

AGENDA
Municipal Pensions Oversight Board
Meeting of the Board Members

September 21, 2023 – 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 June 15, 2023
- III. Old Business
 - A. Legal
 - 1. Beckley Fire Department Pension Board v. The Municipal Pensions Oversight Board and Chairman Civil Action No. CC-41-2022-C-185
 - 2. Todd Lewis Taylor v. The City of Charleston, WV Policemen’s Pension and Relief Fund
 - 3. Paul Harrison v. the Charleston Firefighter’s Pension and Relief Fund and West Virginia Municipal Pensions Oversight Board, Civil Action No. 22-C-357. – Dismissed. Subsequent notice received 7-24-23 intent to refile.
 - 4. Terence F. Brown v. W.V. Municipal Pensions Oversight Board, Blair Taylor, City of Weirton, and Harold Miller (amended to City of Weirton and The Board of Trustees of the Policemen’s Pension or Relief Fund of Weirton), Civil Action No. CC-05-2021-C-14
 - B. Compliance Review Updates
 - 1. Recalculations
 - a. Charleston Fire
 - b. Dunbar Fire
 - c. Wheeling Fire
 - 2. Reviews started July 2023
 - a. Grafton Police and Fire, Welch Police and Westover Police
 - C. ARFP for Actuarial Audit Services
 - 1. Number of Bidders
 - 2. ARFP Evaluation Committee
- IV. New Business
 - A. Draft FY2023 Independent Audit
 - B. Bolton Actuarial Valuation Reports (AVR) Preliminary Results
 - 1. Wheeling Police POB assessment – no new fees
 - C. P-Card Expenditures – June, July, and August 2023
 - D. Executive Director’s Report
- V. Public Comments
- VI. Adjournment

MUNICIPAL PENSIONS OVERSIGHT BOARD
MINUTES OF MEETING
September 21, 2023

The Municipal Pensions Oversight Board (MPOB) met on September 21, 2023, at 1:00 PM. The location of the meeting was held at 301 Eagle Mountain Rd. Suite 251, Charleston WV 25311. Mr. Steve Neddo welcomes everyone and calls the meeting to order. Janet Warren calls the Roll.

I. Roll Call - Attendees:

Board Members:

Travis Blosser — Absent

Jeffrey Fleck — Present

David Lanham — Absent

Sarah Long — Present

Jason Matthews, Vice Chairman — Present virtual

Steve Neddo — Chairman — Present

Michael Payne — Conference call

Tom Pearcy — Present

Craig Slaughter— Absent

Staff:

Janet Warren — Administrative Assistant - Present

Les Smith, Accountant — Present

Matthew Pauley, Chief Financial Officer - Present

Blair Taylor, Executive Director- Present

Guest:

Jim Ritchie, Senior Consulting Actuary, Bolton — Present

Jordan Mclane, Consulting Actuary, Bolton — Present Virtual

Anthony Carpenter – Brown Edwards

General Counsel:

Anthony Eates, Deputy Attorney General – Present Virtual

Minute taker:

Janet Warren

Mr. Neddo States that MPOB does have a quorum.

II. Approval of Minutes

Minutes' for the MPOB meeting on June 15,2023, were presented for approval.

Motion to approve the minutes as presented; moved by Mr. Jeff Fleck; Seconded by Mr. Jason Matthews. Passed unanimously.

RESOLVED the minutes for the June 15, 2023, meeting, Municipal Oversight Board Meeting minutes were approved as presented.

Mr. Neddo moves the draft FY2023 Independent Audit to the next order of business.

IV. New Business

A. Draft FY2023 Independent Audit

Mr. Matt Pauley presents and introduces Mr. Anthony Carpenter, Director of Brown Edwards, to present the draft independent audit to the Municipal Pensions Oversight Board.

Mr. Anthony Carpenter presenting to the Board:

- Drafts were submitted on time
- Final Audit will be issued over the next few days, on time

Deliverable results are as follows:

- **Auditor communications to management and Government:**
 - > No new accounting policies adopted or changed throughout the year (GASB 96 was implemented but the Board did not have any IT subscription arrangements in scope. It was evaluated but had no impact on the scope.
- **Loss of definition:**
 - > Nonrelevant
- Brown Edwards notes there were no difficulties in performing the Audit.
- No corrected or uncorrected misstatements identified.
- No disagreements with Management
- No independent audits with any other Audits as it relates to accounting matters

Financial Statements are as follows:

- Audit opinion - Unmodified opinion
 - > Basic financial statements presented fairly in all material respects
- Required Supplementary Information – Managements discussion on Analysis (Pension and OPEB related schedules)
 - > Brown Edwards does not express an opinion on the Supplementary information (standard)

- Schedule of Statutory commitments - Browns opinion: Presented fairly, in relation to the basic financial statements.

There have been no major changes since last year. No new significant types of transactions. No changes in the disclosures.

Mr. Carpenter notes the last two pages of the report are the on the governing auditing standards report.

Key takeaways on the Government Audit Standard Report were as follows:

- No material weakness identified during the Audit
- Brown Edwards disclosed no instances of non-compliance or other matters that are required to be reported by Government Audit Standards.

Results are a clean Government Audit Standard report and a clean unmodified report on standards of financial statements.

Mr. Carpenter asks if there are any questions regarding the 2023 Independent Audit.

- Ms. Sarah Long thanks Mr. Matthew Pauley and Brown Edwards for their hard work on the independent audit and asks for a Motion to accept the draft 2023 Independent Audit report.

Motion to approve the minutes as presented; moved by Ms. Sarah Long; Seconded by Mr. Jeffrey Fleck. Passed unanimously.

RESOLVED the draft 2023 Independent Audit performed by Brown Edwards were approved as submitted.

III. Old Business:

A) Legal

Mr. Anthony Eates presenting.

1. Beckley Fire Department Pension Board vs. MPOB Civil Action No. CC-41-2022- C – 185.

- MPOB is continuing to wait for Beckley fire to address the draft stipulations that were sent, to come and an agreement to bring to the judge.

2. Todd Lewis Taylor v. The City of Charleston, WV Policemen's Pension and Relief fund -Judge Webster.

- Mr. Taylor and Mr. Eates attended 5 depositions over a two-day period, the end of July, and the first week of August 2023 of current and retired Charleston police officers that are witness to the case.
- The City of Charleston will be taking depositions (no schedule yet reported to Mr. Eates).
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3. Paul Harrison v. The Charleston Firefighter's Pension and Relief Fund and West Virginia Municipal Pensions Oversight Board, civil Action No. 22-C-357.

- Mr. Harrison first filed the suit incorrectly, that suit was dismissed. He refiled and did not give a 30-day notice, that suit was dismissed. He was subsequently given 30 days' notice in July 2023 that he intends to refile. To Mr. Eates knowledge, Mr. Harrison has not refiled.
4. Terrence F Brown vs WV Municipal Pensions Oversight Board, Blair Taylor, City of Weirton & Harold E. Miller (amended to City of Weirton), Civil Action No. CC-05-2021-C-14.

Mr. Taylor presenting

- City has been released from the suit
- Current Pension Board has filed for dismissal (both the City and Board have pointed back to the Oversight board, currently not in the suit. MPOB insurance attorneys continue to monitor the case, just in case the MPOB is brought back in on the case or if the case gets refiled.
- Member's pension is currently being paid

B. Compliance Review Updates

Mr. Blair Taylor presenting:

1. Recalculations

- a.) **Charleston Fire** – Recalculations are continuing through Suttle and Stalnaker.
- b.) **Dunbar Fire** – Sommerville & Co. are working on the recalculations. Mr. Taylor is having difficulties getting the pension secretary for Dunbar Fire. Mr. Taylor request Mr. Jason Matthews to reach out to the pension secretary.
- c.) **Wheeling Fire** – MPOB have received the CPA's recalculations. MPOB picked ten retirees' to review. Those recalculations consist of non-duty disability, a QRDO, survivor benefit retiree, Drop 1, Drop 2 and regular retirees, for recalculations. Mr. Smith is finished with all the recalculations, and Mr. Taylor is going over them as well. Discussions with Wheeling Fire's CPA, Aimee Tickerhoof is ongoing. The MPOB needs and has requested more data on two of the recalculations. For the QDRO recalculation, MPOB was given a draft QDRO. Mr. Taylor has requested a signed copy of the QDRO. For the Non-duty disability, MPOB has requested tax returns, for COLA calculations. Recalculations for those two cannot continue until that information is provided by Wheeling fire. Mr. Smith, Mr. Taylor, and Mrs. Warren, Data Analyst, have reviewed the recalculations. MPOB have released two of those recalculations back to the CPA, agreeing with their recalculations. Mr. Taylor hopes to have the final documents and will be able to report finalization of Wheeling Fire recalculations in the December 2023 Quarterly Meeting.

2. Reviews started July 2023

Mr. Matthew Pauley presenting

- a) **MPOB has started reviews for Grafton Police and Grafton Fire, Welch Police, and Westover Police.**
- **Welch** – Material has been submitted. Mr. Pauley is working through the material

- **Westover-** Submitted material with a format less convenient. Mr. Pauley is currently working through the material.
- **Grafton Fire and Grafton Police** – MPOB hasn't received material for either Grafton Fire or Grafton Police. Mr. Pauley has reached out to them on numerous occasions, and will continue to do so, accordingly.

Mr. Taylor states that the MPOB will work on larger plans that have not been done yet, such as Clarksburg Police and Clarksburg Fire, Fairmont Police and Fire. Beckley started but because of the lawsuit, their compliance reviews have not been completed.

C. **ARFP for Actuarial Audit Services**

The Actuaries, Mr. Jim Ritchie, and Mr. Jordan McClane, leave the meeting.

Mr. Fleck presenting:

- MPOB had eight bidders for the ARFP for actuarial auditing services
- Mr. Fleck will schedule an evaluation committee meeting
- Vendors will be evaluated on technical scores, MPOB doesn't know the cost, and it will not be known until after the technical evaluations have been completed
- Committee members include Mr. Jeff Fleck (Chair), Mr. Travis Blosser, Mr. Craig Slaughter, Mr. Les Smith, and Mr. Blair Taylor which were selected at the March 2023 Board Meeting
- Committee will use scoring sheets, also making sure the Vendors have met the mandatory requirements
- MPOB will need to have a special Board meeting, before the next quarterly meeting, to approve the contract (can be virtual)

Mr. Percy asks if this is a term contract

Mr. Blair Taylor gives clarification on the AFRP, (reviewal of MPOB actuaries, Bolton), doing full replications of each of the plans that use the various funding methodologies (Standard, Optional, Conservation, Alternative, and Optional II, if any exist)

- Audit must be completed and presented at the June 2024 Quarterly Board Meeting
- This audit is required once every 7 years
- The technical submissions and scoring sheet have been sent to each of the committee members (available for review)
- Presentations are a part of the technical scores
- After technical scoring, and presentations, cost will be opened and added to the technical scores, giving MPOB a final score for awarding the contract

IV. **New business**

Mr. Jim Ritchie and Mr. Jordan McClane rejoin the meeting

B. **Bolton Actuarial Valuation Reports (AVR) Preliminary Results**

Mr. Jim Ritchie presenting

1. Participant Counts

- Active participants accounts: 31 Optional Plans, 3 Conservation Plans – The city of Charleston is moving from Conservation to Optional I, fully funding by 2046. The city had a tax fund on the side (38 million) that wasn't included in the asset value. Those will be reflected in the contributions status but aren't reflected in the funding status yet. Active counts are down because those accounts are frozen.
- Retiree and deferred members are up slightly
- Survivors and disabled members are down
- Total participant members are down around 40 members

2. Funding Status

- Timing was successful in implementing the smoothing method (year 3 of smoothing method)
- Because of the smoothing method, contributions to the cities, in aggregate, have gone down
- Liabilities are down that is because a lot of the plans are Optional, the active members have dropped, and total counts have dropped down
- The Actual Values of Assets (AVA) Smooth Method – Up about 30 million, while the market value is down 60 million
- The Market value does not reflect the POB funding (Wheeling) or the Charleston Tax fund – that will show next year
- Funding percentage using the AVA had a steady increase 31% July 1, 2020, 34% July 1, 2021, and 35% July 1, 2022, while the market value went from 30% July 1, 2020. 38% July 1, 2021, to 35% July 1, 2022

3. Estimated Contributions

- City Contributions were down because premium tax allocations were up this year.

Mr. Ritchie notes that there is an update to actuarial standard of practice no. 4. (Best practices, recommendations, and disclosures) on reports and developing assumptions. There will be two main updates that will reflect the reports because of the updates, reflective after February 2023. Current reports are reflective as of July 1, 2022. The updates for standards will include:

- **Low default risk measure**
 - An example of a low default risk measure would be if using a Pension plan as a series of payments, it acts like a bond. If you were going to fund the pension plan with a bond you would get a bond portfolio where it had a zero-coupon bond or a bond that had some maturity, payments could be matched to the bond portfolio, while not completely devoid of risk, but being low risk while funding the pension plan. The interest rates and liabilities move together as the market liabilities moves together
- **Actuarial determine contribution**
 - Bolton already shows this determination because MPOB uses different funding policies

Mr. Fleck asks Mr. Ritchie, Bolton, if there are amortization dates on various plans? Mr. Ritchie states when Bolton completed the previous experience study, layered dates were used, but Bolton has the original periods on Option I, which has about 26.5 years left when switching from Alternative. If coming from Standard Methodology, there are around 8 years on the original base. All the new layers are amortized over the next 15 years except plan changes. Plan changes are over 5 years. Most plans have 4 or 5 basis layers in this evaluation. Mr. Taylor adds that statutorily any fund using Standard Method has to be fully funded June 30, 2031, Optional date would be June 30, 2050, Conservation Method (Municipalities are no longer allowed to change to Conservation), is 35 years after Municipalities made the change to the Conservation funding plan, Optional II date would be June 30, 2063. The only plans that would qualify for Optional II are those plans that are currently in Alternative or Conservation Plans. Municipalities that are in the Conservation Plans can choose to go into Optional I or Optional II. Mr. Taylor notes that the plans that are woefully underfunded are either in the Alternative or Conservation plans. There are only 3 plans left in the Conservation Plan since Charleston Fire and Police moved to Optional I. Dunbar Fire plan to move and Mr. Blosser is discussing planned movement with Fairmont Police and Fire.

- Mr. Ritchie notes they were asked to do an analysis on Wheeling Police on the correction of benefits with overpayments and underpayments, regarding the initial POB plan funding covering those overpayment and underpayment amounts. Bolton recalculated the liability, seeing if that total was covered by the POB sell. Their Liability was slightly lower, by about \$63000.00. Results were that the POB funding did cover corrections needed for the overpayments and underpayments, including a contribution that needed to be made up of about \$150,000 for past underpayments. The city of Wheeling is aware that normal cost fees will need to be paid by the city. Mr. McClane notes that the premium tax dollars will not go to the city to pay their contribution, it will now go to the Bond issuer through 2050, which started last year

C. P-Card Expenditures- June, July, and August 2023

Mr. Matthew Pauley presenting

Mr. Pauley presents the P-Card Expenditures for the Months of June, July, and August and 2023.

MOTION: Moved by Mr. Jason Matthews; Seconded by Mr. Tom Blosser, Motion to approve the P-Card Expenditures for months June, July, and August 2023

RESOLVED: P-Card Expenditures for June, July, and August have been approved as presented.

D. Executive Director Report

Mr. Blair Taylor presenting.

- Disability applicants include 9 active and 14 inactive

Mr. Fleck notes that CPRB are having difficulties with getting members exams scheduled and asks if MPOB is having the same issues with getting exams scheduled?

- Mr. Taylor answers, stating that MPOB is having the same issues with Midwest exams. Mr. Taylor contacted Tri-State Occupational Medicine (TSOM) and has directly contracted with them for exam scheduling.*

MPOB has already scheduled 2 disability exams using the new contract. Timeline scheduling for those two exams are two weeks out and the second was scheduled for one month. The difference between contracting with Midwest and MPOB scheduling is MPOB must request and supply the medical records to TSOM. MPOB uses an encrypted email service for such records. Mr. Taylor states that MPOB is happy to share the contract with CPRB Director, Mr. Fleck.

- TSOM does not do psychiatrist evaluations, so MPOB are still using Midwest for those exams, which are still causing difficulties. Other options that MPOB has looked at includes a company that cost \$6000 per exam
- TSOM travels across the state doing exams. There are numerous locations to choose from regarding the location of the member
- The Dr. will provide the report within 7-10 days, after the exam, and payment will be included in the same day
- Drop Applications – South Charleston Fire, Charleston Police and Martinsburg Police are showing interest in DROP.
- Website – Website has been updated. Standard and Optional forms are on the website and before the Actuarial studies are complete, the Alternative forms will be available on the website. For the Conservation method plans will contact the MPOB.
- Fiduciary Training – Will be scheduled for the December 2023 quarterly board meeting
- Bolton Change order – No change order is needed to include Optional II
- September 2023 Allocation - \$21.82 million Dollars, up from the previous years
- Legislative - Previous special session did not include the VFD/EMS funding.
- FY2023 Audit – This is the 11th year that the MPOB has had an unmodified opinion.
- 2025 Budget Request – The 2025 Budget Request have been submitted, on time
- Wheeling City Council Meeting – Mr. Taylor attended the Wheeling City Council Meeting, which passed a resolution to correct the method of over- payments and underpayments for the Wheeling Policemen’s relief fund. There will be a similar resolution passed for the Wheeling Fire but only after resolutions have been fixed
- Mr. Les Smith has indicated that he will completely retire at the end of 2023. Mr. Taylor thanks him for his dedication, professionalism, and knowledge throughout his tenor with the MPOB. Before leaving, Mr.

Smith with help with the evaluation of the ARFP and will continue to help Mr. Pauley through his departure. Mr. Fleck, on behalf of the Board, thanks Mr. Smith for his hard work and dedication to the Municipal Pensions Oversight Board.

Mr. Jason Matthews asks if Greystone has submitted their Quarterly Investment fees, noting that they are not included in the Quarterly investment fee report?

Mr. Pauley states that they have sent the report, but it was after the deadline for Board packet material. Mr. Pauley states that he will send that report to the Board members, as a follow-up

- Mr. Fleck comments about the publicity being given for the absorbent amount of overtime being worked by the City of Charleston Police. He questions if the Municipal Pensions Oversight Board has been asked or is involved with the issue of overtime by Charleston PD. Mr. Fleck is aware that MPOB has compliance reviews and is aware that overtime is allowed to be used in the calculation of a final salary for a member retiring. He also notes that a person that is getting close to retirement age is working an unreasonable amount of overtime, which is increasing their final average salary.

Mr. Taylor responds that in almost every larger police department with 20 or more members, in the state, this is not unusual. It occurs in about every department, both police and fire.

The MPOB does not track overtime, tracked is the total salary reported to the Actuary each year. The Oversight Board was requested by the Legislative Auditor to provide certain information, which has been provided. The data that Mr. Allred asked for and what the MPOB were able to provide were two separate sets of data. Mr. Allred asked for breakdowns of overtime data, which is data that the MPOB is not required to obtain. MPOB receives the name and the amount a person makes for a year; their position or salary amount is not known to the MPOB. MPOB does not get data on salary amounts plus additional overtime amounts, separately. The Actuary is provided the salary, and the overtime is inclusive of that total. Mr. Taylor states that the more involvement that he has in depositions, the more he hears about “pension runs”. The city regulates how much overtime is available, and who is eligible to receive the overtime.

Mr. Neddo adds that when talking to Senator Nelson, the term as overtime spiking. Mr. Neddo asks Bolton if they account for the spike in overtime.

Mr. Ritchie responds

There is a restriction on the amount of overtime included in the pension. Looking at the last 3 years, there can only be an allowance of 20% spiked overtime to be included in the pension calculation.

Mr. Neddo states when looking at the 5 years instead of 3 years, he can see the issue, when trying to maximize the retirement pension. Mr. Neddo doesn't think that the MPOB can address the overtime issue. Mr. Fleck stated that if a limit should apply, then there needs to be a change in the law. Mr. Taylor states that there is a limit. Taking the year in question and looking at the two previous years, and with a formula, if the year in question is 20% greater than the average of the 2 previous years, then the limit applies for the calculation.

Mr. Neddo states that overtime spiking occurs when working a large amount of overtime for 5 years instead of 3. That is when overtime spiking becomes an issue.

Mr. Taylor believes that is why the drop plans are seeing an increase. Also, extra outside activities such as Live on the Levee, Regatta, a parade, etc. require more protection. If the contractors pay the city for the protection, payments to the officers or firefighters are only shown from the city itself. A lack of employees, not enough to cover all shifts can cause the overtime that is being seen. Mr. Taylor states that overtime should be looked at by where the overtime is being given. Is it spread throughout the department or only with the employees that are close to retirement age? It would be financially beneficial for the newer employees, that make less than the senior employee's work the overtime, but that likely is not happening.

Mr. Percy states that the MPOB can evaluate the impact that it is having on a Pension, but ultimately it is quality enforcement by the city.

V. Public Comments

VI. Adjournment

Motion to adjourn; Moved by Mr. Jeff Fleck; Seconded by Mr. Tom Percy.; Passed unanimously.

Resolved; Meeting for the MPOB on September 21, 2023, is adjourned.



Steve Neddo (Chairman)

Minutes approved 12-14-23
(date)

Referenced documents can be found in the Board Meeting Packet