

AGENDA

Municipal Pensions Oversight Board

Meeting of the Board Members

June 27, 2019 – 1:00 P.M.

301 Eagle Mountain Road

Second Floor, Suite 251

Charleston, WV 25311

- I. Call to Order and Roll Call
- II. Approval of Minutes of Meeting on March 21, 2019
- III. Old Business
 - a. Donald Scurlock/Nitro Policemen's Pension Case – Finalized
 - b. Morgantown Policemen's Pension and Firemen's Pension
 - c. Huntington Policemen's Pension and Firemen's Pension
 - d. Disability Retirant working for new employer as a police officer/firefighter
 - e. Personnel
 - f. RFQ for FY Audit Services
- IV. New Business
 - a. Bolton Partners Presentation
 - i. Plan by Plan replication results
 - ii. 60% Survivor Benefits including COLA Calculations
 - iii. Wheeling DROP Review
 - iv. Open/Closed Group Projections
 - b. P-Card Expenditures (March, April and May 2019)
 - c. Executive Director's Report
- V. Next Board Meeting is 1:00 pm, September 19, 2019, Location 301 Eagle Mountain Road, Suite 251, Charleston, WV 25311
- VI. Public Comments
- VII. Adjournment

MUNICIPAL PENSIONS OVERSIGHT BOARD

Minutes of Meeting

June 27, 2019



ORIGINAL

The Municipal Pensions Oversight Board (MPOB) met on June 27, 2019 at 1:00 p.m. at 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia. The Chair, Mr. Neddo, called the meeting to order, noting that a quorum was present.

ATTENDEES

Board Members:

- Lisa Dooley, absent
- Jeffrey Fleck, present
- John Kee, present
- Emily Lambright, absent
- David Lanham, present
- Jason Matthews, present
- Stephen Neddo, present
- Michael Payne, present
- Craig Slaughter, absent

General Counsel:

- Kelli Talbott, Counsel – WV Attorney General's Office, present

Staff:

- LeAnne Neccuzi, Administrative Assistant
- Michelle Painter, CFO
- Les Smith, Accountant
- Blair Taylor, Executive Director

Guests:

- Susan Economou – Legislative and Policy Analyst, WVML
- Alan Fowler - Retiree - City of Huntington Firemen's Pension Fund
- Tom Lowman, President, Bolton Retirement-Bolton
- Forrest Marshall - Retiree - City of Huntington Firemen's Pension Fund
- Kathy Moore – Finance Director – City of Huntington
- Angela Shockley – Finance- City of Huntington

Minute Taker:

- LeAnne Neccuzi

Approval of Minutes

Minutes for the MPOB meeting on March 21, 2019, were presented for approval. *Moved by Mr. Matthews; Seconded by Mr. Fleck; Passed unanimously:*

RESOLVED, that the minutes of the March 21, 2019 Municipal Pensions Oversight Board meeting be approved as written.

OLD BUSINESS

Donald Scurlock/Nitro Policemen's Pension Case – Finalized

The **Settlement Agreement and Releaseⁱ** regarding *Donald A. Scurlock vs. Board of Trustees of the Nitro Policemen's Pension and Relief Trust Fund* dated December 13, 2018 is attached and shall be made a part of these minutes.

Morgantown Policemen's and Firemen's Pension Update

Mr. Taylor sent letters, dated April 23, 2019 to City Manager, Paul Brake of the City of Morgantown Policemen's Pension Planⁱⁱ and the City of Morgantown Firemen's Pension Planⁱⁱⁱ requesting both an electronic and paper copy of recalculations of all their pensioners by June 15, 2019. On May 30th, the MPOB received letters from Chairman/City Manager, Mr. Paul Brake along with Pension Fund Secretaries, Captain Matthew Solomon of the Morgantown Policemen's Pension Fund^{iv} and Captain Gary Freshour of the Morgantown Firemen's Pension Fund^v, in which they requested a two-month extension to provide the data requested by the MPOB. One of the reasons for requesting the delay are due to Mr. Brake having been on a leave-of-absence for the month of June. Additionally, Morgantown held city elections that will cause their City Council members to change effective July 1st. They would like for the new city council to vote whether to continue to pay the overpayments or not. *Moved by Mr. Kee; Seconded by Mr. Fleck; Passed unanimously:*

RESOLVED, that the MPOB grant a 2-month extension to the City of Morgantown Policemen's Pension Plan and Morgantown Firemen's Pension Plan to provide the requested pension recalculation data to the MPOB by August 15, 2019.

Huntington Policemen's and Firemen's Pension Update

Mr. Taylor referenced letters dated April 23, 2019 that were sent to the Chairman of the City of Huntington Policemen's Pension Plan^{vi} and to the Chairman of the City of Huntington Firemen's Pension Plan^{vii}. In the letter, the MPOB asked that they recalculate all their pensions and that they provide written data as well as electronic data using the calculator provided. The Huntington Policemen's Pension Fund Secretary, Sergeant Michael Chornobay, replied in a letter dated June 15th ^{viii}. In Sergeant Chornobay's letter he provided a list of twelve of their retirees that have been re-calculated and have included the original calculations along with that information. They have asked for a six-month extension to continue that work.

The Huntington Firemen's Pension Plan initially did not respond to the MPOB's letter by the 15th, however, a letter was received from Mayor Steve Williams^{ix} on June 19th. Mayor Williams requested a 6-month extension similar to the request made by the Huntington Policemen's Pension Plan. No calculations for the Huntington Fire retirees have been received. They did indicate that they will be hiring an external CPA firm to do the recalculations and that cost will be charged back to the Huntington Firemen's Pension Board. Both plans seem to be making headway and appear to be complying with the MPOB's request. Due to the larger size of the fire pension plan and the larger number of retirees, the extension appears to be a reasonable request. *Moved by Mr. Kee; Seconded by Mr. Lanham; Passed unanimously:*

RESOLVED, that the MPOB grant a 6-month extension to the City of Huntington Policemen's Pension Plan and Huntington Firemen's Pension Plan to provide the requested pension recalculation data to the MPOB by December 15, 2019.

Disability Retirant working for new employer as a police officer/firefighter

As discussed at the March meeting, at least one policemen's pension plan has permanent disability retirees who are now working as police officers in other areas while collecting disability payments from their original employer. Mr. Taylor has been working with both Ms. Talbott and Mr. Neddo to determine what action the MPOB should take in response to this issue. Mr. Neddo has also been consulting with the Law Enforcement Professional Standards (LEPS) program coordinator. W.Va. §8-22-23a explicitly states that if a doctor disables you, that disability prohibits you from being a police officer or firefighter in the future.

To ensure that police officers and firefighters are aware of the statute upon filing for permanent disability, the MPOB disability packet forms have been changed to add language from the Code that indicates that if a doctor declares that a police officer or firefighter is disabled, they are prohibited from holding a job as a police officer or firefighter in the future.

Mr. Taylor has also consulted with the State Fire Marshal regarding standards for firefighters. The law requires that firefighters follow the medical standards of the NFPA. Those same standards are applied to police officers in the State. There is no centralized office or similar fire board like the one for law enforcement to report someone who has been a firefighter and is disabled. There is nothing, however, preventing the MPOB from reporting those firefighters who are disabled to the State Fire Marshall's Office.

To become a police officer, not only do you have to meet the standards of the NFPA, but you also are required to meet law enforcement standards. It is Mr. Taylor's understanding that if a police officer leaves one department and lapses; or is no longer a police officer for a period-of-time and gets rehired as a police officer some place else, there is required training that they must complete to keep their certificate. They are required to maintain certification.

The MPOB disability form has been revised and language was added that states the MPOB will now report police officer or firefighter permanent disabilities to LEPS and the State Fire Marshall's Office.

Board discussion ensued concerning the disability statutes. Due to advances in medicine and technology, the medical disability statutes should be looked at in the future.

Personnel

Mr. Taylor announced that there are two personnel issues to report. The first being that MPOB staff accountant, Mr. Les Smith, has submitted a notice of retirement. His last day is July 19th. Based on the MPOB's recommendations and motions that were passed at the March 2019 meeting, Mr. Smith has agreed to come back as a part-time retired employee on August 19th. The second announcement is to welcome the MPOB's new Chief Financial Officer, Ms. Michelle Painter. Ms. Painter has a Bachelor's degree in Finance with a minor in Economics. In addition, she holds a Master's in Business Administration and is a Certified Public Accountant. She has

worked for the State of West Virginia since 2005. Prior to working in state government, she worked in Banking. She offers a variety of experience and is familiar with wvOASIS.

RFQ for FY Audit Services

Mr. Taylor reported that the MPOB has gone through the Request for Quotation (RFQ) and bid process to acquire the services of an independent auditor. The contract was awarded on June 9, 2019 to Brown, Edwards and Company, LLP, the lowest bidder at \$11,895. Brown, Edwards and Company recently bought Gibbons and Kawash who had been contracted to do the audit for the MPOB in the past.

The MPOB has received Brown, Edwards' engagement letter. In the past, Mr. Taylor has signed their letter, however, they have asked for an additional signature from someone from the board. Mr. Taylor asked if a motion was needed to sign their letter. Mr. Neddo stated that Mr. Kee who is Chairman of the Audit Committee is permitted to sign the letter.

The new Audit Committee members are Mr. Jeff Fleck, Mr. John Kee, Mr. Craig Slaughter, and Mr. Michael Payne.

NEW BUSINESS

Bolton Partners, Presentation

Mr. Tom Lowman, President of Bolton Retirement gave his presentation to the board. Mr. Lowman's presentation^x covered three topics: Plan by Plan replication results, 60% Survivor Benefits Including Cost Of Living Adjustments (COLA) Calculations and Wheeling Deferred Retirement Option Plan (DROP) review. After the discussion about the 60% Survivor Benefits and the COLA calculations the board took the following action:

Moved by Mr. Payne; Seconded by Mr. Fleck; Passed unanimously:

RESOLVED, that the Municipal Pensions Oversight Board authorizes Bolton to develop a calculator and notify the pension boards that it is available for use.

After Mr. Lowman completed his presentation he raised an item for discussion with the board regarding the way in which the 15 year solvency test projections are calculated. In December

2011 the MPOB granted approval to our previous actuary GRS regarding the solvency test projections as follows: “Resolved, that regarding the 15 year solvency test, that the plan assets must exceed \$1.00 over a 15 year period that we approve the changes to an open group projection for purposes of issuing state premium tax allocations and to a closed group for purposes of providing supplemental benefits to plan members.” The question posed by Mr. Lowman was, will the board consider allowing the new actuary, Bolton, to calculate the 15 year solvency test projections for both plan assets and supplemental benefits on an open group basis. After some discussion the board took no action.

P-card Expenditures (March, April and May 2019)

Mr. Smith presented the P-Card expenditures for March, April and May 2019. *Moved by Mr. Kee; Seconded by Mr. Lanham; Passed unanimously:*

RESOLVED, that the Municipal Pensions Oversight Board approve P-Card expenditures for March, April and May 2019.^{xi}

Executive Director’s Report

Mr. Taylor presented his report for the period of April 1, 2019 through May 1, 2019.

Next Board Meeting

The next regular meeting of the MPOB will be held on September 19, 2019 at 1:00 p.m. at 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

Public Comments

Mr. Neddo invited any guests who would like to make comments do so at this time. No guests chose to make comments.

ADJOURNMENT

Mr. Fleck called for a motion to adjourn: *MOTION: Moved by Mr. Fleck; Seconded by Mr. Payne; Passed unanimously:*

RESOLVED, that the June 27, 2019 meeting of the MPOB is adjourned.

Ms. Neccuzi cautioned meeting attendees to travel safely back to their headquarters.



CRITICAL

Stephen Neddo, Chairman

Minutes approved

9/19/2019
(date)

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- ⁱ ***Settlement Agreement and Release - December 13, 2018- Donald A. Scurlock vs. Board of Trustees of the Nitro Policemen's Pension & Relief Trust Fund***
 - ⁱⁱ Mr. Blair M. Taylor, Exec. Dir., MPOB to Mr. Paul Brake, City Mgr., City of Morgantown Policemen's Pension & Relief Fund, April 23, 2019, MPOB File
 - ⁱⁱⁱ Mr. Blair M. Taylor, Exec. Dir., MPOB to Mr. Paul Brake, City Mgr., City of Morgantown Firemen's Pension & Relief Fund, April 23, 2019, MPOB File
 - ^{iv} Mr. Paul Brake, City Mgr., City of Morgantown Policemen's Pension & Relief Fund to Mr. Blair M. Taylor, Exec. Dir., MPOB, May 30, 2019
 - ^v Mr. Paul Brake City Mgr., City of Morgantown Firemen's Pension & Relief Fund to Mr. Blair M. Taylor, Exec. Dir., MPOB, May 30, 2019
 - ^{vi} Mr. Blair M. Taylor, Exec. Dir., MPOB to Honorable Mayor Stephen Williams, City of Huntington Policemen's Pension & Relief Fund, April 23, 2019, MPOB File
 - ^{vii} Mr. Blair M. Taylor, Exec. Dir., MPOB to Honorable Mayor Stephen Williams, City of Huntington Firemen's Pension & Relief Fund, April 23, 2019, MPOB File
 - ^{viii} Sgt. Michael Chornobay, Pension Secretary, City of Huntington Policemen's Pension & Relief Fund to Mr. Blair M. Taylor, Exec. Dir., MPOB, June 17, 2019
 - ^{ix} Honorable Mayor Stephen Williams, City of Huntington's Firemen's Pension and Relief Fund to Mr. Blair M. Taylor, Exec. Dir., MPOB, June 19, 2019
 - ^x Presentation by the actuary Mr. Tom Lowman, President of Bolton Retirement, June 27, 2019.
 - ^{xi} P-Card expenditures for March, April and May 2019

CICCARELLO, DEL GIUDICE & LAFON

ATTORNEYS AT LAW

SUITE 100

1219 VIRGINIA STREET EAST

CHARLESTON, WEST VIRGINIA 25301

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TIMOTHY J. LAFON
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KEISHA MAY
kmay@cdlwv.com

ARTHUR T. CICCARELLO
(1930-2004)

TELEPHONE
304-343-4440

FACSIMILE
304-343-4464

November 28, 2018

John F. Dascoli, Esq.
2442 Kanawha Boulevard, East
Charleston, West Virginia 25311

Re: Donald A. Scurlock vs. Board of Trustees of the Nitro Policemen Pension
and Relief Trust Fund
Kanawha County Circuit Court Civil Action No. 16-C-609

Dear Mr. Dascoli:

Enclosed please find the "Settlement Agreement and Release" in relation to the above matter which has been executed by my client.

Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,



Michael J. Del Giudice

MJD/sbb

Enclosure

cc: Kelli D. Talbott, Esq.
Donald Scurlock

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement is entered into this 13th day of December, 2018 by and between **DONALD A. SCURLOCK** (hereinafter referred to as "Participant"); **BOARD OF TRUSTEES OF THE NITRO POLICEMEN PENSION AND RELIEF TRUST FUND** (hereinafter referred to as the "Fund"); and **WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD** (hereinafter referred to as the "Board").

WHEREAS, the Participant was an active officer of the Nitro Police Department from on or about January 16, 1996 through March 25, 2017; and

WHEREAS, the Participant was also enlisted in the Army National Guard from October 1, 1991 through the present with active duty on several occasions in 1992 and from 2003 through 2005; and,

WHEREAS, upon retirement, the Participant requested to receive immediate retirement pension benefits pursuant to West Virginia Code §8-22-25(c) entitling him to draw his retirement pension benefits prior to the age of 50 years; and,

WHEREAS, on May 1, 2015, the Fund issued a letter to the Participant in which it informed him that he would begin receiving pension payments in February 2016, prior to the age of 50 years, based upon a decision issued by the Circuit Court of Cabell County, West Virginia, in *Scott Fuller v. Policeman's Pension and Relief Fund of the City of Huntington*, Civil Action No. 10-C-690 (April 29, 2011), and the Fund's previous issuance of pension benefits to another participant, Captain Gene Javins, prior to age 50; and,

WHEREAS, on February 10, 2016, the Fund issued a letter to the Participant in which it informed him that he would not be eligible to receive pension payments prior to age 50 based upon the West Virginia Legislature's passage of Senate Bill 358 on April 13, 2013 in which the

Legislature sought to clarify the law to the effect that West Virginia Code § 8-22-25 does not make a member eligible for retirement before age 50; and,

WHEREAS, a dispute arose by and among the parties as to whether the Participant was entitled to draw his retirement pension benefits prior to the age of 50 years due to court rulings and Legislative action; and

WHEREAS, due to the unique facts and circumstances of this matter, the parties are desirous of resolving the dispute by and through this Settlement Agreement; and,

NOW, THEREFORE, the parties hereto agree to the following terms and conditions of this Settlement Agreement:

1. The Participant shall be entitled to commence drawing his retirement pension benefits from the Fund beginning January 1, 2019.
2. The Participant's amount of retirement pension benefit shall be in the sum of \$3,962.28 per month and continue for as long as the Participant meets the terms required under the Pension Plan for him to draw.
3. The Fund owes the Participant from March 24, 2017 through December 31, 2018 forty-seven payments totaling \$84,230.41, which shall be paid to the Participant from January 1, 2019 through November 30, 2022 in forty-seven equal monthly installments of \$1,792.14 per month to be paid at the same time as his normal pension retirement benefit check each month until he attains the age of 50 years, at which time he will start receiving only his normal monthly retirement pension benefit.
4. It is specifically acknowledged and understood by the Participant that he shall not be entitled to any interest on the arrearages being paid over those forty-seven months.

5. The parties acknowledge the unique facts and circumstances giving rise to this dispute. And, by entering into this Settlement Agreement, it is not the intent of the parties to set any binding precedent that would entitle other participants who are members of a Policemen's Pension and Relief Fund or a Fireman's Pension and Relief Fund to receive benefits prior to the age of 50 years.
6. The parties acknowledge that the Participant continues to assert that he is entitled to receive pension benefits prior to the age of 50, and that the Fund and the Board continue to assert that he is not entitled to receive pension benefits prior to the age of 50. However, despite the parties' disagreement over the application of the law to the Participant's circumstances, they are desirous of settling and resolving in full this matter.
7. It is further understood and agreed that all parties shall bear their own costs and expenses incurred in this litigation, including attorney fees.
8. This Settlement Agreement shall be interpreted under the laws of the State of West Virginia and, in particular, the applicable rules and regulations that govern the Fund and the Board.
9. This is the entire agreement by and among the parties and any alterations or changes to this Settlement Agreement shall not occur unless in writing and signed by all parties.
10. The parties agree to mutually release each other from any and all liability that may or may not have been at issue in this litigation, and further agree to execute and deliver to the Court a Dismissal Order dismissing the matter pending in the Circuit Court of Kanawha County, West Virginia, styled *Donald A. Scurlock*,

Plaintiff, vs. Board of Trustees of the Nitro Policemen Pension and Relief Trust Fund, Defendant, and West Virginia Municipal Pensions Oversight Board, Intervenor, Civil Action No. 16-C-609, with prejudice.

11. The parties further agree that they will execute any and all other documents necessary to accomplish the spirit and intent of this Settlement Agreement.

All of which is agreed to this 19TH of NOVEMBER, 2018.



DONALD A. SCURLOCK

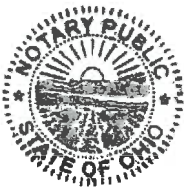
STATE OF OHIO,

COUNTY OF Portage ,

I, Brian Uscilowski , do hereby certify that **DONALD A. SCURLOCK**, whose name is signed above, has this day acknowledged the same before me.

Given under my hand this 19 day of November , 2018.

My commission expires 10/30/2020 .



BRIAN USCILOWSKI
Notary Public, State of Ohio
My Comm. Expires 10/30/2020
Recorded in Summit County



Notary Public

**BOARD OF TRUSTEES OF THE
NITRO POLICEMEN PENSION
AND RELIEF TRUST FUND**

By: David K. Richardson
Its: Secretary DAVID K. Richardson

STATE OF WEST VIRGINIA,

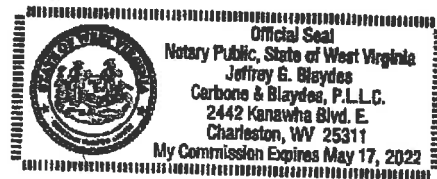
COUNTY OF KANAWHA,

I, JEFFREY G. BLAYDES, do hereby certify that DAVID K. RICHARDSON as
Secretary of the Board of Trustees of the Nitro Policemen Pension and Relief Trust Fund,
whose name is signed above, has this day acknowledged the same before me.

Given under my hand this TH day of DECEMBER, 2018.

My commission expires MAY 17, 2022.

Jeffrey G. Blaydes
Notary Public



WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

By: *Stephen Neddo*
Its: Chairman

STATE OF WEST VIRGINIA,
COUNTY OF *Kanawha*,

I, *Sherry M. Lawson*, do hereby certify that *Stephen Neddo*,
as Chairman of the West Virginia Municipal Pensions Oversight Board, whose name is
signed above, has this day acknowledged the same before me.

Given under my hand this *13th* day of *December*, 2018.

My commission expires *November 9, 2021*.

Sherry M. Lawson
Notary Public



Stephen Neddo
Chairman

Blair M. Taylor
Executive Director



Municipal Pensions Oversight Board

Board Members
John Kee,
Vice Chairman
Lisa Dooley,
Secretary/Treasurer
Jeffrey E. Fleck
Emily R. Lambright
David W. Lanham
Jason Matthews
Michael Payne
Craig Slaughter

April 23, 2019

Mr. Paul Brake, City Manager
Pension Chairman
Policemen's Pension and Relief Fund
City of Morgantown
389 Spruce Street
Morgantown, WV 26505

Lt. Matthew D. Solomon
Pension Secretary
Policemen's Pension and Relief Fund
City of Morgantown
300 Spruce Street
Morgantown, WV 26505

Dear City Manager Brake and Lt. Solomon:

On March 6, 2019, the West Virginia Legislature passed Senate Bill 316. Governor Justice signed SB316 on March 25, 2019. The bill is in effect from passage. The revised law requires the Municipal Pensions Oversight Board (MPOB) to order any municipal policemen's or municipal firemen's pension and relief fund board of trustees to correct errors in pension calculations if the municipal pensions board of trustees has failed to correct known errors.

Based on communications between the MPOB and the Morgantown Policemen's Pension and Relief Fund starting in 2017 and continuing to the present regarding potential overpayments and underpayments to pensioners, please provide the following to the MPOB:

1. the current calculation and amount being received by each member or member's beneficiaries;
2. the re-calculation of each member's retirement calculation including the data used for the re-calculation;
3. if errors have been found or are found, when corrections took place or will take place to the retiree's benefit payments; and
4. please provide the methodology the Morgantown Policemen's Pension and Relief Fund Board of Trustees used or will use to re-coop any erroneously paid pensions to members between July 7, 2017 and the present.

Please provide the data both in printed form as well as in Excel spreadsheets. Specifically, the recalculations are to be completed using the **WV Benefit Calculator** found on the MPOB's website, <https://mpob.wv.gov/Training/Pages/default.aspx>.

This information, including all calculations and re-calculations are due to the MPOB on or before June 15, 2019. The MPOB will review the steps the Morgantown Policemen's Pension and Relief Fund Board of Trustees has taken and is taking to remedy the overpayments and underpayments. Should the Board of Trustees fail to take any corrective action regarding overpayments or underpayments, the MPOB will, as proscribed by current law, order the Morgantown Policemen's Pension Board of Trustees to correct any errors.

Sincerely,



Blair Taylor
Executive Director

C: Stephen Neddo, MPOB Chairman
Kelli Talbott, Senior Deputy Attorney General
file

Stephen Neddo
Chairman

Blair M. Taylor
Executive Director



Municipal Pensions Oversight Board

Board Members
John Kee,
Vice Chairman
Lisa Dooley,
Secretary/Treasurer
Jeffrey E. Fleck
Emily R. Lambright
David W. Lanham
Jason Matthews
Michael Payne
Craig Slaughter

April 23, 2019

Mr. Paul Brake, City Manager
Pension Chairman
Firemen's Pension and Relief Fund
City of Morgantown
389 Spruce Street
Morgantown, WV 26505

Captain Gary W. Freshour
Pension Secretary
Firemen's Pension and Relief Fund
City of Morgantown
228 S. High Street
Morgantown, WV 26505

Dear City Manager Brake and Captain Freshour:

On March 6, 2019, the West Virginia Legislature passed Senate Bill 316. Governor Justice signed SB316 on March 25, 2019. The bill is in effect from passage. The revised law requires the Municipal Pensions Oversight Board (MPOB) to order any municipal policemen's or municipal firemen's pension and relief fund board of trustees to correct errors in pension calculations if the municipal pensions board of trustees has failed to correct known errors.


Based on communications between the MPOB and the Morgantown Firemen's Pension and Relief Fund starting in 2017 and continuing to the present regarding potential overpayments and underpayments to pensioners, please provide the following to the MPOB:

1. the current calculation and amount being received by each member or member's beneficiaries;
2. the re-calculation of each member's retirement calculation including the data used for the re-calculation;
3. if errors have been found or are found, when corrections took place or will take place to the retiree's benefit payments; and
4. please provide the methodology the Morgantown Firemen's Pension and Relief Fund Board of Trustees used or will use to re-coop any erroneously paid pensions to members between July 7, 2017 and the present.

Please provide the data both in printed form as well as in Excel spreadsheets. Specifically, the recalculations are to be completed using the **WV Benefit Calculator** found on the MPOB's website, <https://mpob.wv.gov/Training/Pages/default.aspx>.

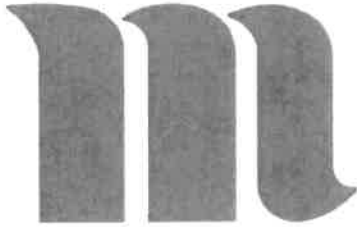
This information, including all calculations and re-calculations are due to the MPOB on or before June 15, 2019. The MPOB will review the steps the Morgantown Firemen's Pension and Relief Fund Board of Trustees has taken and is taking to remedy the overpayments and underpayments. Should the Board of Trustees fail to take any corrective action regarding overpayments or underpayments, the MPOB will, as proscribed by current law, order the Morgantown Firemen's Pension Board of Trustees to correct any errors.

Sincerely,



Blair Taylor
Executive Director

C: Stephen Neddo, MPOB Chairman
Kelli Talbott, Senior Deputy Attorney General
file



OFFICE OF CITY MANAGER

The City of Morgantown

389 SPRUCE STREET
MORGANTOWN, WEST VIRGINIA 26505
(304) 284-7405

May 30, 2019

Blair Taylor
Executive Director
Municipal Pensions Oversight Board
301 Eagle Mountain Road, Suite 251
Charleston, WV 25311

Re: Letter Requesting Response Overpayment and Underpayments to Retirees.

Dear Mr. Taylor:

We are writing in response to your letter dated April 23, 2019 regarding the above referenced letter. You had indicated to Matt Solomon that a response is needed from the Police Officers' Pension and Relief Fund Board.

Our Board met yesterday to discuss the process needed to review, and the steps that should be taken to remedy the overpayments and underpayments of the Pension and Relief Fund. The Board is ready to act, however the implementation of such changes must be approved by the Morgantown City Council. We are encountering two logistic issues. First our chairman, Paul Brake, is taking a leave of absence during the first three weeks of June (June 3 through June 24). Next, the Morgantown City Council will have a change-over of new councilors starting July 1, 2019. It is paramount that the City Council, as a whole, be given ample time to consider the financial implications of this important decision.

We respectfully ask that you extend the deadline to **Thursday, August 15, 2019**. Again, we have a strong interest in reaching a sustainable solution to meet the immediate and long-term needs of the Pension and Relief Fund.

Thank you for your consideration. We look forward to hearing from you in this regard.

Sincerely,

Paul J. Brake, City Manager
Pension Chairman

Captain Matthew D. Solomon
Pension Secretary

2019 JUN -5 PM 11



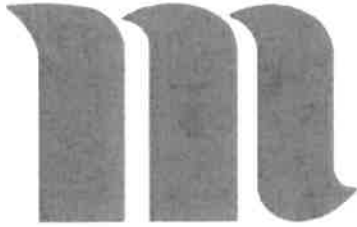
Phillip "PJ" Scott
Police Department Trustee



Jason Ammons
Police Department Trustee



Ken Murphey
Police Department Trustee



OFFICE OF CITY MANAGER

The City of Morgantown

389 SPRUCE STREET
MORGANTOWN, WEST VIRGINIA 26505
(304) 284-7405

May 30, 2019

Blair Taylor
Executive Director
Municipal Pensions Oversight Board
301 Eagle Mountain Road, Suite 251
Charleston, WV 25311

Re: Letter Requesting Response Overpayment and Underpayments to Retirees.

Dear Mr. Taylor:

We are writing in response to your letter dated April 23, 2019 regarding the above referenced letter. Further, we wanted to express our appreciation for meeting with us on May 16, 2019 to discuss the passage of West Virginia Senate Bill 316 signed by Governor Justice.

Our Board has met today to discuss the process needed to review, and the steps that should be taken to remedy the overpayments and underpayments of the Morgantown Firemen's Pension and Relief Fund. The Board is ready to act, however the implementation of such changes must be approved by the Morgantown City Council. We are encountering two logistic issues. First our chairman, Paul Brake, is taking a leave of absence during the first three weeks of June (June 3 through June 24). Next, the Morgantown City Council will have a change-over of new councilors starting July 1, 2019. It is paramount that the City Council, as a whole, be given ample time to consider the financial implications of this important decision.

We respectfully ask that you extend the deadline to **Thursday, August 15, 2019**. Again, we have a strong interest in reaching a sustainable solution to meet the immediate and long-term needs of the Pension and Relief Fund.

Thank you for your consideration. We look forward to hearing from you in this regard.

Sincerely,

Paul J. Brake, City Manager
Pension Chairman

Captain Gary W. Freshour
Pension Secretary

2019 JUN 11 10:15 AM
MORGANTOWN, WV



Mark Thalman
Fire Department Trustee



Keith Summers
Fire Department Trustee



Tanner Dalton
Fire Department Trustee

Stephen Neddo
Chairman

Blair M. Taylor
Executive Director



Municipal Pensions Oversight Board

Board Members
John Kee,
Vice Chairman
Lisa Dooley,
Secretary/Treasurer
Jeffrey E. Fleck
Emily R. Lambright
David W. Lanham
Jason Matthews
Michael Payne
Craig Slaughter

April 23, 2019

The Honorable Stephen Williams, Mayor
Pension Chairman
Policemen's Pension and Relief Fund
City of Huntington
P.O. Box 1659
Huntington, WV 25717

Sgt. Michael Chornobay
Pension Secretary
Policemen's Pension and Relief Fund
City of Huntington
675 10th Street
Huntington, WV 25701

Dear Mayor Williams and Sgt. Chornobay:

On March 6, 2019, the West Virginia Legislature passed Senate Bill 316. Governor Justice signed SB316 on March 25, 2019. The bill is in effect from passage. The revised law requires the Municipal Pensions Oversight Board (MPOB) to order any municipal policemen's or municipal firemen's pension and relief fund board of trustees to correct errors in pension calculations if the municipal pensions board of trustees has failed to correct known errors.

Based on communications between the MPOB and the Huntington Policemen's Pension and Relief Fund starting in 2017 and continuing to the present regarding potential overpayments and underpayments to pensioners, please provide the following to the MPOB:

1. the current calculation and amount being received by each member or member's beneficiaries;
2. the re-calculation of each member's retirement calculation including the data used for the re-calculation;
3. if errors have been found or are found, when corrections took place or will take place to the retiree's benefit payments; and
4. please provide the methodology the Huntington Policemen's Pension and Relief Fund Board of Trustees used or will use to re-coop any erroneously paid pensions to members between July 7, 2017 and the present.

Please provide the data both in printed form as well as in Excel spreadsheets. Specifically, the recalculations are to be completed using the **WV Benefit Calculator** found on the MPOB's website, <https://mpob.wv.gov/Training/Pages/default.aspx>.

This information, including all calculations and re-calculations are due to the MPOB on or before June 15, 2019. The MPOB will review the steps the Huntington Policemen's Pension and Relief Fund Board of Trustees has taken and is taking to remedy the overpayments and underpayments. Should the Board of Trustees fail to take any corrective action regarding overpayments or underpayments, the MPOB will, as proscribed by current law, order the Huntington Policemen's Pension Board of Trustees to correct any errors.

Sincerely,



Blair Taylor
Executive Director

C: Stephen Neddo, MPOB Chairman
Kelli Talbott, Senior Deputy Attorney General
file

Stephen Neddo
Chairman

Blair M. Taylor
Executive Director



Municipal Pensions Oversight Board

Board Members
John Kee,
Vice Chairman
Lisa Dooley,
Secretary/Treasurer
Jeffrey E. Fleck
Emily R. Lambright
David W. Lanham
Jason Matthews
Michael Payne
Craig Slaughter

April 23, 2019

The Honorable Stephen Williams, Mayor
Pension Chairman
Firemen's Pension and Relief Fund
City of Huntington
P.O. Box 1659
Huntington, WV 25717

Tim E. Burns, Firefighter
Pension Secretary
Firemen's Pension and Relief Fund
City of Huntington
839 7th Avenue
Huntington, WV 25701

Dear Mayor Williams and Secretary Burns:

On March 6, 2019, the West Virginia Legislature passed Senate Bill 316. Governor Justice signed SB316 on March 25, 2019. The bill is in effect from passage. The revised law requires the Municipal Pensions Oversight Board (MPOB) to order any municipal policemen's or municipal firemen's pension and relief fund board of trustees to correct errors in pension calculations if the municipal pensions board of trustees has failed to correct known errors.


Based on communications between the MPOB and the Huntington Firemen's Pension and Relief Fund starting in 2016 and continuing to the present regarding potential overpayments and underpayments to pensioners, please provide the following to the MPOB:

1. the current calculation and amount being received by each member or member's beneficiaries;
2. the re-calculation of each member's retirement calculation including the data used for the re-calculation;
3. if errors have been found or are found, when corrections took place or will take place to the retiree's benefit payments; and
4. please provide the methodology the Huntington Firemen's Pension and Relief Fund Board of Trustees used or will use to re-coop any erroneously paid pensions to members between July 7, 2017 and the present.

Please provide the data both in printed form as well as in Excel spreadsheets. Specifically, the recalculations are to be completed using the **WV Benefit Calculator** found on the MPOB's website, <https://mpob.wv.gov/Training/Pages/default.aspx>.

This information, including all calculations and re-calculations are due to the MPOB on or before June 15, 2019. The MPOB will review the steps the Huntington Firemen's Pension and Relief Fund Board of Trustees has taken and is taking to remedy the overpayments and underpayments. Should the Board of Trustees fail to take any corrective action regarding overpayments or underpayments, the MPOB will, as proscribed by current law, order the Huntington Firemen's Pension Board of Trustees to correct any errors.

Sincerely,



Blair Taylor
Executive Director

C: Stephen Neddo, MPOB Chairman
Kelli Talbott, Senior Deputy Attorney General
file

Huntington Police Pension and Relief Fund Pension Board

Dear Blair Taylor and members of the Municipal Pensions Oversight Board,

This letter is in response to the letter that the Huntington Police Pension and Relief Fund Pension Board received on April 23, 2019. Based on the request from that letter and multiple conversations with Blair Taylor about what the Oversight Board is reviewing and requesting of the Huntington Police Pensions and Relief Fund, these are the steps that we have been working on to find and correct any errors in pension calculations.

First, we reviewed the report presented to our board after the CPA hired by your board came to Huntington and preformed an audit of the pension calculations for our pension system. After deep review of the pension calculations that the Oversight's CPA provided and a reevaluation of how we were calculating our pensions, we found the following:

- The calculations that the Oversight Board's CPA provided the Huntington Police Pension and Relief Fund were not correct. Either from incorrect data being used or from misinterpretation of our payroll system to input the correct data into the WV Benefit Calculator. We did this by having the City Of Huntington Payroll Clerk and Finance Department preform an independent calculation of individual's pensions and then have the members of the Huntington Police Pension and Relief Fund provided and separate calculation both using the WV Benefit Calculator (that the Municipal Oversight Board provides). We would then compare these to calculations to themselves and the calculation provided by the Municipal Oversight Board CPA's calculation. We found our Board's calculations and those of the City of Huntington matched and were different (sometimes very different) from those of the Oversight Board's CPA. After speaking with Blair Taylor about this, he stated that the he and the Oversight Board believes that the calculations of their auditor are not correct. We also found that our new recalculations of several of our members pensions to be different than their original calculations. We now believe that the differences in these pension calculations are due to the fact that the City's previous payroll clerk and account that calculated the police pensions did not have the correct understanding of the WV Benefit Calculator or use the proper level of data when calculating those pensions. She used the pensioner's monthly or sometimes yearly salary when calculating the pensions, instead of what we now know to use is the data from each pay period for the most precise pension calculation. We do not believe that any errors in calculation to be intentional but to simply be a mistake. Also, at that time our pension board did not have access to the City of Huntington Payroll information, only through that payroll clerk. Our board relied on the City's Payroll Clerk and account to preform that calculations and the board would simply review them before we would vote to approve them.

2019 JUN 11 10:07 AM

Huntington Police Pension and Relief Fund Pension Board

- The Huntington Police Pension Board and the City of Huntington are currently in the process of performing recalculations of our member's pensions. We have been working on these for over a year now. We have found that the process is very slow due to a few different factors. First, when recalculating a member's pension each pay period for every year of the pensioner's career must be printed out and then every bit of that data must be entered into the WV Benefit calculator by hand. Which is a very lengthy process. Our Pension Board has first started on the 20 pensions that the Oversight Board's CPA and auditor sent to us as being incorrectly calculated. During that time we also had to pull all of the data and recalculate or calculate any pensions of those members that have recently retired or were about to retire to make sure that their pension calculations were correct. Currently we and the City of Huntington Payroll Clerk have calculated approximately 20 pensions of our current members that have recently retired or who will retire in the next year, so the our pension system will be correct and up to date. We are also now receiving monthly payroll data for each pay period to our board to keep separate calculations from the City to compare them. As for the original 20 pension calculations that our board received as incorrect from the Oversight Board, we have been able to recalculate 12 of those. Here are our findings on those pensions:

Summary of pension recalculations as of 05/22/2019

	Original calculations	Recalculations	% difference
V. Casey	\$39,490.92\3,290.91	\$35,788.32\2,982.36	-9.35%
C. Rohrig	\$49,735.62\4,144.64	\$49,722.81\4,143.57	->.1%
R. Eplin	\$55,640.88\4,636.74	\$54,652.66\4,554.39	-1.8%
K. Lake	\$46,831.86\3,902.66	\$46,212.24\3,851.02	-1.25%
D. Booth	\$58,474.10\4,782.84	\$58,521.71\4,876.81	+0.1%
D. Dempsey	\$45,541.09\3,795.09	\$45,813.46\3,817.79	+0.7%
J. Williams	\$65,924.77\5,493.73	\$66,055.72\5,504.64	+0.2%
D. Mcnell	\$52,292.37\4,357.70	\$50,013.10\4,167.76	-4.4%
G. Queen	\$41,042.83\3,420.24	\$40,895.17\3,407.93	-0.4%
B. Wamsley	\$50,202.55\4,183.55	\$48,924.33\4,077.03	-2.5%
K. Beckett	\$52,953.62\4,412.80	\$53,369.16\4,447.43	+0.78%
J. Franklin	\$50,397.00\4,199.75	\$49,246.76\4,103.90	-2.26%

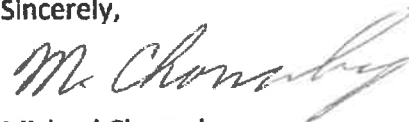
- All of these calculations correspond with the findings of the City of Huntington's findings for their recalculations.

Huntington Police Pension and Relief Fund Pension Board

- Per our last Pension Board meeting on May 23rd 2019, the Pension Board's plan is continue to work on recalculating our member's pensions to make sure that we have the correct or most precise calculations for our members. We do have some issues attempting to recalculate all of the member's pensions. Because of the change in our payroll system we do not have any payroll data that before the year 2000. This means that we would not be able to provide a correct data to be entered in the WV Benefit Calculator before or during that year. It also keeps us from performing any pension recalculation before the year 2006 because we would not have enough complete data for the WV Benefit Calculator to work properly. Therefore, the plan of the pension board is to work for the next 6 months to complete all of the pension recalculations back to 2006. Because this is a very time consuming process and it is not the full time job of any of the parties that are involved in this process we request the Municipal Pension Oversight Board to work with us on their request for the data on the recalculations. We are willing to provide you with all the data that we have as the process continues.
- The Huntington Police Pension Board had decided to complete the above listed pension recalculations before we decide how to address the errors in calculations that we have found. We want to have all of the best information to provide to our pensioners and potentially our City Council.
- The Pension Board has discussed many options regarding how we would address any over or under payments of pensions of our members. Recalculations for underpayments may be implemented, as well as calculating what back-pay is due. For overpayments, we will be considering both a means of repayment through payroll deduction or taking the matter to our City Council to approve we continue payments as originally calculated, since the errors were not due to any fault of the pensioner who has now become reliant on a certain income level. As we complete recalculations, we will continue to deliberate on the matter.

The Huntington Police Pension Board requests that the Municipal Oversight Board grant us a period of the next 6 months to complete all of the pension calculations that we have the data to complete and enact our plan to correct any errors in calculations that we find to allow us to be in compliance with the law, the best interest of our pensioners and the wishes of our City Council. On behalf of the Huntington Police Pension Board, I would like to thank you for working with us on this matter.

Sincerely,



Michael Chornobay

Secretary

Huntington Police Pension and Relief Fund



Mayor Steve Williams
City of Huntington

June 19, 2019

Blair Taylor
Executive Director
W.Va. Municipal Pensions Oversight Board
301 Eagle Mountain Road, Suite 251
Charleston, WV 25311

Re: Huntington Firemen's Pension and Relief Fund

Dear Mr. Taylor:

Thank you for your correspondence of April 23, 2019, providing direction from the Municipal Pensions Oversight Board in light of the recent passage of Senate Bill 316. We acknowledge receipt of your directives and the responsibility of the Huntington Firemen's Pension and Relief Board to comply.

In order to comply with the instructions, we will need additional time. We are therefore requesting an extension of six months from the due date of June 15, 2019 to achieve compliance. As you are well aware, the research and recalculations of the benefits requires a substantial investment of time. We believe that the extra six months will provide the Board with enough time to successfully accumulate the necessary information.

Thank you for your consideration of this request, and we look forward to working with you on this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve Williams".

Stephen T. Williams, Chair
Huntington Firemen's Pension and Relief Fund

cc: Tim E. Burns, Secretary

MPOB Purchasing Card Review/Audit Record

Cardholder: Karen L. Neccuzzi

Billing Cycle: Feb/March 2019

Monthly Limit

Reviewer:

Transaction Limit

Item	Trans Date	Vendor	Brief Item Description	Transaction Amount	Itemized Receipt/D of Ticket Y/N	Tran Document Number	Receiving Report Y/N	R* D* C*	Statewide Contract Used Y/N**	State Contract Number Used	If no SWC used, Bids Sought or Required Y/N
1	2/21/2019	FedEx	Overnight Ground - SC Fire	\$9.75 \$9.75	Y	TRAN 2758497			Y	PKGSYS	
2	2/21/2019	ATT	ATT Service 1/3/19 - 2/2/19 #287245128584 L.Smith	\$54.26 \$54.26	Y	TRAN 2780068			Y	cell phone 13A	
3	2/21/2019	ATT	ATT Service 1/3/19 - 2/2/19 #28722672302588 B. Taylor	\$57.35 \$57.35	Y	TRAN 2780069			Y	cell phone 13A	
4	3/9/2019	Office Max	Office Max/Office Depot Expanding Folders, legal size	\$8.28 \$8.28	Y	TRAN 2804589			Y	Office15	
5	3/10/2019	Office Max	Office Max/Office Depot Faucet Mount Replacement - <i>Flt 1/25</i>	\$32.99 \$32.99	Y	TRAN 2807516			Y	Office15	
6	3/11/2019	Office Max	Office Max/Office Depot Cups, Keyboard Tray	\$124.83 \$124.83	Y	TRAN 2808841			Y	Office15	
7	3/12/2019	Office Max	Office Max/Office Depot Expanding Folders, letter size	\$11.34 \$11.34	Y	TRAN 2810761			Y	Office15	
8	3/13/2019	Office Max	Office Max/Office Depot Silm wall clock	\$19.99 \$19.99	Y	TRAN 2812931			Y	Office15	
				\$318.79							

*R - Reconciled/D - Disputed/C - Carryover from prev. month

Cardholder Certification/Date: *Karen L. Neccuzzi 3/25/19*

Reviewer-Auditor Certification/Date: *Karen L. Neccuzzi 3/25/19*

** If "N", Review must provide discrepancy Listing form

I hereby certify that the items herein were received, properly accounted for and reviewed for compliance in accordance with purchasing rules and SAO Purchase Card Payment Procedures. Discrepancies/compliance issues, if applicable, are attached listing the procedure infraction and response from cardholder to correct future compliance issues.

MPOB Purchasing Card Review/Audit Record

Billing Cycle March/Apr 2019

Cardholder Karen L. Neccuzzi

Transaction Limit

Monthly Limit

Reviewer:

Item	Trans Date	Vendor	Brief Item Description	Transaction Amount	Itemized Receipt/Del Ticket Y/N	Tran Document Number	Receiving Report Y/N	R* D* C*	Statewide Contract Used Y/N**	State Contract Number Used	If no SWC used, Bids Sought or Required Y/N
1	3/18/2019	Office Max	Office Max/Office Depot First Aid Kit, Folding Table	\$86.89 \$86.89	Y	TRAN 2819530			Y	Office15	
2	3/19/2019	Office Max	Office Max/Office Depot HDMI Cable 12'	\$22.79 \$22.79	Y	TRAN 2821486			Y	Office15	
3	3/25/2019	ATT	ATT Service 2/3/19-3/2/19 #28722672302596 B. Taylor	\$57.35 \$57.35	Y	TRAN 2828591			Y	cellphone 13A	
4	3/25/2019	ATT	ATT Service 2/3/19-3/2/19 #287245126564 L. Smith	\$54.26 \$54.26	Y	TRAN 2828592			Y	cellphone 13A	
5	3/28/2019	SuddenLink	10 meg circuit 3/16/19 - 4/15/19	\$775.00 \$775.00	Y	TRAN 2832040			N		
6	3/28/2019	Charleston Civic Center	Bolton/Trustee Meeting Food - Hospitality Center	\$207.68 \$207.68	Y	TRAN 2836606			N		
7	4/3/2018	Office Max	Office Max/Office Depot Letter tray, staples, clips & tape	\$80.00 \$80.00	Y	TRAN 2844719			Y	Office15	
8	4/5/2019	Office Max	Office Max/Office Depot Pens	\$9.33 \$9.33	Y	TRAN 2847258			Y	Office15	
9	4/5/2019	Charleston Civic Center	Bolton/Trustee Meeting Meeting Room, AV Cart	\$390.00 \$390.00	Y	TRAN 2847255			N		
1	4/8/2019	Office Max	Office Max/Office Depot Wireless HDMI Transmitter/receiver kit	\$259.88 \$259.88 \$1,943.19	Y	TRAN 2851633			Y	Office15	

*R - Reconciled/D - Disputed/C - Carryover from prev. month
 Cardholder Certification/Date: *Karen L. Neccuzzi 4/29/19*
 Reviewer-Auditor Certification/Date: *John A. ... 4/29/19*
 ** If 'N', Reviewer must provide discrepancy Listing form

I hereby certify that the items herein were received, properly accounted for and reviewed for compliance in accordance with purchasing rules and SAO Purchase Card Payment Procedures. Discrepancies/compliance issues, if applicable, are attached listing the procedure infraction and response from cardholder to correct future compliance issues.

MPOB Purchasing Card Review/Audit Record

Cardholder: Blair M. Taylor

Billing Cycle: Apr-19

Card Holder:

Transaction Limit: \$5,000.00 Monthly Limit

Item	Trans Date	Vendor	Brief Item Description	Unit Cost	Transaction Amount	Itemized Receipt/Dial Ticket Y/N	OASIS Transaction Number	Receiving Report Y/N	R* D* C*	Statewide Contract Used Y/N**	State Contract Number Used	If no SWC used, Bids Sought or Required Y/N
1	4/4/2019	Sodaro's Electronic Sales	Sony 4K Smart LED TV	\$ 1,799.00	\$1,799.00	Y	2847257	Y	R	N		N
1			Sanus Wall Mount Stand	\$ 119.00	\$119.00	Y	2847257	Y	R	N		N
1			Mount Installation	\$ 180.00	\$180.00	Y	2847257	Y	R	N		N
1			4Year Warranty Extension P&L	\$ 299.00	\$299.00	Y	2847257	Y	R	N		N
			Total		\$2,397.00							

*R - Reconciled/*D - Disputed/*C - Carryover from prev month

Signature/date

Signature/date

I hereby certify that the items hereon were received, properly accounted for and reviewed for compliance in accordance with purchasing rules and SAO Purchase Card Payment Procedures. Discrepancies/compliance issues, if applicable, are attached listing the procedure infraction and response from cardholder to correct future compliance issues.

June 2010

MPOB Purchasing Card Review/Audit Record

Billing Cycle Apr/May 2019

Cardholder Karen L. Neccuzzi

Transaction Limit _____ Monthly Limit _____ Reviewer: _____

Item	Trans Date	Vendor	Brief Item Description	Transaction Amount	Itemized Receipt/D el Ticket Y / N	Tran Document Number	Receiving Report Y/N	R* D* C*	Statewide Contract Used Y / N**	State Contract Number Used	If no SWC used, Bids Sought or Required Y / N
1	4/16/2019	ATT	ATT Service 3/3/19-4/2/19 #287245126584 L. Smith	\$54.15 \$54.15	Y	TRAN 2862388			Y	cellphone 13A	
2	4/17/2019	FedEx	Packaged Shipped Pt Pleasant & SCFD	\$22.17 \$22.17	Y	TRAN 2864378			Y	PKGSVS	
3	4/18/2019	IMS Conf	Conference Call MPOB Quarterly Mtg 3/21/19	\$23.27 \$23.27	Y	TRAN 2868832			N		
4	4/18/2019	ATT	ATT Service 3/3/19-4/2/19 #287267230256 L. Smith B Taylor	\$57.25 \$57.25	Y	TRAN 2868833			Y	cellphone 13A	
5	4/23/2019	Komax	Copier Maintenance & Click Charges 3/17/19 to 4/2/19 - BW 7.21; Color 7.39	\$14.60 \$14.60	Y	TRAN 2872514			Y	Djicop12	
6	4/23/2019	Komax	Copier Maintenance & Click Charges 2/7/19 to 3/6/19 - BW 3.30; Color 2.12	\$5.42 \$5.42	Y	TRAN 2872515			Y	Djicop12	
7	4/24/2019	FedEx	Packaged Shipped City of Beckley	\$9.71 \$9.71	Y	TRAN 2874554			Y	PKGSVS	
8	4/26/2019	SuddenLink	10 meg circuit 4/16/19 - 5/15/19	\$775.00 \$775.00	Y	TRAN 2876674			N		
9	4/24/2019	FedEx	Packaged Shipped Huntington and Morgantown	\$77.68 \$77.68	Y	TRAN 2901172			Y	PKGSVS	
1				\$1,039.25							

*R - Reconciled/D - Disputed/C - Carryover; from prev. month

Cardholder Certification/Date: Karen L. Neccuzzi 5/28/19

Reviewer-Auditor Certification/Date: [Signature] 5/31/19

** If "N", Reviewer must provide discrepancy listing form.

I hereby certify that the items herein were received, properly accounted for and reviewed for compliance in accordance with purchasing rules and SAO Purchase Card Payment Procedures. Discrepancies/compliance issues, if applicable, are attached listing the procedure infraction and response from cardholder to correct future compliance issues.

June 2010

MPOB Purchasing Card Review/Audit Record

Cardholder Blair M. Taylor Billing Cycle May-19 Card Holder: [Signature]
 Transaction Limit \$5,000.00 Monthly Limit

Item	Trans Date	Vendor	Brief Item Description	Unit Cost	Transaction Amount	Itemized Receipt/Del Ticket Y/N	OASIS Transaction Number	Receiving Report Y/N	R* D* C*	Statewide Contract Used Y/N**	State Contract Number Used	If no SWC used, Bids Sought or Required Y/N
1	5/3/2019	Best Buy #1288	6ft HDMI Cable	\$ 24.13	\$24.13	Y	2890043	Y	R	N		N
1			6ft Display Port to HDMI Cable	\$ 38.61	\$38.61	Y	2890043	Y	R	N		N
1			6ft Display Port to HDMI Cable	\$ 38.61	\$38.61	Y	2890043	Y	R	N		N
1			6ft Display Port to HDMI Cable	\$ 38.61	\$38.61	Y	2890043	Y	R	N		N
Total:					\$139.96							

*R - Reconciled/D - Disputed/C - Carryover from prev. month

Reviewer/Auditor Certification: [Signature] 5/31/19
 I hereby certify that the items herein were received, properly accounted for and reviewed for compliance in accordance with purchasing rules and SAO Purchase Card Payment Procedures. Discrepancies/compliance issues, if applicable, are attached listing the procedure infraction and response from cardholder to correct future compliance issues.



June 27, 2019 Board Meeting

Actuarial Agenda:

1. Plan by Plan replication results
2. 60% Survivor Benefit COLA
3. Wheeling DROP

Plan by Plan Replication Results

Bolton

Employee Benefits, Actuarial & Investment Consulting

May 10, 2019

Mr. Blair Taylor
Executive Director
West Virginia Municipal Pensions Oversight Board
301 Eagle Mountain Road
Suite 251
Charleston, WV 25311

Re: A Comparison of Bolton's Replication Results to the July 1, 2017 Actuarial Valuation Results Prepared by Gabriel, Roeder, Smith & Company

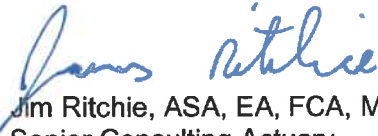
Dear Blair:

As part of our assumption of actuarial services for the Municipal Pension Oversight Board, Bolton has completed a review of the July 1, 2017 actuarial results prepared by Gabriel, Roeder, Smith & Company (GRS) and replicated those results. In aggregate across the 53 plans, the difference in the Actuarial Accrued Liability prepared by Bolton and GRS is approximately 2.06% and the difference in the Normal Cost (excluding expenses) is approximately 0.02%. Both differences are within a reasonable range and generally are attributable to variations in valuation systems, how valuation assumptions are applied, and the interpretation of plan provisions.

The exhibit on the following page displays a comparison of the results prepared by Bolton to those prepared by GRS for each of the 53 plans. While the comparisons for each plan vary, we feel the results are reasonable overall and that no further review or investigation is needed.

We would be happy to discuss these results in more detail with you at your request.

Sincerely,



Jim Ritchie, ASA, EA, FCA, MAAA
Senior Consulting Actuary

cc: Tom Lowman
Jordan McClane

West Virginia Municipal Pensions Oversight Board
Comparison of July 1, 2017 Actuarial Valuation Results

	Actuarial Accrued Liability			Total Normal Cost (excluding expenses)		
	GRS	Bolton	Percent Change	GRS	Bolton	Percent Change
Total	1,514,800,801	1,545,965,460	2.06%	37,119,133	37,113,298	-0.02%
Beckley Fire	46,089,126	47,160,019	2.32%	1,194,011	1,138,648	-4.64%
Beckley Police	33,526,320	34,131,526	1.81%	960,176	956,617	-0.37%
Belle Police	1,823,861	1,828,987	0.28%	15,473	16,069	3.85%
Bluefield Fire	17,632,108	17,952,501	1.82%	292,178	301,934	3.34%
Bluefield Police	12,188,011	12,569,772	3.13%	319,814	331,401	3.62%
Charles Town Police	1,312,560	1,312,424	-0.01%	0	0	0.00%
Charleston Fire	184,198,524	188,719,134	2.45%	3,634,525	3,569,878	-1.78%
Charleston Police	172,935,054	176,983,815	2.34%	3,620,491	3,549,880	-1.95%
Chester Police	2,191,427	2,206,977	0.71%	33,771	34,463	2.05%
Clarksburg Fire	32,233,592	32,936,474	2.18%	911,837	885,541	-2.88%
Clarksburg Police	28,735,254	29,384,349	2.26%	964,909	949,106	-1.64%
Dunbar Fire	13,254,546	13,706,595	3.41%	244,966	245,558	0.24%
Dunbar Police	8,038,499	8,162,470	1.54%	163,266	159,123	-2.54%
Elkins Fire	1,387,599	1,404,491	1.22%	56,451	56,848	0.70%
Elkins Police	5,121,290	5,193,921	1.42%	75,761	77,235	1.95%
Fairmont Fire	42,547,347	43,508,577	2.26%	1,181,064	1,180,382	-0.06%
Fairmont Police	28,028,963	28,577,345	1.96%	768,878	800,041	4.05%
Grafton Fire	2,668,414	2,715,039	1.75%	11,904	12,081	1.49%
Grafton Police	2,192,953	2,183,216	-0.44%	60,571	58,422	-3.55%
Huntington Fire	112,574,537	115,221,383	2.35%	1,761,439	1,727,477	-1.93%
Huntington Police	97,152,732	99,388,686	2.30%	1,677,226	1,645,552	-1.89%
Logan Fire	1,777,186	1,777,892	0.04%	125,693	123,714	-1.57%
Logan Police	2,105,310	2,128,570	1.10%	116,577	114,272	-1.98%
Martinsburg Fire	36,293,902	37,081,421	2.17%	1,182,646	1,174,649	-0.68%
Martinsburg Police	37,803,918	38,601,563	2.11%	1,384,492	1,360,406	-1.74%
Morgantown Fire	45,762,352	46,691,877	2.03%	1,446,472	1,467,538	1.46%
Morgantown Police	62,780,889	63,714,823	1.49%	2,164,296	2,258,400	4.35%
Moundsville Fire	5,102,394	5,143,341	0.80%	89,892	93,193	3.67%
Moundsville Police	7,441,305	7,543,072	1.37%	135,571	135,111	-0.34%
Nitro Fire	9,795,852	9,884,842	0.91%	348,019	356,642	2.48%
Nitro Police	11,351,621	11,568,376	1.91%	465,947	467,517	0.34%
Oak Hill Police	3,647,200	3,702,386	1.51%	57,934	58,006	0.12%
Parkersburg Fire	59,198,392	60,522,649	2.24%	1,150,067	1,205,738	4.84%
Parkersburg Police	53,653,663	54,537,412	1.65%	1,477,801	1,505,848	1.90%
Point Pleasant Police	4,399,271	4,469,632	1.60%	131,537	132,912	1.05%
Princeton Fire	12,003,972	12,301,974	2.48%	337,741	345,875	2.41%
Princeton Police	10,652,278	10,806,923	1.45%	372,045	366,805	-1.41%
South Charleston Fire	37,985,998	38,685,109	1.84%	1,389,036	1,405,289	1.17%
South Charleston Police	28,472,232	29,050,087	2.03%	1,163,436	1,147,429	-1.38%
St. Albans Fire	19,919,903	20,291,350	1.86%	551,675	538,474	-2.39%
St. Albans Police	14,887,506	15,210,936	2.17%	469,689	473,201	0.75%
Star City Police	1,993,170	1,998,864	0.29%	73,627	75,166	2.09%
Vienna Police	9,858,499	9,788,376	-0.71%	307,293	329,729	7.30%
Weirton Fire	13,816,681	13,982,215	1.20%	371,654	372,629	0.26%
Weirton Police	37,130,231	37,817,355	1.85%	1,153,764	1,185,313	2.73%
Welch Police	2,320,342	2,347,909	1.19%	73,730	66,397	-9.95%
Weston Fire	1,750,658	1,781,236	1.75%	71,739	72,584	1.18%
Weston Police	1,489,741	1,513,544	1.60%	38,929	38,965	0.09%
Westover Police	2,671,848	2,697,594	0.96%	39,463	38,193	-3.22%
Wheeling Fire	70,807,951	71,668,529	1.22%	1,391,221	1,427,972	2.64%
Wheeling Police	55,506,409	56,582,080	1.94%	977,353	966,307	-1.13%
Williamson Fire	3,860,791	4,056,990	5.08%	56,255	56,833	1.03%
Williamson Police	2,726,619	2,768,832	1.55%	54,828	55,935	2.02%



60% Survivor Benefit COLA

Spouse Benefit/COLA Illustration

- A member retires in 2005 with an annual benefit of \$40,000.
- The member dies in 2017. Assuming that a constant COLA of 2.75% was applicable from 2007 (2 years after member retired) to 2017, the member's annual benefit as of the date of death would be:
$$\text{<Compounded COLA on first \$15,000>} + \text{<Initial excess above \$15,000>} \\ \text{▪ } \mathbf{\$15,000 * (1.0275)^{10}} + \mathbf{(\$40,000 - \$15,000) = \$44,675}$$
- Death benefit is 60% of member benefit
- WV Code Section 8-22-26a states:
 - **Supplemental benefit applies to first \$15,000 of death benefit (not original benefit)**
 - **Death benefit is calculated at the base year (i.e. participants benefit start date)**
 - **Supplemental benefits applied to participant benefits are not included**
 - **Death benefit is re-indexed**
 - **See appendix for actual language from WV Code**

Spouse Benefit/COLA Illustration – Current Method

- Take 60% of the member's total annual benefit at the date of death:

$$\begin{array}{l} \text{<Member's benefit} \\ \text{at death>} \end{array} * \begin{array}{l} \text{<Continuation} \\ \text{Percentage>} \end{array} = \text{\$26,805}$$

▪ **\$44,675** * **60%** = **\$26,805**

- Under the current method, this annual benefit of \$26,805 would be payable to the spouse upon the member's death and such amount would increase for any future COLA's.
- **The amount to which the COLA applied would essentially be reset as of the member's date of death.**
- **In future COLA calculations, \$11,805 (i.e. \$26,805 - \$15,000) of the total annual benefit would not be subject to the COLA.**

Spouse Benefit/COLA Illustration – Correct Method

- First, determine the spouse's annual benefit as of the member's original retirement date:

<Member's benefit at retirement> * <Continuation Percentage>

$$= \$40,000 * 60\% = \$24,000$$

- Next, index (based on the "allowable amount") the spouse's annual benefit to the date of the member's death:

<Compounded COLA on first \$15,000> + <Initial excess above \$15,000>

$$= \$15,000 * (1.0275)^{10} + (\$24,000 - \$15,000) = \$28,675$$

- Under the correct method, this annual benefit of \$28,675 would be payable to the spouse upon the member's death and such amount would increase for any future COLA's.
- **In future COLA calculations, only \$9,000 (i.e. \$24,000 - \$15,000) of the total annual benefit would not be subject to the COLA.**

Spouse Benefit/COLA Illustration – Summary

	Current Method	Correct Method	Difference
Spouse Benefit Payable at Member's Death	\$26,805	\$28,675	(\$1,870)
Amount Not Subject to Future COLA	\$11,805	\$9,000	\$2,805
Amount Subject to Future COLA	\$15,000	\$19,675	(\$4,675)

- For members with annual benefits in excess of \$15,000 at date of retirement, the annual benefit payable to the spouse calculated under the correct method will be larger and the subsequent future COLA's on that benefit will be greater than those calculated under the current method.

§8-22-26a. Supplemental pension benefits entitlement; benefit payable; application of section; construction.

(b) Upon commencement of the payment of death benefits pursuant to section twenty-six of this article, there shall be calculated on the allowable amount, which is the first fifteen thousand dollars of the annual allowable benefit under said section twenty-six, the supplemental benefit provided for in subsection (a) of this section using the date that the retirement benefit provided for pursuant to section twenty-five of this article began as the base year. The amount of the death benefit provided pursuant to section twenty-six of this article shall be calculated without regard to any supplemental benefit previously paid under this section. After the initial calculation made pursuant to this subsection the beneficiary of the benefits provided for pursuant to section twenty-six, shall, after reindexation, thereafter receive the supplemental benefit provided for in subsection (a).

Comment on Recalculations:

Calculations can be done using ratio based on final benefit to initial benefit

WV MPOB - Sample Spouse's Death Benefit

Comparison of Re-indexing method to "Ratio" method

The 60% Spousal benefit at the date of death of the retiree can be determined if you just know (1) the retiree's initial benefit and (2) the retiree's benefit when they died.

We can first determine 60% of the initial benefit. Then we need to know how much "indexing" to give the first \$15,000 of the 60% survivor benefit. The indexing increases for the survivor benefit is the same percent as that of the first \$15,000 of the retiree's benefit that was indexed.

We know what the first \$15,000 of the retiree's benefit has increased to, since it is the total current benefit less the difference between the total initial benefit and \$15,000 (this part of the benefit is fixed/not indexed).

An example is shown below.

Using this "ratio" method avoids (1) digging into actual past COLAs that were granted (even those prior to the existence of MPOB) and (2) COLAs not provided in years when plans failed to meet their requirements to get a COLA. The method also will not find any unrelated errors made by the plan (not looking under rocks for problems).

Sample Participant

Date of Retirement	6/1/2013	Date of First COLA increase	7/1/2015
Original Annual Benefit	27,000	2015 COLA increase	1.60%
Date of Death	2/1/2019	2016 COLA increase	0.10%
Annual Benefit at Date of Death	27,779	2017 COLA increase	1.30%
		2018 COLA increase	2.10%
		Accumulated Increase	5.19%

Reindexing - direct method

1 Participant's Benefit at Retirement	27,000
2 Spouse's Death Benefit at Date of Retirement (1. x 60%)	16,200
3 Spouse's Death Benefit subject to re-indexation (min 2. and \$15,000)	15,000
4 Spouse's Death Benefit not subject to re-indexation (2. - 3., not less than \$0)	1,200
5 2015 COLA increase	1.60%
6 2016 COLA increase	0.10%
7 2017 COLA increase	1.30%
8 2018 COLA increase	2.10%
9 Spouse's benefit at date of death eligible for future COLA increases (3. x (1+5.) x (1+6.) x (1+7.) x (1+8.))	15,779
10 Spouse's total benefit at date of death (4. + 5.)	16,979

Reindexing - Ratio Method

1 Participant's Benefit at Retirement	27,000
2 Participant's Benefit at Retirement eligible for COLA (lesser of 1. and \$15,000)	15,000
3 Participant's Benefit at Retirement not eligible for COLA (1. - \$15,000, not less than \$0)	12,000
4 Participant's Benefit at Death	27,779
5 Participant's Benefit at Death including COLA increases (4. - 3.)	15,779
6 Cumulative COLA increases from Date of Retirement to Date of Death as dollar amount (5. - 2.)	779
7 Cumulative COLA increases from Date of Retirement to Date of Death as percentage (6. / 2.)	5.19%
8 Spouse's Death Benefit at Date of Retirement (1. x 60%)	16,200
9 Spouse's Death Benefit subject to re-indexation (min 8. and \$15,000)	15,000
10 Spouse's Death Benefit not subject to re-indexation (2. - 3., not less than \$0)	1,200
11 Spouse's benefit at date of death eligible for future COLA increases (3. x [1+7.])	15,779
12 Spouse's total benefit at date of death (10. + 11.)	16,979

WV Municipal Pensions Historical COLAs

CPI Year	Average CPI	Increase for CPI Year	Effective Year (at 7/1)
1980	82.408		1981
1981	90.925	10.3%	1982
1982	96.500	6.1%	1983
1983	99.600	3.2%	1984
1984	103.883	4.3%	1985
1985	107.567	3.5%	1986
1986	109.608	1.9%	1987
1987	113.625	3.7%	1988
1988	118.258	4.1%	1989
1989	123.967	4.8%	1990
1990	130.658	5.4%	1991
1991	136.192	4.2%	1992
1992	140.317	3.0%	1993
1993	144.458	3.0%	1994
1994	148.225	2.6%	1995
1995	152.383	2.8%	1996
1996	156.850	2.9%	1997
1997	160.517	2.3%	1998
1998	163.008	1.6%	1999
1999	166.575	2.2%	2000
2000	172.200	3.4%	2001
2001	177.067	2.8%	2002
2002	179.875	1.6%	2003
2003	183.958	2.3%	2004
2004	188.883	2.7%	2005
2005	195.292	3.4%	2006
2006	201.592	3.2%	2007
2007	207.342	2.9%	2008
2008	215.303	3.8%	2009
2009	214.537	-0.4%	2010
2010	218.056	1.6%	2011
2011	224.939	3.2%	2012
2012	229.594	2.1%	2013
2013	232.957	1.5%	2014
2014	236.736	1.6%	2015
2015	237.017	0.1%	2016
2016	240.007	1.3%	2017
2017	245.120	2.1%	2018
2018	251.107	2.4%	2019
2019			2020
2020			2021
2021			2022
2022			2023
2023			2024

Source: DLS CPI release: Table 24. CPI-U US City Average all items. - Annual Average increase

Wheeling DROP

June 4, 2019

Mr. Blair M. Taylor
Executive Director
West Virginia Municipal Pensions Oversight Board
1700 MacCorkle Avenue, SE
Charleston, WV 25314

*Subject: City of Wheeling, West Virginia Firemen's Pension and Relief Fund –
Analysis of DROP impact on Pension Cost*

Dear Blair:

We have reviewed the financial impact of the DROP design adopted by the City of Wheeling, West Virginia Firemen's Pension and Relief Fund ("Fund") on May 3, 2016. West Virginia Code Section §8-22-25a(e) requires the oversight board to annually report to the Legislature's Joint Committee on Pensions and Retirement the status of any DROP that has been approved, including any experienced impact on an affected pension and relief fund. This report is intended to help fulfill that requirement for the DROP adopted by the City of Wheeling.

In the original March 18, 2016 DROP study prepared by GRS, there were 16 members eligible to elect DROP. Nine actually made that election. All nine entered DROP on June 30, 2016 (the last date under the DROP election window included as part of the design). As of June 30, 2018, all nine members were still working and accumulating additional DROP lump sum benefits.

The main focus for this analysis was determining as of July 1, 2018 whether adding the DROP, as designed, including the additional normal cost payments, has improved or worsened the financial status of the Fund. We will not have a final answer of the total impact of the DROP until all nine DROP members actually retire and therefore exit DROP. However, we have computed an estimate based on the first two years of experience. We followed the same basic outline used by GRS in their March 18, 2016 letter which estimated the expected future impact of the DROP. A comparison of our results and those of GRS are shown in the table below. Keep in mind that the GRS letter assumed 16 members would join DROP while our analysis reflects only the nine members who actually elected the DROP.

Impact of Proposed DROP Design (Gain)/Loss	GRS Present Value 12/31/2015	Bolton Present Value 12/31/2018
Payment Trade-off ¹	312,218	(46,538)
DROP Member Contributions	(275,231)	(142,116)
DROP Interest Credit	0	0
Premium Tax Allocation	466,490	197,826
City's Normal Cost Contribution	(1,080,880)	(915,028)
Net (Gain)/Loss	(577,403)	(905,856)

GRS showed that there would be a net improvement of \$577,403 and our calculations as of July 1, 2018 show a net improvement of \$905,856.

¹ Referred to as 'Accelerated Retirement' in GRS letter

Components of the Calculations

The remainder of this letter details the components of the impact of the DROP used to develop our results. Note that, although we used the same cost impact components as GRS for determining the impact of the DROP, our calculation methodologies and assumptions may have differed from those used by GRS. However, more important than understanding any differences in methodologies is understanding the nature or purpose of the calculations. We cover this in more detail below. Please note that our analysis develops the impact on the financial status of the Fund, not the overall cost to the employer, employees, or other benefit plans.

For this analysis, we assumed all nine members who elected DROP would remain in DROP until the earlier of five years in DROP or age 65. Additionally, we assumed that, had the DROP not been offered, the DROP members would have retired based on the Fund's current retirement assumptions.

The cost components are as follows:

- **Payment Trade-off:** This is a trade-off of either locking into a lower benefit with a longer payment period versus getting a higher benefit with a shorter payment period or taking your retirement benefit immediately versus taking the DROP immediately. Whether there is an increase or decrease in the liability due to the DROP depends on which category the member falls into. For the members expected to retire at the DROP entry date, the DROP creates a gain because the DROP account does not grant interest credit on the DROP account and the plan saves on the investment return that would have been lost if those payments were no longer in the trust. For those not immediately eligible, the trade-off is whether a higher benefit paid later for a shorter period of time is more valuable than a lower benefit paid now for a longer period of time. For this case, it varies whether this is a savings or a loss. This demonstrates that the expected timing of when a member would retire without the DROP has a significant impact on whether the DROP creates a savings or a loss. In this case, the net trade-offs resulted in a savings to the Plan.
- **DROP member Contributions:** This is the value of the extra employee contributions going into the Fund for the years during which the member would have already been retired had there not been a DROP but is still employed due to participation in DROP.
- **DROP Interest Credit:** GRS included this as a zero value. The lack of interest on the DROP account balances is included in the *Payment Trade-off* component. We likely will start to discontinue showing this as a separate category of cost.
- **Premium Tax Allocation:** This is the loss of premium allocation money for the period when a member is in DROP. The Fund receives more premium tax money (approximately \$5,100) for each active member



(whether a member in this Fund or the State plan) than for each retiree. Members who elect DROP are considered retired for premium tax purposes. However, had there not been a DROP, the DROP members would either (a) still be active or (b) have retired and we assume a new member would have been hired into the State plan as a result. In either scenario, these members or their replacements would have been considered active for premium tax purposes but, because they elected DROP, they are considered retired during the DROP period. While the DROP increases the premium tax allocation available to the other plans covered by MPOB, it decreases the premium tax allocation available to this Fund. As discussed in the next section on Normal Cost, the potential losses are shifted one year and end in FY22.

- **Normal Cost Savings:** The Fund closed to new entrants prior to the date that DROP was implemented. If a member works longer because of DROP, the hiring of a new employee is theoretically delayed. In an open plan, such a scenario would result in Normal Cost savings, but because this Fund closed before DROP was implemented, there are no savings to this pension plan considering all new hires are required to join the State plan. However, the Wheeling DROP provisions require the City to pay the Normal Cost rate on the payroll for members in DROP. Since the value of benefits is already considered in the *Payment Trade-off* component, GRS correctly viewed this as a benefit to the Fund (even though it is an added cost to the City). Because of the methodology used to determine City contributions, the extra Normal Cost payments are assumed to be made in FY18-22 even though the five years of DROP participation are FY17-21.

We relied on member data provided by the City of Wheeling. Unless stated otherwise, the assumptions we used are as stated in the 2017 actuarial valuation.

One additional consideration that we reviewed was selection bias, which captures that members who plan to work after the date they would have been eligible to elect DROP (with or without a DROP incentive) are generally more likely to elect DROP. To determine the impact of the selection bias, we analyzed (1) the expected retirement ages for the nine members who elected DROP, and (2) the expected and some actual retirement ages for those members who did not elect DROP. Our analysis showed that there was not a material difference between the two groups, and for this reason, we did not make any selection bias adjustments to the results for this study. We will continue to look at selection bias in future annual reviews and may change our assumptions if experience changes.

A further consideration in determining DROP cost is the amount of pay raises occurring during the DROP period. We will continue to look at this in future annual reviews, but for this analysis, we have relied on the current salary assumptions in the valuation.

Observations and Conclusions

Based on the analysis described above, the Fund is projected to experience a gain of \$905,856. The gain is primarily due to the additional normal cost payments made by the City for



members in DROP. In addition, the *Payment Trade-off* resulted in a gain mainly because the DROP accounts did not earn any interest.

A net gain was generated under the proposed design using the assumptions, methods and data outlined above. The results are based on our "best estimate" assumptions. It is possible that another equally plausible scenario, based on another set of reasonable assumptions, could produce materially different results. Also, it is possible that other emerging experience due to actual salary or retirement experience could produce materially different results.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report is intended for use by the MPOB, the City of Wheeling, and the City of Wheeling Firemen's Pension and Relief Fund. This report may be provided to other parties only in its entirety with supporting documents and only with the permission of the MPOB, the City of Wheeling, and the City of Wheeling Firemen's Pension and Relief Fund. This report should not be relied on for any purpose other than estimating the financial impact of the 2016 DROP on the City of Wheeling Firemen's Pension and Relief Fund.

Please see the most recent valuation report for the City of Wheeling Firemen's Pension and Relief Fund for a more comprehensive description of the benefits provided and summary of the data, assumptions and methods used in the actuarial valuations.

Our estimates do not consider the potential impact to the plan sponsor, such as the impact to compensation or fringe benefits.

The signing actuaries are independent of the plan sponsor.



Mr. Blair M Taylor
June 5, 2019
Page 5

Jim Ritchie and Tom Lowman are Members of the American Academy of Actuaries (MAAA) as indicated and they, along with Jordan McClane, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions or comments.

Sincerely,

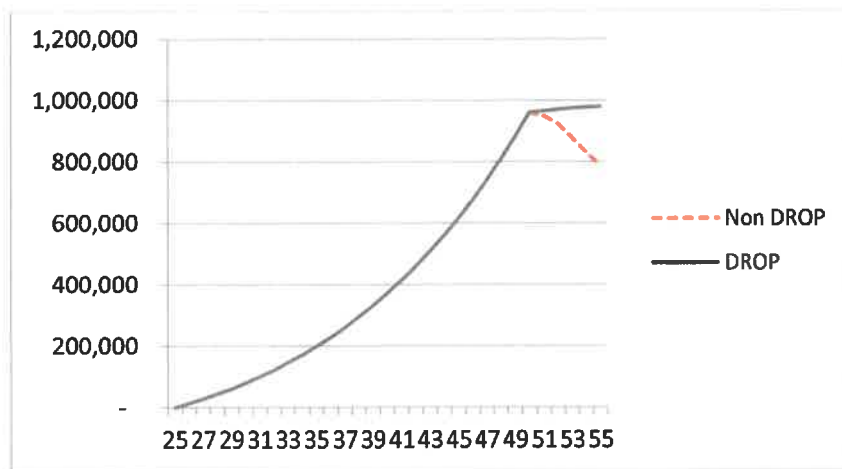
James Ritchie, ASA, EA, FCA, MAAA

Thomas Lowman, FSA, EA, FCA, MAAA

Jordan McClane, ASA, EA



DROP is like an actuarial increase that those with lots of service find attractive:



DROP Ratio: The ratio between the green (DROP) and red (non-DROP) line is called the DROP ratio.

These PV's are all at the same age (e.g. "peak retirement age").

Beckley may be different since members can join DROP closer to "peak Retirement Age". Would you rather have 73% of pay for life or 70% plus a lump sum of 210% (3 year DROP)? This is the expensive scenario if they would have worked beyond "peak retirement age." Some would have retired at peak retirement age without DROP and have no cost.

If 50% elect DROP uniformly and stay for 5 years

Age	Current Retirement assumption	Probability still working	Number retiring out of 1,000	Retire without DROP	Retire with DROP	When enter DROP	When Exit DROP	Service if hired at age 27	Benefit if hired at age 27
50	45%	100%	450	225	225	50	55	23	66%
51	30%	55%	165	83	83	50	55	24	68%
52	30%	39%	116	58	58	50	55	25	70%
53	30%	27%	81	40	40	50	55	26	71%
54	30%	19%	57	28	28	50	55	27	72%
55	30%	13%	40	20	20	50	55	28	73%
56	35%	9%	32	16	16	51	56	29	74%
57	35%	6%	21	11	11	52	57	30	75%
58	35%	4%	14	7	7	53	58	31	75%
59	35%	3%	9	4	4	54	59	32	75%
60	100%	2%	17	8	8	55	60	33	75%
Number of retirements			1,000	500	500				
Weighted Average =				52.26		50.73	55.73		

Normal Cost can end at 50.73 (GASB) or 55.73 depending on method.

Notes: Retirement rates make a huge difference (is DROP a cost or a savings?)
 Problem with using the same retirement rates for all cities.
 Salary increases have some impact
 Beckley selected (7%) Alternative method so NC is only an accounting issue
 Are payments into DROP account treated as payments under conservation method? (non Beckley issue)

Not 50% and not uniform but retire/DROP close to schedule

Age	Current Retirement assumption	Probability still working	Number retiring out of 1,000	Retire without DROP	Retire with DROP	When enter DROP	When Exit DROP	Service if hired at age 27	Benefit if hired at age 27
50	45%	100%	450	180	270	50	55	23	66%
51	30%	55%	165	66	99	50	55	24	68%
52	30%	39%	116	23	92	50	55	25	70%
53	30%	27%	81	16	65	50	55	26	71%
54	30%	19%	57	-	57	50	55	27	72%
55	30%	13%	40	-	40	50	55	28	73%
56	35%	9%	32	-	32	51	56	29	74%
57	35%	6%	21	-	21	52	57	30	75%
58	35%	4%	14	-	14	53	58	31	75%
59	35%	3%	9	-	9	54	59	32	75%
60	100%	2%	17	-	17	55	60	33	75%
Number of retirements			1,000	285	715				
Weighted Average =				51.06		50.83	55.83		

Not 50% and not uniform but extend retirement

Age	Current Retirement assumption	Probability still working	Number retiring out of 1,000	Retire without DROP	Retire with DROP	When enter DROP	When Exit DROP	Service if hired at age 27	Benefit if hired at age 27
50	45%	100%	450	180	270	50	55	23	66%
51	30%	55%	165	66	99	51	56	24	68%
52	30%	39%	116	23	92	52	57	25	70%
53	30%	27%	81	16	65	53	58	26	71%
54	30%	19%	57	-	57	54	59	27	72%
55	30%	13%	40	-	40	55	60	28	73%
56	35%	9%	32	-	32	56	61	29	74%
57	35%	6%	21	-	21	57	62	30	75%
58	35%	4%	14	-	14	58	63	31	75%
59	35%	3%	9	-	9	59	64	32	75%
60	1	2%	17	-	17	60	65	33	75%
Number of retirements			1,000	285	715				
Weighted Average =				51.06		52.74	57.74		

DROP Basics: Considerations for Adding a DROP to a Pension Plan

What is a DROP?

First, let's start by defining a DROP. A DROP is an option provided to active participants of certain retirement plans. It allows members who elect DROP the option to continue to work beyond their Normal Retirement Date and convert part of their retirement benefit into a lump sum.

The lump sum is typically defined as the accumulation of the annuity benefit the participant would have been entitled to receive at Normal Retirement Date. This accumulation of the annuity benefit is tracked in a notional account. Typically, the account is credited with interest from the date the employee elected to start participating in the DROP until the employee actually retires. At retirement, the employee receives a check for the accumulated benefit payments in the DROP account and starts to receive the monthly benefits that were being credited into the DROP account for the remainder of the employee's life (or in accordance with the optional form elected.) To get the DROP lump sum, a member must give up future annuity accrual, often of approximately equal value to the lump sum.

The theory is that the employee receives the equivalent retirement benefits that the employee would have received if the employee actually retired on the DROP election date. Typically, only employees eligible for normal retirement can elect DROP, and the employees' periods in DROP are usually limited to between three to five years. Frequently, the employees must pick their actual termination of employment dates (which is also the end of their DROP period) when entering DROP.

Employee contributions to the pension plan may or may not end when the employee enters DROP. Most DROPs continue to withhold employee contributions, but the employee contributions are usually credited to the employee's DROP account in addition to his monthly benefits. Most DROPs require employees to continue to make employee contributions, because if employees do not make their required contributions to the pension plan, there may be tax consequences to other employees who are not in the DROP. If you want to stop employee contributions as part of the DROP, you should consult an attorney to ensure that the contributions for other employees do not become taxable.

DROPs are most common for uniformed employees; whose normal retirement age is relatively early. DROPs are less common for non-public safety employees since these employees have later normal retirement ages, are less likely to want to work beyond their normal retirement age, and because the cost of DROP is typically higher for older employees.

Why Adopt A DROP?

DROPs were initially created to encourage police officers eligible for normal retirement to work a few more years by allowing them to receive the equivalent value of their normal retirement benefits if they continued to work beyond their normal retirement dates. The result is that the police officers accumulate a lump sum in addition to their normal retirement benefits and effectively maximize the value of their retirement benefits. DROPs generally have positive results for employees electing them, with the exception of rare situations where employees have significant pay increases during their DROP periods. DROPs have positive and negative impacts for employers that need to be considered to determine the effectiveness of the DROP. The following table summarizes the more significant DROP impacts for employers and employees.

DROP Impact – For employers	DROP Impact – For Employees
Encourage employees to work longer especially when it is necessary to keep more experienced employees (e.g. it is difficult to hire experienced law enforcement officers).	Defer pension payments while still working but receive their accumulated benefits as a significant lump sum payout when they retire (end of DROP period).
Typically increases cost of retirement benefits, since employees can maximize the value of the retirement benefit since some employees join DROP earlier than they might otherwise retire.	Maximize the value of the retirement benefit by providing the equivalence of their normal retirement benefit benefits for employees who continue to work past their normal retirement dates.
Limits the effect of pay increases on retirement benefits while employees are in DROP.	Give up retirement benefit increases from pay increases and additional service while working during the DROP period.
Assists with succession planning by requiring employees in DROP to identify when they will retire, giving employers ample time to develop a succession/training plan for these employees.	

Do DROPs Increase Pension Cost?

DROPs were frequently described as being cost neutral or “free”, based on the argument that the benefits accumulating in the DROP account are simply the retirement benefits that the employees would have received if the employees elected to retire on their normal retirement dates. Theoretically, the interest credited to DROP accounts is paid from interest that the pension fund earns from the DROP account payments that would otherwise have been paid out to employees if they had actually retired, since the DROP account payments are left in the plans’ assets until employees’ DROP periods end and the employees terminate employment. However, DROPs typically increase pension costs because:

- Pension benefits are generally more valuable if an employee retires at the earliest date that he can retire with an unreduced benefit, which is typically the employee’s normal retirement date. Even though an employee’s benefit continues to increase with increases in pay and service after his normal retirement date, the increase in the benefit is usually not as valuable as the additional years of payments that would be made if the employee retired as soon as possible. This is especially true when payroll increases are at their lowest, which is typically true for employees who work past their normal retirement dates.
- Many employees end up joining the DROP earlier than they would have actually retired, which results in these employees maximizing the value of their pension benefits without having to consider the loss in their paychecks.

Sometimes, the cost of DROP is often incorrectly identified as the amount of the DROP payments, which grossly overstates the cost of DROP, because employees may have received these benefits anyhow or they forego any increases in their benefits that they would have earned if they continued working without entering the DROP.

However, a DROP can be cost neutral if it does cause members to work longer than they otherwise would have. There are several factors which can make the DROP cost neutral, many of which are difficult to measure. One factor is that the pension plan does not pick up additional pension costs for a new hire to replace an employee who would retire without the DROP. Another factor is that employees in DROP forego any increases in their pensions due to pay increases and additional service while they are in DROP. There are also other non-pension factors that could reduce the cost of a DROP and are covered below.

Knowing whether a DROP will add cost or be cost neutral is almost impossible to measure either before or after a DROP is implemented or after because it requires knowledge on when employees would have actually retired had a DROP not existed. You could compare retirement patterns before a DROP is implemented to retirement patterns (which includes election of the DROP) after a DROP is implemented to determine if benefits are being paid earlier under the DROP than before the DROP was implemented. However, this method is not foolproof, as other factors may contribute to the change in retirement ages. For example, a recession or downturn in the financial markets might have a larger impact on retirement patterns than a DROP. In addition, to fully measure the cost of a DROP, non-pension costs should be considered as well.

What are Non-Pension Considerations?

While adding a DROP typically increases the cost of the pension plan, the employer needs to consider non-pension costs as well to effectively analyze the value and cost of a DROP. Adding a DROP often results in employees working longer. Typically, employees delaying retirement affects more than just pension costs, such as:

- Reducing training cost for new employees
- Retaining experienced employees and their hard-earned judgment and expertise
- Reducing promotional opportunities as more senior employees remain in their positions
- Adding to disability costs, as older employees are more likely to become disabled – whether job related or not
- The net impact on health care costs of adding to employee health insurance cost from an older employee group while reducing retiree health care cost because of the deferral of retirement, and
- Higher salaries adding to payroll cost by keeping higher paid employees longer.

What are Other Challenges with DROPs?

The largest problem with DROPs has been the bad publicity due to large lump sums paid, particularly during economic downturns. Many governments suffered the adverse publicity due to large DROP payments made during the recent great recession. Public employees receiving lump sums in the range of \$200,000 to \$400,000 while taxes are being raised and services cut because of a bad economy created a backlash against “gold plated” government retirement benefits. Even though these benefits may have been otherwise paid to the employee, a lump sum of \$300,000 sounds like a lot more money than a pension of \$5,500 per month.

Investment risks are also a significant issue with DROPs. Many DROPs often include interest crediting rates equal to the valuation rate (typically between 7% and 8%) which is well above money market or other short-term rates. Crediting these higher rates, puts the investment risk burden on the plan if these rates are not realized during the DROP periods. However, if the DROP crediting rates are more in line with money market rates or other short-term rates, or the higher subsidized crediting rates are only applied for a short period of time, the investment risk to the plan may not be material. Another investment consideration is the need for liquid assets to pay DROP lump sums. Some argue that this is not an issue since DROP lump sums are simply a deferral of monthly pension payments that would have otherwise been paid. However, in some DROP designs, employees and retirees may elect to receive their DROP account at any time creating either the necessity to maintain larger allocations of cash to pay these large lump sum benefits or force the plan to sell securities or other illiquid investments at inopportune times. These payments are less predictable than monthly retirement benefits and may cause some losses in possible investment returns that the plan was expecting to earn to pay for some of the cost of the DROP.

An extreme case occurred with the Dallas Police and Fire Pension System which had a DROP with no apparent limit in the number of years a person can participate in the DROP and allowing employees and retirees to elect payment of their DROP account at any time. This resulted in the accumulation of some very large DROP account balances. The normal benefit payments which included regular monthly pension payment and DROP lump sums, were consistently about \$250 million per year. However, the plan suffered some large investment

losses and the funded ratio dropped to under 50% in FY 15. In FY16, DROP payments spiked to \$606 million, in addition to \$219 million in regular annuity payments. Assets fell from \$2.7 to \$2.2 billion, in large part due to the “run-on-the-bank.” Because the Dallas plan had a significant portion of its assets in non-cash assets, this forced the plan to sell certain securities and liquidate other assets without the benefits of additional time to execute these transactions efficiently. In essence, the plan likely experienced losses that it otherwise would not have experienced if this “run-on-the-bank” did not occur. In most plans the entire DROP lump sum balance is under 5% of plan assets and does not result in the difficulties faced by the Dallas Police and Fire Pension System, but the amount of cash needed to cover DROP payments and the impact on the overall investment return of holding additional cash, needs to be considered.

Another important consideration is the change in pension accounting due to implementing a DROP. Prior to implementing a DROP the cost of each employee’s benefit is accounted for over their working lifetime. Government accounting standards require that entry to DROP be treated as the end of the employee’s working lifetime. Thus, adopting DROP will accelerate the accrued liability shown on the government’s balance sheet, reducing the plan’s funded percent reported in the Comprehensive Annual Financial Report.

Why Include a DROP Sunset Provision?

When adding a DROP, the employer should consider including a sunset provision (perhaps a 3 or 6-year period, or tied to the collective bargaining agreement cycle), to allow the employer to study the effect of the DROP on costs and benefits before committing to making it permanent. This is important for two reasons. First, it allows the time to determine whether the DROP does cause employees to work longer, offsetting a portion of the additional cost of a DROP. Second, it limits the potential problems experienced by Human Resources, and allows the staff to better understand the value and problems with DROP (including those costs, such as increased medical and disability costs and decreased training costs, not related to pension costs) before committing to permanent implementation.

If you would like more information about DROPs please contact Tom Lowman, FSA, FCA, EA, MAAA at tlowman@boltonusa.com or 443-573-3909, Jim Ritchie, ASA, FCA, EA, MAAA at jritchie@boltonusa.com or 443-573-3924 or Ann Sturner at asturner@boltonusa.com or 443-573-3922.