

**MINUTES OF THE  
WV CONSOLIDATED PUBLIC RETIREMENT BOARD  
ACTUARIAL ASSUMPTIONS REVIEW COMMITTEE  
MEETING OF OCTOBER 6, 2016**

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 October 6, 2016. Chairman Vascik called the meeting to order at 11:02 a.m.

**Roll Call**

**Committee Members present were:**

Brittany Vascik, Chairman

Joe Bunn, Esquire

Mike McKown

Jeffrey Vallet

**No Committee Members were absent.**

**Others present were:**

Jeff Fleck, CPRB Executive Director

Terasa Miller, CPRB Deputy Director

Candi Kinslow, CPRB Executive Assistant

Harry Mandel, CPRB Board Actuary

Melody Bailey, CPRB Actuarial Analyst

Heather Drake, CPRB Administrative Assistant

**A quorum was present.**

**Due Notice was published.**

**Item #1: Approval of September 28, 2015 Minutes**

Mr. Vallet made a motion to approve the September 28, 2015 meeting minutes. The motion was seconded by Mr. McKown. The motion carried unanimously.

**Item #2: Interest Rate Review (All Plans) – Harry Mandel, Board Actuary**

Harry Mandel, Board Actuary reviewed the 2016 Annual Actuarial Interest Rate Review for all of the CPRB Plans with the Committee.

Mr. Mandel announced, as directed by the Board, the actuarial valuation interest rate assumption is reviewed annually. This includes an experience review of the interest return for the PERS trust fund, the expected returns based upon projections by investment professionals and national public plans' practices.

**Overview**

This report summarizes the interest rate review results and the assumption being recommended by the Board Actuary effective with the July 1, 2016 actuarial valuation applicable to each of the eight defined benefit plans administered by the Board. The review was completed by the Board Actuary. Investment experience for FY2016 was reported by the West Virginia Investment Management Board (WVIMB) for each plan. Future return projections were completed by WVIMB and Buck Consultants based on June 30, 2016 assets. National practice averages were summarized from the Boston College Public Fund Survey – September, 2016.

**Details of the Annual Interest Rate Review and Recommendation**

All defined benefit plans' trust fund assets are invested similarly by the WVIMB and therefore a single interest rate is applied to all eight plans administered by the Board. Some differences in the actual returns is a result of the timing of deposits and the level of benefit payments impacting the cash flow for each plan. Historical and expense analysis focuses upon the results for PERS as the flagship plan for West Virginia public employees.

1. Exhibit: Interest Rate Analysis and Recommended Assumption.
  - a. PERS FY2016 experience after administrative expenses of -0.43%.
  - b. PERS 20 Year historical return average after expenses of 6.81%.

- c. WVIMB expected 10 year return analysis at the 50<sup>th</sup> percentile arithmetic rate of 8.40%, adjusted to 8.28% after expenses.
- d. Buck Consultants expected arithmetic return projections based on investments.
  - i. Ten year arithmetic projection of 8.47%; after expenses of 8.35%.
  - ii. Long term arithmetic projection of 9.73%; after expenses of 9.61%.
- e. Boston College Public Fund Survey average rate of 7.60%.
- f. Weighted Return Rate Analysis 6/30/2016 of 7.97%.
- g. Recommended Interest Rate Assumption of 7.50%. It is noted that this year continues the increased projected level noted last year.

2. Additional Exhibits Providing Details of the Review.

- a. Summary of Historical Return Rates by Plan – June 30, 2016.
- b. Key Items Summary from: Boston College Public Fund Survey – September, 2016.
- c. West Virginia Investment Management Board – CPRB Asset Return Update September, 2016 prepared by Versus Investments.
- d. WVIMB email September 21, 2016 from Craig Slaughter regarding “manager alpha” estimated basis increase adjustment expected.
- e. Buck Consultants letter of October 4, 2016; West Virginia Pension Fund – Expected Return on Assets Summary.

Mr. Mandel recommended the Actuarial Assumption Review Committee approve the continuation of the 7.50% valuation interest return rate and discount assumption for all of the defined benefit plans’ July 1, 2016 actuarial valuations.

Chairman Vascik and Mr. McKown asked Mr. Mandel to do a study of valuation interest rate alternatives. Mr. Mandel announced that we would need to contact Buck Consultants to have that study of valuation interest rate alternatives generated. Chairman Vascik informed Mr. Mandel to contact Buck Consultants to do the cost study for the Board.

Mr. Vallet made a motion the Actuarial Assumption Review Committee approve the recommendation of the Board Actuary and recommended to the Full Board the continuation of the 7.50% valuation interest return rate and discount assumption for all of the defined benefit plans’ for the July 1,

2016 actuarial valuations and approval to acquire the additional numbers needed from Buck Consultants as directed. Mr. McKown seconded the motion. The motion carried unanimously.

**Item #3: TRS Experience Study & Assumptions – Harry Mandel, Board Actuary**

Harry Mandel, Board Actuary and Melody Bailey, Actuary Analyst reviewed the 2016 TRS Experience Study Summary and Recommended Assumptions with the Committee.

Mr. Mandel announced, there is no statutory requirement to complete an experience study for the Teachers Retirement System (TRS). This experience study is being completed to provide an analysis of the adequacy of current actuarial assumptions, recommend appropriate actuarial assumption changes, and to meet actuarial standards of practice. The last TRS experience study was completed in 2011.

**Overview**

This summary is intended to provide a brief overview of the 2016 TRS Experience Study. The study period included data from July 1, 2010 through June 30, 2015. The source of the data used in the study is the actuarial valuation data for past valuations during the study period.

The cost analysis is based on the last completed actuarial valuation on July 1, 2015. That valuation is re-run applying the recommended assumption to the July 1, 2015 actuarial valuation data. That allows for the costs to be determined as if the change were completed July 1, 2015.

Mr. Mandel announced, the recommended assumptions will be first effective for the July 1, 2016 Actuarial Valuation.

Mr. Mandel recommended the Actuarial Assumption Review Committee approve and recommend to the full Board for its approval for the recommended Assumptions for the TRS 2016 Experience Study, effective, July 1, 2016.

Mr. Vallet made a motion the Actuarial Assumption Review Committee approve and recommend the Board adopt the recommended Assumptions for the TRS 2016 Experience Study, effective July 1, 2016 Actuarial Valuation. Mr. McKown seconded the motion. There was discussion on the motion. The motion carried unanimously.

**Item #4: Discussion of Asset Smoothing**

Executive Director Fleck discussed Asset Smoothing with the Committee. He announced Chairman Wyant would like for the Actuarial Assumptions Review Committee to bring information to next week's Board meeting regarding Asset Smoothing and alternatives. He announced that Harry will also discuss the Asset Smoothing method for the Board Members during the Board Meeting next week, Wednesday, October 12, 2016.

Mr. Mandel explained to the Committee how the Asset Smoothing Method works. He then reviewed the risks for the CPRB of eliminating the method of Asset Smoothing.


**Item #5: Other Business**

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


Mr. McKown 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 Vascik adjourned the West Virginia Consolidated Public Retirement Board's October 6, 2016 Actuarial Assumptions Review Committee meeting at 12:11 p.m.

Respectfully submitted,



Jason Pizatella, Chairman



Jeffrey E. Fleck, Executive Director