conference Room located at 4101 MacCorkle Avenue, SE, Charleston, West Virginia, on May 20, 2015. Chairman Garcia called the meeting to order at 9:05 a.m.

**Roll Call**

**Committee Members present were:**

Joseph Garcia, Chairman

Andy Richardson

Jeffrey Vallet

**Committee Members absent were:**

Joe Bunn, Esquire

**Others present were:**

Jeff Fleck, CPRB Executive Director

Terasa Miller, Deputy Director

Candi Moore, CPRB Executive Assistant

Harry Mandel, CPRB Actuary

Melody Bailey, CPRB Actuarial Analyst

Heather Drake, CPRB Administrative Assistant

**A quorum was present, and due notice had been published.**

**Item #1: Approval of September 11, 2014 Minutes**

Mr. Vallet made a motion to approve the September 11, 2014 meeting minutes. The motion was seconded by Mr. Richardson. The motion carried unanimously.

Mr. Bunn arrived at 9:06 a.m.

## **Item #2: Review of the PERS Mortality Rate – Harry Mandel, Board Actuary**

Harry Mandel, Board Actuary reviewed the 2015 PERS Mortality Experience Study Summary and recommended the Committee's approval. He announced a study must be done once every 5 years per West Virginia Statute. Mr. Mandel then reviewed the following information with the Committee:

### **Statutory Requirement**

WV Code Section 5-10-13 requires a PERS experience study be completed at least every five years. The study must develop experience based actuarial assumptions including but not limited to mortality, withdrawal, regular retirement, disability retirement and salary scale. The 2015 Experience Study is intended to meet this requirement. The last PERS experience study was completed in 2010.

The 2015 Experience Study develops the actuarial assumptions to be effective starting with the July 1, 2015 Actuarial Valuation for funding. The Mortality Assumption for the 2015 Experience Study shall additionally be adopted effective June 30, 2015 and included in the GASB 67 and GASB 68 financial disclosure. The remaining actuarial assumptions for GASB 67 and GASB 68 for June 30, 2015 financial disclosure shall be a continuation of the July 1, 2014 actuarial assumptions. The remaining 2015 Experience Study assumptions shall be first applied as of July 1, 2015 for projection to June 30, 2016 financial disclosure.

### **Overview**

This summary is intended to provide a brief overview of the 2015 PERS Experience Study results for the PERS Mortality. The remaining assumptions covered by the 2015 experience study will be included in a separate report to follow.

Changes in actuarial assumptions based on the experience study are jointly recommended by the Board Actuary and David Driscoll, lead actuary with Buck Consultants. The development of the jointly recommended assumptions provides both a peer review of the study and its results as well as the ability for either actuary to certify to the reasonableness of the PERS assumptions as recommended.

Details of the statistical results from the PERS Mortality Assumption study are available in tables and graphs provided by Buck consultants and is the basis of this summary. PERS Mortality Assumption is a Demographic assumption and is normally analyzed by Buck Consultants actuarial staff. Results were reviewed and recommendations developed jointly.

The study period included data from July 1, 2009 through June 30, 2014. Historical actuarial valuation data for July 1, 2009 through July 1, 2014 was used in the study.

### **Interest Rate (Annual review and applicable to all defined benefit plans)**

The interest rate assumption is reviewed annually and applies to all eight CPRB administered defined benefit plans. The analysis focuses on PERS experience as being the plan having the highest asset value. All plans are invested similarly by the West Virginia Investment Management Board (WVIMB). A single interest rate is developed and applied to all plans. The difference in the actual return of each plan is mostly a result of the timing of deposits and the benefit based cash flow requirements for each plan.

The interest rate assumption review cannot be completed until investment results are available following June 30, 2015.

The GASB 67 and GASB 68 financial disclosures as of June 30, 2015 will continue to apply the July 1, 2014 Interest Rate assumption of 7.5%.

### **Mortality for Healthy Lives**

For healthy males, the current male mortality assumption is the 1983 Group Annuity Mortality Table, male rates, unadjusted.

For healthy females, the current female mortality assumption is the 1971 Group Annuity Mortality Table, female rates with a one year mortality setback.

Recommended Assumption, Healthy males – 110% of RP-2000 male rates with full generational projection using Scale AA.

Recommended Assumption, Healthy females – 101% of RP-2000 female rates with full generational projection using Scale AA.

### **Mortality Disabled Lives**

The current disabled male mortality assumption is the 1971 Group Annuity Mortality Table with male rates set forward eight years. The disabled female mortality assumption is the IRS Revenue Ruling 96-7 Post 94 female disabled mortality table. Both tables were adopted in 2002, affirmed in 2006 and continued to be applied through July 1, 2014.

Recommended Assumption Disabled Mortality Males – 96% of RP-2000 disabled male rates with full generational projection using Scale AA.

Recommended Assumption Disabled Mortality Females – 107% disabled female rates with full generational projection using Scale AA.

### **July 1, 2014 Actuarial Valuation Financial Impact**

The financial impact of the Recommended Assumptions are measured at the last actuarial valuation date of July 1, 2014. This provides insight of the expected impact of the assumptions on the July 1, 2015 actuarial valuation for which they are being recommended.

The changes increasing liabilities are the changes in male mortality and female mortality, both healthy and disabled.

The net result is an increase in the AAL of 4.8% (\$298,680,000). The NC increased 0.62% (\$8,656,000) for the valuation year. The impact on the required employer contribution rate to exactly meet the ARC is an increase from 13.22% to 15.86%. This increases the required employer contribution rate by 2.63% of pay.

Mr. Mandel announced that additional details are provided in the cost exhibit below:

**PERS Mortality Experience Study: July 1, 2009 thru June 30, 2014**  
**Cost Analysis for Recommended Assumptions based on July 1, 2014 Actuarial Valuation**  
**Assumption change for July 1, 2015 Actuarial Valuation**

	Recommended Mortality Change	July 1, 2014 Assumptions	Impact of Changes	Percentage Change
1. Actuarial Accrued Liabilities (AAL)				
a. Active Members	\$3,117,929,000	\$2,971,954,000	\$145,975,000	4.9%
b. Retirees	\$2,782,378,000	\$2,663,485,000	\$118,893,000	4.5%
c. Disabled Retirees	\$216,022,000	\$197,960,000	\$18,062,000	9.1%
d. Beneficiaries	\$283,590,000	\$274,702,000	\$8,888,000	3.2%
e. Vested Terminated	\$157,224,000	\$150,362,000	\$6,862,000	4.6%
f. Non-Vested Terminated	\$13,364,000	\$13,364,000	\$0	0.0%
g. Total AAL	\$6,570,507,000	\$6,271,827,000	\$298,680,000	4.8%
2.a Actuarial Value of Plan Assets	\$5,208,828,000	\$5,208,828,000		
2.b Unfunded Actuarial Accrued Liabilities (UAAL)	\$1,361,679,000	\$1,062,999,000	\$298,680,000	
3. Normal Cost Determination				
a. PV Future Normal Costs	\$1,070,924,000	\$1,008,636,000	\$62,288,000	6.2%
b. PV Future Active Member Payroll	\$9,989,625,000	\$9,989,625,000	\$0	0.0%
c. Normal Cost as Percent of Payroll	10.72%	10.10%	0.62%	6.2%
d. Member Contributions as Percent Payroll	4.50%	4.50%	0.00%	
e. Employer Normal Cost Percent Payroll	6.22%	5.60%	0.62%	
f. Employer Normal Cost for Year	\$86,401,336	\$77,745,026	\$8,656,310	
4. Targeted Contribution FY2015				
a. Amortization Payments for UAAL	\$126,468,000	\$98,805,000	\$27,663,000	
b. Employer Normal Cost	\$93,783,000	\$84,853,000	\$8,930,000	
c. Total Targeted Contributions	\$220,251,000	\$183,658,000	\$36,593,000	
5. Contribution Test FY2015				
a. Valuation Compensation FY2015	\$1,389,089,000	\$1,389,089,000	\$0	
b. Targeted Contributions as Percent Payroll	15.86%	13.22%	2.63%	

Mr. Richardson made a motion to accept the recommendation of the Board Actuary, Harry Mandel on the PERS Mortality Rate and report it to the Board for their approval. Mr. Vallet seconded the motion. The motion carried unanimously.

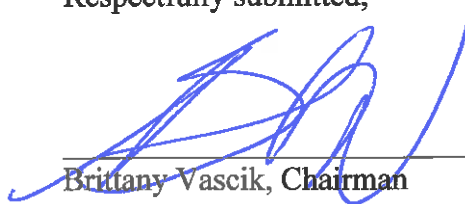
**Item #3: Other Business**

Chairman Garcia asked the Actuarial Assumptions Review Committee if there was any other business to bring before the Committee. None was heard.

Mr. Richardson made a motion to adjourn the meeting of the Actuarial Assumptions Review Committee. The motion was seconded by Mr. Vallet. The motion carried unanimously.

Chairman Garcia adjourned the West Virginia Consolidated Public Retirement Board's May 20, 2015 Actuarial Assumptions Review Committee meeting at 9:19 a.m.

Respectfully submitted,



Brittany Vascik, Chairman



Jeffrey E. Fleck, Executive Director