

**MUNICIPAL PENSIONS OVERSIGHT BOARD**  
**Minutes of Meeting**  
**September 17, 2020**

The Municipal Pensions Oversight Board (MPOB) met on September 17, 2020 at 1:00 p.m. at 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia. The Chair, Mr. Neddo, welcomed the two new Board members, Travis Blosser and Sarah Long, and called the meeting to order, noting that a quorum was present.

**ATTENDEES**

**Board Members:**

- Travis Blosser, present *(by virtual meeting)*
- Jeffrey Fleck, present *(by virtual meeting)*
- Emily Lambright, present *(by virtual meeting)*
- David Lanham, absent
- Sarah Long, present *(by virtual meeting)*
- Jason Matthews, present *(by virtual meeting)*
- Stephen Neddo, present
- Michael Payne, present *(by teleconference)*
- Craig Slaughter, present *(by virtual meeting)*

**Staff:**

- Vonda Matthews, Administrative Assistant
- Michelle Painter, Chief Financial Officer
- Blair Taylor, Executive Director

**Guests:**

- Tom Lowman, Consulting Actuary, Bolton, *(by virtual meeting)*
- Jordan McClane, Consulting Actuary, Bolton, *(by virtual meeting)*
- Jim Ritchie, Senior Consulting Actuary, Bolton *(by virtual meeting)*
- Rob Adams, Brown Edwards *(by virtual meeting)*
- Anthony Carpenter, Brown Edwards *(by virtual meeting)*

**Minute Taker:**

- Vonda Matthews

**Election of Officers and Reconstituting Audit Committee**

- Mr. Neddo informed the Board of the necessary election of a Board Chair, Vice Chair and Secretary/Treasurer. He noted that the Secretary Treasurer position could be a MPOB staff member.

*MOTION: Moved by Mr. Slaughter to elect Stephen Neddo as the Board Chair; Seconded by Mr. Matthews; Passed unanimously:*

**RESOLVED, that Stephen Neddo is elected as the Chairman of the Municipal Pensions Oversight Board.**

*MOTION: Moved by Mr. Slaughter to elect Jason Matthews as the Board Vice Chair; Seconded by Mr. Fleck; Passed unanimously:*

**RESOLVED, that Jason Matthews is elected as the Vice Chairman of the Municipal Pensions Oversight Board.**

*MOTION: Moved by Mr. Fleck to elect Michelle Painter as the Board Secretary /Treasurer; Seconded by Mr. Blosser; Passed unanimously:*

**RESOLVED, that Michelle Painter is elected as the Secretary/Treasurer of the Municipal Pensions Oversight Board.**

### **Approval of Minutes<sup>i</sup>**

- Minutes for the MPOB meeting on June 18, 2020, were presented for approval.

*MOTION: Moved by Mr. Matthews; Seconded by Mr. Slaughter; Passed unanimously:*

**RESOLVED, that the minutes of the June 18, 2020 Municipal Pensions Oversight Board meeting be approved as presented.**

### **Reconstitution of Audit Committee**

- Mr. Neddo informed the Board of the necessary reconstitution of the Audit Committee. Mr. Neddo asked if Mr. Fleck, Mr. Lanham, and Ms. Long would be willing to sit on the Audit Committee. Mr. Fleck and Ms. Long agreed. Mr. Lanham was absent.

### **OLD BUSINESS**

#### **FY2020 Independent Audit<sup>ii</sup>**

- Mrs. Painter introduced Rob Adams and Anthony Carpenter of Brown Edwards who presented the audit report. Mr. Adams thanked the Board for the opportunity and for the cooperation during the audit process.
  - Mr. Carpenter presented the letter of Required Communications. Items noted were:
    - No new accounting policies were adopted, and the application of existing policies was not changed during 2020.
    - No new GASBs that were affected for the year.
    - GASBs that were going to be effective this year and in the near future will be delayed due to COVID19.
    - Significant accounting estimates are reasonable in relation to the financial statements taken as a whole.
    - No difficulties were encountered in performing and completing the audit.
    - No material misstatements identified during the audit.

- One uncorrected immaterial misstatement found: In previous years, management has recorded investment income one month in arrears, but began recording investment income timely in the current year resulting in an overstatement of interest income and an understatement of beginning net for the year ending June 30, 2020. This is a carry-over from last year and has been corrected for the current year.
- No disagreements with management regarding financial accounting, reporting, or auditing matter arose during the course of the audit.
- Requested management representations will be included in the final management representation letter.
- No management consultations with other independent accountants were found.
- Mr. Adams and Mr. Carpenter presented the audit report. Items noted were:
  - Financial statements were in accordance with accounting principles accepted nationally.
  - Required Supplemental Information is not required to be audited and was not audited.
  - Financial statements are very similar to previous years, with the exception that these statements note that the current COVID19 Pandemic.
  - No deficiencies in internal controls considered to be material weaknesses were identified.
  - The results disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

*MOTION: Motion by Mr. Blosser to accept the audit findings as presented, seconded by Mr. Slaughter; Passed unanimously;*

**RESOLVED, that the FY2020 Independent Audit Report be approved as presented.**

**HB4042**<sup>iii</sup>

- Legislative Rule Title 211, Series 2 Exempt Purchasing
  - Mr. Taylor stated that this has been submitted to the LRMRC Committee and is scheduled to be discussed at the November Interim Meeting.
- MPOB Procedural Rule Title 211, Series 3 Exempt Purchasing
  - Mr. Taylor stated that this has been submitted to the WV Secretary of State's Office and became effective on September 14, 2020.

Mr. Taylor noted that he and Kelli Talbott will testify in November on why both a Legislative Rule and a Procedural Rule are being requested. More information will be provided at the December Board meeting.

## **Bolton**

- Data Collection/Review for Current Beneficiaries<sup>iv</sup>
    - Mr. Ritchie presented the Review of Survivor Benefits. Items noted were:
      - Survivor Benefits are not being calculated correctly for 48 pension plans due to how the Supplemental Benefits (COLA) are calculated for the survivors.
      - Responses from 40 of these 48 plans provided sufficient data for 300 of 472 survivors.
      - Bolton was able to calculate corrected benefits for a portion of the survivors.
- Discussion: Mr. Slaughter asked if there is any downside to getting more information. Mr. Neddo asked if the main issue was not knowing what COLA was used in the calculations prior to forming the MPOB. Mr. Ritchie confirmed. Mr. Neddo made a recommendation to gather more data over the next 3 months and present more information at December meeting. Mr. Ritchie confirmed Bolton could do that.
- Workgroup on Proposed Online Benefit Calculator
    - Mr. Neddo moved the discussion to the next meeting because the work group has not had the opportunity to meet due to the Covid19 pandemic.
  - Retrospective Drop Reviews as of July 1, 2019<sup>v</sup>
    - Mr. McClane and Mr. Lowman presented DROP Evaluation for Wheeling Fire and Saint Albans Fire. Items noted were:
      - Wheeling Fire had a savings of about \$900,000 using the Optional Funding Policy. Nine people were in the DROP as of July 1, 2019.
      - Saint Albans Fire had a cost of about \$129,000 using the Alternative Funding Policy. One person remained in the DROP as of July 1, 2019.
  - DROP Evaluation
    - Mr. McClane presented an evaluation of DROPs to see if there should be more formal guidance from the Board on how to demonstrate if the DROP meets the requirements of the code. Items noted were:
      - We do not know how a DROP will impact behaviors of when and how people choose to retire.
      - There are more requests for open-ended DROPs.
      - Any municipality may request a DROP, the MPOB meets to approve the DROP with advice from the actuary on the anticipated impact of the DROP, but the code is not specific enough as to the tests to determine whether the DROP should be approved.
      - Typically DROPs are currently evaluated regarding the impact on the employer, but the code states it should be evaluated regarding impact upon the fund.
      - The code is ambiguous in stating “no negative impact” without defining what negative impact is.
  - DROP Study Methodology<sup>vi</sup>
    - Mr. McClane, Mr. Lowman, and Mr. Ritchie presented. Items noted were:

- Three Options:
  - I. Liability Impact to Fund – *Payment Trade-off + Delay in New Hire Cost*
  - II. Contribution Impact – *Payment Trade-off + Delay in New Hire Cost + DROP Member Contributions + Payment Tax Allocation*
  - III. Net “Plan” Impact – *Payment Trade-off + Delay in New Hire Cost + DROP Member Contributions + Payment Tax Allocation + City’s No Cost Contribution (WV Specific Option)*

Recommendation by Bolton to go with Option 2; or stay with option 3. Discussion: Mr. Lowman, Mr. Matthews, Mr. Ritchie, Mr. Blosser, Mr. Neddo and Mr. Taylor discussed using different options for different plan funding options. Mr. Blosser recommended to wait until December to give everyone an opportunity to review the information thoroughly. Mr. Taylor stated the issue would be put on the December agenda unless the Board would want to call for a special meeting between now and the December meeting.

- Actuarial Methods Including Definition of Actuarial Soundness<sup>vii</sup>
  - Mr. Ritchie presented the Summary of Recommendations. Items noted were:
    - Continue the use of Individual Entry Age cost method with normal cost developed as a level percentage of pay.
    - Continue use of level dollars amortization, implementing layered amortization bases.
    - Consolidation of amortization bases every five years into a single base.
    - A 20-year combined amortization for plans that have a surplus.
    - A 4-year smoothed actuarial value of assets.
    - Updates to the roll-forward methodology with contributions developed for the contribution year.
    - Updates to the application of actuarial soundness for purpose of receiving the premium tax allocation and granting the COLA.

Discussion: Mr. Taylor, Mrs. Painter, Mr. Ritchie, Mr. Lowman, Mr. Slaughter. Mr. Taylor expressed concern that smaller cities would not be able to pay and therefore would not attempt to pay. Mrs. Painter asked for clarification that every loss and every gain would be amortized. Mr. Ritchie confirmed yes, to avoid volatility. Mr. Neddo asked Mr. Fleck’s opinion. Mr. Fleck stated he does use a similar method in some cases. Mr. Neddo and Mrs. Painter stated that 15 years seems high. Mr. Payne stated he sees no negative impact with 15 years. Mr. Taylor stated that a change in legislation would be required to switch to this method.

*MOTION: Motion by Mr. Slaughter to accept recommendations of Bolton with respect to the actuarial assumptions and that Mr. Taylor be directed to effectuate any legislative changes, seconded by Mr. Blosser; Passed unanimously:*

**RESOLVED, Bolton's recommendations regarding the actuarial assumption are accepted and Mr. Taylor is directed to effectuate any legislative changes necessary.**

- Actuarial Methods Including Definition of Actuarial Soundness
  - Mr. Ritchie made the following additional recommendations:
    - Normal Cost: Instead of the applying the normal cost percentage to FY 2019 payroll, the percentage could be applied to an estimate of FY 2020 payroll.
    - Amortization payment: The funded liability would be rolled forward from the valuation date to the beginning of the fiscal year of the payment.
  - Actuarial Soundness. Mr. Ritchie stated that WV Code defines actuarial soundness for two purposes:
    - For determining a plan's eligibility to provide Supplemental Benefits, i.e. COLAs using a solvency test on a "closed group basis".
    - For purposes of the premium tax, make sure the plan is projected to be solvent, at least have a dollar in the assets after 15 years on an "open group basis".
  - Bolton Recommendation. Bolton Recommends the Board consider the following two methods for applying the concept of *actuarial soundness* as outlined in the WV Code for the premium tax allocation:
    - Grant the premium tax as long as the municipality contributes their policy contribution (and pro-rate the tax for partial contributions) or
    - Stay with the 15-year solvency test on an open group basis.

Discussion: Mr. Neddo commented that unless a motion was made, things would stay the same. No motion was made. Mr. Blosser asked if these recommendations could be considered again. Mr. Neddo confirmed, they can be considered at any time.
- Valuation Report Update. Mr. McClane presented. Stated that 50% have been submitted. On track to get the rest in by October 1. Mr. Neddo thanked Bolton for their work to get the reports done early.

**Meeting with City of Logan and City Council**

- Mr. Taylor stated that due to the pandemic, no in person meeting has taken place but that Mrs. Painter has communicated with the Treasurer and the City of Logan to gather information.
  - Mrs. Painter presented. Items noted were:
    - Problems in the past getting a complete and accurate annual report.
    - Received 2019 report that matched the beginning and ending investment statements.
    - City requested premium tax allocation, but request did not match their checking account statements. Mrs. Painter provided the treasurer revised documents and all information needed to complete the revisions with a request of revision in July 2020.

- No response has been received from the Logan Treasurer and therefore no allocation funds have been sent to Logan.

Discussion: Mr. Taylor stated that the 2019 allocations will expire in February of 2021. He said he would like this to be resolved by January 2021. He noted that the Board has been given copies of communication and requests sent to the Logan Treasurer. Mr. Taylor asked Mr. Blosser for some help in communicating with Logan to get the paperwork from them since he has connections with the Mayor and City officials. Mr. Blosser confirmed he would.

### **Compliance Review Updates**

- Mrs. Painter presented compliance review updates for the following plans:
  - Saint Albans Fire – Items noted were:
    - Meeting with payroll and IT scheduled for September 22 in order to get the proper codes in place in their payroll system so the calculations can be done correctly.
    - Will update in December.
  - South Charleston Police – Items noted were:
    - Mr. Smith is waiting on more information.
    - Will update in December.
  - Williamson Fire and Police – Items noted were:
    - Sent letters based on compliance reviews with a request for response with a plan of action. No response received by the deadline.
    - They have a new finance director, so Mrs. Painter will continue to reach out to her.
    - Will update in December.

### **NEW BUSINESS**

#### **Compliance Reviews**

- Mrs. Painter presented compliance reviews for Moundsville and Wheeling Police and Fire Pension Funds. She stated that she and Mr. Smith have been working on Charleston Fire and Police but do not have all the information to ready to present yet.
  - Moundsville Fire<sup>viii</sup> – Items noted were:
    - Three meetings were held during 2019.
    - Chairman receives meeting invite at the time of the meeting.
    - Election of board members is not being held according to code.
    - Bank statements obtained show contributions are deposited in compliance.
    - Payments are not made in compliance and allocations are not sent to MPOB monthly.
    - COLA calculations are not being presented for board approval.

- No copy of the fund's rules, regulations or procedures has been provided to MPOB.
- No copy of the fund's investment policies and procedures has been provided to the MPOB.
- The annual report is not completed on the accrual basis required.  
Mrs. Painter stated that a letter will be sent to the local Pension Fund board with recommendations regarding each of the above concerns and a request for a plan of action.
- Moundsville Police<sup>ix</sup> – Items noted were:
  - Meeting minutes are not being recorded and approved for each board meeting
  - The Chairman is not sent invitations to board meetings.
  - Election of board members is being held according to code.
  - Bank statements obtained show contributions are deposited in compliance.
  - Payments are deposited according to a prepayment method allowed by code.
  - One pension was issued during the fiscal year and it was calculated incorrectly with everything under base pay. Suspect other miscalculations due to this error.
  - COLAs were computed but there is no evidence that they are being approved during board meetings.
  - The fund's rules, regulations and procedures provided to MPOB are outdated. (2011) and were not signed.
  - The fund's investment policies and procedures provided to the MPOB are outdated. (2010).
  - The annual report is not completed on the accrual basis required.
  - Survivor benefits are being calculated incorrectly and the Pension Fund Secretary has been informed.
  - Mrs. Painter suspects there will be many retirement benefits that will need to be recalculated and corrected.
  - Mrs. Painter stated that a letter will be sent to the City and to the Trustees of the Pension Fund board with recommendations regarding each of the above concerns and a request for a plan of action.

Discussion: Mr. Fleck – Do they include subsistence pay in calculations? It is not remuneration for services rendered. Mrs. Painter said everything was lumped together under base pay, so she has no information about that.

Recommendation by Mr. Fleck, Mr. Blosser and Mr. Neddo to send letter as before, stating findings of the compliance review with a request for a response with a plan of action.
- Wheeling Fire<sup>x</sup> – Items noted were:
  - Sent letter. No information received from Secretary.
  - No meeting minutes or evidence of elections were received.



- Secretary indicated his laptop was not working and he could not retrieve any of the requested information.
  - Secretary stated no election was held because only one person was nominated so that person was just put on the board.
  - Bank and investment statements were obtained from the City.
  - Member contributions are not being submitted on time and are being submitted by paper check. Switching to payment by ACH was recommended by Mrs. Painter.
  - The City did make their required contributions, but they are not being prepaid or made according to code. Contributions were up to date by June 30.
  - Two retirement pensions were reviewed. They were not being calculated correctly.
  - COLA calculations have not been calculated correctly in the past.
  - No evidence that benefits are approved at board meetings.
  - MPOB has no copy of rules, regulations, and procedures. MPOB copy of Investment Policies was dated 2007.
  - Annual report is not being done on an accrual basis.
  - The City is making retirement benefits payments out of the account owned by the City, not out of the pension account and may possibly be paid under the tax ID for the City.
- Wheeling Police<sup>xi</sup> – Mrs. Painter presented. Items noted were:
- Sent letter requesting information. Mrs. Painter was promised the information by Secretary on multiple occasions, but never provided any.
  - Member contributions are not being made according to code.
  - Required contributions did not start being made until November and remained behind until May.
  - Two retirement pensions during the year were calculated incorrectly.
  - In doing calculations they consider everything as Base.
  - COLA has been calculated incorrectly in the past.
  - MPOB was not provided a copy of the rules regulations and procedures and the Investment Policies was dated 2007.
  - The annual report is not being completed on an accrual basis.
  - Benefit payments are made from a checking account owned by the City.

Mrs. Painter estimated there may be 160 retirees for Wheeling Fire and Police that have benefits that need recalculated.

Discussion: Mr. Blosser suggested MPOB do retirement and COLA calculations for municipalities. Mr. Taylor referenced code that requires the pension plan trustees to do the calculations. He stated that MPOB staff have trained trustees for the past nine (9) years on their responsibilities to calculate pension retirements and COLAs. Mr. Taylor also indicated for the staff to take on these additional responsibilities additional staff would be required. Mrs. Painter stated that all

municipalities would be reviewed within a three-year period in order to find errors and notify pension trustees. Mr. Neddo suggested to Mr. Blosser through his relationship with the WV Municipal League that he (Mr. Blosser) could encourage municipal leadership to be proactive in their responsibility to chair pension trustee meetings. Mr. Blosser confirmed that he would encourage municipal mayors and city managers to take an active role in pensions.

### **Legislative Agenda**

- Defining Actuarial Soundness. Mr. Taylor stated that had already been discussed and pushed out until the December meeting.
- Defining Base Pay, Overtime, and Other Remuneration<sup>xii</sup>
  - Mr. Taylor presented. He asked Board Members to review the email regarding the definition of Base Pay. Discussion will continue in December in order to determine how to provide Pension Secretaries better information on what goes where when doing calculations.

### **Pcard Expenditures for June, July, and August 2020<sup>xiii</sup>**

- Mrs. Painter presented. She noted that she had provided all board members with the Purchasing Card transactions by the MPOB staff for June, July, and August 2020 in the Board Packet.

*MOTION: Motion made by Mr. Blosser, Seconded by Mr. Fleck; Passed unanimously.*

***RESOLVED, that MPOB P-Card purchases for the months of June, July, and August of 2020 are approved.***

### **Pension Plan Payment Schedule<sup>xiv</sup>**

- Mrs. Painter presented the schedule to the Board and requested to update the report from a manually created document to a systematic format according to what the Board uses the report for. Information is duplicated in other reports. Recommendation to have the report updated and sent to the Board members for review.

### **Executive Director's Report<sup>xv</sup>**

- Due to the lateness of the hour, Mr. Taylor asked that all members review the Executive Director's report provided in the Board packet and yielded his time to Ms. Matthews.
- Ms. Matthews presented a brief overview of the presentation on website updates<sup>xvi</sup>. Items noted were:
  - In addition to the normal updates of minutes and reports, updates to current live site a new Board Member Biography page. She asked that board members provide updated biographies and photos, as necessary.

- The revised website design initiated in 2019 has been updated to be more eye-catching, more user friendly with less need for pdf downloads and more information directly on the site.
- The future website will feature dropdown links directly to Police and Fire Municipal Pension Fund pages and “How can we help you?” pages.
- The plan is to have most of the necessary updates and design changes ready for the site to go “live” in January 2021.

Ms. Matthews thanked the Board for the opportunity to work for the MPOB.

The next regular meeting of the MPOB will be held on December 17, 2020 at 1:00 p.m. at 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

**Public Comments**

- No members of the public were in attendance.

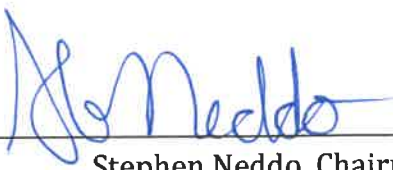
**ADJOURNMENT**

- Mr. Neddo called for a motion to adjourn:

*MOTION: Moved by Mr. Slaughter; Seconded by Mr. Fleck; Passed unanimously:*

**RESOLVED, that the September 17, 2020 meeting of the MPOB is adjourned.**

- Mr. Taylor thanked all for participating.

  
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 Stephen Neddo, Chairman

Minutes approved 12/17/2020  
 (date)

Referenced documents can be found in the Board Meeting Packet or at the link given.

- i MPOB Minutes – June 18, 2020
- ii Draft WVMPOB Financial Report pages 1-7
- iii West Virginia House Bill 4042 Purchasing Division  
[http://www.wvlegislature.gov/Bill\\_Status/bills\\_text.cfm?billdoc=HB4042%20INTR.htm&vr=2020&scsstype=RS&i=4042](http://www.wvlegislature.gov/Bill_Status/bills_text.cfm?billdoc=HB4042%20INTR.htm&vr=2020&scsstype=RS&i=4042)
- iv Interim Survivor Results Bolton - WV MPOB Survivor Benefit Review
- v DROP Summary Report to State Legislature - First Annual DROP report under WV Code Section §8-22-25a(e)
- vi Drop Study Methodology

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vii	Actuarial Methods Recommendation Report
viii	Compliance Review Letter City of Moundsville Fire
ix	Compliance Review Letter City of Moundsville Police
x	Compliance Review Letter City of Wheeling Fire
xi	Compliance Review Letter City of Wheeling Police
xii	Base Pay Definition - Bolton
xiii	June Pcard Transactions, July Pcard Transactions and August Pcard Transactions
xiv	Pension Payments Schedule As of 08.31.2020
xv	Executive Director's Report 9-11-2020
xvi	Updates to Current and Future MPOB Website