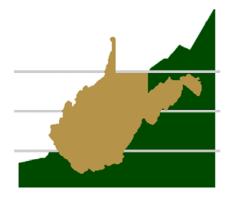


WEST VIRGINIA
INVESTMENT MANAGEMENT BOARD

# **Annual Report**

Year Ended June 30, 2009



The West Virginia Investment Management Board is dedicated to providing prudent, efficient and professional investment management on behalf of and in the best interest of the beneficiaries of the assets it is entrusted with.

# **Table of Contents**

# Section I

Introduction	
Message from Chairman	1
Message from Executive Director	2
Organization	
Board of Trustees	4
Representatives and Committee Members	5
Staff Members	6
Organizational History	7
Statutory Mandate	8
Administrative Mandate	9
Organization Chart	10
Investment Philosophy	11
Investment Objectives and Financial Highlights	
Short-Term Fixed Income Pool	12
Fixed Income Pools	14
Equity Pools	17
Alternative Pools	21
Real Estate Pool	23
Special Purpose Pool: TRS Annuity	25
Participant Plans	
Deputy Sheriff's Retirement System	26
Judges' Retirement System	28
Public Employees' Retirement System	30
State Police Death, Disability and Retirement Fund	32
State Police Retirement System	34
Teachers' Retirement System and Teachers' Employers Contribution Collection Account	36
Emergency Medical Services Retirement System	39
Coal Workers' Pneumoconiosis Fund	41
Workers' Compensation Old Fund	43
Workers' Compensation Self-Insured Guaranty Risk Pool	45
Workers' Compensation Uninsured Employers' Fund	47

# **Table of Contents**

Wildlife Endowment Fund	49
WV Prepaid Tuition Trust Fund and WV Prepaid Tuition Trust Escrow Account	51
Revenue Shortfall Reserve Fund	54
Revenue Shortfall Reserve Fund - B	56
Board of Risk and Insurance Management	58
Public Employees Insurance Agency	60
WV Retiree Health Benefit Trust Fund	62

# **Section II**

# **Audited Financial Statements**

# **Investment Pools**

Large Cap Domestic Equity Pool	A
Non-Large Cap Domestic Equity Pool	B
International Qualified Pool	C
International Nonqualified Pool	D
International Equity Pool	E
Short-Term Fixed Income Pool	F
Total Return Fixed Income Pool	G
Core Fixed Income Pool	Н
TRS Annuity Pool	I
Private Equity Pool	J
Private Real Estate Pool	K
Hedge Fund Pool	L
Fixed Income Qualified Pool	M
Fixed Income Nonqualified Pool	N

# Administrative Fund

# **Definition of Terms and Abbreviations**

The following terms and abbreviations are used throughout the West Virginia Investment Management Board's Annual Report and are listed here to help with the overall understanding and readability of this document.

Allocation Committee A three-member committee that includes the Executive Director, the Chief Investment Officer,

and the Board named investment consultant, authorized to modify the Strategic Allocation

from time to time, subject to the allocation range limits.

Board The thirteen-member Board of Trustees that governs the West Virginia Investment

Management Board.

Cap Abbreviation for "capitalization," referring to the size of the investment market for that

particular asset style.

(Participant)

IMB The "West Virginia Investment Management Board" including its Trustees, plan

Representatives, Committee Members, and staff.

Neutral Target The absolute percentage weighting assigned to an asset class or the secondary components

within an allocation to which rebalancing should ultimately occur in the absence of an

Allocation Committee modification.

Participant Plan A specific group of assets entrusted to the West Virginia Investment Management Board.

Retirement plans, endowments, and insurance trusts, for example, are all Participant Plans.

**Policy Allocation** The allocation between the three major asset classes – global equity, fixed income, and cash –

whose purpose is to serve as return generators, or diversifiers, or some combination of both.

Pool Refers to the specific investment pool created and operated by the West Virginia Investment

Management Board for a specific investment asset class.

Range Allocation The Board has placed ranges (Allocation Ranges) around the Strategic Allocation in order to

maintain appropriate risk controls. Allocation decisions made by the Allocation Committee are

defined as the Range Allocation.

**Strategic Allocation** Represents allocations to secondary components of the three major asset classes defined in the

Policy Allocation. For example, large cap, small cap, value, growth, etc. Allocations to these secondary components generally represent longer-term beliefs about the relative attractiveness

between different segments within an asset class.

# Message from Chairman

September 11, 2009

#### Dear Fellow West Virginians:

On behalf of the Trustees of the West Virginia Investment Management Board, I am pleased to present the Board's annual financial report for the fiscal year ending June 30, 2009. Please note that additional information about the Investment Management Board may be accessed electronically on its web site, www.wvimb.org.

The 2009 fiscal year has been a challenging one for all investors, including the Investment Management Board. As most of you are well aware, financial markets deteriorated rapidly throughout the first three quarters. Given the extent of market turmoil, the Investment Management Board is relatively fortunate to only be down 15.6 percent for the year (using the Public Employees' Retirement System as a proxy for all long-term assets). Many others suffered much more. Nevertheless, after four years of great progress in funding the State's pension plans, this shortfall in investment return was a significant setback. As a result, the State will have to make additional contributions to the pension plans. This may be required for several years to come if the global economic environment does not improve soon. It is important, though, to emphasize that a long-term perspective is required in assessing an investment portfolio of assets with long time horizons. Through great teamwork, I am confident the Investment Management Board will successfully navigate its way through these difficult markets.

Finally, I wish to thank the Trustees and staff of the Investment Management Board for their dedicated service. Patience and firm resolve in the face of unprecedented market turmoil served the State well. I am pleased with their professionalism, commitment to our mission, and customer service.

Very truly yours,

Joe Manchin III

Governor of the State of West Virginia

Janehim

Chairman, Board of Trustees

# Message from Executive Director

September 11, 2009

#### Dear Trustees:

It is with great pleasure that I submit the Annual Report of the West Virginia Investment Management Board (IMB). The IMB is considered an internal service fund of the State of West Virginia for financial reporting purposes and, as such, the significant financial information contained in this report is also included in the State of West Virginia's comprehensive annual financial report. The information presented in this report is the responsibility of the management of the IMB, and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. The report is also designed to comply with the reporting requirements of Chapter 12, Article 6, Section 6 of the West Virginia Code, as amended. This report is divided into the following sections:

- The Organization section which contains general information regarding Trustees and staff, history of the IMB, statutory mandate, administrative mandate, and investment philosophy.
- The Investment Objectives and Financial Highlights section, which outlines the more specific objectives and performance of each of the investment pools.
- The Participant Plans section, which contains a brief description of each of the participants whose assets are entrusted to the IMB.
- The Audited Financial Statements, which contains the independent auditor's report, the financial statements and
  notes thereto, and required supplementary information regarding the investment pools administered by the IMB
  and the IMB's Administrative Fund.

Please note that this year the audited financial statements are presented separately for each investment pool. This change was made to provide the user with increased readability and clarity of the presented information. The separate presentation further clarifies that the independent auditor is issuing their audit opinion on each pool individually and not as a collective whole.

As an investment organization, the IMB's constant focus is the performance of its investments as it seeks to satisfy the investment needs of the beneficiaries of the assets entrusted to it. As of June 30, 2009, the IMB's return was down 15.6 percent net of expenses for the fiscal year (using the Public Employees' Retirement System as a proxy for the other systems because of its similarity to other statewide public plans throughout the nation). As you well know, of greater significance is the longer-term performance. In that regard, over the five years ending June 30, 2009, the IMB's return was 2.4 percent versus the policy benchmark of 2.3 percent which represents millions of dollars in value added by Trustees and staff. Over the ten-year period ending June 30, 2009, the IMB's return was 3.6 percent versus a policy benchmark of 2.5 percent. Note, however, that the first year of the ten-year period was a transition period from a portfolio made up of virtually 100 percent fixed income securities to one consisting of 60 percent stocks and 40 percent fixed income.

The majority of assets managed by the IMB are for participants with longer time horizons. These include the defined benefit pension plans, employment security plans and other trust assets. Specifically, for the defined benefit pension plans, the returns for the fiscal year ending June 30, 2009, ranged from negative 15.1 percent for the Emergency Medical Services Retirement System to negative 16.1 percent for the Teachers' Retirement System. Differences in returns for the various pension plans are a function of the differences in the timing of cash flows into and out of each plan and relative levels of cash equivalent securities necessary to make benefit payments. Other trust assets, including the Wildlife Endowment Fund and Prepaid Tuition Trust Fund, returned negative 15.6 and negative 13.2 percent respectively.

With regard to employment security assets, the reader will note a significant difference in returns from defined benefit plans. Although the difference in the timing of cash flows is a factor in the differences in the returns of these insurance assets versus other types of assets, the difference in the respective plans' allocation to stocks plays a much greater role. For fiscal year 2009, only 20 percent of the Coal Workers' Pneumoconiosis Fund is allocated to stocks while the Workers' Compensation

# Message from Executive Director

Old Fund had an allocation of 30 percent to stocks. The Board of Risk and Insurance Management and the Public Employees Insurance Agency also have allocations commensurate with their needs. As a result, the returns for the fiscal year ending June 30, 2009, ranged from 1.1 percent for the Workers' Compensation Self-Insured Guaranty Risk Pool to negative 9.4 percent for the Workers' Compensation Old Fund.

Herein, the plans with long time horizons, as a group, are generally referred to as "Participant Plans." Specific data on returns and objectives on all Participant Plans may be found in the pages that follow.

The returns outlined above and in the following report do not fully reflect the extent of market turmoil the IMB experienced in fiscal year 2009. The portfolio was down 29.8 percent on February 28, 2009 and then recovered 14.2 percent to end the fiscal year down only 15.6 percent. This type of volatility is extreme and something the IMB guards against by being well diversified across asset classes. Generally, different asset classes behave differently in similar economic environments. Thus, while one part of the portfolio falls, others often hold value. Diversification simply did not work during the fiscal year 2009 market collapse. It is in times like this that a long-term investor must show patience and resolve. During such times it is very tempting to follow the herd and run for the safety of cash and U.S. Treasuries. To do so, however, requires selling assets at depressed values. Trusting one's long-term asset allocation decisions becomes difficult, but critical. The IMB held firm to its convictions, maintaining the portfolio asset allocation, trusting that decisions made during less troubled times were still prudent. It was rewarded as the market turned around finishing fiscal year 2009 going up. Fortunately, this type of volatility is very infrequent. Many have characterized it as a "once in a lifetime event." While the IMB hopes this is true, it will look for ways to further protect the portfolio from such dramatic swings in value.

Fiscal year 2010, like every year, will present new challenges. The markets have not fully recovered from the turmoil in fiscal year 2009 and it is impossible to know when it will. If the global economic environment does not recover, it may be much harder to generate necessary investment returns. If the West Virginia economy does not improve, it will stress the State's budget in meeting funding shortfalls in the pension plans caused by lower returns on investment. The challenges are immense, but staff looks forward to helping Trustees cope with them as fiscal year 2010 unfolds.

On behalf of staff, it is with excitement that we look forward to helping Trustees fulfill the statutory mandate and fiduciary requirement to invest assets of Participant Plans in the best interest of beneficiaries.

Sincerely,

H. Craig Slaughter Executive Director

# Board of Trustees - Fiscal Year 2009

#### Joe Manchin III, Chairman

Governor of the State of West Virginia

#### John T. Poffenbarger, Vice-Chairman

Special Counsel in the law firm of Bowles, Rice, McDavid, Graff & Love, LLP

# Samme L. Gee, Secretary

Partner in the law firm of Jackson Kelly, PLLC

#### Stephen L. Angel

Retired Principal of Blennerhassett Junior High School, Parkersburg, West Virginia

#### Richard E. Boyle, Jr.

Partner in the law firm of Kay Casto & Chaney, PLLC

#### Carlyle D. Farnsworth

Retired, former President of United National Bank in Wheeling, West Virginia July 1, 2008—June 10, 2009

#### Glen B. Gainer III

Auditor of the State of West Virginia

#### David A. Haney

Executive Director of the West Virginia Education Association

# Roger D. Hunter

Partner in the law firm of Spilman Thomas & Battle, PLLC

#### Patrick D. Kelly

Partner in the law firm of Steptoe & Johnson

# David H. McKinley

President and Managing Director of McKinley | Carter Wealth Services Appointed June 10, 2009

#### John D. Perdue

Treasurer of the State of West Virginia

# Marie L. Prezioso

Director, Raymond James & Associates, Inc., Charleston, West Virginia

#### Steven L. Smith

Administrator of the West Virginia Laborers Trust Funds

Deputy Sheriff's Retirement System

David D. Gentry, Representative

Terry Miller, Committee Member

Paul O'Dell, Jr., Committee Member

Judges' Retirement System

Jack Alsop, Representative

Public Employees' Retirement System

Fredric W. Thomas, Representative

Keith Chapman, Committee Member

Patricia Hamilton, Committee Member

State Police Death, Disability and Retirement Fund

W. Scott Crouch, Representative

State Police Retirement System

Vacant, Representative

Teachers' Retirement System

Tony Lautar, Jr., Representative

Robert L. Brown, Committee Member

Dale Lee, Committee Member

**Emergency Medical Services Retirement System** 

Larry W. Cole, Representative

Coal Workers' Pneumoconiosis Fund

Melinda Kiss, Representative

Workers' Compensation Old Fund

Bill Kenny, Representative

By statute, the Consolidated Public Retirement Board and the West Virginia Offices of the Insurance Commissioner are responsible for appointing a representative for each plan who may select a committee of up to three individuals. The representative and committee members work with the Investment Management Board to develop the investment policy for their respective plan. They are appointed on an annual basis.

#### Executive Staff

Craig Slaughter, Executive Director

Matthew Jones, Chief Financial Officer / Chief Operating Officer

Kristy Watson, Chief Investment Officer

#### Investments Division

Rod Livingston, Senior Investment Officer

Tom Sauvageot, Fixed Income and Real Estate Investment Officer

Jim Herrington, Private and Public Equity Investment Officer

#### **Operations Division**

Roger Summerfield, Director of Operations

Steve Frenchik, Financial Reporting Manager

Brian DuBois, Senior Investment Accountant

Linda Davis, Trade Analyst

Betty Hammack, Investment Accountant

Crystal Hunt, Investment Accountant

Laura Leport, Investment Accountant

Traci Pollitt, Alternative Investment Analyst

# Records Management

Rebecca King, Corporate Records Administrator

#### Support Staff

Jo Ann Harrison, Administrative Assistant to the Executive Director

Jane Heitz, Secretary / Receptionist

Milly Torman, Administrative Assistant to the Chief Investment Officer

#### **Technology**

John Cole, Director of Technology

Rick Greathouse, Network Administrator

#### Internal Audit

Melissa Petit, Director of Internal Audit

Tabitha Crist, Internal Audit Associate

# Organizational History

The West Virginia Investment Management Board came into existence in the spring of 1997 after years of hard work modernizing the State's investment management structure. This structural modernization was widely acknowledged as a necessary precursor to the passage of a constitutional referendum to allow investment in stocks. The risks in stocks were perceived to be too great to be managed by anything but a modern, professional entity.

Although the West Virginia Investment Management Board's predecessors, the West Virginia State Board of Investments and the West Virginia Trust Fund, Inc., brought about vast improvements, each had shortcomings. However, with the creation of the West Virginia Investment Management Board, the State achieved a balance between control and independence that will allow efficient and prudent investment management of assets well into the future.

The beginning of the modern era in investment management by the State goes back to the late 1970s with the consolidation of investment authority for the State's defined benefit plans, employment security plans, and other assets into a newly created **West Virginia State Board of Investments**. One of the goals of the legislation was to achieve efficiencies that size brings by commingling like assets.

Significantly, this newly created West Virginia State Board of Investments was staffed by the State Treasury and the board itself was made up of the State's Governor, Treasurer, and Auditor.

Although a step in the right direction, the initial West Virginia State Board of Investments lacked proper or sufficient control features. After a few problems in the 1980s, principally involving its short-term pool, the Consolidated Fund, the West Virginia State Board of Investment board was expanded to seven members, adding four members from the private sector including an attorney experienced in financial matters and a Certified Public Accountant.

In the fall of 1990, the Legislature took a huge leap forward by creating a staff for the West Virginia State Board of Investments separate from the staff of the Treasury. This provided clear accountability to the West Virginia State Board of Investments–something that did not exist previously.

Other very important control features included: (1) a statutory requirement for an Internal Auditor, (2) an annual external audit by a certified public accounting firm, and (3) monthly reporting requirements to government leaders in accordance with generally accepted accounting principles. This last feature dictated that all pools with a weighted average maturity in excess of 90 days must be marked-to-market (carried at market value), something that had not been done in the 1980s.

At the same time, the West Virginia State Board of Investments made its first tepid step towards a diversified portfolio to be invested in stocks domiciled in the United States. Although it made some initial stock purchases in 1993, which were subsequently liquidated at a gain, the statute was challenged and the West Virginia Supreme Court ruled that investing in equities was unconstitutional.

In 1996, in an effort to satisfy the constitutional strictures, the Legislature carved out the pension and employment security funds with long time horizons and placed them in a trust to be managed by a new entity called the **West Virginia Trust Fund, Inc**. While the creation of the trust did not satisfy the constitutional concerns of the State Supreme Court, it did bring about three very important changes. The Legislature, demonstrating incredible managerial foresight, granted the West Virginia Trust Fund, Inc. control over its own budget. With the same impeccable foresight, the Legislature imposed personal fiduciary liability on the West Virginia Trust Fund, Inc. the board and staff. Of no less importance was the creation of representative roles for members of the retirement systems and employment security systems.

The ruling by the State Supreme Court caused the Legislature to combine the West Virginia Trust Fund, Inc., it and the West Virginia State Board of Investments in 1997, forming a new entity, the present day **West Virginia Investment Management Board**. All of the improvements made in the Board of Investments and the West Virginia Trust Fund, Inc. were incorporated into the new entity. The basic modernization process was complete.

The Legislature, for policy reasons, transferred the Consolidated Fund on July 8, 2005 to a newly created **West Virginia Board of Treasury Investments**, chaired by the State Treasurer. This was widely perceived as a policy move to ensure direct governmental oversight of State general and special revenue funds. The West Virginia Investment Management Board continues to manage the retirement funds, the employment security funds, and other assets with long time horizons.

Finally, in 2007 the Legislature expanded the investable universe of assets, increasing the allowable allocation to public equity and international securities, while also providing for a significant allocation to real estate and "alternative investments," loosely defined as hedge funds and private equity.

# Statutory Mandate

The West Virginia Investment Management Board was created during the 1997 legislative session and is cited as the West Virginia Investment Management Board Act (the Act). The legislative findings of the Act make it clear that the West Virginia Investment Management Board was intended to be a professional, apolitical, financial management organization dedicated to the interests of the State's teachers, public employees and workers in general. The Act was intended to give the West Virginia Investment Management Board "...the authority to develop, implement and maintain an efficient and modern system for the investment and management of the State's money." In order to accomplish this purpose, the Act further stated that the West Virginia Investment Management Board must "...operate as an independent board with its own full-time staff of financial professionals immune to changing political climates...." [West Virginia Code §12-6-1(a)(b)] The Act also mandates that the assets contributed by the public employee and employer to the 401(a) Plans and the assets of the Workers' Compensation Fund and the Coal Workers' Pneumoconiosis Fund, are "declared to be irrevocable trusts, available for no use or purpose other than for the benefit of those public employees...workers, miners and their beneficiaries...." [West Virginia Code §12-6-1(c)(d)] The West Virginia Investment Management Board is further "empowered by this Article to act as Trustee of the irrevocable trusts created by this Article, and to manage and invest other state funds." [West Virginia Code §12-6-1a(f)]

The standard of care mandated by the Statute is that codified in the "Uniform Prudent Investor Act" as Article 6C of Chapter 44 of the *West Virginia Code*. The West Virginia Investment Management Board is further subject to the following requirements:

- (a) Trustees shall discharge their duties with respect to the 401(a) Plans for the exclusive purpose of providing benefits to participants and their beneficiaries;
- (b) Trustees shall diversify fund investments so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so;
- (c) Trustees shall defray reasonable expenses of investing and operating the funds under management;
- (d) Trustees shall discharge their duties in accordance with the trust documents and instruments governing the trusts or other funds under the management insofar as the documents and instruments are consistent with provisions of this Article; and
- (e) The duties of the Board apply only with respect to those assets deposited with or otherwise held by it. [West Virginia Code §12-6-11]

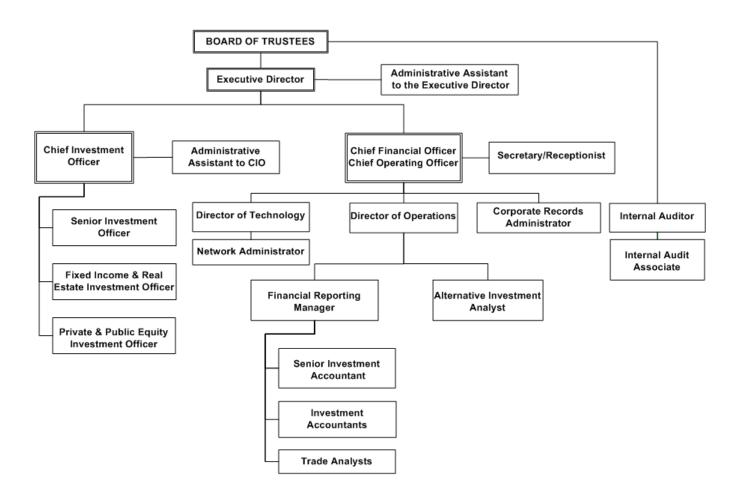
# **Administrative Mandate**

Governance of the West Virginia Investment Management Board is vested, by statute, in a thirteen-member Board of Trustees. Three members of the Board serve by virtue of their office: the Governor, the Auditor, and the Treasurer. The other ten are appointed by the Governor and confirmed by the Senate. All appointees must have experience in pension management, institutional management or financial markets. In addition, one must be an attorney experienced in finance and investment matters and another must be a Certified Public Accountant. Only six of the ten appointed Trustees may be from the same political party. The Governor serves as Chairman of the Board. A Vice-Chairman is elected by the Trustees. A Secretary, who need not be a member of the Board, is also elected by the Trustees to keep a record of the proceedings of the Board.

A member of each defined benefit retirement plan is designated by the Consolidated Public Retirement Board to represent the Participant Plans' interests. Likewise, the West Virginia Insurance Commission designates a representative for the Coal Workers' Pneumoconiosis Fund and the Workers' Compensation Old Fund. Each of the representatives may designate up to three persons to comprise a committee representing their respective plan's beneficiaries. The representatives and committee members do not have a vote but have the right to be heard at the annual meetings of the Board and are subject to the same code of conduct and requirements of confidentiality that apply to the Trustees.

The day-to-day management of the West Virginia Investment Management Board is delegated to the Executive Director who is appointed by the Board and serves at its will and pleasure. The Executive Director acts as an advisor to the Board on all matters pertaining to its business and, with the approval of the Board, contracts for professional services and employs the remaining staff needed to operate the West Virginia Investment Management Board.

The staff of the West Virginia Investment Management Board is divided into two principal divisions—Operations and Investments. See the organization chart on the following page.



The Operations Division is focused on providing the back office support necessary for the organization to function on a day-to-day basis. The Investments Division is structured to devote its time and resources to staying current with new developments and research in the investment field and being prepared to apply this knowledge to the investment of assets for the West Virginia Investment Management Board.

# Investment Philosophy

The primary objective of the investment pools is to provide benefits to its participants and beneficiaries. Based on general beliefs about the investment return available from a well-diversified, prudently invested portfolio, the Board has adopted specific investment objectives for each Participant Plan.

In order to achieve a specified real rate of return, the Board relies on the prevailing financial theory, which currently is an investment strategy utilizing an appropriate long-term diversified asset allocation model. A prudently allocated investment program possesses a certain level of diversification, which produces risk reduction. In terms of level of impact, diversification should be considered along the following lines: (1) asset classes (stocks, bonds, cash, non-traditional, etc.), (2) geography/country, (3) industry, and (4) maturity. Asset allocation modeling takes into consideration specific unique circumstances of each Participant Plan, such as size, liquidity needs, and financial condition (funded status) as well as general business conditions. The factors mentioned here are not intended to be limiting; rather, they are outlined as a general indication of the importance of diversification to proper asset allocation. The Board determines the proper allocation among asset classes and managers based on advice and analysis provided by staff and/or external investment consultants.

The Board recognizes that even though its investments are subject to short-term volatility, it is critical that the Board maintain the appropriate time horizon for each Participant Plan. This prevents ad hoc revisions to its philosophy and policies in reaction to either speculation or short-term market fluctuations. In order to preserve this long-term view, the Board has adopted the following formal review schedule:

Agenda Item	Review Schedule
Investment Performance	Quarterly
Investment Policy	Every Year
Policy Asset Allocation	Every Three Years
Strategic Asset Allocation	Every Three Years
Allocation Ranges	Every Three Years
Asset Allocation Review for Each Participant Plan	At Least Every Five Years

The Board may hire investment managers to implement its objectives. These managers will be given specific tactical roles within the overall strategic investment plan. Depending on their assignments, the managers may be judged on some or all of the following: (1) consistency of philosophy, style and key personnel, (2) performance relative to an appropriate index or proxy group, and (3) ability to add incremental value after costs. The Board and staff shall monitor performance and supervise all fund managers.

In determining its philosophy towards risk, the Board considers, in addition to its fiduciary obligations and statutory requirements, each entity's purpose and characteristics, financial condition, liquidity needs, sources and level of contributions, income and general business conditions. Based upon these many factors, the Board identifies whether a more aggressive or more conservative approach is warranted for each Participant Plan.

#### INVESTMENT OBJECTIVES

"The Board, at its annual meeting...shall review, establish and modify, if necessary, the investment objectives of the individual participant plans, as incorporated in the investment policy statements of the respective trusts so as to provide for the financial security of the trust funds giving consideration to the following: (1) Preservation of Capital; (2) Diversification; (3) Risk Tolerance; (4) Rate of Return; (5) Stability; (6) Turnover; (7) Liquidity; and (8) Reasonable Costs of Fees." [West Virginia Code §12-6-12g]

### PARTICIPANT PLANS

The Board's objective is to manage the Participant Plans' moneys in an efficient and economical manner, managing risk as it seeks to achieve the specific goals set out in each Participant Plan's investment program.

# **OBJECTIVES**

The Short-Term Fixed Income Pool was created to maintain sufficient liquidity to meet the daily disbursements requested by the Plans and to invest any contributions until the time the money is transferred to other asset classes without sustaining capital losses and while earning a small return above inflation. The Pool is structured as a money market fund where the goal is a stable dollar value per share, thus, preserving principal. The risk factors on this pool are low and managed through numerous maturity restrictions, diversification guidelines, and credit limits. The participants are paid on an income basis that includes interest income net of expenses.

#### MANAGEMENT STRUCTURE

The Short-Term Fixed Income Pool is managed by JPMorgan Investment Advisors, Inc.

#### FINANCIAL HIGHLIGHTS

# Progression of Net Assets (in \$000s)

Net assets - June 30, 2008 Net increase from operations Income distributions to unitholders Net increase from unit transactions Net assets - June 30, 2009

Short-Term			
Fixe	Fixed Income		
\$	234,029		
	3,031		
	(3,051)		
	30,545		
\$	264,554		

# **Investment Securities (in \$000s)**

# Short-term issues U.S. government agency issues Total

#### **Short-Term Fixed Income**

Carrying Value		Percent of Securities
\$	237,042	89.6%
	27,496	10.4
\$	264,538	100.0%

# INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The actual rate of return is net of investment advisor fees.

# **Short-Term Fixed Income**

Period	Actual	Citigroup 90 Day Treasury Bill plus 15 bps
One-year	1.2%	0.9%
Three-year	3.6%	3.2%
Five-year	3.4%	3.2%
Ten-year	3.4%	3.3%

#### **EXPENSES**

The IMB charges each investment pool for its direct investment-related expenses and an allocated share of other expenses. The Short-Term Fixed Income Pool's expenses for the year, divided by the average net assets, are as follows:

<b>Expense Ratios (in basis points)</b>	Short-Term Fixed Income	
Investment advisor fees	4.7	
Trustee fees	0.0	
Custodian bank fees	0.6	
Management fees	1.8	
Fiduciary bond fees	0.0	
Professional service fees	0.4	
Total	7.5	

# **OBJECTIVES**

The main objectives for the Fixed Income Pools are to generate investment income, provide stability, and enhance diversification, but not at the expense of total return. The Strategic Allocation for the total Fixed Income Pools, the Neutral Target for the respective allocations to the Core Fixed Income and Total Return Fixed Income Pools, as well as the approved Allocation Ranges within which the Allocation Committee can operate, are outlined below:

Investment Pools	Strategic Allocation	Allocation Range
Core Fixed Income Pool	<del></del>	
Total Return Fixed Income Pool		
Total Fixed Income Pools	20.0%	+/- 5 %

Participant Plans	Neutral Target	Allocation Range
Defined Benefit Plans (including Prepaid Tuition Trust and Wildlife)	70% Total Return Income Pool 30% Core Fixed Income Pool	+/- 20 % Sum must equal 100
Non Defined Benefit Plans	50% Total Return Income Pool 50% Core Fixed Income Pool	+/- 20 % Sum must equal 100

Note: The combined investment in international equity, international fixed income, and international real estate components may not exceed 30 percent of the Participant Plan allocation, as mandated by statute.

#### MANAGEMENT STRUCTURE

The Fixed Income Pools are managed by the following firms, in accordance with a particular investment style.

Manager	Style
Western Asset Management Company	Total Return Fixed Income
Barclays Global Investors	Passive Customized Blend *
JPMorgan Investment Advisors, Inc.	Core Fixed Income **

<sup>\*</sup> This manager previously managed the Fixed Income Qualified Pool and the Fixed Income Nonqualified Pool. Both of these pools discontinued operations on February 27, 2009.

<sup>\*\*</sup> The Core Fixed Income Pool began operations on March 2, 2009.

# FINANCIAL HIGHLIGHTS

Separate investment pools have been established for each investment style. Individually, these pools are the Total Return Fixed Income Pool, the Core Fixed Income Pool, the Fixed Income Qualified Pool and the Fixed Income Nonqualified Pool. These pools are individually reported in the audited financial statements and are presented in the financial highlights as follows:

#### Progression of Net Assets (in \$000s)

Net assets - June 30, 2008 Net increase (decrease) from operations Income distributions to unitholders Net increase (decrease) from unit transactions Net assets - June 30, 2009

Т	Total Return		Core Fixed		Fixed Income		ed Income
F	ixed Income		Income	Qualified		No	nqualified
\$	2,737,069	\$	-	\$	473,516	\$	474,546
	(95,772)		6,716		(8,044)		(2,996)
	(88,747)		(5,105)		(60,196)		(78,963)
	(322,941)		393,272		(405,276)		(392,587)
\$	2,229,609	\$	394,883	\$	-	\$	-

#### **Investment Securities (in \$000s)**

Commingled fixed income pools Corporate issues U.S. government agency issues Short-term issues, options, and swaps U.S. Treasury issues Total

#### Total Return Fixed Income Core Fixed Income

100.0%

F	air Value	Percentage of Securities	]	Fair Value	Percentage of Securities
\$	987,106	37.3%	\$	-	0.0%
	558,721	21.1		68,594	16.9
	535,617	20.2		252,332	62.2
	488,569	18.5		15,209	3.7
	76,309	2.9		69,633	17.2

405,768

100.0%

#### INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The actual rate of return is net of investment advisor fees.

2,646,322

#### **Total Return Fixed Income**

Period	Actual	Barclays Capital Universal*
One-year	0.2%	4.9%
Three-year	3.7%	5.8%
Five-year	4.6%	5.5%
Ten-Year	6.5%	6.3%

\*The Total Return Fixed Income Pool benchmark is the Barclays Capital Universal as of April 2008. Prior periods were a custom index. Returns are not presented for the Core Fixed Income Pool, the Fixed Income Qualified Pool and the Fixed Income Nonqualified Pool because they did not operate for the full fiscal year.

# **Fixed Income Pools**

# **EXPENSES**

The IMB charges each investment pool for its direct investment-related expenses and an allocated share of other expenses. The Fixed Income Pools' expenses for the operating period, divided by the average net assets, are as follows:

Expense Ratios (in basis points)	Total Return Fixed Income	Core Fixed Income	Fixed Income Qualified	Fixed Income Nonqualified
Investment advisor fees	17.2	2.7	0.9	0.8
Trustee fees	0.1	0.0	0.0	0.0
Custodian bank fees	0.4	0.3	N/A	N/A
Management fees	3.7	1.1	2.4	2.4
Fiduciary bond fees	0.1	0.0	0.1	0.1
Professional service fees	0.8	0.2	0.6	0.6
Total	22.3	4.3	4.0	3.9



# **OBJECTIVES**

The main objective for the Equity Pools is to provide for long-term growth for all participants. The Equity Pools are comprised of separate strategic asset classes which, when taken in aggregate, enable adequate diversification. The strategic asset classes and the Neutral Target allocations to additional sub-components of the strategic asset classes, as well as the approved Allocation Ranges within which the Allocation Committee can operate, are outlined below:

Category	Strategic Allocation	Allocation Range
US Equity	25.0%	+/- 5 %
International Equity	25.0%	+/- 5 %
Total Equity Pool	50.0%	+/- 5 %

Category	Neutral Target	Allocation Range
US Large Cap vs. US Non-Large Cap	Large = 1 minus Non-Large Non-Large = Russell 2500/Russell 3000	0.5 to 2.5 times benchmark Sum must equal 100
US Non-Large Value vs. US Non-Large Growth	Value vs. Growth Percentage in Russell 2500	0.5 to 2.5 times benchmark Sum must equal 100
International Large vs. International Small vs. Emerging Markets	Large vs. Small vs. Emerging Percentage in MSCI ACWI ex US	0.5 to 2.5 times benchmark Sum must equal 100

<sup>\*</sup> The Neutral Target is established based on the listed indices and is re-set, subject to Allocation Committee decisions, based on these index weights every June 30.

Note: The combined investment in international developed equity, international small cap, emerging markets equity, international fixed income, and international real estate components may not exceed 30 percent of the Participant Plan allocation, as mandated by statute.

#### MANAGEMENT STRUCTURE

The Equity Pools are managed by the following firms, in accordance with a particular investment.

Manager	Style
US Large Cap	-
State Street Global Advisors	Enhanced Index Core
Intech Investment Management, LLC	Quantitative Core
US Non-Large Cap	
Westfield Capital Management	Growth at a Reasonable Price
Aronson + Johnson + Ortiz, LP	Relative Value
International	
Developed Markets	
Silchester International Investors	Developed County, Value
LSV Asset Management	All Country, Value
Small Capitalization	
AXA Rosenberg Investment Management, LLC	All Country, Core
Pictet Asset Management Limited	All Country, Growth at a Reasonable Price
Emerging Markets	
Brandes Investment Partners, LLC	Emerging Market, Value

# FINANCIAL HIGHLIGHTS

Separate investment pools have been established for each investment style or to comply with specific legal and accounting requirements. These pools are individually reported in the audited financial statements and are presented in the financial highlights as follows:

Composite	Individual Pools per Audited Financial Statements	
US Large Cap	Large Cap Domestic Equity Pool	
US Non-Large Cap	Non-Large Cap Domestic Equity Pool	
International	International Qualified Pool	
	International Nonqualified Pool	
	International Equity Pool	

# Progression of Net Assets (in \$000s)

Net assets - June 30, 2008 Net decrease from operations Net increase (decrease) from unit transactions Net assets - June 30, 2009

Large Cap Domestic Equity		on-Large Cap mestic Equity
\$	1,936,406	\$ 659,807
	(498,941)	(131,111)
	337,254	(216,232)
\$	1,774,719	\$ 312,464

# Progression of Net Assets (in \$000s)

Net assets - June 30, 2008 Net decrease from operations Net increase from unit transactions Net assets - June 30, 2009

ernational Qualified	International Nonqualified		ternational Equity
\$ 450,128	\$ 57,887	\$	1,691,297
(75,749)	(12,716)		(404,929)
238,003	56,071		258,015
\$ 612,382	\$ 101.242	\$	1.544.383

Investment Securities (in \$000s)	<b>Large Cap Domestic Equity</b>		Non-Large Cap Domestic Equity			
	Fair Value		Percent of Securities	Fa	ir Value	Percent of Securities
Domestic equities sector exposure:						
Basic Materials	\$	57,450	3.2%	\$	24,191	7.6%
Capital Goods		186,073	10.5		36,299	11.4
Communications Services		75,995	4.3		3,991	1.3
Consumer Discretionary		167,992	9.4		37,484	11.8
Consumer Staples		239,012	13.4		8,507	2.7
Energy		216,303	12.2		19,400	6.1
Financial Services		213,588	12.0		51,731	16.3
Health Care		242,904	13.7		51,545	16.2
Technology		298,489	16.8		60,532	19.1
Utilities		70,882	4.0		20,130	6.3
Total domestic equities		1,768,688	99.5		313,810	98.8
Short-term issues		8,162	0.5		3,753	1.2
Total	\$	1,776,850	100.0%	\$	317,563	100.0%

<b>Investment Securities (in \$000s)</b>	<b>International Qualified</b>			International Nonqualified		
		Fair Value	Percent of Securities	I	Fair Value	Percent of Securities
Investments in other funds	\$	612,674	100.0%	\$	101,246	100.0%

<b>Investment Securities (in \$000s)</b>	<b>International Equity</b>				
		Fair Value	Percent of Securities		
International equities country exposure:					
Australia	\$	45,297	3.0%		
Brazil		108,464	7.2		
Canada		43,759	2.9		
France		70,852	4.7		
Germany		65,749	4.4		
Hong Kong		56,501	3.8		
Italy		34,349	2.3		
Japan		214,486	14.3		
Mexico		34,288	2.3		
Singapore		41,286	2.8		
South Korea		75,283	5.0		
Spain		36,649	2.5		
Switzerland		60,640	4.1		
Taiwan		44,243	3.0		
Turkey		30,585	2.0		
United Kingdom		171,242	11.5		
All others (none greater than 2%)		290,215	19.4		
Total international equities		1,423,888	95.2		
Short-term issues		71,206	4.8		
Total	\$	1,495,094	100.0%		

# INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The actual rate of return is net of investment advisor fees.

**Large Cap Domestic Equity** 

Non-Large	Cap	Domestic	Equity

Period	Actual	S&P 500	Actual	Russell 2500
One-year	-27.3%	-26.2%	-30.1%	-26.7%
Three-year	-8.6%	-8.2%	-9.7%	-9.3%
Five-year	-2.2%	-2.2%	-0.6%	-0.9%
Ten-year	-2.3%	-2.2%	4.3%	3.7%

	Internation	al Qualified	International	Nonqualified	Internati	onal Equity
Period	Actual	MSCI EAFE	Actual	MSCI EAFE	Actual	MSCI ACWIxUS
One-year	-11.6%	-31.0%	-12.0%	-31.0%	-29.1%	-30.5%
Three-year	0.2%	-7.5%	-0.2%	-7.5%	-5.8%	-5.4%
Five-year	6.7%	2.8%	6.3%	2.8%	4.2%	-5.0%
Ten-year	9.7%	1.6%	9.2%	1.6%	2.9%	2.9%

# **EXPENSES**

The IMB charges each investment pool for its direct investment-related expenses and an allocated share of other expenses. The Equity Pool's expenses for the year, divided by the average net assets, are as follows:

Expense Ratios (in basis points)	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International Qualified	International Nonqualified	International Equity
Investment advisor fees	6.7	44.5	53.1	68.7	53.6
Trustee fees	0.1	0.1	0.1	0.1	0.1
Custodian bank fees	0.4	0.6	N/A	N/A	5.9
Management fees	3.7	3.6	3.6	3.6	3.7
Fiduciary bond fees	0.1	0.1	0.1	0.1	0.1
Professional service fees	0.8	0.8	0.8	0.8	0.8
Total	11.8	49.7	57.7	73.3	64.2

Trading Costs		Large Cap nestic Equity	-Large Cap estic Equity	Iı	nternational Equity	Total
Net commission costs	\$	1,400,194	\$ 800,373	\$	2,756,523	\$ 4,957,090
Domestic Equity commission rate (cents per share)		1.2	1.7			
International Equity commission rat (basis points per dollar volume)	e				12.2	

#### **OBJECTIVES**

The main objective for the Alternative Pools is to provide diversification and risk reduction benefits for its participants' assets. Secondarily, the Pools should provide for long-term growth of its participants' assets.

#### MANAGEMENT STRUCTURE

The Alternative Pools are comprised of one asset class, Private Equity, and one management style, Hedge Fund. Both are intended to enhance diversification when added to the total portfolio assets.

Private Equity is comprised of the following categories and target range allocations as of June 30, 2009:

Category	Target Range
Corporate Finance	90-100%
Venture Capital	0-10%

Hedge Fund strategies are comprised of the following categories and target range allocations as of June 30, 2009:

Category	Target Range	Maximum
Relative Value	25-55%	60%
Event Driven	20-40%	50%
Long-Short Equity	15-35%	40%
Directional	0-20%	25%

# FINANCIAL HIGHLIGHTS

Two separate investment pools have been established to comply with specific legal and accounting requirements. These pools are individually reported in the audited financial statements and in the financial highlights as follows:

Progression of Net Assets (in \$000s)
Net assets - June 30, 2008
Net decrease from operations
Net increase (decrease) from unit transactions
Net assets - June 30, 2009

Private Equity		Hedge Fund		
\$	869,060	\$	-	
	(198,006)		(88,254)	
	(88,164)		1,200,698	
\$	582,890	\$	1,112,444	

Investment Securities (in \$000s)		Private Equity		Hedge Fund		
		Fair Value	Percent of Securities	I	Fair Value	Percent of Securities
Investment in other funds	\$	504,143	86.5%	\$	1,112,576	100.0%
Partnerships		62,982	10.8			
Short-term issues		15,841	2.7			
Total	\$	582,966	100.0%	\$	1,112,576	100.0%

# **Alternative Pools**

# INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals.

Performance returns are not reported for the Private Equity Pool for the first five years of the program (until June 30, 2013), as early returns from an immature program are not meaningful.

For the year ended June 30, 2009, the Hedge Fund Pool returned negative 7.3 percent, gross of fees.

# **EXPENSES**

The IMB charges each investment pool for its direct investment-related expenses and an allocated share of other expenses. The Private Equity Pool and Hedge Fund Pool's expenses for the year, divided by the average net assets, are as follows:

Expense Ratio (in basis points)	Private Equity	Hedge Fund	
Investment advisor fees	N/A	N/A	
Trustee fees	0.1	0.1	
Custodian bank fees	0.0	0.0	
Management fees	3.7	3.7	
Fiduciary bond fees	0.1	0.1	
Professional service fees	9.9	4.7	
Total	13.8	8.6	

#### **OBJECTIVES**

The main objective for the Real Estate Pool is to provide diversification and risk reduction benefits for its participants' assets. Secondarily, the Pool should provide for long-term growth of its participants' assets.

#### MANAGEMENT STRUCTURE

The Real Estate Pool is comprised of three categories. The target range allocations as of June 30, 2009 are as follows:

Category	Target Range		
Core	30%		
Value-Added	40%		
Opportunistic	30%		

#### FINANCIAL HIGHLIGHTS

Progression of Net Assets (in \$000s)	Real Estate	
Net assets - June 30, 2008	\$	33,936
Net decrease from operations		(7,493)
Net increase from unit transactions		10,949
Net assets - June 30, 2009		37,392

# **Investment Securities (in \$000s)**

Short-term issues
Partnerships and other funds
Total

# **Real Estate**

F	air Value	Percent of Securities
\$	21,145	56.5%
	16,302	43.5
\$	37,447	100.0%

# INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals.

For the year ended June 30, 2009, the Real Estate Pool returned negative 19.9 percent, gross of fees.

# Real Estate Pool

# **EXPENSES**

The IMB charges each investment pool for its direct investment-related expenses and an allocated share of other expenses. The Real Estate Pool's expenses for the year, divided by the average net assets, are as follows:

leal Estate
N/A
0.0
0.6
3.7
0.0
115.7
120.0

The Board operates one special purpose pool: TRS ANNUITY POOL

#### **OBJECTIVE**

The TRS Annuity Pool (TRSA) holds an investment contract strictly for the benefit of the Teachers' Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers' Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring and was transferred in-kind to the IMB on December 10, 2008. The final amount transferred on the contract was \$248,292,529. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,102. The first payment was received on May 4, 2009 and subsequent payments will be received on May 4, 2010, 2011, 2012, and 2013. The contract and the payments include a guaranteed annual interest yield of 4.5%.

#### FINANCIAL HIGHLIGHTS

Progression of Net Assets (in \$000s)	TRS Annuity	
Net assets - June 30, 2008	\$ -	
Net increase from operations	5,605	
Net increase from unit transactions	193,299	
Net assets - December 10, 2008	\$ 198,904	
Investment Securities (in \$000s)	TRS A	nnuity
	Fair Value	Percent of Securities
Annuity Contract	\$ 198,915	100.0%

#### INVESTMENT PERFORMANCE

Returns are not presented for the TRSA because it did not operate for the full fiscal year.

### **EXPENSES**

The IMB charges each investment pool for its direct investment-related expenses and an allocated share of other expenses. The Fixed Income Pools' expenses for the operating period, divided by the average net assets, are as follows:

Expense Ratio (in basis points)	TRS Annuity
Investment advisor fees	N/A
Trustee fees	0.0
Custodian bank fees	N/A
Management fees	2.3
Fiduciary bond fees	0.0
Professional service fees	0.9
Total	3.2

The Deputy Sheriff's Retirement System (DSRS) was created in 1998.

### LIQUIDITY NEEDS

The DSRS currently has positive net cash flows.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Preserve the current well-funded position while not subjecting the DSRS to an undue level of risk.

### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the DSRS. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$250,000*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from the DSRS.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 88,794
Contributions Withdrawals	7,380 (5,519)
Net	1,861
Investment income Net unrealized depreciation	6,688 (20,293)
June 30, 2009	\$ 77,050

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	16,141	21.0%
Non-Large Cap Domestic		2,850	3.7
International Qualified		6,853	8.9
International Equity		13,649	17.7
Short-Term Fixed Income		334	0.4
Total Return Fixed Income		20,065	26.0
Core Fixed Income		2,110	2.8
Private Equity		7,149	9.3
Private Real Estate		395	0.5
Hedge Fund		7,504	9.7
Total	\$	77,050	100.0%

## INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-15.4%	7.5%
Three-year	-2.5%	7.5%
Five-year	2.3%	7.5%
Ten-Year	3.6%	7.5%

The Judges' Retirement System (JRS) was created in 1949.

### LIQUIDITY NEEDS

The JRS currently has positive net cash flows.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments while not subjecting the JRS to an undue level of risk.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the JRS. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$500,000*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from the JRS.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 100,189
Contributions Withdrawals	6,917 (3,869)
Net	3,048
Investment income	6,955
Net unrealized depreciation	(21,882)
June 30, 2009	\$ 88,310

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	18,568	21.0%
Non-Large Cap Domestic		3,286	3.7
International Qualified		7,925	9.0
International Equity		15,666	17.7
Short-Term Fixed Income		303	0.3
Total Return Fixed Income		22,859	26.0
Core Fixed Income		2,406	2.7
Private Equity		8,221	9.3
Private Real Estate		450	0.5
Hedge Fund		8,626	9.8
Total	\$	88,310	100.0%

## INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-15.5%	7.5%
Three-year	-2.6%	7.5%
Five-year	2.3%	7.5%
Ten-year	3.6%	7.5%

# Public Employees' Retirement System

#### **HISTORY**

The Public Employees' Retirement System (PERS) was created in 1961.

### LIQUIDITY NEEDS

The PERS is expected to have modest liquidity needs of approximately 1.0 percent to 2.0 percent per year for the foreseeable future.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments and not subjecting the PERS to an undue level of risk.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the PERS. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$19,000,000*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from the PERS.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 3,934,490
Contributions	183,539
Withdrawals	(255,258)
Net	(71,719)
Investment income	277,451
Net unrealized depreciation	(896,468)
June 30, 2009	\$ 3,243,754

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	680,600	21.0%
Non-Large Cap Domestic		122,080	3.8
International Qualified		272,445	8.4
International Equity		592,014	18.2
Short-Term Fixed Income		16,430	0.5
Total Return Fixed Income		830,545	25.6
Core Fixed Income		87,299	2.7
Private Equity		251,943	7.8
Private Real Estate		17,578	0.5
Hedge Fund		372,820	11.5
Total	\$	3,243,754	100.0%

## INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-15.6%	7.5%
Three-year	-2.5%	7.5%
Five-year	2.4%	7.5%
Ten-year	3.6%	7.5%

The State Police Death, Disability and Retirement Fund (SPDDRF) was created in 1925.

### LIQUIDITY NEEDS

The SPDDRF is expected to experience an increasingly negative cash flow position in the near future.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments while not subjecting the SPDDRF to an undue level of risk.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for SPDDRF. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$2,300,000*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from SPDDRF.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 459,056
Contributions Withdrawals	4,840 (28,091)
Net	(23,251)
Investment income Net unrealized depreciation	32,062 (104,943)
June 30, 2009	\$ 362,924

Asset Allocation (in \$000s)	Amount	Percent of Total
Large Cap Domestic	\$ 76,655	21.1%
Non-Large Cap Domestic	13,521	3.7
International Qualified	32,637	9.0
International Equity	64,587	17.8
Short-Term Fixed Income	1,719	0.5
Total Return Fixed Income	92,772	25.5
Core Fixed Income	9,742	2.7
Private Equity	33,769	9.3
Private Real Estate	2,047	0.6
Hedge Fund	35,475	9.8
Total	\$ 362,924	100.0%

### INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-15.6%	7.5%
Three-year	-2.6%	7.5%
Five-year	2.2%	7.5%
Ten-year	3.7%	7.5%

# State Police Retirement System

#### HISTORY

The State Police Retirement System (SPRS) was created in 1994.

### LIQUIDITY NEEDS

The SPRS is expected to be in a positive net cash flow position for the foreseeable future.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments while not subjecting the SPRS to an undue level of risk.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the SPRS. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$50,000*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from the SPRS.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 41,564
Contributions Withdrawals	5,313 (450)
Net	4,863
Investment income	3,224
Net unrealized depreciation	(9,330)
June 30, 2009	\$ 40,321

Asset Allocation (in \$000s)	Amount	Percent of Total
Large Cap Domestic	\$ 8,325	20.7%
Non-Large Cap Domestic	1,462	3.6
International Qualified	3,499	8.7
International Equity	7,066	17.5
Short-Term Fixed Income	717	1.8
Total Return Fixed Income	10,394	25.8
Core Fixed Income	1,094	2.7
Private Equity	3,688	9.1
Private Real Estate	208	0.5
Hedge Fund	3,868	9.6
Total	\$ 40,321	100.0%

### INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-15.2%	7.5%
Three-year	-2.4%	7.5%
Five-year	2.4%	7.5%
Ten-year	3.6%	7.5%

The Teachers' Retirement System (TRS) was created in 1941. It was closed to new members in 1991, but reopened to first-time hires as of July 1, 2005. Employees hired from 1991 through June 30, 2005, joined the Teachers Defined Contribution Plan (TDC). In the spring of 2008, more than 78 percent of the participants in the Teachers' Defined Contribution Plan elected to transfer their TDC account balance to the TRS and become participants in the TRS. This transfer occurred in July 2008

The Teachers' Employers Contribution Collection Account (TECCA) is a holding account for temporary reserve cash. Due to its short-term nature, assets are entirely invested in the Short-Term Fixed Income Pool.

### LIQUIDITY NEEDS

The TRS has a very dynamic net cash flow position, which is attributable to: (1) a current positive net cash flow position, and (2) substantial liquidity needs of at least 10 percent per year beginning in plan year 2014.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments while not subjecting the TRS to an undue level of risk.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the TRS. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$25,000,000*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from the TRS.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 3,347,608
Contributions Withdrawals	1,272,313 (528,700)
Net	743,613
Investment income	72,606
Net unrealized depreciation	(650,826)
June 30, 2009	\$ 3,513,001

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	730,127	20.7%
Non-Large Cap Domestic		128,547	3.7
International Qualified		287,574	8.2
International Equity		639,074	18.2
Short-Term Fixed Income		129,902	3.7
Total Return Fixed Income		657,748	18.7
Core Fixed Income		67,421	1.9
TRS Annuity		198,904	5.7
Private Equity		273,788	7.8
Private Real Estate		16,468	0.5
Hedge Fund		383,448	10.9
Total	\$	3,513,001	100.0%

#### INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-16.1%	7.5%
Three-year	-3.1%	7.5%
Five-year	2.0%	7.5%
Ten-year	3.4%	7.5%

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 359
Contributions Withdrawals	327,332 (327,899)
Net	(567)
Investment income	214
June 30, 2009	\$ 6

Asset	Alloca	ation (	in	\$000s)	

Amount		Percent of Total
\$	6	100.0%

Short-Term Fixed Income

### INVESTMENT PERFORMANCE

Investment performance for the one-year period ended June 30, 2009 was 1.1 percent. TECCA has no defined target rate of return.



# **Emergency Medical Services Retirement System**

#### HISTORY

The Emergency Medical Services Retirement System (EMSRS) was created by the *Emergency Medical Services Retirement System Act* effective January 1, 2008, under *West Virginia Code §16-5V-4*. EMSRS members with benefits earned in the Public Employees Retirement System (PERS) transfer their full membership and benefits under PERS to EMSRS on the effective date.

### LIQUIDITY NEEDS

The EMSRS is expected to have a positive net cash flow position. Retirements are delayed until 2011, resulting in minimal payouts. In fiscal year 2012, cash distributions may commence, but liquidity needs are still expected to be minimal.

#### **INVESTMENT OBJECTIVES**

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Maintain adequate liquidity to satisfy benefit payments and not subject the EMSRS to an undue level of risk.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the EMSRS. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash	\$0	

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 15,416
Contributions Withdrawals	3,708 (100)
Net	3,608
Investment income Net unrealized depreciation	1,212 (3,366)
June 30, 2009	\$ 16,870

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	3,480	20.6%
Non-Large Cap Domestic		608	3.6
International Qualified		1,449	8.6
International Equity		2,965	17.6
Short-Term Fixed Income		351	2.1
Total Return Fixed Income		4,328	25.6
Core Fixed Income		455	2.7
Private Equity		1,542	9.1
Private Real Estate		77	0.5
Hedge Fund		1,615	9.6
Total	\$	16,870	100.0%

# INVESTMENT PERFORMANCE

Investment performance for the one-year period ended June 30, 2009 was negative 15.1 percent. The EMSRS has a target rate of return of 7.5 percent.

The Coal Workers' Pneumoconiosis Fund (CWPF) was formed in 1974 to provide insurance coverage to coal operators for their potential liability under the *Federal Coal Mine Health and Safety Act of 1969*. Upon termination of the West Virginia Workers' Compensation Commission, the assets and liabilities of the CWPF remained with the State for administration of the run-off of the liabilities incurred during the years of operation. Effective January 1, 2006, insurance coverage for liabilities incurred under the *Federal Coal Mine Health and Safety Act of 1969* will be provided by private insurance carriers and is no longer available through the State.

#### LIQUIDITY NEEDS

The liquidity needs are actuarially determined based on the run-off of liabilities, which are assessed annually.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 5.0 percent per annum, net of fees.
- Preserve the current surplus position.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the CWPF. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	10.0%	10.0%
International Equity	10.0%	10.0%
Private Equity	0.0%	0.0%
Fixed Income	75.0%	55.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	5.0%	5.0%

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 255,805
Contributions Withdrawals	21 (11,415)
Net	(11,394)
Investment income	5,061
Net unrealized depreciation	(25,119)
June 30, 2009	\$ 224,353

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	19,177	8.6%
Non-Large Cap Domestic		3,287	1.5
International Nonqualified		8,150	3.6
International Equity		16,272	7.3
Short-Term Fixed Income		9,756	4.3
Total Return Fixed Income		87,967	39.2
Core Fixed Income		35,283	15.7
Hedge Fund		44,461	19.8
Total	\$	224,353	100.0%

# INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-7.5%	5.0%
Three-year	0.9%	5.0%

Formed in January 2006, the Workers' Compensation Old Fund (Old Fund) assumed responsibility for payment of all workers' compensation claims and liabilities incurred by the former West Virginia Workers' Compensation Commission prior to July 1, 2005. After July 1, 2005, workers' compensation claims or liabilities incurred will be covered by private insurance carriers.

#### LIQUIDITY NEEDS

The Old Fund has low liquidity needs through approximately 2015, as expected operating cash inflows exceed expected operating cash outflows. Operating cash inflows will be supplemented by multiple external sources, including the BrickStreet Surplus Note repayment, and statutorily pledged personal income tax and severance tax legislative transfers equal to the amount of any cash shortfall every year until full funding is achieved. For this reason, the Old Fund should maintain a flat to slightly positive net cash flow position until it is fully funded at which time pledged legislative transfers will cease, resulting in a sharp decline in net cash inflows. Liquidity needs for short-term cash, the amount necessary for approximately twelve months' worth of anticipated claims, will continue to be reviewed annually with appropriate staff from the West Virginia Offices of the Insurance Commissioner. Currently, a cash balance is maintained by the Old Fund in an amount equal to 10% of the Old Fund's asset value or \$50 million, whichever is greater, in anticipation of a potential settlement program payout.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 5.0 percent per annum, net of fees.
- Provide adequate liquidity to meet cash flow requirements.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the Old Fund. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	15.0%	15.0%
International Equity	15.0%	15.0%
Private Equity	0.0%	0.0%
Fixed Income	70.0%	40.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$0*	10.0%

<sup>\*</sup> Cash levels to be reviewed as needed, at least annually, collaboratively with management staff from the West Virginia Offices of the Insurance Commissioner.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 634,570
Contributions Withdrawals	232,138 (124,706)
Net	107,432
Investment income	10,849
Net unrealized depreciation	(82,203)
June 30, 2009	\$ 670,648

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	86,669	12.9%
Non-Large Cap Domestic		15,403	2.3
International Nonqualified		34,506	5.1
International Equity		75,741	11.3
Short-Term Fixed Income		53,322	8.0
Total Return Fixed Income		193,140	28.8
Core Fixed Income		77,573	11.6
Hedge Fund		134,294	20.0
Total	\$	670,648	100.0%

## INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-9.4%	5.0%
Three-vear	0.2%	5.0%

The Workers' Compensation Self-Insured Guaranty Risk Pool (Self-Insured Pool) was established on January 1, 2006, for the purpose of paying the workers' compensation claims of defaulted self-insured employers occurring on or after July 1, 2004. It consists of those funds transferred, and any future funds collected, under the authority of Senate Bill 1004.

### LIQUIDITY NEEDS

As all current and active self-insured employers are required to provide a bond, security, or other collateral to the West Virginia Offices of the Insurance Commissioner in the event of a deteriorating financial condition, it is anticipated that the liquidity position of this fund should remain stable.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet cash flow requirements.
- Exceed the actuarial rate assumption, which is not expected to exceed 5.0 percent per annum, net of fees, once established.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the Self-Insured Pool. Policy Allocation is established on a market value basis.

Asset Class	Policy Allocation	
Domestic Equity	0.0%	
International Equity	0.0%	
Fixed Income	0.0%	
Cash	100.0%	

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 5,089
Contributions Withdrawals	 1,664 (19)
Net	1,645
Investment income	60
June 30, 2009	\$ 6,794

Asset Allocation (in \$000s)	Amount		Percent of Total
Short-Term Fixed Income	\$	6,794	100.0%

# INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	1.1%	5.0%
Three-year	3.6%	5.0%

# Workers' Compensation Uninsured Employers' Fund

#### HISTORY

The Workers' Compensation Uninsured Employers' Fund (Uninsured Fund) was established January 1, 2006, under Senate Bill 1004 to provide for the benefit of injured workers, whose employers failed to provide mandatory workers' compensation coverage. The Uninsured Fund received initial funding of \$5 million by proclamation of the Governor.

### LIQUIDITY NEEDS

During the early years of the Uninsured Fund, the liquidity needs will be high as the cash flows are difficult to predict until the frequency of claim activity is established.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet cash flow requirements.
- Exceed the actuarial rate assumption, which is not expected to exceed 5.0 percent per annum, net of fees, once established.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the Uninsured Fund. Policy Allocation is established on a market value basis.

Asset Class	Policy Allocation
Domestic Equity	0.0%
International Equity	0.0%
Fixed Income	0.0%
Cash	100.0%

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 8,102
Contributions Withdrawals	 480 (133)
Net	347
Investment income	88
June 30, 2009	\$ 8,537

Asset Allocation (in \$000s)	Amount	Percent of Total
Short-Term Fixed Income	\$ 8,537	100.0%

### INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	1.1%	5.0%
Three-year	3.6%	5.0%

The Wildlife Endowment Fund was created in 1986 to supplement the Division of Natural Resources' annual budget in support of various statewide projects.

### LIQUIDITY NEEDS

The liquidity needs of the Wildlife Endowment Fund will be set on an annual basis and determined by a separate Wildlife Endowment Board as established by the Division of Natural Resources.

### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Achieve a total rate of return of at least 6.0 percent per annum, net of fees.
- Provide adequate liquidity to meet cash flow requirements.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the Wildlife Endowment Fund. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash	\$0	

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 34,926
Contributions	565
Withdrawals	-
Net	565
Investment income	551
Net unrealized depreciation	 (5,973)
June 30, 2009	\$ 30,069

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	6,298	20.9%
Non-Large Cap Domestic		1,113	3.7
International Nonqualified		2,513	8.4
International Equity		5,486	18.2
Short-Term Fixed Income		137	0.5
Total Return Fixed Income		7,831	26.0
Core Fixed Income		805	2.7
Private Equity		2,790	9.3
Private Real Estate		168	0.6
Hedge Fund		2,928	9.7
Total	\$	30,069	100.0%

### INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-15.6%	6.0%
Three-year	-2.4%	6.0%
Five-year	2.3%	6.0%
Ten-year	4.6%	6.0%

The West Virginia Prepaid Tuition Trust Fund (Tuition Trust) was established in 1997 with the objective of enhancing and improving higher education in the State. This is accomplished by providing individuals and organizations a means for paying future college tuition and fees in advance at a rate set at current levels.

Effective March 2003, the Tuition Trust was closed to new contracts unless the Legislature authorizes the fund to reopen. The West Virginia Prepaid Tuition Trust Escrow Account (Escrow Account) was created in 2003 in the State Treasury to guarantee payment of existing prepaid tuition plan contracts. The Escrow Account was closed in April 2009 and the residual balance remaining at June 30, 2009 will be withdrawn in fiscal year 2010.

### LIQUIDITY NEEDS

There are rising liquidity needs for the Tuition Trust. Benefits and expenses will exceed receipts from participants' monthly payments on prepaid tuition contracts at an increasing rate in future years.

#### INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Meet or exceed actuarial interest rate assumption of 7.25 percent per annum, net of fees.
- Generate long-term, net of fee, returns that exceed liquidity needs.
- Build and maintain an actuarial surplus at a level recommended by the actuaries.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the Tuition Trust. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	30.0%
International Equity	30.0%	30.0%
Private Equity	0.0%	0.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$1,000,000*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from the Tuition Trust.

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 93,543
Contributions	- (7, 600)
Withdrawals	 (7,600)
Net	(7,600)
Investment income	10,112
Net unrealized depreciation	 (22,764)
June 30, 2009	\$ 73,291

Asset Allocation (\$000s)	Amount		Percent of Total
Large Cap Domestic	\$	18,202	24.8%
Non-Large Cap Domestic		3,195	4.4
International Nonqualified		7,179	9.8
International Equity		15,913	21.7
Short-Term Fixed Income		1,000	1.4
Total Return Fixed Income		25,003	34.1
Core Fixed Income		2,799	3.8
Total	\$	73,291	100.0%

# INVESTMENT PERFORMANCE

Period	Actual	Target
One-year	-13.2%	7.25%
Three-year	-1.5%	7.25%
Five-year	2.9%	7.25%
Ten-year	4.4%	7.25%

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 2,520
Contributions Withdrawals	1,000 (3,358)
Net	(2,358)
Investment income	683
Net unrealized depreciation	 (834)
June 30, 2009	\$ 11

Asset Allocation (in \$000s)	An	ount	Percent of Total
Core Fixed Income	\$	11	100.0%

### INVESTMENT PERFORMANCE

Investment returns are not reported for periods of less than one year on closed accounts.



The Revenue Shortfall Reserve Fund (Reserve Fund) was created as a result of legislation passed in the 2006 regular legislative session under *West Virginia Code §11B-2-20*. It is to be funded from State surplus revenues accrued, if any, during the most recent fiscal year. The first 50 percent of all such surplus revenues will be deposited into the Reserve Fund within 60 days of the end of each fiscal year. The Reserve Fund is not required to be additionally funded if, or when, its balance meets or exceeds 10 percent of the State's General Revenue Fund budget for the fiscal year just ended. The West Virginia Legislature is authorized and may make an appropriation from the Reserve Fund for revenue shortfalls, for emergency revenue needs caused by acts of God or natural disasters, or for other fiscal needs, as it determines.

# LIQUIDITY NEEDS

The Reserve Fund is intended to be co-managed between the IMB and the West Virginia Board of Treasury Investments. A cash account of \$100 million must be invested throughout the life of the Reserve Fund in cash with the West Virginia Board of Treasury Investments. Any assets in excess of \$100 million will be invested with the IMB. The West Virginia State Budget Office will monitor these asset balances and will direct both the IMB and the West Virginia Board of Treasury Investments when the transfer of funds is necessary from one to the other.

Future cash outflows are uncertain. The assets may be withdrawn, in whole or in part, at any time as directed by the West Virginia State Legislature or by executive order. Historically, cash outflows in similar state funds created for similar purposes have had withdrawals reimbursed by the State within each fiscal year.

### **INVESTMENT OBJECTIVES** (for the assets managed by the IMB)

The investment objective is to provide for stable, long-term growth of assets, while seeking to minimize risk of loss. There is no specifically identified target rate of return, as the Reserve Fund is a perpetual, endowment-like fund with no anticipated or scheduled liabilities.

### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the Reserve Fund. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	30.0%
International Equity	30.0%	30.0%
Private Equity	0.0%	0.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$0*	

<sup>\*</sup> Statutory cash requirements of \$100 million will be invested by the West Virginia Board of Treasury Investments. Any contributions received after April 20, 2009 will be left in cash until the Board approves otherwise

# Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 180,137
Contributions	18,232
Withdrawals	-
Net	 18,232
Investment income	2,781
Net unrealized depreciation	(37,387)
June 30, 2009	\$ 163,763

Asset Allocation (in \$000s)	Amount	Percent of Total
Large Cap Domestic	\$ 37,616	23.0%
Non-Large Cap Domestic	5,626	3.4
International Nonqualified	16,507	10.0
International Equity	32,568	19.9
Short-Term Fixed Income	12,549	7.7
Total Return Fixed Income	22,599	13.8
Core Fixed Income	6,015	3.7
Hedge Fund	 30,283	18.5
Total	\$ 163,763	100.0%

### INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. A target rate of return has not been set for this plan.

Period	Actual
One-year	-17.5%
Three-year	-3.9%

The Revenue Shortfall Reserve Fund - Part B (Reserve Fund - Part B), created by legislation passed in the 2006 regular legislative session under *West Virginia Code §11B-2-20*, was funded using the entire balance of the assets in the former Tobacco Settlement Medical Trust Fund. The West Virginia Legislature is authorized and may make expenditures from the Reserve Fund - Part B for the purposes set forth in *West Virginia Code §4-11A-3* or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature.

### LIQUIDITY NEEDS

The Reserve Fund - Part B is intended to experience no cash outflows, but this is not entirely certain, as the West Virginia Legislature may appropriate a qualified expenditure as noted above. Cash inflows are expected to be minimal and emanate from loan repayments from the Physicians' Mutual Insurance Company [West Virginia Code §33-20F] as well as other insurance tax payments.

#### INVESTMENT OBJECTIVES

The investment objective is to provide for stable, long-term growth of assets, while seeking to minimize risk of loss. There is no specifically identified rate of return target as the Reserve Fund - Part B is a perpetual, endowment-like fund with no anticipated or scheduled liabilities.

#### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the Reserve Fund - Part B. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	30.0%
International Equity	30.0%	30.0%
Private Equity	0.0%	0.0%
Fixed Income	40.0%	20.0%
Hedge Funds	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$0*	

<sup>\*</sup>Any contribution received after April 20, 2009 will be left in cash until the Board approves otherwise.

### FINANCIAL HIGHLIGHTS

### Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 267,020
Contributions Withdrawals	19,552
Net	19,552
Investment income	3,034
Net unrealized depreciation	(51,771)
June 30, 2009	\$ 237,835

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	52,391	22.0%
Non-Large Cap Domestic		7,819	3.3
International Nonqualified		23,807	10.0
International Equity		45,936	19.3
Short-Term Fixed Income		22,704	9.5
Total Return Fixed Income		32,700	13.8
Core Fixed Income		8,693	3.7
Hedge Fund		43,785	18.4
Total	\$	237,835	100.0%

### INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. A target rate of return has not been set for this plan.

Period	Actual
One-year	-17.9%
Three-year	-3.3%

### Board of Risk and Insurance Management Fund

### HISTORY

The Board of Risk and Insurance Management (BRIM) is a State entity charged with providing insurance coverage to all State agencies, as well as cities, counties, and non-profit organizations throughout West Virginia under the provisions of Senate Bill 3. BRIM also provides a coal mine subsidence reinsurance program that allows homeowners and businesses to obtain insurance coverage up to \$75,000 for collapses and damage caused by underground coal mines.

### LIQUIDITY NEEDS

There are no current liquidity needs for BRIM since cash inflows from operations are currently sufficient to pay claims and expenses. BRIM requires a cash reserve account for collateral purposes amounting to approximately 15 percent of the funds for investment. This amount is invested with the West Virginia Board of Treasury Investments and utilized at BRIM's discretion. BRIM advises the IMB staff of the amounts in this cash reserve account.

### INVESTMENT OBJECTIVES

The investment objective is as follows:

• Achieve a total rate of return of at least 4.9 percent per annum, net of fees.

### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the BRIM. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	10.0%	10.0%
International Equity	10.0%	10.0%
Private Equity	0.0%	0.0%
Fixed Income	80.0%	60.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$0	

### FINANCIAL HIGHLIGHTS

### Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 109,325
Contributions Withdrawals	 1,000 (1,000)
Net	-
Investment income	23,576
Net unrealized depreciation	 (27,440)
June 30, 2009	\$ 105,461

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	8,892	8.4%
Non-Large Cap Domestic		1,591	1.5
International Nonqualified		3,797	3.6
International Equity		7,503	7.1
Short-Term Fixed Income		1	0.0
Total Return Fixed Income		44,572	42.3
Core Fixed Income		18,450	17.5
Hedge Fund		20,655	19.6
Total	\$	105,461	100.0%

### INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. A target rate of return has not been set for this plan.

Period	Actual	Target
One-year	-3.9%	4.9%
Three-year	2.2%	4.9%

### Public Employees Insurance Agency

### HISTORY

The Public Employees Insurance Agency (PEIA) is a State entity charged with providing health insurance coverage to current and retired public employees.

### LIQUIDITY NEEDS

The PEIA projects net cash outflows from operations every year going forward. Net cash outflows as a percentage of assets invested increased dramatically in fiscal years 2008 and 2009, and presumably, going forward. This anticipated high liquidity requirement within a three-year time horizon indicates a substantial allocation to cash is appropriate. PEIA currently manages part of its 40 percent cash allocation and invests this amount with the West Virginia Board of Treasury Investments. The IMB collaborates with management at PEIA to monitor combined cash levels.

### INVESTMENT OBJECTIVES

The investment objective is as follows:

• Achieve a total rate of return of at least 5.4 percent per annum, net of fees.

### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the PEIA. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	7.5%	7.5%
International Equity	7.5%	7.5%
Private Equity	0.0%	0.0%
Fixed Income	85.0%	65.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$0*	

<sup>\*</sup> IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from the PEIA. Not all cash is invested with the IMB.

### FINANCIAL HIGHLIGHTS

### Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 122,361
Contributions Withdrawals	-
Net	-
Investment income	7,409
Net unrealized depreciation	(14,698)
June 30, 2009	\$ 115,072

Asset Allocation (in \$000s)	Amount	Percent of Total
Large Cap Domestic	\$ 7,324	6.4%
Non-Large Cap Domestic	1,313	1.1
International Nonqualified	3,054	2.7
International Equity	6,258	5.4
Short-Term Fixed Income	1	0.0
Total Return Fixed Income	53,033	46.1
Core Fixed Income	21,406	18.6
Hedge Fund	22,683	19.7
Total	\$ 115,072	100.0%

### INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals.

Period	Actual	Target
One-year	-5.9%	5.4%
Three-year	1.5%	5.4%

### HISTORY

The West Virginia Retiree Health Benefit Trust Fund (RHBTF) was created under West Virginia Code §5-16D for the purpose of providing for and administering retiree post-employment health care benefits, and the respective revenues and costs of those benefits as a cost sharing multiple employer plan.

### LIQUIDITY NEEDS

The RHBTF is expected to have minimal liquidity needs until fiscal year 2011, at which time annual liquidity needs will become high.

### INVESTMENT OBJECTIVES

The investment objective is to provide for stable, long-term growth of assets, while seeking to minimize risk of loss. There is no specifically identified rate of return target.

### ASSET ALLOCATION

Based upon a determination of the appropriate risk tolerance, the Board adopted the following broad asset allocation guidelines for the assets managed for the RHBTF. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	2.5%	2.5%
International Equity	2.5%	2.5%
Private Equity	0.0%	0.0%
Fixed Income	95.0%	95.0%
Hedge Funds	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash (included in Fixed Income above)	\$0*	

<sup>\*</sup> Cash levels to be reviewed as needed, at least annually, collaboratively with management staff from PEIA.

### FINANCIAL HIGHLIGHTS

### Progression of Plan Balance (in \$000s)

June 30, 2008	\$ 198,497
Contributions Transfers In	- -
Net	-
Investment income	40,206
Net unrealized depreciation	 (38,165)
June 30, 2009	\$ 200,538

Asset Allocation (in \$000s)	Amount		Percent of Total
Large Cap Domestic	\$	4,254	2.1%
Non-Large Cap Domestic		762	0.4
International Nonqualified		1,729	0.9
International Equity		3,687	1.8
Short-Term Fixed Income		1	0.0
Total Return Fixed Income		134,758	67.2
Core Fixed Income		55,347	27.6
Total	\$	200,538	100.0%

### INVESTMENT PERFORMANCE

Investment performance for the one-year period ended June 30, 2009 was 0.6 percent. RHBTF has no defined target rate of return.

# **Audited Financial Statements**

**Investment Pools** 

# **Audited Financial Statements**

June 30, 2009

### Audited Financial Statements June 30, 2009

### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	A-1
Schedule of Investments in Securities	A-2
Statement of Operations	A-10
Statement of Changes in Net Assets	A-11
Notes to Financial Statements	A-12



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) Large Cap Domestic Equity Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Large Cap Domestic Equity Pool as of June 30, 2009 and the results of its operations, changes in net assets, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Assets	A	SS	ets
--------	---	----	-----

Investment securities at fair value  Cash  Collateral for securities loaned at fair value (Note 6)  Receivables:  Investments sold  Dividends  Securities lending income		\$ 1,776,850 8 74,890 10,887 2,620 173
	Total assets	1,865,428
Liabilities		
Accrued expenses Payable for investments purchased Payable upon return of securities loaned (Note 6) Due to broker - variation margin on futures contracts (Note 7)		 286 11,107 79,309 7
	Total liabilities	90,709
	Net assets	\$ 1,774,719
Analysis of net assets		
Paid-in capital Accumulated undistributed net investment income Accumulated undistributed net realized loss from investments Unrealized net depreciation of investments		\$ 1,889,600 224,998 (174,980) (164,899)
	Net assets	\$ 1,774,719
Unit data		
Units outstanding Net asset value, unit price		\$ 204,237,800 8.69

# Schedule of Investments in Securities June 30, 2009

Security Name	Shares	Cost	Fair Value
Equity Securities			
Basic Materials			
Allegheny Technologies Inc	11,700	\$ 370	\$ 409
Ball Corporation	100,500	4,216	4,539
Bemis Company Inc	115,400	2,500	2,908
CF Industries Holdings Inc	5,000	502	371
CONSOL Energy Inc	35,000	1,409	1,189
Dow Chemical Company	150,800	2,509	2,434
duPont EI de Nemours Co	228,600	5,008	5,857
Eastman Chemical Company	105,393	4,161	3,994
Ecolab Inc	19,100	685	745
Freeport-McMoRan Copper & Gold	25,749	1,899	1,290
International Paper Company	39,000	500	590
Intl Flavors & Fragrances Inc	11,300	348	370
Massey Energy Company	67,700	1,961	1,323
MeadWestvaco Corp	268,900	4,876	4,413
Monsanto Company	42,990	4,140	3,196
Nucor Corporation	6,100	300	271
Owens-Illinois Inc	65,000	1,582	1,821
Pactiv Corporation	166,400	2,347	3,611
Peabody Energy Corp	50,900	1,602	1,535
PPG Industries Inc	95,000	3,478	4,171
Praxair Inc	107,700	7,972	7,654
Sealed Air Corporation	114,300	1,338	2,109
Sigma-Aldrich Corporation	7,900	443	392
United States Steel Corp	36,400	2,354	1,301
Vulcan Materials	22,200	1,157	957
Total Basic Materials - 3.2%		57,657	57,450
Capital Goods			
3M Co	47,300	2,972	2,843
AK Steel Holding Corporation	17,300	348	332
Apollo Group	32,200	1,941	2,290
Avery Dennison Corp	45,000	1,233	1,156
Block H&R Inc	465,100	8,863	8,014
Boeing Company	37,000	2,837	1,573
Burlington Northern Santa Fe	56,500	4,593	4,155
C H Robinson Worldwide Inc	66,100	3,393	3,447
Caterpillar Inc	65,500	2,722	2,164
Cintas Corp	40,400	1,001	923
Cooper Industries Ltd	178,700	5,046	5,549
CSX Corp	294,700	10,832	10,205
Cummins Engine Company Inc	230,500	7,866	8,116
Danaher Corp	900	47	56
Deere & Company	9,400	405	376
Dover Corp	117,600	3,365	3,891
Dun & Bradstreet Corp	20,400	1,544	1,657
Equifax Inc	158,500	4,350	4,137
Fastenal Company	83,500	2,970	2,770
FedEx Corp	38,200	2,558	2,125
Flowserve Corp	12,300	697	859
Fluor Corporation	43,800	2,722	2,247
General Dynamics Corp	58,100	3,720	3,218
General Electric Company	2,935,375	75,643	34,403
Goodrich BF Company	11,000	526	550
Grainger WW Inc	50,500	3,731	4,135
Honeywell International Inc	21,600	1,086	678
Illinois Tool Works Inc	28,400	951	1,060
Iron Mountain Inc	123,800	3,191	3,559
ITT Industries Inc	28,400	1,202	1,264
Jacobs Engineering Group Inc	12,400	795	522
L-3 Communications Hldgs Inc	1,200	125	83
Lockheed Martin Corp	106,200	7,996	8,565

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Schedule of Investments in Securities (Continued) June 30, 2009

Security Name	Shares	Cost	Fair Value
Manitowoc Co Inc	33,500	\$ 212	\$ 176
Masco Corporation	55,000	511	527
Monster Worldwide Inc	14,600	189	172
Norfolk Southern Corp	148,200	6,259	5,583
Northrop Grumman Corp	119,800	6,212	5,472
PACCAR Inc	2,900	139	94
Pall Corporation	38,700	1,011	1,028
Pitney Bowes Inc	141,300	3,131	3,099
Precision Castparts Corp	11,200	1,305	818
Raytheon Company	124,300	5,543	5,523
Republic Services Inc	33,965	725	829
Robert Half International Inc	12,800	251	302
Rockwell Automation Inc	19,700	636	633
Ryder System Inc	4,200	239	117
Southwest Airlines Co	266,600	2,032	1,794
Textron Inc	36,200	411	350
Union Pacific Corp	208,900	11,653	10,875
United Parcel Service Inc	90,100	5,122	4,504
United Technologies Corp	139,800	8,655	7,264
Waste Management Inc	354,800	10,400	9,991
Total Capital Goods - 10.5%		235,907	186,073
Communication Services			
American Tower Corporation	3,200	137	101
AT&T Inc	1,628,370	49,614	40,449
CenturyTel Inc	75,100	2,034	2,306
Embarq Corp	46,500	1,605	1,956
Frontier Communications Corp	309,500	2,351	2,210
Metropes Communications Inc	29,200	394	389
Qwest Communications Intl Inc	677,800	2,809	2,813
Sprint Nextel Corporation	247,854	1,913	1,192
Verizon Communications	755,944	26,498	23,230
Windstream Corp	161,421	1,636	1,349
Total Communication Services - 4.3%	_	88,991	75,995
Consumer Cyclicals			
Amazon.com Inc	46,600	3,312	3,899
AutoNation Inc	10,700	171	186
AutoZone Inc	11,700	1,424	1,768
Bed Bath & Beyond Inc	14,500	429	446
Best Buy Co Inc	130,600	5,181	4,374
Big Lots Inc	9,000	190	189
Black & Decker Corporation	11,500	275	330
Carnival Corp	19,800	516	510
CBS Corp Class B	47,100	305	326
Centex Corporation	79,900	756	676
Coach Inc	43,700	1,156	1,175
Comcast Corp	1,116,702	19,458	16,148
Darden Restaurants Inc	148,600	3,834	4,901
DeVry Inc	6,400	295	320
DIRECTV Group Inc	339,700	8,352	8,394
Disney Walt Company	188,500	4,298	4,398
DR Horton Inc	35,600	392	333
Eastman Kodak Co	4,100	17	12
Expedia Inc	124,300	2,484	1,878
Family Dollar Stores	224,100	5,861	6,342
Ford Motor Company	283,600	1,595	1,721
GameStop Corp	8,400	261	185
Gap Inc	227,300	3,696	3,728
Genuine Parts Company	54,200	1,657	1,819
Goodyear Tire & Rubber Co	21,300	253	240
Harley-Davidson Inc	30,700	483	498
Harman Intl Industries Inc	33,900	614	637
Harman Hill Hidustics Hic	33,900	014	037

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Schedule of Investments in Securities (Continued) June 30, 2009

Security Name	Shares	Cost	Fair Value
Hasbro Inc	112,700	\$ 3,319	\$ 2,732
Home Depot Inc	174,200	4,055	4,116
International Game Technology	22,500	353	358
Interpublic Group of Co Inc	440,700	3,183	2,226
Johnson Controls Inc	121,700	3,175	2,643
KB Home	31,500	468	431
Kohl's Corporation	60,000	2,325	2,565
Leggett & Platt Inc	424,500	5,961	6,465
Lennar Corporation	104,900	890	1,016
Limited Inc	195,100	2,342	2,335
Lowe's Corp Inc	384,300	7,544	7,459
Macy's Inc	141,800	1,118	1,668
Marriott International Inc	16,828	378	371
Mattel Inc	2,500	40	40
McDonald's Corporation	296,900	16,488	17,069
McGraw-Hill Companies Inc	150,800	3,627	4,541
Meredith Corp	8,400	232	215
Newell Rubbermaid Inc	160,200	1,622	1,668
News Corp	32,500	293	296
Nike Inc Class B	74,700	4,182	3,868
Nordstrom Inc	9,900	186	197
Office Depot Inc	94,500	386	431
O'Reilly Automotive Inc	26,300	948	1,002
Penney JC & Company	19,300	334	554
Polo Ralph Lauren Corporation	24,400	1,149	1,306
Pulte Corporation	501,500	5,522	4,428
RadioShack Corp	285,400	3,856	3,984
Sears Holding Corp	1,400	52	93
Sherwin-Williams Co	33,400	1,659	1,795
Snap-On Inc	23,900	996	687
Stanley Works	9,600	298	325
Staples Inc	104,500	2,117	2,109
Starbucks Corp	77,400	945	1,075
Target Corp	25,200	1,228	995
Tiffany & Co Time Warner Cable Inc	20,200	980	512 2,157
Time Warner Inc	68,106	3,180 5,324	5,046
TJX Companies Inc	200,331 201,800	5,616	6,349
VF Corp	48,900	3,575	2,707
Viacom Inc Class B	15,300	332	347
Whirlpool Corporation	7,200	414	306
Wyndham Worldwide Corporation	57,400	533	696
Wynn Resorts Limited	12,900	490	455
Yum Brands Inc	87,600	2,681	2,921
Total Consumer Cyclicals - 9.5%	07,000	171,661	167,992
Consumer Staples			
Altria Group Inc	486,376	9,359	7,972
Archer-Daniels-Midland Co	194,500	4,877	5,207
Avon Products Inc	50,200	1,617	1,294
Brown Forman Corp	84,775	4,073	3,644
Campbell Soup Co	152,000	4,110	4,472
Clorox Company	47,000	2,559	2,624
Coca-Cola Company	497,400	25,206	23,870
Coca-Cola Enterprises	180,683	4,049	3,008
Colgate-Palmolive Co	62,600	4,142	4,428
Constellation Brands Inc	122,900	1,566	1,558
Costco Wholesale Corp	24,700	1,661	1,131
CVS Pass-Through Trust	374,576	11,326	11,938
Dean Foods Company	252,900	4,864	4,853
Dr Pepper Snapple Group	76,900	1,080	1,630
Estee Lauder Companies Inc	27,400	902	895
General Mills Inc	118,100	6,327	6,616

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Schedule of Investments in Securities (Continued) June 30, 2009

Security Name	Shares	Cost	Fair Value
Heinz HJ Company	150,500	\$ 5,867	\$ 5,37
Hershey Foods Corp	137,800	4,989	4,96
Kellogg Company	151,200	6,426	7,04
Kimberly Clark Corporation	142,000	7,593	7,44:
Kraft Foods Inc	250,900	6,287	6,35
Kroger Co	538,100	13,456	11,86
Lorillard, Inc	49,700		3,36
		3,286	
McCormick & Company Inc	19,100	586	62
Molson Coors Brewing Co	3,600	152	152
Pepsi Bottling Group Inc	64,088	1,972	2,169
Pepsico Inc	263,398	15,364	14,47
Philip Morris International	277,676	12,296	12,11
Proctor & Gamble Company	648,127	37,929	33,11
Reynolds American Inc	27,400	1,044	1,05
Safeway Inc	13,000	351	26.
Sara Lee Corp	469,300	4,368	4,58
Smucker JM Company	66,500	2,652	3,23
Sysco Corp	192,200	4,143	4,32
Γyson Foods, Inc	74,500	776	93
Walgreen Co	27,300	728	80
Wal-Mart Stores	603,600	31,738	29,23
Whole Foods Market Inc	19,600	394	37:
Total Consumer Staples - 13.5%	22,000	250,115	239,01
Energy			
Anadarko Petroleum Corp	160,000	7,612	7,26
Apache Corporation	77,200	8,040	5,57
Baker Hughes Inc	30,800	961	1,12
	64,400	845	87
BJ Services Company			
Cabot Oil & Gas Corporation	113,200	3,769	3,46
Cameron International Corp	28,400	734	80
Chesapeake Energy Corp	78,200	2,201	1,55
ChevronTexaco Corp	399,635	30,670	26,47
ConocoPhillips	370,457	22,708	15,58
Denbury Resources Inc	81,700	1,352	1,20
Devon Energy Corporation	25,900	1,977	1,41
Diamond Offshore Drilling Inc	6,500	407	54
El Paso Corporation	524,100	3,918	4,83
ENSCO International Inc	66,300	3,620	2,31
EOG Resources Inc	11,400	993	77
Exxon Mobil Corporation	1,159,505	82,765	81,06
FMC Technologies Inc	14,800	603	55
Halliburton Company	318,900	6,557	6,60
Hess Corp	24,200	1,988	1,30
Marathon Oil Corp	97,842	3,657	2,94
Murphy Oil Corporation	58,900	3,366	3,19
Nabors Industries Ltd	62,300	997	97
National-Oilwell Varco Inc	94,900	5,025	3,09
Noble Energy Inc			
	5,300	337	31
Occidental Petroleum Corp	186,160	12,388	12,25
Pioneer Natural Resources Co	43,400	920	1,10
Range Resources Corporation	4,800	256	19
Rowan Companies Inc	8,400	104	16
Schlumberger Ltd	156,300	10,188	8,45
Smith International Inc	60,900	2,125	1,56
Spectra Energy Corp	236,100	3,595	3,99
Sunoco Inc	15,500	450	36
Tesoro Petroleum Corporation	69,900	1,052	89
Valero Energy Corporation	97,200	1,720	1,64
Williams Companies Inc	309,300	5,527	4,82
XTO Energy Inc	183,675	7,453	7,00
Total Energy - 12.2%	105,075	240,880	216,30

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Schedule of Investments in Securities (Continued) June 30, 2009

Security Name	Shares	Cost	Fair Value
Financial Services			
AFLAC Inc	32,000	\$ 1,504	\$ 995
Allstate Corp	24,900	792	608
American Express	93,770	2,321	2,179
Ameriprise Financial Inc	133,600	3,365	3,242
Aon Corporation	110,600	4,545	4,188
Apartment Investment & Mgmt Co REIT	192,751	1,930	1,706
Assurant Inc	94,900	2,857	2,286
Avalonbay Communities Inc REIT	3,713	300	208
Bank of America Corporation	1,120,081	27,162	14,785
Bank of New York Mellon Corp	237,500	9,015	6,961
BB&T Corp	115,100	2,853	2,530
Boston Properties Inc REIT	19,300	1,324	921
Capital One Financial Corp	65,200	1,388	1,427
CB Richard Ellis Grp Inc	76,300	598	714
Chubb Corp	122,300	5,924	4,877
Cincinnati Financial Corp	73,900	1,785	1,652
CIT Group Inc	49,800	172	107
Citigroup Inc	877,583	12,050	2,606
CME Group Inc	5,700	1,644	1,773
Comerica Inc	27,400	653	580
Discover Financial Services	161,700	1,184	1,661
Equity Residential Prop Trust REIT	42,600	1,487	947
Federated Investors Inc	17,200	399	414
Fifth Third Bancorp	84,400	578	599
First Horizon National Corp	46,825	428	562
Franklin Resources Inc	16,600	1,238	1,195
Goldman Sachs Group Inc	59,600	7,371	8,787
Hartford Financial Services Gp	111,300	973	1,321
HCP Inc	168,600	4,962	3,573
Health Care Inc REIT	700	27	24
Host Hotels & Resorts Inc REIT	65,300	513	548
Hudson City Bancorp Inc	458,800	7,461	6,097
Huntington Bancshares Inc	54,300	216	227
Intercontinental Exchange Inc	9,000	868	1,028
Invesco Limited	148,500	2,459	2,646
JPMorgan Chase & Co	658,165	24,186	22,450
KeyCorp	479,900	3,197	2,515
Kimco Realty Corporation REIT	126,800	1,401	1,274
Legg Mason Inc	21,600	454	527
Leucadia National Corporation	65,100	2,432	1,373
Lincoln National Corp	128,800	1,710	2,217
Loews Corp	321,700	11,014	8,815
M & T Bank Corporation	25,700	1,625	1,309
Marsh & McLennan Co Inc	128,700	3,192	2,591
Marshall & Ilsley Corporation	248,600	1,495	1,193
MBIA Inc	181,800	952	787
MetLife Inc	148,754	5,142	4,464
Moody's Corp	67,700	1,639	1,784
Morgan Stanley Dean Witter Co	217,700	6,689	6,207
Nasdaq Stock Market Inc	126,000	2,716	2,685
Northern Trust Corp	62,400	3,796	3,350
NYSE Euronext	34,000	772	927
People's United Financial Inc	190,500	2,966	2,871
Plum Creek Timber Co Inc	63,100	1,816	1,879
PNC Financial Services Group	59,500	3,029	2,309
Principal Financial Group Inc	48,700	1,013	918
Progressive Corp	251,600	3,808	3,802
ProLogis Trust REIT	12,700	146	102
Prudential Financial Inc	101,600	3,704	3,782
Public Storage Inc REIT	37,300	3,037	2,442
Regions Financial Corp	292,600	1,547	1,182
Schwab Charles Corp	310,600	5,633	5,448

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Schedule of Investments in Securities (Continued) June 30, 2009

Security Name	Shares	Cost	Fair Value
Simon Property Group REIT	9,539	\$ 687	\$ 491
SLM Corp	173,500	1,334	1,782
State Street Corp	20,100	989	949
SunTrust Banks Inc	23,400	762	385
T Rowe Price Associates Inc	35,800	1,830	1,492
Torchmark Corporation	23,100	963	856
Travelers Cos Inc	162,800	7,016	6,681
UnumProvident Corp	288,300	5,440	4,572
US Bancorp	257,979	6,017	4,623
Ventas Inc REIT	5,600	137	167
Vornado Realty Trust REIT	13,771	740	620
Wells Fargo & Company	667,100	16,883	16,184
XL Capital Ltd	79,400	682	910
Zions Bancorporation	60,500	955	699
Total Financial Services - 12.0%		255,892	213,588
Health Care			
Abbott Laboratories	272,700	14,011	12,828
Aetna Inc	53,900	1,794	1,350
Allergan Inc	7,100	325	338
AmerisourceBergen Corp	1,000	21	18
Amgen Inc	292,400	15,518	15,480
Bard CR Inc	2,100	194	156
Baxter International Inc	276,300	15,353	14,633
Becton Dickinson & Company	82,600	5,852	5,890
Biogen Idec Inc	2,200	129	99
Boston Scientific Corp	684,200	6,552	6,938
Bristol-Myers Squibb Company	701,600	14,381	14,249
Cardinal Health Inc	4,600	161	140
Celgene Corporation	103,900	5,277	4,971
Cephalon Inc	32,900	2,339	1,864
CIGNA Corporation	77,700	2,150	1,872
Coventry Health Care Inc	9,200	166	172
DaVita Inc	58,100	2,670	2,874
DENTSPLY International Inc	58,800	1,642	1,797
Express Scripts Inc	127,000	6,992	8,731
Genzyme Corporation	13,300	848	740
Gilead Sciences Inc	148,400	6,785	6,951
Hospira Inc	79,700	2,347	3,070
Humana Inc	26,200	728	845
IMS Health Inc	106,900	1,538	1,358
Johnson & Johnson	590,095	35,819	33,517
King Pharmaceuticals Inc	577,200	5,072	5,558
Laboratory Corp of Amer Hldgs Lilly Eli and Company	1,800	102	122
McKesson HBOC Inc	213,700 3,600	8,284 192	7,403 158
Medco Health Solutions Inc	118,600	4,786	5,409
	74,000	2,768	2,582
Medtronic Inc Merck & Co Inc	475,100	16,591	13,284
Mylan Laboratories Inc	52,400	584	684
Pfizer Inc	1,474,044	28,565	22,111
Quest Diagnostics Inc	96,800	4,621	5,462
Schering-Plough Corporation	322,000	6,919	8,089
St Jude Medical Inc	20,700	791	851
Stericycle Inc	11,900	600	613
Stryker Corporation	65,500	3,528	2,603
Tenet Healthcare Corporation	57,700	341	163
Thermo Electron Corporation	57,400	2,482	2,340
UnitedHealth Group Inc	311,052	8,973	7,770
Varian Medical Systems Inc	42,000	1,856	1,476
Waters Corporation	3,700	225	190
Watson Pharmaceuticals Inc	15,700	429	529
WellPoint Inc	121,720	5,738	6,194
	,-20	2,.50	~,-/.

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Schedule of Investments in Securities (Continued) June 30, 2009

Security Name	Shares	Cost	Fair Value	
Wyeth	179,000	\$ 7,139	\$ 8,125	
Zimmer Holdings Inc	7,200	487	307	
Total Health Care - 13.7%	,,	254,665	242,904	
Technology				
Adobe Systems Inc	40,600	892	1,149	
Advanced Micro Devices Inc	206,600	833	799	
Affiliated Computer Svcs Inc	89,900	4,128	3,993	
Agilent Technologies Inc	8,600	142 691	175 633	
Akamai Technologies Inc	33,000 211,300	3,378	3,442	
Altera Corporation Amphenol Corp	4,900	156	155	
Analog Devices Inc	44,600	1,021	1,105	
Apple Computer Inc	126,200	15,587	17,975	
Applied Materials Inc	185,400	1,901	2,041	
Autodesk Inc	11,700	224	222	
Automatic Data Processing Inc	105,300	3,823	3,732	
BMC Software Inc	104,700	3,246	3,538	
Broadcom Corp	82,100	1,516	2,035	
CA Inc	272,400	4,731	4,748	
CIENA Corporation	42,400	435	439	
Cisco Systems Inc	1,441,690	29,525	26,887	
Citrix Systems Inc	8,400	196	268	
Cognizant Tech Solutions Corp	34,600	800	924	
Computer Sciences Corp	41,300	1,497	1,830	
Compuware Corporation	116,200	829	797	
Convergys Corp	153,500	1,338	1,424	
Corning Inc	402,200	7,110	6,459	
Dell Inc	87,435 58,600	870 1,054	1,200 1,004	
eBay Inc EMC Corporation	58,600 378,500	4,347	4,958	
Fidelity Ntl Information Svcs	65,400	1,214	1,305	
FLIR Systems Inc	3,800	87	86	
Google Inc	28,800	13,076	12,142	
Harris Corporation	78,100	2,293	2,215	
Hewlett-Packard Company	631,000	25,316	24,388	
Intel Corporation	1,180,000	23,975	19,529	
International Business Machs	250,800	24,190	26,188	
Intuit Inc	100,200	2,618	2,825	
Jabil Circuit Inc	165,100	1,070	1,225	
JDS Uniphase Corporation	258,100	1,209	1,476	
Juniper Networks Inc	65,600	1,539	1,548	
KLA-Tencor Corporation	8,400	216	212	
Lexmark International Inc	32,200	827	510	
Linear Technology Corp	101,500	2,268 253	2,370 251	
LSI Logic Corporation McAfee, Inc	55,100 13,700	498	578	
MEMC Electronic Materials Inc	21,200	352	378	
Microchip Technology Inc	51,300	1,166	1,157	
Micron Technology Inc	422,200	1,472	2,136	
Microsoft Corporation	1,318,302	33,065	31,336	
Molex Inc	67,000	746	1,042	
Motorola Inc	149,700	803	993	
National Semiconductor Corp	75,500	796	947	
NetApp Inc.	39,000	677	769	
Novell Inc	402,700	1,620	1,824	
Novellus Systems Inc	32,400	566	541	
NVIDIA Corporation	288,800	2,722	3,261	
Oracle Corporation	751,644	13,976	16,100	
Paychex Inc	43,000	1,108	1,084	
QLogic Corporation	158,300	1,669	2,007	
Qualcomm Inc	222,100	8,837	10,039	
SanDisk Corporation	44,100	418	648	

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Schedule of Investments in Securities (Continued) June 30, 2009

Security Name	Shares	Cost	Fair Value
Scripps Networks Interactive	33,800	\$ 1,076	\$ 941
Sun Microsystems Inc	176,000	1,141	1,623
Symantec Corporation	522,867	7,917	8,146
Tellabs Inc	852,400	4,096	4,884
Teradata Corporation	30,000	671	703
Texas Instruments Inc	169,300	4,977	3,606
VeriSign Inc	241,900	4,561	4,480
Western Union Company	407,500	6,238	6,683
Xerox Corporation	83,100	1,495	538
Xilinx Inc	93,000	1,703	1,903
Yahoo! Inc	123,900	2,462	1,940
Total Technology - 16.8%	123,900	297,249	298,489
Utilities			
AES Corporation	420,200	5,900	4,878
Allegheny Energy Inc	3,300	80	85
Ameren Corporation	63,600	1,445	1,583
American Electric Power Co Inc	221,100	5,959	6,388
CenterPoint Energy Inc	8,400	86	93
CMS Energy Corporation		4,524	
	360,918		4,360
Consolidated Edison Inc	86,200	3,295	3,226
Dominion Resources Inc	16,200	578	541
DTE Energy Company	94,000	2,686	3,008
Duke Energy Corp	424,000	7,451	6,186
Edison International	7,600	394	239
Entergy Corporation	22,100	2,257	1,713
Exelon Corp	9,800	618	502
FirstEnergy Corp	49,900	2,770	1,934
FPL Group Inc	20,000	1,188	1,137
Integrys Energy Group Inc	33,200	936	996
NICOR Inc	42,500	1,377	1,471
NiSource Inc	19,800	197	231
Northeast Utilities	37,800	787	843
PEPCO Holdings	313,200	4,549	4,209
PG&E Corp	60,300	2,267	2,318
Pinnacle West Capital Corp	81,200	2,184	2,448
PPL Corporation	96,100	4,066	3,167
Progress Energy Inc	81,800	3,126	3,094
Public Service Enterprise Grp	102,800	4,215	3,354
Questar Corporation	31,000	1,251	963
SCANA Corporation	29,300	954	951
Sempra Energy	9,900	555	491
Southern Company	66,600	2,078	2,075
Southwestern Energy Company	58,000	2,193	2,253
TECO Energy Inc			1,021
0.0	85,600	1,117	
Wisconsin Energy Corporation	119,000	4,788	4,844
Xcel Energy Inc  Total Utilities - 3.9%	15,200	280 76,151	280 70,882
Total Equity Securities - 99.7%		1,929,168	1,768,688
Short-term Issues			
Dreyfus Cash Management Institutional Fund	8,048,812	8,049	8,049
Futures Cash Collateral *	112,500	113	113
Total Short-term Issues - 0.5%		8,162	8,162
Total Investment Securities - 100.1%		\$ 1,937,330	\$ 1,776,850
S & P 500 EMINI Futures, expiring Sep 2009	25		\$ (36)
Total Futures Contracts - 0.0%			\$ (36)

<sup>\*</sup> Denotes assets pledged for initial margin requirements or collateral on open futures contracts. See accompanying notes to financial statements.

### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

T 4	4	•		
Investmen	ıŧ	ın	ഹ	me
III v CSumen	u	111	v	

Interest income	\$ 9
Dividend income	44,226
Securities lending income	3,050
Shareholder litigation proceeds	494
Commission recapture	 111
Total investment income	47,890
Expenses	
Investment advisor fees	(1,088)
Trustee fees	(11)
Custodian bank fees	(71)
Management fees	(604)
Fiduciary bond fees	(10)
Professional service fees	(135)
Securities lending agent fees	(432)
Securities lending borrower rebates	 (550)
Total expenses	 (2,901)
Investment income, net	44,989
Realized and unrealized loss from investments	
Net realized loss from investments	(476,799)
Net decrease in the fair value of investments	 (67,131)
Net loss from investments	 (543,930)
Net decrease in net assets from operations	\$ (498,941)

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

### **Operations**

Investment income, net	\$	44,989
Net realized loss from investments		(476,799)
Net decrease in the fair value of investments		(67,131)
Net decrease in net assets from operations		(498,941)
Unit transactions		
Proceeds from sale of units		1,300,873
Amount paid for repurchase of units		(963,619)
Net increase in net assets from unit transactions		337,254
Decrease in net assets		(161,687)
Net assets, beginning of period		1,936,406
Net assets, end of period	\$	1,774,719
Unit data		
Units sold		126,336,275
Units repurchased		(84,279,717)
Net increase in units	_	42,056,558

### **Notes to Financial Statements**

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Large Cap Domestic Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Stock Index over three- to five-year periods. Assets are managed by Intech Investment Management, LLC and State Street Global Advisors.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Futures contracts are valued at the last settlement price established each day by the exchange on which they are traded. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

**Security Loans** - The IMB, through its agent the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. Cash collateral received is invested in the Mellon GSL Reinvestment Trust. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to

### **Notes to Financial Statements**

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Operations as net increase or decrease in the fair value of investments.

**Futures Contracts** - A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker on a daily basis for the fluctuations of the underlying securities or index. The IMB records the cash received or paid for the variation margin as a realized gain or loss. The due to broker – variation margin on futures contracts represents one day's change in fair value that is due to the broker.

Stock index futures may be used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows.

The market risk associated with holding interest rate and stock index futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Hedging risk associated with these futures contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions.

Other risks associated with futures contracts are liquidity risk and credit risk. Liquidity risk arises when there is insufficient trading in a particular futures contract. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. The IMB's managers generally only utilize futures contracts that are traded on major exchanges or are executed with major dealers. The major exchanges assume the risk of a counterparty default and generally require an initial margin deposit of cash or securities.

Investment Transactions - Investment transactions are accounted for on a trade date basis.

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Interest Income** - Interest income is recognized as earned on the accrual method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

**Distributions to Participants** - The Pool does not routinely distribute dividends of net investment income or capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

### **Notes to Financial Statements**

### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2009, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133) (FAS 161). FAS 161 requires pools with derivative instruments to disclose information that should enable financial statement users to understand how and why a pool uses derivative instruments, how derivative instruments are accounted for under FAS 133 and related Interpretations, and how derivative instruments and related items affect a pool's financial position, financial performance and cash flows. The required disclosures include the fair value of derivative instruments and their gains and losses in tabular format, counterparty credit risk, and a pool's strategies and objectives for using derivative financial instruments. FAS 161 will be effective for the IMB beginning July 1, 2009. The adoption of this standard will not have a material impact on the financial condition or operations of the Pool

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

### **Notes to Financial Statements**

### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Level I	Level II	Leve	<u> 1 III                                  </u>	Total
Equity Securities	\$1,768,688,347	\$ -	\$	-	\$1,768,688,347
Regulated Investment Companies	-	8,048,812		-	8,048,812
Securities Lending Collateral Funds	=	74,890,170		-	74,890,170
Futures	(36,020)				(36,020)
Total	\$1,768,652,327	\$ 82,938,982	\$		\$1,851,591,309

### NOTE 6. SECURITIES LENDING

At June 30, 2009, the fair value of securities on loan was \$76,798,615, the initial collateral received was \$79,450,155, and the fair value of reinvested collateral held was \$75,031,170. Of the collateral held, \$79,309,155 was received as cash and was invested in the Mellon GSL DBT II Collateral Fund (Collateral Fund), the Mellon SL DBT II Liquidating Fund (Liquidating Fund), and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust). The fair value of the invested collateral at June 30, 2009 was \$74,890,170.

In early November 2008, the IMB was notified that certain securities issued by Sigma Finance, Inc. (Sigma) were transferred from the Collateral Fund on October 1, 2008, to the Liquidating Trust. Units of the Liquidating Trust were transferred to the IMB's securities lending cash collateral account. For all of the IMB investment pools that participate in the securities lending program, the value of the units in the Liquidating Trust on an amortized cost basis was \$10,973,960 as calculated by the IMB's proportionate interest in the Collateral Fund as of the close of business on September 30, 2008. Sigma was subsequently placed into receivership and the IMB is exposed to a potential loss of the full value of the Sigma investment. In October 2008, the IMB recorded a reserve for these potential losses in each investment pool in proportion to its participation in the securities lending program at September 30, 2008. The reserve recorded for the Pool was \$3,247,638.

Effective April 20, 2009, the assets of the Collateral Fund with maturities greater than one day were transferred to the Liquidating Fund. As securities mature in the Liquidating Fund, the proceeds are transferred to the Collateral Fund. The combined value of the holdings in the Collateral Fund and the Liquidating Fund is used to determine the fair value of reinvested collateral.

Additionally, the distribution of securities lending income has been restricted beginning October 1, 2008. The restriction will remain in place until the actual loss on Sigma is realized. At June 30, 2009 the accumulated undistributed securities lending income was \$1,397,306.

### **Notes to Financial Statements**

### NOTE 7. FUTURES CONTRACTS

At June 30, 2009, open positions in futures contracts were as follows:

				Value Upon	Cumulative
			Value at	Entering	Net Gain (Loss)
Expiration	Open Contracts	Position	June 30, 2009	Contract	Since Inception
Sep 2009	25 S&P 500	Long	\$ 1,144,375	\$ 1,180,395	\$ (36,020)

At June 30, 2009, the Pool had pledged cash of \$112,500 to cover initial margin requirements on open futures contracts. The net variation margin payable of \$7,125 represents one day's settlement on open futures contracts.

### NOTE 8. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 11.94
Income from investment operations:	
Net investment income	0.25
Net realized and unrealized loss on investment transactions	 (3.50)
Total from investment operations	(3.25)
Net asset value at June 30, 2009	\$ 8.69
Time-weighted Total Return *	-27.3%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 1,774,719
Ratio to average net assets:	
Expenses **	0.12%
Net investment income **	2.73%
Portfolio turnover rate	116.64%

<sup>\*</sup> Return data is net of fees and is for the full fiscal year

<sup>\*\*</sup> All ratios are for the fiscal year

### **Notes to Financial Statements**

### NOTE 9. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

Participant		Account Value
Teachers' Retirement System		\$ 730,126,835
Public Employees' Retirement System		680,600,049
Workers' Compensation Old Fund		86,668,707
State Police Death, Disability and Retirement Fund		76,655,119
Revenue Shortfall Reserve Fund B		52,390,946
Revenue Shortfall Reserve Fund		37,615,696
Coal Workers' Pneumoconiosis Fund		19,177,171
Judges' Retirement System		18,568,297
Prepaid Tuition Trust Fund		18,201,923
Deputy Sheriff's Retirement System		16,141,020
Board of Risk and Insurance Management		8,891,960
State Police Retirement System		8,324,965
Public Employees Insurance Agency		7,324,285
Wildlife Endowment Fund		6,298,472
Retiree Health Benefit Trust		4,253,539
Emergency Medical Services Retirement System		3,480,273
	Total	\$ 1,774,719,257

# **Audited Financial Statements**

June 30, 2009

### Audited Financial Statements June 30, 2009

### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	B-1
Schedule of Investments in Securities	B-2
Statement of Operations	B-7
Statement of Changes in Net Assets	B-8
Notes to Financial Statements	B-9



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) Non-Large Cap Domestic Equity Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Non-Large Cap Domestic Equity Pool as of June 30, 2009 and the results of its operations, changes in net assets, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Δ	SS	o.	tc

	Φ.	245 542
Investment securities at fair value	\$	317,563
Cash		21
Collateral for securities loaned at fair value (Note 6)		58,714
Receivables:		
Investments sold		4,875
Dividends		247
Securities lending income		27
Foreign taxes withheld		4
Total assets		381,451
Liabilities		
Accrued expenses		635
Payable for investments purchased		6,472
Payable upon return of securities loaned (Note 6)		61,880
		·
Total liabilities		68,987
Net assets	\$	312,464
Analysis of net assets		
Paid-in capital	\$	371,314
Accumulated undistributed net investment income		16,665
Accumulated undistributed net realized loss from investments		(49,114)
Accumulated undistributed net realized loss from foreign currency transactions		(506)
Unrealized net depreciation of investments		(25,895)
Net assets	\$	312,464
Unit data		
Units outstanding		30,685,486
Net asset value, unit price	\$	10.18
The asset value, unit price	ψ	10.10

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<b>Equity Securities</b>			
Basic Materials			
Ball Corporation	29,700 \$	994 \$	1,341
Bemis Company Inc	68,200	1,672	1,719
Carpenter Technology Corp	61,700	2,580	1,284
Celanese Corp	111,900	2,526	2,658
CONSOL Energy Inc	95,900	2,674	3,257
Crown Holdings Inc	134,600	3,048	3,249
Lubrizol Corporation	29,800	1,515	1,410
Massey Energy Company	249,500	5,640	4,875
Minerals Technology Inc	13,700	860	493
NewMarket Corporation	17,200	1,129	1,158
OM Group Inc	30,200	553	876
Reliance Steel & Aluminum Co	17,300	781	664
Worthington Industries Inc	94,400	1,559	1,207
Total Basic Materials - 7.7%		25,531	24,191
Capital Goods			
AAON Inc	48,300	1,019	962
Actuant Corp	84,300	1,531	1,028
American Commercial Lines Inc	42,575	1,801	659
Ametek Inc	92,200	2,661	3,188
Apogee Enterprises Inc	73,200	845	899
BE Aerospace Inc	228,975	4,289	3,288
Corporate Executive Board Co	37,300	1,640	774
Cubic Corporation	16,100	637	576
Diana Shipping Inc	72,900	775	971
Dycom Industries Inc	112,200	789	1,242
Gardner Denver Inc	57,500	1,259	1,447
Genco Shipping & Trading Ltd	28,900	593	628
H&E Equipment Services Inc	83,000	684	776
Hewitt Associates Inc	20,000	772	596
IDEX Corporation	122,950	3,184	3,021
Joy Global Inc	100,650	2,381	3,595
Kaiser Aluminum Corp L B Foster Company	24,000	840 619	862 613
· ·	20,400		992
Lennox International Inc	30,900 5,400	1,127 195	229
Michael Baker Corporation	10,800	177	138
Owens Corning Inc PHH Corp	81,300	1,353	1,478
Republic Airways Holdings Inc	110,500	2,393	722
SkyWest Inc	54,500	1,372	556
SPX Corporation	23,500	1,061	1,151
Toro Company	25,000	703	748
Triumph Group Inc	23,900	1,272	956
URS Corp	13,700	627	678
WESCO International Inc	140,800	4,845	3,526
Total Capital Goods - 11.6%	110,000	41,444	36,299
Communication Services			
j2 Global Communications Inc	49,400	1,176	1,114
NII Holdings Inc	121,200	2,267	2,311
Telephone & Data Systems	20,000	556	566
Total Communication Services - 1.3%		3,999	3,991
Consumer Cyclicals			
Aeropostale Inc	20,800	470	713
American Eagle Outfitters Inc	277,533	2,783	3,933
AnnTaylor Stores Corporation	100,000	857	798
ATC Technology Corporation	68,600	1,083	995
California Pizza Kitchen Inc	70,600	713	938
Cash America International Inc	51,800	1,751	1,212
Cato Corporation	35,000	525	610

See accompanying notes to financial statements.

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
CEC Entertainment Inc	19,000	\$ 729	\$ 560
Charlotte Russe Holding Inc	91,000	1,097	1,163
Darling International Inc	125,500	1,839	828
Deckers Outdoor Corporation	11,400	676	801
DeVry Inc	35,650	1,878	1,784
Dillard's Inc	67,900	634	625
Discovery Communications Inc	81,000	1,516	1,823
Flextronics International Ltd	156,400	615	649
Helen of Troy Ltd	60,700	1,252	1,019
Hibbett Sports Inc	90,800	1,708	1,634
Navigant Consulting Inc	205,300	3,349	2,652
NetFlix.com Inc	18,000	481	744
O'Reilly Automotive Inc Pantry Inc	100,200 47,300	2,915 631	3,816 785
PetSmart Inc	110,100	2,875	2,363
PF Changs China Bistro Inc	37,900	1,154	1,215
Rent-A-Center Inc	54,500	983	972
Scientific Games Corporation	98,550	1,567	1,553
Steven Madden Ltd	37,000	953	936
Tempur-Pedic International	64,300	727	840
Timberland Company	69,400	838	921
WABCO Holdings Inc	34,000	506	602
Total Consumer Cyclicals - 12.0%		37,105	37,484
Consumer Staples	21 400	607	600
BJ's Wholesale Club Inc	21,400	607	690
Cheesecake Factory Inc	37,900 54,750	615 2,774	656 2,973
Church & Dwight Company Inc Lancaster Colony Corp	54,750 24,300	950	1,071
Ralcorp Holdings Inc	38,850	2,370	2,367
Supervalu Inc	57,900	673	750
Total Consumer Staples - 2.7%	27,200	7,989	8,507
Energy			
Cal Drive International Inc	75,100	657	648
Denbury Resources Inc	306,400	3,224	4,513
ENSCO International Inc	67,350	2,303	2,348
Exterran Holdings Inc	223,400	7,278	3,583
Frontier Oil Corp	43,300	598	568
Hercules Offshore Inc	333,400	1,138	1,320
Holly Corporation	46,800	1,041	841
Oil States International Inc	34,800	836	843
Overseas Shipholding Group Inc	23,000	1,532	783 633
Patterson-UTI Energy Inc SEACOR SMIT Inc	49,200 18,000	1,193 1,132	1,354
Sunoco Inc	33,500	976	777
Tesoro Petroleum Corporation	51,400	742	654
Western Refining Inc	75,800	894	535
Total Energy - 6.2%		23,544	19,400
Financial Services			
American Financial Group	70,000	1,741	1,511
American Physicians Capital	19,900	752	779
AmTrust Financial Services Inc	83,600	699	953
Annaly Mortgage Management Inc REIT Assurant Inc	148,150 34,400	2,227 822	2,243 829
Axis Capital Hldgs Ltd	59,900	2,121	1,568
Banco Latinoamericano Export	102,700	1,936	1,308
Bank of the Ozarks Inc	40,900	948	885
Berkley WR Corporation	27,300	803	586
BOK Financial Corporation	15,600	640	588
City Holding Company	20,000	851	607
Delphi Financial Group Inc	54,800	1,000	1,065

See accompanying notes to financial statements.

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Endurance Specialty Hldg Ltd	45,300	\$ 1,676	\$ 1,327
EZCORP Inc	63,500	634	685
Federated Investors Inc	54,600	1,055	1,315
First Cash Financial Services	49,700	774	871
First Horizon National Corp	113,400	1,373	1,361
FPIC Insurance Group Inc	25,000	908	766
Hanover Insurance Group Inc	34,200	1,645	1,303
HCC Insurance Holdings Inc	25,300	641	607
Horace Mann Educators Corp	106,300	1,131	1,060
Infinity Property & Casualty	25,300	1,013	922
Investment Technology Grp Inc	41,600	1,947	848
Knight Capital Group Inc	68,900	1,132	1,175
Life Partners Holdings Inc	41,200	808	584
LTC Properties Inc REIT	36,500	734	746
NewAlliance Bancshares Inc	113,000	1,678	1,300
Ocwen Financial Corporation	104,300	1,461	1,353
Odyssey Re Holdings Corp	26,400	1,161	1,055
optionsXpress Holdings Inc	68,200	1,830	1,059
Oriental Financial Group Inc	113,800	2,042	1,104
Park National Corporation	20,800	959	1,175
Platinum Underwriters Hldg Ltd	42,000	1,367	1,201
PrivateBancorp Inc	114,900	2,710	2,555
Provident Financial Services	77,400	1,142	704
PS Business Parks Inc REIT	27,100	1,259	1,313
Safety Insurance Group Inc	27,500	1,153	840
StanCorp Financial Group Inc	42,700	2,217	1,225
Sunstone Hotel Investors Inc	124,900	623	668
SWS Group Inc	65,200	1,209	911
Taubman Centers Inc	40,200	1,085	1,080
Torchmark Corporation	39,300	770	1,456
Trustmark Corp	62,100	1,198	1,200
United Bankshares Inc	60,300	1,319	1,178
Waddell & Reed Financial Inc	111,600	2,390	2,943
World Acceptance Corporation	47,700	1,402	950
Total Financial Services - 16.6%		58,986	51,731
Health Care			
Alexion Pharmaceuticals Inc	150,088	3,928	6,170
Amerigroup Corporation	44,000	989	1,181
AMN Healthcare Srvc Inc	100,600	1,717	642
DaVita Inc	88,300	4,066	4,367
Elan Corporation PLC ADR	325,200	3,113	2,072
Endo Pharmaceutical Holdings	47,400	1,413	849
Health Net Inc	102,500	1,590	1,594
Herbalife Ltd	45,700	1,813	1,441
IDEXX Laboratories Inc	85,900	2,829	3,969
Illumina Inc	142,300	4,970	5,541
Invacare Corp	49,900	766	881
Life Technologies Corp	95,200	2,680	3,972
Lincare Holdings Inc	42,700	1,418	1,004
Magellan Health Services Inc	14,300	490	469
Mednax Inc	50,100	2,065	2,111
Omnicare Inc	32,400	802	835
Orthofix International NV	44,500	648	1,113
OSI Pharmaceuticals Inc	122,950	3,938	3,471
Santarus Inc	292,500	2,025	825
Shire PLC ADR	126,900	6,386	5,264
Skilled Healthcare Group Inc	75,500	693	566
Stericycle Inc	47,781	2,262	2,462
Steris Corporation	28,600	890	746
Total Health Care - 16.5%		51,491	51,545

See accompanying notes to financial statements.

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Technology			
ACI Worldwide Inc	109,850	\$ 2,119	\$ 1,534
Acxiom Corporation	88,400	963	781
Alcatel ADR	629,500	1,618	1,561
Amkor Technology Inc	156,800	635	740
Arris Group Inc	91,200	1,010	1,110
Avnet Inc	39,200	793	824
BMC Software Inc	98,400	3,053	3,325
Brocade Communications Systems	112,400	617	881
Celestica Inc	110,800	666	756
Check Point Software	192,400	4,477	4,516
Citrix Systems Inc	74,800	1,831	2,385
Compuware Corporation	89,700	934	615
Comverse Technology Inc	270,700	3,565	2,315
DynCorp International Inc	55,400	622	930
EarthLink Inc	126,400	1,043	937
Ingram Micro Inc	105,600	1,628	1,848
Insight Enterprises Inc	40,800	659	394
Lexmark International Inc	89,600	1,580	1,420
Maxim Integrated Products Inc	204,350	2,975	3,206
Mettler-Toledo International	61,500	5,450	4,745
MSCI Inc	85,300	1,524	2,085
NTELOS Holdings Corp	26,700	770	492
Nuance Communications Inc	325,200	4,907	3,935
Polycom Inc	158,450	2,814	3,212
Salesforce.com Inc	55,850	1,704	2,132
Silicon Laboratories Inc	30,600	858	1,162
		694	843
Sybase Inc	26,900		
Synnex Corporation	29,400 25,100	587	735
Tech Data Corporation	35,100	1,092	1,148
Tessera Technologies Inc	24,200	639	612
USA Mobility Inc	81,000	2,010	1,034
ValueClick, Inc	95,500	762	1,005
VeriFone Holdings Inc	208,100	1,975	1,563
VeriSign Inc	105,100	2,770	1,946
Wright Express Corp	48,400	1,120	1,233
Xilinx Inc	88,200	1,563	1,805
Zebra Technologies Corp  Total Technology - 19.4%	32,400	560 62,587	767 60,532
		02,507	00,332
Utilities			
Alliant Energy Corp	37,000	1,173	967
CenterPoint Energy Inc	78,600	1,074	871
El Paso Electric Company	61,700	1,400	861
Energen Corporation	46,500	1,338	1,855
EQT Corp	65,400	2,899	2,283
IDACORP Inc	35,300	974	923
National Fuel Gas Company	49,700	1,420	1,793
NeuStar Inc	57,700	1,110	1,279
NiSource Inc	98,600	1,414	1,150
NorthWestern Corporation	45,000	1,188	1,024
NV Energy Inc	125,500	1,937	1,354
OGE Energy Corp	46,400	1,537	1,314
ONEOK Inc	27,300	1,371	805
PEPCO Holdings	93,900	2,419	1,262
PNM Resources	65,700	620	704
Portland General Electric Co	61,400	1,487	1,196
UGI Corporation	19,200	503	489
Total Utilities - 6.4%			
Total Ollines - 0.470		23,864	20,130

See accompanying notes to financial statements.

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	 Cost	 Fair Value
Short-term Issues Dreyfus Cash Management Institutional Fund - 1.2%	3,753,350	3,753	3,753
Total Investment Securities - 101.6%		\$ 340,293	\$ 317,563

See accompanying notes to financial statements.

#### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

T 4	4	•		
Investmen	ıŧ	ın	ഹ	me
III v CSumen	u	111	v	

The state of the s	
Dividend income, net of foreign withholding taxes	\$ 5,062
Securities lending income	2,108
Shareholder litigation proceeds	650
Commission recapture	183
Total investment income	8,003
Expenses	
Investment advisor fees	(1,587)
Trustee fees	(2)
Custodian bank fees	(23)
Management fees	(130)
Fiduciary bond fees	(2)
Professional service fees	(30)
Securities lending agent fees	(202)
Securities lending borrower rebates	(950)
Total expenses	 (2,926)
Investment income, net	5,077
Realized and unrealized loss from investments and foreign currency	
Net realized loss from:	
Investments	(94,284)
Foreign currency transactions	(6)
Net decrease in the fair value of:	
Investments	(41,897)
Translation of assets and liabilities in foreign currencies	 (1)
Net loss from investments and foreign currency	 (136,188)
Net decrease in net assets from operations	\$ (131,111)

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

#### **Operations**

Investment income, net Net realized loss from investments Net realized loss from foreign currency transactions Net decrease in the fair value of investments Net decrease from the translation of assets and liabilities in foreign currencies	\$	5,077 (94,284) (6) (41,897) (1)
Net decrease in net assets from operations		(131,111)
Unit transactions		
Proceeds from sale of units		46,312
Amount paid for repurchase of units		(262,544)
Net decrease in net assets from unit transactions		(216,232)
Decrease in net assets		(347,343)
Net assets, beginning of period		659,807
Net assets, end of period	\$	312,464
Unit data		
Units sold		4,555,537
Units repurchased	(	(19,084,814)
Net decrease in units		(14,529,277)

#### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Non-Large Cap Domestic Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The Pool invests in the equities of small- to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods. Assets are managed by Aronson + Johnson + Ortiz, LP and Westfield Capital Management.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

**Security Loans** - The IMB, through its agent the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. Cash collateral received is invested in the Mellon GSL Reinvestment Trust. The IMB receives

#### **Notes to Financial Statements**

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Operations.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Interest Income** - Interest income is recognized as earned on the accrual method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income or capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

#### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2009, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a* 

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

#### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	 Level I	 Level II	Leve	<u>l III                                  </u>	Total
Equity Securities	\$ 313,809,891	\$ -	\$	-	\$ 313,809,891
Regulated Investment Companies	=	3,753,350		-	3,753,350
Securities Lending Collateral Funds	-	58,714,278		-	58,714,278
Total	\$ 313,809,891	\$ 62,467,628	\$		\$ 376,277,519

#### NOTE 6. SECURITIES LENDING

At June 30, 2009, the fair value of securities on loan is \$60,083,180, initial collateral received is \$61,879,653, and the fair value of reinvested collateral held is \$58,714,278. All of the collateral was received as cash and is invested in the Mellon GSL DBT II Collateral Fund (Collateral Fund), the Mellon SL DBT II Liquidating Fund (Liquidating Fund), and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust).

In early November 2008, the IMB was notified that certain securities issued by Sigma Finance, Inc. (Sigma) were transferred from the Collateral Fund on October 1, 2008, to the Liquidating Trust. Units of the Liquidating Trust were transferred to the IMB's securities lending cash collateral account. For all of the IMB investment pools that participate in the securities lending program, the value of the units in the Liquidating Trust on an amortized cost basis was \$10,973,960 as calculated by the IMB's proportionate interest in the Collateral Fund as of the close of business on September 30, 2008. Sigma was subsequently placed into receivership and the IMB is exposed to a potential loss of the full value of the Sigma investment. In October 2008, the IMB recorded a reserve for these potential losses in each investment pool in proportion to its participation in the securities lending program at September 30, 2008. The reserve recorded for the Pool is \$2,247,392.

Effective April 20, 2009, the assets of the Collateral Fund with maturities greater than one day were transferred to the Liquidating Fund. As securities mature in the Liquidating Fund, the proceeds are transferred to the Collateral Fund. The combined value of the holdings in the Collateral Fund and the Liquidating Fund is used to determine the fair value of reinvested collateral.

Additionally, the distribution of securities lending income has been restricted beginning October 1, 2008. The restriction will remain in place until the actual loss on Sigma is realized. At June 30, 2009, the accumulated undistributed securities lending income is \$663,304.

#### NOTE 7. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 14.59
Income from investment operations:	
Net investment income	0.16
Net realized and unrealized loss on investment transactions	 (4.57)
Total from investment operations	(4.41)
Net asset value at June 30, 2009	\$ 10.18
Time-weighted Total Return *	-30.1%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 312,464
Ratio to average net assets:	
Expenses **	0.47%
Net investment income **	1.34%
Portfolio turnover rate	96.50%

<sup>\*</sup> Return data is net of fees and is for the full fiscal year

<sup>\*\*</sup> All ratios are for the fiscal year

#### NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

Participant		Account Value
Teachers' Retirement System		\$ 128,546,882
Public Employees' Retirement System		122,080,396
Workers' Compensation Old Fund		15,403,179
State Police Death, Disability and Retirement Fund		13,521,373
Revenue Shortfall Reserve Fund B		7,818,841
Revenue Shortfall Reserve Fund		5,625,748
Coal Workers' Pneumoconiosis Fund		3,287,011
Judges' Retirement System		3,286,264
Prepaid Tuition Trust Fund		3,194,517
Deputy Sheriff's Retirement System		2,850,179
Board of Risk and Insurance Management		1,590,987
State Police Retirement System		1,462,354
Public Employees Insurance Agency		1,313,442
Wildlife Endowment Fund		1,112,388
Retiree Health Benefit Trust		762,021
Emergency Medical Services Retirement System		608,460
	Total	\$ 312,464,042

#### C

# **Audited Financial Statements**

June 30, 2009

#### Audited Financial Statements June 30, 2009

#### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	C-1
Schedule of Investments in Securities	C-2
Statement of Operations	C-3
Statement of Changes in Net Assets	C-4
Statement of Cash Flows	C-5
Notes to Financial Statements	C-6



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

#### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, cash flows, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) International Qualified Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's International Qualified Pool as of June 30, 2009 and the results of its operations, changes in net assets, cash flows, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Investment securities at fair value	\$ 612,674
Liabilities	
Accrued expenses	 292
Net assets	\$ 612,382
Analysis of net assets	
Paid-in capital	\$ 378,868
Accumulated undistributed net investment loss	(18,615)
Accumulated undistributed net realized gain from investments	19,776
Unrealized net appreciation of investments	 232,353
Net assets	\$ 612,382
Unit data	
Units outstanding	20,601,497
Net asset value, unit price	\$ 29.73

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Shares Cost		F	air Value
Investments in Other Funds					
Silchester International Investors' Value Equity Group Trust	1,234,856,621	\$	380,321	\$	612,674
Investment Objective - To achieve desired exposure to equity securities of companies ordinarily incorporated in countries other than the United States.					
Redemption Provisions - Monthly on the first business day.					
No underlying investments exceed 5% of net assets of the International Qualified Pool.					
Total Investments in Other Funds - 100.0%		\$	380,321	\$	612,674

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

Investment income	\$ -
Expenses	
Investment advisor fees	(2,813)
Trustee fees	(3)
Management fees	(195)
Fiduciary bond fees	(3)
Professional service fees	(44)
Total expenses	 (3,058)
Investment loss, net	(3,058)
Realized and unrealized gain (loss) from investments	
Net realized gain from investments	990
Net decrease in the fair value of investments	 (73,681)
Net loss from investments	(72,691)
Net decrease in net assets from operations	\$ (75,749)

#### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

#### **Operations**

Investment loss, net	\$ (3,058)
Net realized gain from investments	990
Net decrease in the fair value of investments	 (73,681)
Net decrease in net assets from operations	(75,749)
Unit transactions	
Proceeds from sale of units	252,252
Amount paid for repurchase of units	 (14,249)
Net increase in net assets from unit transactions	 238,003
Increase in net assets	162,254
Net assets, beginning of period	 450,128
Net assets, end of period	\$ 612,382
Unit data	
Units sold	7,810,792
Units repurchased	(607,130)
Net increase in units	7,203,662

#### Statement of Cash Flows Year Ended June 30, 2009

(Amounts in thousands)

Cash i	lows	from	operating	activities

Net decrease in net assets from operations	\$ (75,749)
Adjustments to reconcile net decrease in net assets from operations to	
net cash used in operating activities:	
Purchase of investment securities	(237,773)
Proceeds from disposition of investment securities	2,744
Net realized gain from investments	(990)
Increase in accrued expenses	84
Net decrease in the fair value of investments	 73,681
Net cash used in operating activities	(238,003)
Cash flows from financing activities	
Proceeds from units sold	252,252
Paid for repurchase of units	 (14,249)
Net cash provided by financing activities	 238,003
Net change in cash	-
Cash	
Beginning balance	 
Ending balance	\$ <u> </u>

#### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's International Qualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

Funds are invested in Silchester International Investors' Value Equity Group Trust. The Pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) index by 200 basis points on an annualized basis over three to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code*) may invest in the Pool.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds are valued at the reported net asset value as provided by the fund's management.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Distributions to Participants** - The Pool does not routinely distribute dividends of net investment income or capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

#### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2009, was \$612,674,184. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The specific currencies of the underlying investments were not available. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2009 the IMB was in compliance with this limitation. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

#### **Notes to Financial Statements**

#### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	J	Level I	Level II	Le	vei III	1 otai
Investments in Other Funds	\$	-	\$ 612,674,184	\$		\$ 612,674,184

#### NOTE 6. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 33.60
Income from investment operations:	
Net investment loss	(0.16)
Net realized and unrealized loss on investment transactions	 (3.71)
Total from investment operations	(3.87)
Net asset value at June 30, 2009	\$ 29.73
Time-weighted Total Return * Supplemental Data:	-11.6%
Net assets, end of period (\$000's)	\$ 612,382
Ratio to average net assets:	
Expenses **	0.58%
Net investment income **	-0.58%
Portfolio turnover rate	0.52%

<sup>\*</sup> Return data is net of fees and is for the full fiscal year

#### NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

<u>Participant</u>		Account Value
Teachers' Retirement System		\$ 287,574,227
Public Employees' Retirement System		272,445,550
State Police Death, Disability and Retirement Fund		32,637,146
Judges' Retirement System		7,924,627
Deputy Sheriff's Retirement System		6,853,089
State Police Retirement System		3,498,236
Emergency Medical Services' Retirement System		1,448,998
	Total	\$ 612,381,873

<sup>\*\*</sup> All ratios are for the fiscal year

### D

# International Nonqualified Pool

# **Audited Financial Statements**

June 30, 2009

#### Audited Financial Statements June 30, 2009

#### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	D-1
Schedule of Investments in Securities	D-2
Statement of Operations	D-3
Statement of Changes in Net Assets	D-4
Statement of Cash Flows	D-5
Notes to Financial Statements	D-6



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

#### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, cash flows, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) International Nonqualified Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's International Nonqualified as of June 30, 2009 and the results of its operations, changes in net assets, cash flows, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Assets		
Investment securities at fair value		\$ 101,246
Liabilities		
Accrued expenses		4
	Net assets	\$ 101,242
Analysis of net assets		
Paid-in capital		\$ 74,969
Accumulated undistributed net investment loss		(2,435)
Accumulated undistributed net realized gain from investments		9,593
Unrealized net appreciation of investments		 19,115
	Net assets	\$ 101,242
Unit data		

3,637,121

27.84

Units outstanding

Net asset value, unit price

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost		Fair Value	
<u>Investments in Other Funds</u> Silchester International Investors' Value Equity Trust	193,492,348	\$	82,131	\$	101,246
Investment Objective - To achieve desired exposure to equity securities of companies ordinarily incorporated in countries other than the United States.  Redemption Provisions - Monthly on the first business day.					· · ·
No underlying investments exceed 5% of net assets of the International Nonqualified Pool.  Total Investments in Other Funds - 100.0%		\$	82.131	\$	101.246

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

Investment income	\$ -
Expenses	
Investment advisor fees	(584)
Trustee fees	(1)
Management fees	(31)
Fiduciary bond fees	(1)
Professional service fees	 (7)
Total expenses	 (624)
Investment loss, net	(624)
Realized and unrealized gain (loss) from investments	
Net realized gain from investments	102
Net decrease in the fair value of investments	 (12,194)
Net loss from investments	(12,092)
Net decrease in net assets from operations	\$ (12,716)

#### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

#### **Operations**

Investment loss, net Net realized gain from investments Net decrease in the fair value of investments	\$ (624) 102 (12,194)
Net decrease in net assets from operations	 (12,716)
	(12,710)
Unit transactions	
Proceeds from sale of units	58,806
Amount paid for repurchase of units	(2,735)
Net increase in net assets from unit transactions	 56,071
Increase in net assets	43,355
Net assets, beginning of period	 57,887
Net assets, end of period	\$ 101,242
Unit data	
Units sold	1,921,555
Units repurchased	 (116,687)
Net increase in units	 1,804,868

#### Statement of Cash Flows Year Ended June 30, 2009

(Amounts in thousands)

Cash flows from operating activities	
Net decrease in net assets from operations	\$ (12,716)
Adjustments to reconcile net decrease in net assets from operations to	
net cash used in operating activities:	
Purchase of investment securities	(56,036)
Proceeds from disposition of investment securities	586
Net realized gain from investments	(102)
Increase in accrued expenses	3
Net decrease in the fair value of investments	12,194
Net cash used in operating activities	(56,071)
Cash flows from financing activities	
Proceeds from units sold	58,806
Paid for repurchase of units	 (2,735)
Net cash provided by financing activities	 56,071
Net change in cash	-

Cash

Beginning balance Ending balance

#### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's International Nonqualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

Funds are invested in Silchester International Investors' Value Equity Trust. The Pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's EAFE index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*).

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds are valued at the reported net asset value as provided by the fund's management.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Notes to Financial Statements**

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Distributions to Participants** - The Pool does not routinely distribute dividends of net investment income or capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

#### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2009, was \$101,245,849. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The specific currencies of the underlying investments were not available. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2009 the IMB was in compliance with this limitation. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

#### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

#### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Level I	Level II	Level III	Total
Investments in Other Funds	\$ -	\$ 101,245,849	\$ -	\$ 101,245,849

#### NOTE 6. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 31.59
Income from investment operations:	
Net investment loss	(0.19)
Net realized and unrealized loss on investment transactions	(3.56)
Total from investment operations	(3.75)
Net asset value at June 30, 2009	\$ 27.84
Time-weighted Total Return *	-12.1%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 101,242
Ratio to average net assets:	
Expenses **	0.75%
Net investment income **	-0.75%
Portfolio turnover rate	0.70%

\* Return data is net of fees and is for the full fiscal year

\*\* All ratios are for the fiscal year

#### NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

<u>Participant</u>		Account Value
Workers' Compensation Old Fund		\$ 34,507,043
Revenue Shortfall Reserve Fund B		23,806,756
Revenue Shortfall Reserve Fund		16,507,117
Coal Workers' Pneumoconiosis Fund		8,149,869
Prepaid Tuition Trust Fund		7,179,262
Board of Risk and Insurance Management		3,796,793
Public Employees Insurance Agency		3,053,587
Wildlife Endowment Fund		2,512,695
Retiree Health Benefit Trust		1,728,806
	Total	\$ 101,241,928

#### E

# International Equity Pool

# **Audited Financial Statements**

June 30, 2009

# International Equity Pool

#### Audited Financial Statements June 30, 2009

#### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	E-1
Schedule of Investments in Securities	E-2
Statement of Operations	E-23
Statement of Changes in Net Assets	E-24
Notes to Financial Statements	E-25



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

#### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) International Equity Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's International Equity Pool as of June 30, 2009 and the results of its operations, changes in net assets, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Δ	ssets	
$\rightarrow$	ううじょう	

Investment securities at fair value	\$	1,495,094
Cash denominated in foreign currencies (cost \$14,178)		14,244
Collateral for securities loaned at fair value (Note 6)		111,900
Receivables:		
Investments sold		40,139
Dividends		5,025
Securities lending income		148
Foreign taxes withheld		872
Unrealized gain on foreign currency exchange contracts (Note 7)		121
Total assets		1,667,543
Liabilities		
Accrued expenses		1,727
Cash overdraft		9
Payable for investments purchased		4,288
Payable upon return of securities loaned (Note 6)		117,136
Total liabilities		123,160
Net assets	\$	1,544,383
	=	7- 7
Analysis of net assets		
Paid-in capital	\$	1,409,676
Accumulated undistributed net investment income		179,520
Accumulated undistributed net realized gain from investments		58,872
Accumulated undistributed net realized gain from foreign currency transactions		38,334
Unrealized net depreciation of investments		(123,481)
Unrealized net depreciation on translation of assets and liabilities in foreign currencies		(18,538)
Net assets	\$	1,544,383
Unit data		
Units outstanding		104,017,595
Net asset value, unit price	\$	14.85

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<b>Equity Securities</b>			
Argentina Telecom Argentina SA ADR - 0.7%	884,498	\$ 12,602	\$ 11,348
Australia			
ABB Grain Ltd	5,431	28	41
Amalgamated Holdings Inc	47,269	162	164
Ameor Ltd	559,100	2,896	2,256
ARB Corporation Ltd	4,229	9	12
Austerio Group Ltd	69,000	70 1.178	78
Australian Worldwide Explora	795,000	1,178	1,652 50
AWB Ltd Bank of Queensland Ltd	52,891 2,300	15	17
Beach Petroleum Limited	448,800	485	287
BlueScope Steel Ltd	1,000,400	3,920	2,046
Brickworks Ltd	300	3,720	3
Bunnings Warehouse Prop Trust REIT	16,500	21	22
Cabcharge Australia Ltd	2,800	14	12
Campbell Brothers Ltd	3,589	74	60
Carnaryon Petroleum Limited	277,400	182	183
Centamin Egypt Ltd	3,700	5	5
Centennial Coal Company Ltd	703,700	776	1,400
Consolidated Media Holdings	26,700	33	49
Corporate Express Australia	30,300	89	91
Crane Group Ltd	2,800	19	23
Crown LTD	5,700	24	34
David Jones Ltd	28,600	72	105
Dominion Mining Limited	43,962	151	164
Downer EDI Ltd	812,337	2,850	3,671
DUET Group	906,400	1,160	1,128
Emeco Holdings Ltd	241,100	100	79
Energy Development Ltd	14,919	24	24
Extract Resources Limited	4,980	15	26
Flight Centre Limited	3,200	21	22
Goodman Fielder Ltd	2,326,400	3,569	2,454
GrainCorp Ltd	2,700	17	16
GUD Holdings Ltd	1,200	6	6
Gunns Ltd GWA International Ltd	137,000	66 31	119 31
Healthscope Ltd	16,700 43,500	124	155
IBA Health Group Ltd	265,045	125	138
IINET Limited	64,800	121	91
ING Office Fund	274,300	231	102
Iress Market Technology Ltd	44,800	232	263
JB Hi-Fi Ltd	44,300	335	552
Kingsgate Consolidated Limited	26,100	133	141
Macquarie Group Ltd	160,300	3,164	5,067
Macquarie Media Group Ltd	1,039,000	3,217	1,109
Macquarie Office Trust REIT	42,400	19	7
Metcash Ltd	1,170,421	3,603	4,078
Monadelphous Group Ltd	16,500	151	159
National Australia Bank Ltd	410,200	7,376	7,442
Navitas Ltd	139,323	207	307
Nufarm Limited	1,400	10	10
OrotonGroup Ltd	2,000	6	5
Pan Pacific Petroleum NL	259,300	61	99
Premier Investment Ltd	126,500	737	565
Primary Health Care Ltd	64,781	210	275
Quantas Airways Ltd	1,593,700	5,067	2,590
Ramsay Health Care Limited	23,400	157	218
REA Group Ltd	3,600	10	17
Reject Shop Ltd	17,500	118	166
RHG Limited SAL Global Limited	16,000	5	7
SAI Global Limited	5,200	11	12
Salmat Ltd	40,600	92	118

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Sigma Pharmaceuticals Ltd	3,127,338	\$ 3,131	\$ 3,085
Sino Gold Mining Ltd	381,694	1,327	1,598
Spotless Group Limited	82,151	125	150
Super Cheap Auto Group Ltd	2,200	7	7
TFS Corporation Ltd	37,266	26	36
United Group Limited	28,300	196	237
Whitehaven Coal Ltd	59,800	150	152
Wotif.com Holdings Ltd <i>Total Australia - 2.9%</i>	2,280	8 48,659	45,297
Austria			
Conwert Immobilien Invest AG	27,348	194	221
Intercell AG	66,000	1,835	2,260
Vienna Insurance Group	33,200	937	1,443
Voestalpine AG  Total Austria- 0.5%	124,000	4,517 7,483	3,400 7,324
Belgium			
Banque Nationale de Belgique	63	284	203
Barco NV	31,019	2,080	1,061
Cofinimmo	1,450	167	169
D'Ieteren SA NV	1,216	376	250
Fortis Right	134,400	-	-
Immobel	2,708	169	75
Omega Pharma SA	27,581	879	914
Telenet Group Holding NV Tessenderlo Chemie NV	118,007 96,570	2,025 3,946	2,503 3,068
Total Belgium -0.5%	90,370	9,926	8,243
Bermuda			
China Green Holdings Ltd	1,610,086	1,434	1,674
Great Eagle Holdings Limited	115,000	168	241
Hardy Underwriting Bermuda Ltd	72,309	378	336
Hi Sun Technology China Ltd Hiscox Ltd	46,000 526,100	7 2,407	8 2,508
Huabao International Holdings	1,775,000	1,288	1,718
Mandarin Oriental Intl.	13,000	17	17
Nine Dragons Paper Holdings	8,764,000	2,809	5,790
Orient Overseas Int'l Ltd	1,742,600	4,224	7,443
Pacific Andes Limited Right	106,000	9	6
Public Financial Holdings LT	38,000	9	17
Star Cruises Limited	610,000	85	83
Texwinca Holdings Limited	312,000	183	249
Yue Yuen Industrial Holdings  Total Bermuda - 1.7%	2,356,000	4,748 17,766	5,551 25,641
Brazil			
Braskem SA Pref A	3,787,495	23,901	13,876
Brazil Telecom Participacoes ADR	145,166	7,076	5,574
Centrais Eletricas Brasileiras	274,590	2,426	4,004
Centrais Eletricas Brasileiras Preferred	506,000	5,327	6,584
Cetrais Elect de Santa Catarin	155,600	4,108	2,530
CIA Paranaense De Energia	198,080	2,402	2,628
CIA Paranaense De Energia Preferred	325,510	4,213	4,534
Companhia de Saneamento	945,578	11,387	14,007
Contax Participacoes SA Eletropaulo Metropolitana SA Preferred	164,525 239,300	3,052 4,360	4,515 4,241
Empresa Brasileira ADR	275,890	4,980	4,569
Redecard SA	386,476	4,228	5,946
Sul America SA Unit	464,705	6,471	7,353
Tele Norte Lest Participacoes	373,200	5,713	7,046
Telemig Celular Participacoes Preferred	118,200	2,970	2,984
TIM Participacoes SA	642,870	12,329	11,205
Vivo Participacoes SA ADR	362,593	5,175	6,868
Total Brazil - 7.0%		110,118	108,464

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Canada			
Agrium Inc	2	\$ -	\$ -
Alamos Gold Inc	8,096	67	67
Alimentation Couche-Tard Inc	208,276	2,171	2,523
Astral Media Inc	9,095	232	233
ATCO Ltd	26,301	828	891
AtlaGas Income Trust	10,400	154	144
BCE Inc	40,443	894	836
Biovail Corporation	277,203	3,439	3,728
Bombardier	1,078,600	3,495	3,204
BPO Properties Ltd	760	21	24
Calloway Real Estate Inv Trust	19,028 79,900	265 4,731	210 4.012
Canadian Imperial Bank Canadian Western Bank	400	4,731	4,012
Canfor Corporation	38,780	287	167
Celestica Inc	635,520	4,151	4,312
CGI Group	12,908	109	115
Corby Distilleries Ltd	13,131	271	177
Corriente Resources Inc	18,621	120	118
Corus Entertainment Inc	17,479	201	224
Dorel Industries Inc	1,299	29	30
Empire Co Ltd A	2,800	107	102
Enerplus Resources Fund Unit	5,600	119	121
Fairfax Financial Holdings Inc	15,500	3,578	3,897
Finning International Inc	7,900	118	114
First Quantum Minerals	1,100	48	53
Gammon Gold Inc	24,359	178	162
Golden Star Resources Ltd	11,711	20	24
Harvest Energy Trust	14,200	89	77
Home Capital Group Inc	2,695	72	70
HudBay Minerals Inc	18,000	125	119
IESI - BFC Ltd	15,600	188	180
Imagold Corporation	40,100	257	407
Inmet Mining Corporation	5,500	208	202
Keyera Facilities Income Fund	3,467	59	59
Laurentian Bank of Canada MacDonald, Dettwiler & Assoc	90,049	2,720 98	2,720 95
Manitoba Telecom Services	4,179 123,198	4,770	3,614
Maple Leaf Foods Inc	27,264	206	205
MDS Inc	30,170	327	159
Methanex Corporation	1,400	18	17
Metro Inc	2,400	77	79
MI Developments Inc	23,239	486	180
Mullen Group Ltd Unit	16,415	283	177
National Bank of Canada	124,600	5,253	5,767
New Gold Inc	27,300	79	72
Northgate Minerals Corp	16,519	33	35
Nuvista Energy Ltd	14,070	136	124
Open Text Corporation	7,711	162	282
Pan American Silver Corp	3,100	59	58
Penn West Energy Trust	7,800	84	99
Progress Energy Resources Corp	3,780	34	33
Provident Energy Trust	27,750	121	139
Quebecor Inc	11,820	241	202
Queenston Mining Inc	300	1	1
Reitmans (Canada) Ltd	7,202	93	89
Rona Inc	20,318	237	223
SEAMFO nc	17,367	34	32
Sears Canada Inc	200	4	3
ShawCor Ltd Shorritt International Company	600	12	10
Sherritt International Company	24,700	124	111
Silver Standard Resources Inc Sino-Forest Corporation	1,400 1,800	27 14	27 19
Stantec Inc	10,843	188	261
Superior Plus Corp Unit	17,836	167	161
Superior rius Corp Onic	17,830	107	101

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Toromont Industries Ltd	1,630	\$ 38	\$ 33
Transcontinental Inc	239,200	3,637	1,837
Uranium One Inc	5,000	13	11
West Fraser Timber Co	7,906	244	160
Yellow Pages Income Fund Unit	25,100	122	116
Total Canada - 2.8%		46,779	43,759
Cayman Islands			
Ajisen China Holdings Ltd	1,973,000	1,236	1,250
Bosideng International Holding	45,686,000 132,338	4,177	4,893
China Digital TV Holding ADR China Shineway Pharmaceutical	75,000	1,089 55	1,157 76
Daphne International Holdings	38,000	6	20
Eagle Nice Holdings Ltd	45,000	10	12
Geely Automobile Holdings Ltd	25,000	5	5
HKR International Ltd	348,000	64	144
Hutchison Telecommunications	37,000	10	9
Kingboard Chemical Holdings	434,419	1,131	1,071
Lee & Man Paper Manufacturing	5,019,600	3,294	4,922
Shui On Land Limited	890,000	561	610
Towngas China Company Ltd Total Cayman Islands - 0.9%	390,000	78 11,716	132 14,301
China			
Bank of China Ltd	20,563,000	6,720	9,791
Dongfeng Motor Group Company	3,620,000	935	3,055
First Tractor Company Limited	3,848,813	1,283	1,102
Sichuan Xinhua Winshare	6,391,000	1,553	2,317
Sinotrans Ltd	30,340,000	5,194	6,890
Total China - 1.5%		15,685	23,155
Colombia			
Bancolumbia SA ADR - 0.2%	104,900	3,664	3,199
Czech Republic			
Telefonica 02 Czech Republic	280,450	6,289	6,382
Unipetrol	140,000	2,184	853
Total Czech Rebublic - 0.5%		8,473	7,235
Denmark AP Moller Maersk A/S	300	3,852	1,797
Auriga Industries A/S	40,200	1,496	697
Danske Bank A/S	157,600	3,364	2,716
Monberg & Thorsen A/S	1,861	158	59
SimCorp A/S	13,302	1,318	2,062
Sydbank A/S	31,365	662	722
TK Development A/S	2,452	11	12
Trygvesta AS	48,700	2,473	2,871
Total Denmark - 0.7%		13,334	10,936
Estonia AS Eesti Telekom GDR - 0.2%	189,080	3,731	3,687
	107,000	5,751	2,307
Finland Cityoon Ovi	20,446	50	50
Citycon Oyj Cramo Oyj	20,446 46,480	52 307	53 466
Elcoteq Network	32,200	597	39
Elisa Oyj	74,998	962	1,234
Finnair Oyj	10,160	61	54
HKScan OYJ	19,077	203	236
Huhtamaki	241,612	2,636	2,491
Kemira Oyj	61,941	464	591
Lannen Tehtaat	4,370	104	75
Lemminkainen Oyj	1,555	34	41

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Scanfil Oyj	20,431	\$ 69	\$ 56
TietoEnator Oyj	249,648	5,767	3,316
Total Finland - 0.6%		11,256	8,652
France			
Acanthe Developpement SA	19,181	75	30
Air France-KLM	60,578	768	773
Altran Technologies SA	148,000	1,332	415
Arkema	5,990	138	140
Atos Origin	48,393	2,702	1,640
Axa BioMerieux	122,300	4,245	2,297
BNP Paribas	26,835 58,900	2,057 4,720	2,351 3,821
Bull SA	610,847	1,087	1,611
Cap Gemini SA	59,078	3,608	2,174
Cegid Group	845	16	16
Compagnie Generale de Geophy	20,735	317	373
Credit Agricole SA	47,800	1,693	595
European Aeronautic Defence	439,300	6,178	7,092
France Telecom SA	210,000	6,791	4,760
Gascogne	1,459	130	47
GFI Informatique	38,233	147	153
Havas Advertising SA	408,677	1,091	1,003
Jet Multimedia	4,000	77	27
Metropole Television	76,166	1,364	1,440
Nexans SA	305	15	16
Nexity	11,202	234	334
Pierre & Vacances	7,241	709	503
Publicis Groupe	59,000	1,790	1,798
Rallye SA	35,300	2,308	934
SA des Ciments Vicat	18,905	1,085	1,087
Sanofi-Synthelabo SA	175,200	11,939	10,289
SCOR SE	152,600	3,648	3,127
SEB SA	21,934	905	908
Societe de la Tour Eiffel	3,142	62	105
Sopra Group	534	20	20
Teleperformance	63,897	1,780	1,942
Thales SA Total SA	42,460	2,599	1,898
Virbac SA	143,200 27,824	10,475 1,910	7,729 2,243
Vivendi Universal	284,900	9,739	6,807
Zodiac SA	10,887	341	354
Total France - 4.6%	10,007	88,095	70,852
Germany			
Allianz AG	23,600	3,989	2,173
Amadeus Fire AG	1,129	16	17
BASF AG	118,600	5,065	4,713
Bechtle AG	28,957	821	544
Bertrandt AG	471	9	10
Bijou Brigitte Accessoires AG	14,610	1,497	1,893
Bilfinger Berger AG	10,551	967	490
CeWe Color Holding AG	415	11	14
D Logistics AG	50,102	118	81
Daimler AG - Registered Shares	42,600	1,694	1,537
Deutsche Bank AG	44,900	4,484	2,723
Deutsche Lufthansa AG	305,927	7,012	3,832
Draegerwerk AG	3,403	301	85
Duerr AG	12,520	528	199
E.On AG	267,200	8,100	9,452
ELMOS Semiconductor AG	6,157	61	22
Euromicron AG	2,689	65	45
Fielmann AG	15,100	863	994
Fuchs Petrolub AG	12,100	640	656
Gerresheimer AG	75,000	1,501	1,674

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Gesco AG	5,409	\$ 408	\$ 277
Hannover Rueckversicherung AG	46,500	1,580	1,709
Indus Holdings AG	5,402	101	82
Jungheinrich AG	35,855	1,317	474
Koenig & Bauer AG	8,064	238	102
Kontron AG	174,699	1,557	2,230
Lanxess	104,920	4,180	2,599
Leoni AG	101,300	1,378	1,678
MorphoSys AG	61,413	1,359	1,404
Muehlbauer Holdings AG & Co	2,509	81	54
Muenchener Rueckversicherungs	38,700	6,977	5,221
MUT Aero Engines Holding AG	106,000	3,942	3,866
Pfeiffer Vacuum Technology AG Praktiker Bau-und Heimwerkerma	27,449 33,348	1,413 140	2,020 325
Rhoen-Klinikum AG	62,100	1,180	1,368
Shuler AG	6,651	87	23
Software AG	45,579	2,895	3,217
Suedzucker AG	190,917	3,391	3,875
ThyssenKrupp AG	146,200	3,770	3,628
TUI AG	60,277	541	443
Total Germany - 4.3%		74,277	65,749
Greece			
Alapis Holding Ind & Commer	1,859,100	1,351	2,634
Alpha Bak AE	137,500	4,361	1,504
Bank of Greece	86	10	5
Hellenic Petroleum SA  Total Greece - 0.3%	94,700	1,319 7,041	915 5,058
Hong Kong			
Allied Properties HK Ltd	646,000	94	85
Asia Financial Holdings Ltd	72,320	18	22
Champion Real Estate Inv Trust REIT	255,000	73	84
Chaoda Modern Agricutlures Ltd	18,598,000	10,747	10,919
China Agri-Industries Holdings	4,100,000	1,892	2,555
China Pet & Chem Cor (Sinopec)	3,544,000	3,207	2,703
China Unicom (Hong Kong) Ltd	1,768,129	2,250	2,341
Chow Sang Sang Holdings Intern	150,000	68	114
Citic 1616 Holdings Limited	78,000	10	17
City Telecom (HK) Ltd COL Capital Ltd Warrant	64,000 26,200	14	14
Dah Sing Banking Group	6,800	6	7
Dah Sing Financial Group	14,400	28	59
Dickson Concepts Ltd	1,766,000	1,231	752
Digital China Holdings Ltd	52,000	21	36
Far East Consortium Intl Ltd	135,000	30	29
First Pacific Company Ltd	22,138,000	8,863	12,711
Fountain Set (Holdings) Ltd	26,540,000	6,488	2,363
Glorious Sun Enterprises Ltd	44,000	10	12
Goldlion Holdings Ltd	6,000	1	1
Hon Kwok Land Investment Co	40,000	10	10
Hopson Development Holdings	166,000	236	257
Inspur International Ltd	9,133,015	1,599	1,567
Johnson Electric Hldg Ltd	768,500	256	207
Kowloon Development Co Ltd	113,000	101 7	100
Liu Chong Hing Bank Maanshan Iron & Steel Company	6,000 2,958,000	1,813	10 1,863
New World China Land Limited	372,000	214	207
Pacific Andes Holdings Ltd	106,000	20	17
Pacific Century Premium Dev	439,000	110	103
PYI Corp Ltd Warrant	2,333	-	-
Road King Infrastructure Ltd	167,000	178	125
Sinolink Worldwide Holdings	818,000	111	130
SmarTone Telecommunications	6,498,000	6,464	3,999
Stella International	15,000	22	24

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Sun Hung Kai & Company	10,000	\$ 6	\$ 6
Tai Cheung Holdings Limited	10,000	5	6
Tan Chong International Ltd	723,000	205	140
TPV Technology Ltd	3,770,000	2,154	1,688
Transport International	51,200	261	137
Truly International Holdings	49,999	51	38
USI Holdings Ltd	145,744	48	42
Varitronix International Ltd	783,000	784	200
Vitasoy International Holdings	10,000	4	5
VTech Holdings Limited	32,000	147	218
Wai Kee Holdings Ltd	32,000	5	6
Weiqiao Textile Company Ltd	14,811,500	18,935	7,664
Wheelock Properties Ltd	10,000	8	6
Wing On Company International	23,000	30	27
Xinyi Glass Holdings Co Ltd	248,000	177	214
Yip's Chemical Holdings Ltd	76,000	21	39
Zhejiang Expressway Company Total Hong Kong - 3.7%	3,304,000	2,472 71,505	2,622 56,501
Hungary			
Magyar Telekom	3,477,170	16,732	10,221
OTP Bank Nyrt	74,900	3,081	1,346
Total Hungary - 0.7%		19,813	11,567
<i>India</i> Gail India Ltd GDR	210,600	7,399	7,655
State Bank of India	81,100	3,607	5,758
Tata Motors Ltd ADR	348,200	3,382	2,967
Total India - 1.1%		14,388	16,380
Indonesia	2.012.500	1.627	2.474
PT Gudang Garam TBK - 0.2%	2,012,500	1,627	2,474
Ireland			
Abbey plc	5,051	71	33
Irish Life & Permanent PLC	398,100	6,377	2,025
Smurfit Kappa Group PLC	21,503	118	116
Total Produce PLC  Total Ireland - 0.1%	82,700	92 6,658	2,210
Israel			
Bank Hapoalim BM	370,600	1,658	989
Bank Leumi Le-Israel	976,800	3,243	2,581
Bezeq Israeli Telecommunicatio	1,841,590	2,694	3,409
Makhteshim-Agan Industries Ltd	1,350,150	4,813	6,714
Syneron Medical Ltd	276,045	3,036	1,993
Total Israel - 1.0%		15,444	15,686
Italy			
ACEA SPA	2,700	44	33
Ansaldo STS Spa	159,803	2,078	2,941
Autogrill SPA	57,233	423	482
Autostrada Torino-Midland SPA	7,085	38	71
Benetton Group Spa	64,001	532	562
CIR SpA	173,624	402	284
Credito Valtellinese Scarl	105,015	873	950
Danieli & Company SPA	1,893	14 788	32 1,139
Danieli SPA Davide Campari - Milano SPA	123,796 275,495	788 1,411	2,205
DiaSorin	113,184	2,267	2,203
El En SPA	327	12	2,612
Enel SpA	1,044,300	5,684	5,083
ENI SpA	271,500	8,677	6,417
Enia SPA	42,274	296	300
Exprivia SpA	5,631	8	9
i · · · · · · · · · · ·	3,031	· ·	

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Fastweb	11,808	\$ 278	\$ 276
Finmeccanica SpA	94,600	2,201	1,331
Fondiaria-Sai SpA	67,172	945	1,081
Gruppo Ceramiche Ricchetti	28,128	68	27
Immobiliare Grande Disbribuzio REIT	40,108	51	70
Immsi Spa	63,960	75	76
Intesa Sanpaolo	779,300	4,283	2,509
KME Group	266,051	341	189
Milano Assicurazioni SPA	131,843	472	437
Mirato Spa	2,347	29	14
Mondadori (Arnoldo) Editore	52,503	221	203
Parmalat Spa	1,044,717	2,078	2,519
Permasteelisa SPA	3,353	55	57
Prysmian SPA	96,552	1,357	1,450
Recordati SpA	51,574	291	319
Societa Iniziative Autostradal	11,425	61	79
Unipol Gruppo Finanziario SPA  Total Italy - 2.2%	331,784	870 37,223	388 34,349
Japan			
77 Bank Ltd	30,000	176	175
A&D Company Ltd	1,700	5	8
Adeka Corporation	27,900	282	267
Aderans Company Limited	24,300	215	286
Advan Co Ltd	2,300	12	13
Aeon Delight Company Ltd	148,600	2,549	2,409
Ahresty Corporation	11,000	36	56
Aichi Bank Ltd	900	95	76
Aichi Electric Company Ltd	1,000	2	2
Aichi Toyota Motor Company Ltd	11,000	240	86
Aida Engineering Ltd	38,000	254	124
Aisan Industry Company	1,400	9	11
Aizawa Securities Company Ltd	15,300	115	40
Akita Bank Ltd	30,000	129	114
Allied Hearts Holdings Co Ltd	2,000	4	4
Alpen Company Ltd	9,800	174	178
ALPS Logistics Company Ltd	2,800	23	23
Amuse Inc	200	2	2
AOI Electronick Company Ltd	900	10	8
Aoki International Co Ltd	26,500	463	288
Aoyama Trading Company Ltd	29,000	734	501
Argo Graphics Inc	700	8	8
Arokasie Company Ltd	16,000	58	51
Asahi Industries Compan Ltd	5 7	10 4	11
Asax Company Ltd Aska Pharmaceutical Company	7,000	4 54	6 59
Aska Pharmaceutical Company Astellas Pharma Inc	206,700	7,370	7,327
Atlus Company Ltd	5,300	23	29
Bank of Nagoya Ltd	51,000	283	230
Bank of Nagoya Ltd Bank of Saga Ltd	23,000	77	78
Bank of The Ryukyus Ltd	200	2	2
Best Denki Company, LTD	12,500	38	54
Biwako Bank	17,000	27	18
BML Inc	11,700	219	260
Cawachi Limited	1,600	30	30
C-Cube Corporation	5,400	15	17
Central Glass Company Ltd	634,000	2,555	2,523
Charle Company Ltd	12,700	45	44
Chiba Kogyo Bank Ltd	26,100	275	258
Chiyoda Integre Company	2,900	33	33
Chubu Shiryo Company	1,000	7	7
Chubu Steel Plate Company	26,200	330	214
Chubu-Nippon Broadcasting Co	1,700	20	14
Chudenko Corporation	31,700	530	526
Chuetsu Pulp & Paper Company	74,000	190	181
1 1 7	. ,		

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Circle K Sunkus Company Ltd	173,000	\$ 2,528	\$ 2,700
Coca-Cola Central Japan Co Ltd	19,300	317	266
Commuture Corporation	2,000	11	13
Computer Engineering & Consult	7,900	68	58
Corona Corporation	3,500	59	44
Cosmo Oil Company	782,000	2,769	2,658
Create S D Company Ltd	13,900	229 31	271 31
CTI Engineering Company Ltd Daibiru Corporation	5,500 143,789	1,100	1,238
Daiichi Jitsugyo Company Ltd	1,000	3	4
Daiichikosho Company Ltd	35,500	299	386
Daiko Clearing Services Corp	500	3	3
Daimei Telecom Engineering	27,000	245	259
Dainichiseika Color & Chem	2,000	9	5
Dainippon Sumitomo Pharma Co	2,200	18	19
Daishinku Corporation	25,000	139	96
Daisyo Corporation Daito Electron Company Ltd	5,100 3,200	87 21	70 17
DCM Japan Holdings Co Ltd	20,900	128	143
DDI Corporation	900	4,328	4,776
Don Quijote Co Ltd	116,800	1,524	2,243
DyDo Drinco Inc	1,000	25	27
Edion Corporation	7,500	44	49
Eighteenth Bank Limited	81,000	409	249
Eizo Nannao Corporation	51,700	1,645	1,013
FamilyMart Company Ltd	1,900	52	60
Fancl Corporation Felissimo Corporation	25,700 1,100	342 20	313 19
Fields Corporation	659	890	894
Fijitsu Broad Solution & Cons	3,900	31	33
Frente Company Ltd	100	2	2
Fuji Foods Inc	4,000	16	16
Fuji Heavy Industries Ltd	54,000	201	219
Fuji Machine Mfg Co Ltd	20,100	292	243
Fuji Oozx Ic	13,000	48	34
Fujikura Rubber Ltd Fujistaff Holdings Inc	4,200 16	14 2	16 2
Fujitec Company Ltd	26,000	108	123
Fukoku Company Ltd	400	2	2
Fukuda Denshi Company Ltd	1,400	44	34
Fukushima Industries Corp	5,800	39	41
Fukuvi Chemical Industry Co	10,000	50	31
Furuno Electric Company	12,700	143	84
Furusato Industries Ltd	10,100	136	74
Fuso Chemical Co Ltd Futuba Corporation	400 7,900	4 135	4 145
Hagiwara Electric Company Ltd	4,400	29	29
Hakuhodo Dy Holdings Inc	80	4	4
Hakuto Co Ltd	12,200	184	116
Hankyu Department Stores Inc	29,000	200	165
Hanwa Company Ltd	600,000	3,094	2,251
Heian Ceremony Service Co	100	-	-
HEIWADO Company Ltd Higashi-Nippon Bank Ltd	28,400	449	345
Hikari Furniture Co Ltd	105,000 9,000	350 50	237 40
HI-LEX Corp	25,200	330	217
Hitachi Cable Ltd	887,000	3,002	2,841
Hitachi Capital Corporation	67,400	608	913
Hitachi High-Technologies Corp	125,100	1,919	2,135
Hitachi Information Systems	6,800	120	143
Hitachi Kiki Company Ltd	31,600	376	278
Hitachi Maxell Ltd Hitachi Medical Corporation	1,900	25 112	24
Hogy Medical Company Ltd	9,000 38,000	2,058	101 1,930
Hokuriku Gas Co Ltd	15,000	2,038	1,930
	12,000	40	

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Hokuto Corporation	83,200	\$ 1,578	\$ 1,713
H-One Company Ltd	4,900	48	19
Hoshi Iryo-Sanki Co	300	5	6
Hosiden Corporation	9,200	113	117
House Foods Corporation	600	9	9
Hurxley Corporation	6,800	63	64
Hyakugo Bank Ltd	78,000	437	386
I Metal Technology Company	1,000	2	2
Ichikawa Company Ltd	17,000	58 1,565	40
Idemitsu Kosan Company Ltd Inabata & Company Ltd	17,800 5,500	52	1,528 22
Ines Corp	6,700	32	46
Information Ser Interntl Dent	4,600	30	28
I-O Date Device Inc	100	-	-
Iriso Electronics Co Ltd	4,500	24	50
Itochu Enex Company Ltd	47,900	331	296
Itochu Techno-Science Corp	12,900	375	384
Itochu-Shokuhin Company Ltd	5,500	185	199
Izumi Company Ltd	135,000	1,438	1,671
Izumiya Company Ltd	27,000	157 287	157 382
J Front Retailing Company Ltd Japan Digital Laboratory Co	80,000 3,400	52	43
Japan Pile Corporation	9,700	35	33
Japan Pulp & Paper Company	41,000	158	126
JBCC Holdings Inc	3,500	24	24
JFE SHOJI Holdings, Inc.	115,000	311	426
JFE Systems Inc	2	2	2
JSR Corporation	187,300	2,496	3,209
JTEKT Corporation	203,220	1,530	2,066
Kagawa Bank Ltd	37,000	195	154
Kaken Pharmaceutical Co Ltd	149,000	1,393	1,328
Kamei Corporation	20,000 3,000	244 17	103 15
Kanaden Corporation Kanefusa Corporation	800	4	5
Kaneka Corporation	7,000	43	50
Kanto Auto Works Ltd	119,600	1,670	1,160
Kanto Natural Gas Development	15,000	98	89
Kasumi Company Ltd	15,200	80	67
Katakura Industries Company	4,400	41	40
Kato Sangyo Company Ltd	10,700	168	172
Kawasaki Kinkai Kisen Kaisha	12,000	44	34
Kawasumi Laboratories Inc Keihanshin Real Estate Company	10,000 1,000	58 4	65 4
Keihin Corporation	160,500	1,387	2,109
Keiyo Bank Ltd	339,000	1,610	1,774
Kikuchi Co Ltd	3,900	56	38
Kimura Unity Company Ltd	2,400	19	18
Kirindo Company Ltd	1,400	7	7
Kitagawa Industries Co Ltd	6,100	98	70
Kitamura Co Ltd	100	1	-
Kita-Nippon Bank Ltd	5,100	200	135
Kobayashi Pharmaceutical Co	42,900	1,444	1,623
Koei Chemical Company Ltd Kokusai Kogyo Holdings Co Ltd	10,000 4,000	37 12	27 12
Kokuyo Company Ltd	46,900	323	410
Komatsu Wall Industry Co Ltd	5,900	67	68
Konica Corporation	438,000	3,109	4,576
KOSE Corp	15,800	342	333
Kowa Spinning Co Ltd	18,000	55	62
Ku Holdings Company Ltd	11,900	56	46
Kurabo Industries Ltd	99,000	279	205
Kyoei Steel Ltd	101,300	1,809	2,877
Kyorin Co Ltd	97,000	1,225	1,470
Kyowa Exeo Corporation	176,000	1,633	1,751
Kyowa Leather Cloth Co Ltd	900	4	4

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Leopalace21 Corporation	4,000	\$ 43	\$ 36
Mac House Company Ltd	700	6	4
Maeda Corporation	88,000	316	335
Maeda Road Construction Co Ltd	8,000	64	82
Makino Milling Machine Co Ltd	55,000	181	180
Mandom Corporation	5,100	131	115
Marubeni Corporation	654,800	2,948	2,905
Marudai Food Company Ltd	92,000	227	268
Marufuji Sheet Piling Co Ltd	16,000	34	29
Marui Company Ltd Marukyo Corporation	42,100	217 42	297 42
Maruzen Co Ltd	7,000 5,000	20	24
Matsumotokiyoshi Holdings Co	400	7	8
Maxvalu Nishinihon Co Ltd	2,500	34	35
Maxvalu Tokai Company Ltd	10,600	125	129
McDonald's Holding Company	75,300	1,395	1,396
Medikit Company Ltd	90	19	18
Meiji Holdings Company Ltd	11,100	497	446
MID REIT Inc REIT	371	610	828
Mie Bank Ltd	79,000	396	286
Mikuni Coca-Cola Bottling Co	15,100	169	122
Mikuni Corporation	7,000	21	9
Milbon Co Ltd	4,100	103	92
Minato Bank Ltd	7,000	13	10
Ministop Company Ltd	15,400	291	248
Miraca Holdings Inc	160,100	3,438	3,916
Mitani Corporation	12,500	167	75
Mitani Sekisan Co Ltd	100	1	1
Mitsui & Company Ltd Mitsui Chemicals Inc	230,000	4,638 197	2,732 247
Mitsui Home Company Ltd	77,000 6,000	33	35
Mitsui Mining & Smelting Co	514,000	1,913	1,332
Mizuho Financial Grp Inc	1,008,100	2,678	2,361
Mizuno Corporation	28,000	115	125
Mochida Pharmaceutical Company	117,000	1,228	1,125
Monex Group Inc	3,258	1,476	1,452
Morinaga Milk Industry Company	106,000	398	406
Mory Industries Inc	10,000	34	22
NAFCO Company Ltd	17,400	251	305
Nagase & Company Ltd	49,000	523	492
Nagawa Company Ltd	10,000	69	68
Nakanishi Inc	1,600	101	118
Namco Bandai Holdings Inc	33,700	371	370
NE Chemcat Corporation	16,000	293	167
NEC Corporation	879,000	2,526	3,453
NEC Notworks & System Int	25,900	310 28	357 30
NEC Networks & System Int Net One Systems Co Ltd	2,400 213	278	30 375
NIC Corporation	8,700	38	40
Nichireki Co Ltd	18,000	47	67
Nidec-Read Corporation	100	1	1
Nifty Corporation	124	113	109
Nihon Kagaku Sangyo Co Ltd	12,000	82	71
Nihon Plast Company Ltd	12,200	64	39
Nippon Antenna Company Ltd	9,900	59	60
Nippon Beet Sugar Manufact	27,000	58	66
Nippon Electric Glass Co Ltd	164,000	1,340	1,839
Nippon Game Card Corporation	54	70	73
Nippon Hume Corp	16,000	47	48
Nippon Konpo Unyu Soko Co	35,000	308	388
Nippon Mining Holdings Inc	686,000	4,110	3,569
Nippon Oil Corporation	254,600	2,036	1,504
Nippon Seiki Co Ltd	21,000	130	218
Nippon Shinyaku Company Ltd	33,000	325	378 314
Nippon Shokubai Co Ltd	41,000	320	314

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Nippon System Development	55,187	\$ 456	\$ 559
Nippon Telegraph & Telephone	188,900	8,428	7.675
Nippon Unipac Holding	300	8	8
Nishi-Nippon City Bank	48,000	120	121
Nishio Rent All Company Ltd	13,300	76	94
Nissan Shatai Company Ltd	49,000	291	404
Nisshin Steel Company	877,000	2,697	1,963
Nissin Healthcare Food Serv	2,400	25	28
Nissin Sugar Manufacturing Co	36,000	79	82
Nittan Valve Co Ltd	17,900	70	65
Nitto FC Co Ltd	15,000	81 181	81
Nitto Kogyo Corporation NOF Corporation	14,900 646,000	2,661	156 2,604
NOK Corporation	167,700	1,578	1,952
Noritake Company Ltd	11,000	32	36
NS Solutions Corporation	300	3	5
NTT DoCoMo	5,500	8,422	8,049
Numura Real Estate Office Fund	344	1,734	2,189
Okinawa Cellular Telephone Co	152	291	262
Okuwa Company Ltd	2,000	22	23
Onoken Company Ltd	13,300	124	139
Onward Kashiyama Company	466,000	4,344	3,004
Oriental Yeast Company Ltd	18,000	79	92
Osaka Organic Chemical Ind	7,200	39	27
Osaka Steel Company Ltd	11,700	189	212
Pacific Industrial Company Ltd	3,000	14	10
Piolax Inc	4,900	70 23	74 25
Q.P. Corporation Relo Holdings Inc	2,400	10	25 17
ResortTrust Inc	1,400 3,400	31	36
Ricoh Leasing Company Ltd	500	9	10
Riso Kagaku Corporation	13,500	248	139
Roland Corporation	14,200	375	175
Royal Holdings Company Ltd	7,100	78	75
Ryoden Trading Co Ltd	23,000	180	129
S Foods Inc	6,000	50	48
Saison Information Systems Co	5,100	32	32
Sakai Chemical Industry Co	23,000	144	93
San-Ai Oil Co Ltd	12,000	54	56
Sanei-International Co Ltd	4,900	51	42
San-in Godo Bank Ltd	52,000	415	449
Sankyo Company Ltd	48,400	2,199	2,583
Sankyo Frontier Company	2,000	5	5
Sanoh Industrial Company Ltd Sansei Yusoki Company Ltd	100 12,000	55	56
Sanyo Chemical Industries Ltd	5,000	28	25
Sanyo Engineering & Construct	3,000	11	12
Sapporo Hokuyo Holdings Inc	67,400	486	193
Sato Shoji Corp	1,400	7	8
Satori Electric Company Ltd	1,700	8	10
Sazaby Inc	13,900	299	199
Seibu Electric Industry Co Ltd	1,000	5	5
Seikagaku Corporation	20,200	215	222
Seiko Epson Corporation	157,500	2,353	2,571
Seino Holdings Corporation Ltd	417,000	2,277	3,470
Senshu Electric Co Ltd	7,000	99	67
Senshukai Company Ltd	20,300	162	139
Seven Bank Ltd	819	1,792	2,147
Shichie Company Ltd	1,100	6	5
Shidax Corporation Shingalylai Company Ltd	14,300	101	55 34
Shingakukai Company Ltd Shinko Plantech Company Ltd	9,600 176,800	47 1,007	1,404
ShinMaywa Industries Ltd	42,000	253	1,404
Sinanen Company Ltd	26,000	132	132
Sintokogio Ltd	12,000	132	85
	12,000	132	63

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
SK Kaken Company Ltd	7,000	\$ 209	\$ 175
SNT Corporation	10,400	30	31
Soft99 Corporation	9,300	59	43
Sohgo Security Services Co Ltd	14,100	138	148
Sojitz Corp	168,900	384	371
SRI Sports Ltd	90	118	72
Sugi Pharmacy Co Ltd	95,400	1,942	1,963
Sumco Corporation	163,100	2,213	2,324
Sumida Corporation	5,000	21	33
Sumikin Bussan Corp	64,000 20,000	142 284	151 313
Sumisho Computer Systems Corp Sumitomo Corporation	363,800	5,694	3,703
Sumitomo Electric Industries	258,100	2,018	2,905
Sumitomo Heavy Industries	419,000	1,775	1,872
Sumitomo Mitsui Financial Grp	59,000	2,183	2,403
Sumitomo Pipe & Tube Company	9,900	52	54
Sumitomo Trust & Banking Co	694,000	3,451	3,740
Suncall Corporation	19,000	83	54
Sundrug Co Ltd	83,200	1,393	1,841
Sun-Wa Technos Corp	3,600	19	18
Suzuken Company Ltd	13,700	360	397
Sysmex Corporation	44,900	1,346	1,629
T&K Toka Company Ltd	4,700	46	53
Taiko Bank Ltd	26,000	72	51
Takashimaya Co Ltd	51,000	375	402
Takeda Pharmaceutical Co Ltd	219,900	9,889	8,569
Takeuchi Mfg Co Ltd	1,100	53 23	11
Techno Associe Company Ltd Techno Medica Co Ltd	2,000	3	16
Techno Ryowa Ltd	800	4	4
Teijin Limited	107,000	328	345
Temp Holdings Co Ltd	5,400	31	44
Tenma Corporation	20,000	223	236
Terasaki Electric Company	8,400	33	44
Tigers Polymer Corporation	5,900	21	25
Toagosei Company Ltd	40,000	92	110
Tochigi Bank Ltd	72,000	464	370
Toda Corporation	25,000	82	102
Toei Company Ltd	20,000	91	99
Tohokushinsha Film Corporation	10,800	73	66
TOKAI Corp	100	1 2	1
Tokai Tokyo Securities Co Ltd	1,000	42	4 47
Tokan Company Ltd Tokyo Broadcasting System Inc	3,000	48	53
Tokyo Derica Company Ltd	3,400 2,500	46	9
Tokyo Kohtetsu Company Ltd	1,000	4	4
Tokyo Sangyo Company Ltd	9,500	28	28
Tokyo Steel Manufacturing	24,500	312	298
Tokyo Style Co Ltd	20,000	148	159
Toppan Forms Co Ltd	200	2	3
Topre Corporation	14,100	130	115
Torii Pharmaceutical Co Ltd	12,000	251	194
Toshiba Tec Corporation	115,000	440	468
Toyo Kohan Company Ltd	3,000	9	14
Toyota Motor Corp	72,400	2,852	2,754
Trinity Industrial Corporation	1,000	4	4
Trusco Nakayama Corporation	11,600	249	183
Tsumura & Company Tsumura Morrofostoring Co. Ltd.	66,700	1,838	2,081
Tsurumi Manufacturing Co Ltd	16,000	129	100
Tsuzuki Denki Company Ltd TV Asahi Corporation	14,000 207	48 346	47 311
Unimat Life Corporation	300	2	311
Unipres Corporation	20,300	166	225
Univance Corporation	1,000	4	2
Universe Company Ltd	4,500	48	56
	.,500	40	30

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
UNY Company Ltd	251,000	\$ 2,295	\$ 2,146
USC Corporation	300	2	4
Valor Company Ltd	27,100	206	211
Vital-KSK Holdings Inc	12,300	75	66
Wakita & Company Ltd	6,000	21	30
Yagi & Company Ltd	2,000	20	22
Yamaguchi Glass Bash	126,000	1,168	1,662
Yamanashi Chuo Bank Yamato International Inc	17,000 12,200	94 62	94 51
Yambiko Corporation	5,800	155	73
Yodogawa Steel Works Ltd	546,000	2,379	2,773
Yokohama Rubber Company Ltd	488,000	1,946	2,418
Yondenko Corporation	1,000	5	5
Yorozu Corporation	4,100	42	45
Yoshinoya Holdings Company Ltd	85	98	98
Yurtec Corporation	46,000	259	258
Zuken Inc	3,200	24	26
Total Japan - 13.9%		213,923	214,486
Korea	110	3	4
Binggrea Co Ltd Cheil Worldwide Inc	718	122	132
CJ Home Shopping Co Ltd	680	41	34
Daeduck Electronics Company	1,158,040	7,794	3,445
Daeduck GDS Company Ltd	10,970	74	75
Daekyo Company Ltd	15,280	119	62
Daesang Holdings Co Ltd	18,620	62	53
Daewoong Company Ltd	3,610	102	60
Daishin Securities Company	24,810	331	304
Daou Technology Inc	2,850	18	16
Dong Ah Tire & Rubber Company	7,720	45	48
Dongbu Corporation Dongbu Securities Company Ltd	8,320 8,620	60 47	60 46
Dongwon Industries Co Ltd	850	76	64
Doosan Engineering & Construc	20,510	116	108
E TEC E&C Ltd	140	5	4
E1 Corp	707	34	45
Fursys Inc	820	12	15
GS Home Shopping Inc	2,100	141	107
GwangjuShinsegae Company Ltd	507	35	50
Halla Climate Control Corp	382,900	3,581	2,897
Halla Engineering & Const Corp	3,790	68 74	69 109
Handsome Company Ltd Hanjin Heavy Industry & Const	13,090 8,890	131	120
Hanshin Construction Company	1,130	131	14
Hanssem Company Ltd	10,550	52	66
Hanwha Chemical Corporation	35,900	591	294
Hanwha Securities Co	17,250	138	126
Hyundai Dept Store Co	1,100	99	77
Hyundai Mipo Dockyard Company	27,200	2,456	2,701
Hyundai Motor Company	663,710	21,059	14,666
Il Dong Pharmaceuticals Co	3,320	72	87
Ilshin Spinning Company Ltd Industrial Bank of Korea (IBK)	1,020 305,000	49 5,052	46 2,622
Jeil Pharmaceutical Company	3,710	26	2,022
Jinheung Mutual Savings Bank	13,970	45	43
JS Cable Company Ltd	820	11	12
KCC Engineering & Construction	1,172	28	26
KISCO Corp	1,750	77	77
Kiswire Ltd	4,008	92	140
KIWOOM Securities Co Ltd	2,550	98	100
Kolon Industries Inc	5,220	149	138
Korea Development Financing	952	57	23
Korea Electric Power Corp Korea Exchange Bank	312,040	10,130 4,118	7,262 2,443
Rolea Dachange Dank	313,800	4,118	2,443

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Korea Investment Holdings Co	6,080	\$ 179	\$ 175
Korea Zinc Company	24,700	2,734	2,685
KP Chemical Corp	13,620	55	94
KPX Holdings Corp	750	23	28
KT Corporation	87,400	4,009	2,521
Kyeryong Construction Indus	5,010	230	88
KyungDong City Gas Co Ltd	970	35	37
LG Chemical Ltd Preferred	135,368	5,893	5,281
LG Dacom Corporation	17,140	219	237
LG Hausys Ltd Professed	4,672	399	425
LG Hausys Ltd Preferred LIG Insurance Company	47,539 10,760	2,091 211	1,661 152
Lotte Chilsung Beverage Co	12,050	11.693	8,040
Lotte Samkang Co Ltd	780	84	110
Lotte Shopping Company Ltd	20,870	2,180	4,292
Namyang Dairy Products Co Ltd	369	282	141
NH Investment & Securities Co	7,760	45	43
Ottogi Corporation	1,451	193	146
Pacific Corporation	2,179	303	200
People & Telecommunication	10,020	68	88
Pusan Bank	287,600	3,554	1,975
Sam Kwang Glass Ind Co Ltd	220	6	7
Samchully Co Ltd	578	76	56
Samsung Electronics Co Ltd	5,130	1,942	2,384
Samsung Fine Chemicals Co Ltd	370	15	15
Seah Holdings Corporation	955 8 450	48 92	48 76
Sebang Company Ltd Seoul City Gas Co Ltd	8,450 790	55 55	36
Shinyoung Securities Company	1,724	80	57
Sindo Ricoh Company Ltd	678	27	28
SK Gas Company Ltd	2,983	206	132
SK Holdings Co Ltd	31,100	2,711	2,600
SK Telecom Company Ltd.	15,200	2,844	2,076
Taeyoung Engineering & Constru	1,140	6	7
TS Corporation	20	1	1
Unid Company Ltd	3,020	61	82
Woongjin Chemical Company Ltd	19,660	18	18
Yesco Company Ltd	480	16	10
Young Poong Corporation	430	166	155
Youngone Corporation  Total Korea - 4.9%	17,860	147 100,500	75,283
Luxembourg			
Colt Telecom Group SA - 0.1%	691,061	2,291	1,235
Malaysia Proton Holdings Berhad	7,662,700	11,221	6,213
Tanjong Public Ltd Company	674,600	3,022	2,553
Total Malaysia - 0.6%	-	14,243	8,766
Mexico			
Alfa SA A Shares	733,400	4,355	2,056
Cemex SAGB de CV ADR	853,757	4,496	7,974
Grupo Financiero Banorte - O	2,805,658	5,792	6,828
Grupo Televisa MM	2,562,560	9,689	8,713
Telefonos de Mexico SA	3,197,900	2,681	2,608
Telefonos de Mexico SA ADR Telmex International SAB de CV ADR	292,510 108,030	5,133 878	4,742
Total Mexico - 2.2%	108,030	33,024	1,367 34,288
Netherlands			
Aegon NV	274,100	3,714	1,685
ASM International NV	95,327	1,282	1,392
Ballast Nedam NV-CVA	11,040	394	237
CSM NV	316,025	3,834	4,663

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Draka Holding NV	32,724	\$ 268	\$ 437
Fornix Biosciences NV	13,519	314	123
Fugro NV Dutch Cert	55,869	1,480	2,313
Gemalto NV	51,903	1,370	1,795
Heijmans NV	9,275	110	19
Heijmans NV Right	9,275	238	35
Koninklijke DSM NV	200,300	8,596	6,274
Koninklijke Wessanen NV	186	3	1
Macintosh Retail Group NV	1,017	11	14
Nutreco Holding NV	60,335	2,839	2,351
Qiagen NV USG People NV	66,100 13,622	1,073 154	1,221 156
Total Netherlands - 1.5%	13,022	25,680	22,716
New Zealand			
Air New Zealand Ltd	411,500	245	240
Fletcher Building Ltd	292,739	1,110	1,248
Millennium & Copthorne Hotel	82,697	33	21
Sanford Limited	3,955	12	14
Vector Limited  Total New Zealand - 0.1%	172,300	266 1,666	228 1,751
Name			
Norway DnB Holding ASA	361,400	4,799	2,751
StatoilHydro ASA	125,700	4,074	2,472
Stolt-Nielsen SA	109,824	2,125	1,190
TGS Nopec Geophysical Company	124,101	992	1,224
Veidekke ASA	306,000	2,774	1,502
Total Norway - 0.6%		14,764	9,139
Pakistan			
Nishat Mills Ltd - 0.1%	2,952,500	4,310	1,371
Panama			
Banco Latinoamericano de Exp - 0.5%	604,261	9,560	7,511
Philippines			
First Philippine Holdings Corp	4,618,700	2,919	2,831
Universal Robina Corporation	13,112,600	3,182	1,907
Total Philippines - 0.3%		6,101	4,738
Poland Polski Koncern Naftowy Orlen	340,600	2,929	2,823
Telekomunikacja Polska SA	402,900	3,012	1,945
Total Poland - 0.3%	402,900	5,941	4,768
Portugal			
Banco Espirito Santo	663,307	4,127	3,573
Banif SGPS SA	171,251	264	293
Ibersol SGPS SA	3,888	39	46
Novabase PL	17,343	113	118
Redes Energeticas Nacionais SA	136,875	560	586
Sonaecom SGPS SA Total Portugal - 0.3%	142,281	356 5,459	351 4,967
-			
Russia Lukoil ADR	68,800	5,737	3,206
MMC Norilsk Nickel	296,596	4,759	2,729
Mobile TeleSystems ADR	69,600	2,216	2,570
Total Russia - 0.6%	22,000	12,712	8,505
Singapore			
Cerebos Pacific Ltd	43,000	88	88
ComfortDelGro Corporation	1,893,000	1,657	1,674
Del Monte Pacific Ltd	36,000	10	15

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Flextronics International Ltd	2,396,080	\$ 6,848	\$ 9,944
Golden Agri-Resources Ltd	15,398,800	2,764	4,043
Golden Agri-Resources Ltd Right	2,894,384	· -	272
Guthrie GTS Ltd	1,000	-	-
Haw Par Corporation Ltd	81,000	323	256
Hi-P International Limited	187,000	42	78
Hong Leong Asia Limited	1,170,000	2,226	1,213
Hong Leong Finance Ltd	23,000	36	42
K1 Ventures Ltd	635,000	101	66
Kim Eng Holdings Ltd KS Energy Services Ltd	158,000 21,000	128 18	203 17
Low Keng Huat (Singapore) Ltd	29,000	5	5
Man Wah Holding Limited	52,000	8	8
Mapletree Logistics Trust	155,000	41	59
Metro Holdings Ltd	267,000	145	101
MobileOne Ltd	7,589,300	8,261	8,023
Noble Group Ltd	2,558,000	1,569	3,217
Peoples Food Holdings Ltd	13,055,000	10,053	5,096
Singapore Airlines Ltd	275,466	2,502	2,531
Singapore Airport Terminal Svs	35,000	32	53
Singapore Land Ltd	2,000	8	7
Singapore Petroleum Company	595,000	2,855	2,553
Soilbuild Group Holdings Ltd	5,000	3 139	3 135
United Overseas Land Limited UOB-Kay Hian Holdings Ltd	59,000 255,000	175	236
Venture Corp Ltd	279,100	1,234	1,346
Zhogguo Jilong Ltd	25,810	1,234	2
Total Singapore - 2.7%	23,010	41,272	41,286
South Africa			
Astral Foods Limited	161,900	2,256	2,001
Imperial Holdings Ltd	1,441,130	10,475	10,880
JD Group Ltd	297,371	1,805	1,558
Metropolitan Holdings Ltd Nampak Limited	1,946,300 1,627,100	3,206 3,444	2,936 3,118
Total South Africa - 1.3%	1,027,100	21,186	20,493
Spain			
Banco Popular Espanol SA	290,000	4,787	2,526
Banco Santander Ctrl Hisp SA	763,400	8,451	9,166
Bankinter SA	3,927	49	46
Construcciones y Auxiliar	1,497	660	670
Fomento de Construcciones Grifols SA	35,244 211,389	1,436	1,444 3,733
Grupo Catalana Occidente SA	27,574	3,211 350	502
Indra Sistemas SA	75,500	1,359	1,634
Miquel y Costas & Miquel SA	12,768	230	248
Prosegur CIA de Seguridad SA	13,944	401	447
Repsol SA	323,400	9,400	7,231
Tecnocom Telecommunications	32,735	180	175
Telefonica SA Total Spain - 2.4%	390,400	8,353 38,867	8,827 36,649
Sweden		,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
AB Angpanneforeningen	2,261	49	42
Biotage AB	63,828	74	60
Cardo AB	38,343	878	829
Industrial & Financial Systems	24,152	161	196
KappAhl Holding AB	297,832	981	1,288
Klovern AB	23,164	60	54
Know IT AB	20,181	100	88
LBI International AB	956	4	2
Meda AB	63,936	411	437
NCC AB	253,340	4,170	2,191
Nolato AB	13,422	72	83

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Nordea AB	351,400	\$ 2,697	\$ 2,771
Oriflame Cosmetics SA	53,050	1,253	2,297
Proffice AB	3,000	3	7
Saab AB	82,634	524	629
Svenska Handelsbanken AB	188,700	2,901	3,550
Telefonaktiebolaget LM	269,700	1,733	2,635
Total Sweden - 1.1%		16,071	17,159
Switzerland			
Adecco SA	3,664	165	152
AFG Arbonia-Forster Holdi-BR	4,664	71	69
Also Holding	2,556	84	70
Ascom Holding AG	57,290	684	722
Baloise Holding Ltd	92,300	6,653	6,845
Banque Cantonale Vaudoise BCV	9,023	2,528	2,844
Berner Kantonalbank	139	33	29
BKW FMB Energie AG	17,994	1,207	1,324
Bossard Holding AG	1,185	71	53
Charles Voegele Holding AG	627	19	21
Clariant AG	463,023	2,969	2,921
Conzzeta Holding AG	74	98	92
Credit Suisse Group	59,600	2,793	2,718
Daetwyler Holding AG	3,655	145	143
Emmi AG	2,284	328	227
Forbo Holding AG	1,599	962	306
Helvetia Patria Holding	12,736	2,128	3,367
Holcim Ltd	46,200	1,633	2,621
Inficon Holding AG	4,601	642	402
Intrum Justitia AB	195,700	1,175	1,875
Jungfraubahn Holding AG Right	313		-
Kardex AG	11,180	632	329
Kudelski SA - BR	2,011	24	33
Kuoni Reisen Holding AG	1,604	415	498
Novartis AG	265,800	9,791	10,763
Pargesa Holding SA	30,100	2,224	1,877
Partners Group Holding AG	22,663	2,089	2,196
Petroplus Holdings AG	72,000	1,169	1,188
PSP Swiss Property AG	318	15	15
Sika AG	1,170	977	1,297
Sulzer AG	15,083	766	954
Swiss Re	133,700	7,115	4,418
Swisscom AG	8,300 243 806	2,855 188	2,545 184
Swisslog Holding AG	243,806		
Temenos Group AG	173,336	1,362 182	2,949 145
Valora Holding AG	802		
Vaudoise Assurances Holding SA	627	114	105
Verwaltungs und Privat Bank AG	959 90	126	94 131
Vetropack Holding AG Zurich Financial Services AG	23,400	67 5,452	4,118
Total Switzerland - 3.9%	23,400	59,951	60,640
Taiwan			
Advanced Semiconductor Engr	250,649	136	145
Au Optronics Corp	2,023,400	3,089	1,973
Compal Electronics Inc	10,463,854	9,672	8,499
Far EasTone Telecommunications	3,365,931	4,615	3,945
Gigabyte Technology Company	2,968,000	2,206	1,732
HannStar Display Corporation	9,290,111	3,724	1,883
Quanta Computer Inc	3,378,670	4,800	5,458
Walsin Lihwa Corporation	24,660,000	7,668	7,892
Winbond Electronics Corp	34,590,000	8,350	5,335
Yageo Corporation	36,528,000	11,917	7,381
Total Taiwan - 2.9%	30,323,000	56,177	44,243

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Turkey			
AkBank TAS	485,200	\$ 2,269	\$ 2,179
Arcelik AS	7,445,162	18,878	11,292
Selcuk Exza Deposu Ticaret AS	1,909,460	1,659	2,710
Trakya Cam Sanayii AS	2,903,845	1,720	2,363
Turkiye Vakiflar Bankasi T-D	7,938,500	8,387	12,041
Total Turkey - 2.0%		32,913	30,585
United Kingdom			
Aberdeen Asset Management PLC	780,200	1,546	1,593
Aegis Group PLC	675,621	945	1,024
Aggreko PLC	241,700	1,255	2,064
Alphameric plc Amlin PLC	29,666 358,660	15 1,860	15 1,785
Arriva PLC	125,091	1,733	836
Ashtead Group PLC	131,313	128	123
AstraZeneca Group PLC	201,300	8,100	8,853
Aviva PLC	347,700	4,071	1,956
Babcock International Group	299,700	1,982	2,374
Balfour Beatty PLC	209,713	1,035	1,067
Barclays PLC	744,000	7,217	3,468
Barratt Developments PLC	282,000	791	685
Berkeley Group Holdings plc	14,868	217	197
BP Amoco PLC	1,892,800	17,716	14,894
Bradford & Bingley PLC	202,000	1,045	706
Brit Insurance Holdings PLC British Aerospace PLC	227,167 879,500	700 4,446	706 4,903
Britvic PLC	901,280	3,351	4,903
BT Group PLC	1,427,300	5,116	2,386
Carillion plc	722,619	2,577	3,002
Carphone Warehouse PLC	369,777	958	962
Centrica PLC	673,200	2,097	2,472
Charter International PLC	163,100	960	1,163
Chime Communications PLC	5,320	7	11
Clarkson PLC	25,148	365	257
Close Brothers Group PLC	36,134	272	391
Communisis PLC Computacenter plc	35,709 929,432	63 3,458	15 3,138
Daily Mail & General Trust PLC	351,200	1,773	1,643
Dairy Crest Group PLC	78,000	248	412
Davis Service Group PLC	3,923	15	22
Debenhams PLC	70,450	88	94
Dimension Data Holdings PLC	1,076,796	768	1,055
Drax Group PLC	336,200	4,505	2,431
DS Smith PLC	595,739	681	652
EasyJet PLC	100,676	483	448
Elementis PLC	351,732	226	159
Fiberweb PLC	132,824	87	154
FirstGroup PLC	192,740 430,305	780	1,136
Galliford Try plc Games Workshop Group PLC	439,395 20,744	238 62	349 87
GlaxoSmithKline PLC	283,100	6,403	4,982
Greene King PLC	316,115	2,012	2,013
Halfords Group PLC	248,585	1,026	1,274
HMV Group PLC	14,148	27	26
Hogg Robinson Group PLC	23,810	7	10
Home Retail Group	400,000	1,657	1,713
IG Group Holdings PLC	407,900	1,519	1,883
IMI PLC	525,900	3,980	2,700
Informa PLC	432,320	1,248	1,559
Investec PLC	241,326	1,053	1,299
J D Weatherspoon PLC	51,233	334	327
J Smart & Company Contractors Keller Group PLC	3,180 57,001	60 804	17 520
Kier Group PLC Kier Group PLC	57,001 1,950	804 32	30
Kier Group I Le	1,930	32	30

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Legal & General Group PLC	1,431,600	\$ 3,410	\$ 1,339
Logica PLC	2,918,300	3,984	3,797
Marston's PLC	762,200	2,971	1,491
McBride PLC	109,034	348	260
Meggitt PLC	877,500	1,559	2,291
Micro focus International PLC	439,000	1,762	2,708
Millennium & Copthorne Hotels	26,000	101	101
Mitie Group PLC Mondi PLC	651,209	1,657	2,300 401
Morgan Sindall plc	117,666 72,000	495 809	819
Mouchel Group PLC	348,600	1,419	947
N Brown Group PLC	444,000	1,670	1,570
Next PLC	81,886	1,702	1,981
Northern Foods PLC	290,100	781	248
Novae Group PLC	4,786	27	24
Office2office PLC	9,039	18	19
Old Mutual PLC	2,141,000	4,842	2,854
Oxford Instruments PLC	5,712	25	13
Pace Micro Technology PLC	458,331	922	1,500
Premier Oil PLC	236,790	3,465	4,258
Psion PLC	23,283	50 2,937	26 3,085
Qinetiq Plc Restaurant Group PLC	1,305,382 22,284	51	53
Royal & Sun Alliance Insurance	1,063,100	1,800	2,104
Royal Dutch Shell B Shares	664,600	18,801	16,702
RPS Group PLC	823,100	1,718	2,714
Sage Group PLC	25,883	76	76
Serco Group PLC	387,100	2,100	2,690
Smiths News PLC	7,964	15	15
Spectris plc	312,157	3,372	2,835
St. James Place PLC	398,832	1,015	1,299
S Three PLC	101,356	265	302
Tate & Lyle PLC	402,600	3,556	2,112
Thomas Cook Group	1,316,026	4,375	4,454
Tomkins PLC	1,165,500	1,867	2,841
Travis Perkins PLC Tribal Group plc	5,823 92,645	50 245	51 128
Venture Production plc	204,900	1,509	2,740
Vislink PLC	17,095	8	8
Vodafone Group PLC	2,467,200	5,000	4,762
William Hill plc	571,200	1,632	1,848
Woolworths Group PLC	1,940,874	442	-
Total United Kingdom - 10.9%		186,993	171,242
Total Equities - 92.2%		1,560,867	1,423,888
Short-term Issues  Description of the Control of th	71 205 717	71 206	71 200
Dreyfus Cash Management Institutional Fund - 4.6%	71,205,717	71,206	71,206
Total Investment Securities - 96.8%		\$ 1,632,073	\$ 1,495,094
Foreign Currency Forward Contracts			
Long Positions			
Japanese Yen, expiring 07/01/09			\$ (9)
Total Long Positions			(9)
Short Positions			
Brazil Real, expiring 07/01/09			(3)
British Pound, expiring 07/01/09			29
Danish Krone, expiring 07/01/09			1
Euro Currency, expiring 07/01/09 - 07/02/09			48

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair	Value
Japanese Yen, expiring 07/01/09 - 07/02/09			\$	81
Mexican New Peso, expiring 07/01/09				(10)
Singapore Dollar, expiring 06/01/09 - 06/02/09				(3)
South African Rand, expiring 07/02/09 - 07/03/09				(23)
South Korean Won, expiring 06/01/09 - 06/02/09				(3)
Swedish Krona, expiring 06/01/09				(8)
Swiss Franc, expiring 07/01/09 - 07/02/09				21
Total Short Positions				130
Total Foreign Currency Forward Contracts - 0.0%			\$	121

#### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

T 4		•
Investmen	t	income
m v councii	ı	mcome

Interest income Dividend income, net of foreign withholding taxes Securities lending income Shareholder litigation proceeds Commission recapture	\$ 106 51,648 2,548 103 49
Total investment income	54,454
Expenses	
Investment advisor fees	(7,154)
Trustee fees	(9)
Custodian bank fees	(789)
Management fees	(489)
Fiduciary bond fees	(8)
Professional service fees	(109)
Securities lending agent fees	(588)
Securities lending borrower rebates	 397
Total expenses	 (8,749)
Investment income, net	45,705
Realized and unrealized loss from investments and foreign currency	
Net realized loss from:	
Investments	(281,694)
Foreign currency transactions	(65,074)
Net decrease in the fair value of:	
Investments	(4,950)
Translation of assets and liabilities in foreign currencies	 (98,916)
Net loss from investments and foreign currency	 (450,634)
Net decrease in net assets from operations	\$ (404,929)

#### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

#### **Operations**

Investment income, net	\$ 45,705
Net realized loss from investments	(281,694)
Net realized loss from foreign currency transactions	(65,074)
Net decrease in the fair value of investments	(4,950)
Net decrease in the translation of assets and liabilities in foreign currencies	 (98,916)
Net decrease in net assets from operations	(404,929)
Unit transactions	
Proceeds from sale of units	658,239
Amount paid for repurchase of units	 (400,224)
Net increase in net assets from unit transactions	 258,015
Decrease in net assets	(146,914)
Net assets, beginning of period	 1,691,297
Net assets, end of period	\$ 1,544,383
Unit data	
Units sold	47,884,306
Units repurchased	 (24,423,228)
Net increase in units	 23,461,078

#### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's International Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

This Pool invests in the equities of international companies. Assets are managed by AXA Rosenberg Investment Management, LLC, Brandes Investment Partners, LLC, LSV Asset Management, and Pictet Asset Management Limited. The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US index over three- to five-year periods.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Foreign currency forward contracts are valued at the difference between the month-end spot exchange rate and the forward contract amount. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

**Foreign Currency** – Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon on the following basis:

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- a. Market value of investment securities, other assets and liabilities at the closing rate of exchange at the valuation date.
- b. Purchases and sales of investment securities, income and expenses at the rate of exchange prevailing on the respective dates of such transactions.

The IMB isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from market prices of securities held.

Reported net realized foreign exchange gains and losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities including investments in securities at month end, resulting from changes in the exchange rate.

Security Loans - The IMB, through its agent the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for international securities is secured by initial collateral of at least 105 percent of the market value of the securities loaned. Cash collateral received is invested in the Mellon GSL Reinvestment Trust. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Operations.

**Foreign Exchange Forward Contracts** - A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The managers enter into such contracts to hedge the assets and liabilities related to securities denominated in a foreign currency. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month end. An unrealized gain or loss is recorded as the difference between the spot value at month end and the contract amount to be received or paid at the expiration date. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires.

Investment Transactions - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

Distributions to Participants - The Pool does not routinely distribute dividends of net investment income or capital gains.

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

#### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2009, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool. The Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2009 the IMB was in compliance with this limitation. The amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2009 are as follows:

Currency	<b>Equity Securities</b>	Cash	Total
Australian Dollar	\$ 45,295,313	\$ 187,926	\$ 45,483,239
Brazil Cruzeiros Real	76,243,266	1,318,077	77,561,343
British Pound	175,318,942	1,551,666	176,870,608
Canadian Dollar	43,761,183	109,535	43,870,718
Czech Koruna	7,234,731	135	7,234,866
Danish Krone	10,935,831	33,982	10,969,813
Euro	266,768,796	6,226,567	272,995,363
Hong Kong Dollar	115,552,388	304,416	115,856,804
Hungarian Forint	11,566,434	781	11,567,215
Indonesian Rupiah	2,474,340	-	2,474,340
Israeli Shekel	13,692,033	81	13,692,114
Japanese Yen	214,493,385	2,000,670	216,494,055
Malaysian Ringgit	8,765,540	25,190	8,790,730
Mexican New Peso	20,204,832	54,161	20,258,993
New Taiwan Dollar	44,242,681	29,702	44,272,383
New Zealand Dollar	1,750,119	404,401	2,154,520
Norwegian Krone	9,140,371	127,263	9,267,635
Pakistani Rupee	1,371,114	-	1,371,114
Philippine Peso	4,738,490	-	4,738,490
Polish Zloty	4,768,257	39	4,768,296
Singapore Dollar	31,364,188	238,905	31,603,093
South African Rand	20,492,344	55,109	20,547,453
South Korean Won	75,285,153	527,742	75,812,895
Swedish Krona	19,034,030	75,507	19,109,537
Swiss Franc	58,766,408	928,122	59,694,530
Thailand Baht	=	2,202	2,202
Turkish Lira	30,584,716	42,029	30,626,745
Total	\$ 1,313,844,886	\$ 14,244,208	\$ 1,328,089,094

This table excludes cash and securities held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and securities is \$181,239,129.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133) (FAS 161). FAS 161 requires pools with derivative instruments to disclose information that should enable financial statement users to understand how and why a pool uses derivative instruments, how derivative instruments are accounted for under FAS 133 and related Interpretations, and how derivative instruments and related items affect a pool's financial position, financial performance and cash flows. The required disclosures include the fair value of derivative instruments and their gains and losses in tabular format, counterparty credit risk, and a pool's strategies and objectives for using derivative financial instruments. FAS 161 will be effective for the IMB beginning July 1, 2009. The adoption of this standard will not have a material impact on the financial condition or operations of the Pool

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

#### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

#### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

			L	evel	
	Level I	 Level II		III	 Total
Equity Securities	\$ 1,423,887,961	\$ -	\$	-	\$ 1,423,887,961
Regulated Investment Companies	=	71,205,717		-	71,205,717
Foreign Exchange Forward Contracts	=	121,427		-	121,427
Securities Lending Collateral Funds		 111,899,963			 111,899,963
Total	\$ 1,423,887,961	\$ 183,227,107	\$	-	\$ 1,607,115,068

#### NOTE 6. SECURITIES LENDING

At June 30, 2009, the fair value of securities on loan is \$109,812,672, initial collateral received is \$117,135,722, and the fair value of reinvested collateral held is \$111,899,963. All of the collateral was received as cash and is invested in the Mellon GSL DBT II Collateral Fund (Collateral Fund), the Mellon SL DBT II Liquidating Fund (Liquidating Fund), and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust).

In early November 2008, the IMB was notified that certain securities issued by Sigma Finance, Inc. (Sigma) were transferred from the Collateral Fund on October 1, 2008, to the Liquidating Trust. Units of the Liquidating Trust were transferred to the IMB's securities lending cash collateral account. For all of the IMB investment pools that participate in the securities lending program, the value of the units in the Liquidating Trust on an amortized cost basis was \$10,973,960 as calculated by the IMB's proportionate interest in the Collateral Fund as of the close of business on September 30, 2008. Sigma was subsequently placed into receivership and the IMB is exposed to a potential loss of the full value of the Sigma investment. In October 2008, the IMB recorded a reserve for these potential losses in each investment pool in proportion to its participation in the securities lending program at September 30, 2008. The reserve recorded for the Pool is \$3,486,232.

Effective April 20, 2009, the assets of the Collateral Fund with maturities greater than one day were transferred to the Liquidating Fund. As securities mature in the Liquidating Fund, the proceeds are transferred to the Collateral Fund. The combined value of the holdings in the Collateral Fund and the Liquidating Fund is used to determine the fair value of reinvested collateral.

Additionally, the distribution of securities lending income has been restricted beginning October 1, 2008. The restriction will remain in place until the actual loss on Sigma is realized. At June 30, 2009 the accumulated undistributed securities lending income is \$1,837,702.

#### **Notes to Financial Statements**

#### NOTE 7. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2009, open foreign currency forward contracts are as follows:

				Recei		Pay	able	Unrealized
Position	Foreign Currency	Inception Date	Expiration Date	(in foreign currency)	(in U. S. dollars)	(in foreign currency)	(in U. S. dollars)	appreciation (depreciation)
rosition	Currency	Dute	Dute	currency)	donars)	currency)	donarsy	(depreciation)
International E	quity							
Long/Cover	Danish Krone	6/30/2009	7/2/2009	62,000	\$ 11,678		\$ 11,678	\$ -
Long/Cover	Danish Krone	6/29/2009	7/1/2009	262,000	49,348		49,326	2
Long/Cover	Euro Currency	6/29/2009	7/1/2009	26,000	36,469		36,440	2
Long/Cover	Hong Kong Dollar	6/30/2009	7/2/2009	68,820	8,880		8,880	
Long/Cover	Hong Kong Dollar	6/30/2009	7/2/2009	1,230,000	158,709		158,714	
Long/Cover	Japanese Yen	6/29/2009	7/1/2009	78,363,822	812,187		821,338	(9,15
Long/Cover	Singapore Dollar	6/29/2009	7/1/2009	79,959	55,245		55,053	19
Long/Cover	South Korean Won	6/29/2009	7/1/2009	7,945,831	6,237		6,194	4
Long/Cover	South Korean Won	6/29/2009	7/1/2009	14,446,598	11,340		11,261	7
Long/Cover	South Korean Won	6/29/2009	7/1/2009	59,973,075	47,076		46,748	32
Short/Cover	Brazil Real	6/29/2009	7/1/2009		102,842	202,229	103,188	(34
Short/Cover	Brazil Real	6/29/2009	7/1/2009		674,473	1,326,284	676,744	(2,27
Short/Cover	British Pound	6/26/2009	7/1/2009		8,050,341	4,870,997	8,021,801	28,54
Short/Cover	Danish Krone	6/26/2009	7/1/2009		279,274	1,478,148	278,413	86
Short/Cover	Euro Currency	6/26/2009	7/1/2009		15,489,283	11,008,722	15,441,384	47,89
Short/Cover	Euro Currency	6/29/2009	7/1/2009		17,364	12,353	17,327	3
Short/Cover	Euro Currency	6/30/2009	7/2/2009		116,042	82,651	115,931	11
Short/Cover	Japanese Yen	6/26/2009	7/1/2009		6,031,893	574,151,186	5,950,678	81,21
Short/Cover	Japanese Yen	6/30/2009	7/2/2009		201,563	19,424,618	201,323	24
Short/Cover	Malaysian Ringgit	6/30/2009	7/3/2009		200,418	706,012	200,857	(43
Short/Cover	Mexican New Peso	6/26/2009	7/1/2009		2,541,208	33,598,830	2,551,115	(9,90
Short/Cover	Norwegian Krone	6/26/2009	7/1/2009		280,186	1,807,156	280,765	(57
Short/Cover	Singapore Dollar	6/26/2009	7/1/2009		655,662	953,207	658,588	(2,92
Short/Cover	South African Rand	6/25/2009	7/2/2009		360,386	2,889,977	374,228	(13,84
Short/Cover	South African Rand	6/26/2009	7/3/2009		366,051	2,894,051	374,756	(8,70
Short/Cover	South Korean Won	6/29/2009	7/1/2009		381,896	489,934,870	384,579	(2,68
Short/Cover	South Korean Won	6/30/2009	7/2/2009		210,711	268,698,385	210,917	(20
Short/Cover	Swedish Krona	6/26/2009	7/1/2009		1,895,454	14,748,502	1,903,561	(8,10
Short/Cover	Swiss Franc	6/26/2009	7/1/2009		4,626,419	5,008,898	4,605,672	20,74
Short/Cover	Swiss Franc	6/29/2009	7/1/2009		71,833	77,939	71,664	10
Short/Cover	Swiss Franc	6/30/2009	7/2/2009		85,266	92,642	85,184	
							_	

#### NOTE 8. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 21.00
Income from investment operations:	
Net investment income	0.48
Net realized and unrealized loss on investment transactions	(4.92)
Net realized loss from foreign currency transactions	(0.68)
Net decrease in the translation of assets and liabilities in foreign currencies	(1.03)
Total from investment operations	(6.15)
Net asset value at June 30, 2009	\$ 14.85
Time-weighted Total Return *	-29.2%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 1,544,383
Ratio to average net assets:	
Expenses **	0.63%
Net investment income **	3.36%
Portfolio turnover rate	84.90%

<sup>\*</sup> Return data are net of fees for the fiscal year-to-date and are not annualized

#### NOTE 9. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

Participant		Account Value
Teachers' Retirement System		\$ 639,074,248
Public Employees' Retirement System		592,013,506
Workers' Compensation Old Fund		75,740,714
State Police Death, Disability and Retirement Fund		64,586,905
Revenue Shortfall Reserve Fund B		45,935,263
Revenue Shortfall Reserve Fund		32,567,816
Coal Workers' Pneumoconiosis Fund		16,272,349
Judges' Retirement System		15,665,684
Prepaid Tuition Trust Fund		15,913,211
Deputy Sheriff's Retirement System		13,648,560
Board of Risk and Insurance Management		7,503,120
State Police Retirement System		7,066,201
Public Employees Insurance Agency		6,257,528
Wildlife Endowment Fund		5,487,090
Retiree Health Benefit Trust		3,687,403
Emergency Medical Services Retirement System		2,963,858
	Total	\$ 1,544,383,456

<sup>\*\*</sup> All ratios are for the fiscal year-to-date annualized

# Short-Term Fixed Income Pool

# **Audited Financial Statements**

June 30, 2009

### Short-Term Fixed Income Pool

#### Audited Financial Statements June 30, 2009

#### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	F-1
Schedule of Investments in Securities	F-2
Statement of Operations	F-3
Statement of Changes in Net Assets	F-4
Notes to Financial Statements	F-5



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

#### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) Short-Term Fixed Income Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Short-Term Fixed Income Pool as of June 30, 2009 and the results of its operations, changes in net assets, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

#### Short-Term Fixed Income Pool

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

A	SS	e	tc

Investment securities at amortized cost Accrued interest		\$ 264,538 45
	Total assets	264,583
Liabilities		
Accrued expenses		29
	Net assets	\$ 264,554
Analysis of net assets		
Paid-in capital Accumulated undistributed net realized loss from investments		\$ 264,563 (9)
	Net assets	\$ 264,554
Unit data		
Units outstanding Net asset value, unit price		\$ 54,563,025 1.00

## Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Ar	nortized Cost	F	air Value
U. S. Government Agency Issues								
Federal Home Loan Mort Corp	0.600 %	0.320 %	01/08/2010	\$ 4,000	\$	4.000	\$	4.011
Federal Home Loan Mort Corp	0.410	0.941	07/12/2010	4,000	Ψ	4,000	Ψ	4,006
Federal Farm Credit Bank	0.320	0.630	07/22/2010	5,000		5,000		5,000
Federal Home Loan Bank	0.870	0.030	01/26/2010	1,000		999		1,003
Federal Home Loan Bank	0.960	1.069	02/04/2010	1,500		1,499		1,505
Federal Home Loan Bank	1.050	1.166	02/04/2010	1,000		999		1,004
Federal Home Loan Bank	0.320	1.039	12/06/2010	3,000		3,000		3,000
Federal National Mortgage	0.910	1.039	07/28/2009	5,000		5,000		5,000
8 8						2,999		
Federal National Mortgage	0.970	0.345	08/05/2010	3,000		2,999		3,005
Total U. S. Government Agency Issues - 10.4%						27,496		27,536
Short-term Issues								
Calyon North America Inc	0.000	0.274	07/01/2009	5,000		5,000		5,000
Federal Home Loan Bank	0.000	0.152	07/08/2009	5,000		5,000		5,000
Federal Home Loan Bank	0.000	0.152	07/16/2009	5,000		5,000		5,000
Federal Home Loan Bank	0.000	0.203	07/29/2009	6,000		5,999		5,999
Federal Home Loan Bank	0.000	0.213	09/02/2009	5,000		4,998		4,998
Federal Home Loan Bank	0.000	0.225	09/25/2009	2,000		1,998		1,999
Federal Home Loan Bank	0.000	0.202	10/09/2009	4,000		3,995		3,998
Federal Home Loan Bank	0.000	0.288	12/04/2009	2,000		1,990		1,998
Federal Home Loan Mort Corp	0.000	0.188	08/17/2009	6,000		5,999		5,999
Federal Home Loan Mort Corp	0.000	0.631	09/01/2009	1,500		1,498		1,500
Federal Home Loan Mort Corp	0.000	0.204	09/21/2009	2,000		1,997		1,999
Federal Home Loan Mort Corp	0.000	0.170	10/02/2009	5,000		4,997		4,998
Federal Home Loan Mort Corp	0.000	0.327	12/29/2009	6,000		5,989		5,990
Federal National Mortgage Assn	0.000	0.203	07/01/2009	6,000		6,000		6,000
Federal National Mortgage Assn	0.000	0.183	07/07/2009	5,000		5,000		5,000
Federal National Mortgage Assn	0.000	0.162	07/13/2009	6,000		6,000		6,000
Federal National Mortgage Assn	0.000	0.427	07/22/2009	5,000		4,999		4,999
Federal National Mortgage Assn	0.000	0.172	07/23/2009	5,000		4,999		4,999
Federal National Mortgage Assn	0.000	0.233	08/28/2009	6,000		5,998		5,998
Federal National Mortgage Assn	0.000	0.166	09/17/2009	6,000		5,997		5,998
Societe Generale NA	0.020	0.243	07/07/2009	8,000		8,000		8,000
United States Treasury	0.010	0.141	07/23/2009	44,000		43,996		43,995
Repurchase Agreement	0.000	0.020	07/01/2009	34,890		34,890		34,889
Repurchase Agreement	0.010	0.010	07/01/2009	56,703		56,703		56,703
Total Short-Term Issues - 89.6%						237,042		237,059
Total Investment Securities - 100.0%					\$	264,538	\$	264,595

### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

### **Investment income**

Interest income Dividend income Securities lending income Net accretion	\$	1,158 52 910 1,928
Total investment incor	ne	4,048
Expenses		
Investment advisor fees		(119)
Trustee fees		(1)
Custodian bank fees		(14)
Management fees		(46)
Fiduciary bond fees		(1)
Professional service fees		(10)
Securities lending agent fees		(90)
Securities lending borrower rebates		(458)
Total expens	ses	(739)
Investment income, n	net	3,309
Net realized loss from investmen	nts	(278)
Net increase in net assets from operatio	ns \$	3,031

### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

_	4 •
"	narations
v	perations

Investment income, net Net realized loss from investments	\$	3,309 (278)
Net increase in net assets from operations		3,031
Distributions to unitholders		
Investment income, net Net realized loss from investments		(3,309) 258
Unit transactions		
Proceeds from sale of units Reinvestment of distributions		2,232,048 3,051 2,235,099
Amount paid for repurchase of units		(2,204,554)
Net increase in net assets from unit transactions		30,545
Increase in net assets		30,525
Net assets, beginning of period		234,029
Net assets, end of period	\$	264,554
Unit data		
Units sold	2,2	232,047,813
Units issued from reinvestment of distributions	2.0	3,051,235
Units repurchased		204,554,023)
Net increase in units		30,545,025

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Short-Term Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The main objective of the Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JPMorgan Investment Advisors, Inc. manages the Pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Citigroup ninety-day Treasury bill index plus fifteen basis points.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments are carried at amortized cost because they do not differ significantly from market value. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

**Repurchase Agreements** - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Security Loans - The IMB, through its agent the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. Cash collateral received is invested in the Mellon GSL Reinvestment Trust. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Operations.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

**Amortization** - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security.

**Distributions to Participants** - The net investment income of the Pool is declared as a dividend and distributed daily to the participants based upon their pro rata participation in the Pool. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the Pool and are presented first as distributions to participants, and then as reinvestment of distributions on the Statement of Changes in Net Assets. At June 30, 2009, a distribution of accumulated undistributed securities lending income in the amount of \$257,870 was made. An equivalent distribution of realized loss was also made resulting in a net distribution to participants of \$0.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

### NOTE 3. INVESTMENT RISK DISCLOSURES

### **Credit Risk**

The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the Pool must have at least 15 percent of its assets in United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Short-Term Fixed Income pool's investments as of June 30, 2009.

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Moody's	S&P		Carrying Value	Percent		
Aaa	AAA	\$	92,585,804	34.9%		
P1	A-1	88,452,922		88,452,922		33.3%
Aaa	AAA	43,996,249		43,996,249		16.6%
Aaa	AAA	27,496,451		10.3%		
P1	A-1		12,999,680	4.9%		
Aaa	AAA		131	0.0%		
		\$	265,531,237	100.0%		
	Aaa P1 Aaa Aaa P1	Aaa         AAA           P1         A-1           Aaa         AAA           Aaa         AAA           P1         A-1	Aaa       AAA       \$         P1       A-1         Aaa       AAA         Aaa       AAA         P1       A-1	Aaa       AAA       \$ 92,585,804         P1       A-1       88,452,922         Aaa       AAA       43,996,249         Aaa       AAA       27,496,451         P1       A-1       12,999,680         Aaa       AAA       131		

This table includes securities received as collateral for repurchase agreements with a fair value of \$92,585,804 as compared to the amortized cost of the repurchase agreements of \$91,593,000.

### **Concentration of Credit Risk**

West Virginia statutes prohibit the Short-Term Fixed Income Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2009, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

#### **Custodial Credit Risk**

At June 30, 2009, the Short-Term Fixed Income Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102 percent and the collateral is held in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB.

### **Interest Rate Risk**

The weighted average maturity of the investments of the Short-Term Fixed Income Pool is not to exceed sixty days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Short-Term pool as of June 30, 2009.

Security Type	Carrying Value		WAM (days)
Repurchase agreements	\$	91,593,000	1
Agency discount notes		88,452,922	54
US Treasury bills		43,996,249	23
Agency bonds		27,496,451	52
Commercial paper		12,999,680	5
Money market fund		131	1
Total assets	\$	264,538,433	28

### Foreign Currency Risk

The Short-Term Fixed Income Pool has no securities that are subject to foreign currency risk.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

market that is not active. On April 9, 2009, the FASB issued FSP 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Le	vel I	 Level II	Lev	el III	 Total
Regulated Investment Companies	\$	131	\$ -	\$	-	\$ 131
Short-term Issues		-	237,041,851		-	237,041,851
U.S. Government Agency Issues		-	27,496,451		-	27,496,451
Total	\$	131	\$ 264,538,302	\$	=	\$ 264,538,433

### NOTE 6. SECURITIES LENDING

In early November 2008, the IMB was notified that certain securities issued by Sigma Finance, Inc. (Sigma) were transferred from the Mellon GSL DBT II Collateral Fund on October 1, 2008, to the Liquidating Trust. Units of the Liquidating Trust were transferred to the IMB's securities lending cash collateral account. For all of the IMB investment pools that participate in the securities lending program, the value of the units in the Liquidating Trust on an amortized cost basis was \$10,973,960 as calculated by the IMB's proportionate interest in the Mellon GSL DBT II Collateral Fund as of the close of business on September 30, 2008. Sigma was subsequently placed into receivership and the IMB is exposed to a potential loss of the full value of the Sigma investment. In October 2008, the IMB recorded a reserve for these potential losses in each investment pool in proportion to its participation in the securities lending program at September 30, 2008. The reserve recorded for the Pool was \$289,339. Effective June 3, 2009, the Pool ceased participating in the securities lending program. A payment of \$289,339 was made to settle the liability to the borrower resulting from the Pool's Sigma allocation.

### NOTE 7. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 1.00
Net investment income	0.01
Less distributions from net investment income	 (0.01)
Net asset value at June 30, 2009	\$ 1.00
Time-weighted Total Return *	1.0%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 264,554
Ratio to average net assets:	
Expenses **	0.08%
Net investment income **	1.33%
Portfolio turnover rate	N/A

<sup>\*</sup> Return data is net of fees and is for the full fiscal year

<sup>\*\*</sup> All ratios are for the fiscal year

### **Notes to Financial Statements**

### NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

Participant	Account Value
Teachers' Retirement System	\$ 129,901,980
Workers' Compensation Old Fund	53,322,378
Revenue Shortfall Reserve Fund B	22,704,397
Public Employees' Retirement System	16,429,806
Revenue Shortfall Reserve Fund	12,548,906
Coal Workers' Pneumoconiosis Fund	9,756,160
Workers' Compensation Uninsured Employers Fund	8,536,634
Workers' Compensation Self-insured Guaranty Risk Pool	6,794,049
State Police Death, Disability and Retirement Fund	1,718,544
Prepaid Tuition Trust Fund	999,960
State Police Retirement System	716,905
Emergency Medical Services Retirement System	351,414
Deputy Sheriff's Retirement System	333,676
Judges' Retirement System	302,694
Wildlife Endowment Fund	136,809
Teachers' Employers Contribution Collection Account	5,677
Retiree Health Benefit Trust	1,493
Board of Risk and Insurance Management	814
Public Employees Insurance Agency	729
Total	\$ 264,563,025

G

**Total Return Fixed Income Pool** 

# **Audited Financial Statements**

June 30, 2009

### Audited Financial Statements June 30, 2009

### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	G-1
Schedule of Investments in Securities	G-2
Option Contracts Written	G-9
Statement of Operations	G-10
Statement of Changes in Net Assets	G-11
Notes to Financial Statements	G-12



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) Total Return Fixed Income Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Total Return Fixed Income Pool as of June 30, 2009 and the results of its operations, changes in net assets, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 21, 2009

## Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

A	SSC	ets

Investment securities at fair value  Cash denominated in foreign currencies (cost \$2)	\$	2,646,322 2
Collateral for securities loaned at fair value (Note 6)		27,798
Receivables:		
Accrued interest		8,654
Investments sold		4,082
Dividends		165
Securities lending income		11
Total assets		2,687,034
Liabilities		
Accrued expenses		762
Cash overdraft		1
Dividends payable		10,707
Payable for investments purchased		405,117
Payable upon return of securities loaned (Note 6)		29,936
Option contracts written (Note 9)		9,778
Due to broker - variation margin on futures contracts (Note 7)		513
Unrealized loss on foreign currency exchange contracts (Note 10)		611
Total liabilities		457,425
Net assets	\$	2,229,609
Analysis of net assets		
Paid-in capital	\$	2,090,601
Accumulated undistributed net investment income		410
Accumulated undistributed net realized gain from investments		339,109
Accumulated undistributed net realized gain from foreign currency transactions		15,651
Unrealized net depreciation of investments		(216,179)
Unrealized net appreciation on translation of assets and liabilities in foreign currencies		17
Net assets	\$	2,229,609
Unit data		
Units outstanding	1	187,337,748
Net asset value, unit price	\$	11.90

## Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	F	air Value
Investments in Other Funds							
Western Asset High Yield Portfolio Investment Objective - To maximize total retu that are rated below investment grade at time Redemption Provisions - Daily		d income securi	ties	34,769	\$ 340,233	\$	248,600
No underlying investments exceed 5% of net a	ssets of the Total Retu	urn Fixed Incom	ne Pool.				
Western Asset International Investment Grade Se Investment Objective - To maximize total retu that are rated investment grade at time of pu Redemption Provisions - Daily	curities Portfolio rn by investing in fixed			2,538	46,000		53,957
No underlying investments exceed 5% of net a	ssets of the Total Retu	urn Fixed Incom	ne Pool.				
Western Asset Opportunistic US Dollar High Yie Investment Objective - To maximize total retu that are rated below investment grade at time	rn by investing in fixed		ties	7,231	108,918		113,396
Redemption Provisions - Daily							
No underlying investments exceed 5% of net a	ssets of the Total Retu	urn Fixed Incom	ne Pool.				
Western Asset Floating Rate High Income Fund, Investment Objective - To maximize total retu loans, loan participations and below investm Redemption Provisions - Daily	rn by investing in U.S.		nated	17,786	212,436		209,961
No underlying investments exceed 5% of net a	ssets of the Total Retu	urn Fixed Incom	ne Pool.				
Western Asset US Enhanced Cash, LLC Investment Objective - To maximize total retu fixed income securities.				14,017	134,757		116,661
Redemption Provisions - Daily							
No underlying investments exceed 5% of net a	ssets of the Total Retu	urn Fixed Incom	ne Pool.				
Western Asset Opportunistic Asian Securities Po Investment Objective - To maximize total retu income securities of Asian issuers. Redemption Provisions - Daily		and fixed		5,017	52,279		52,209
No underlying investments exceed 5% of net a	issets of the Total Reti	urn Fixed Incom	ne Pool				
Western Asset Non-U.S. Inflation Linked Securit Investment Objective - To maximize total retu of non-U.S. issuers (70%) and U.S. issuers (	ies Portfolio, LLC rn by investing in infla			2,437	38,479		34,526
Redemption Provisions - Daily							
No underlying investments exceed 5% of net a			ne Pool.				
Western Asset Opportunistic Local Market Debt Investment Objective - To maximize total retu debt and other fixed income securities of non Redemption Provisions - Daily	rn by investing in lowe			3,398	42,434		44,255
No underlying investments exceed 5% of net a	secate of the Total Date	ırı Fiyad İncom	a Pool				
· -		am Pacu meon	K 1 001.	0.012	90 272		67 675
Western Asset Opportunistic Structured Securitie Investment Objective - To maximize total retu grade asset backed fixed income securities.		narily investmen	ıt	9,012	80,373		67,675
Redemption Provisions - Daily							

No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. \* Denotes assets pledged for initial margin requirements on open futures and swap contracts.

Denotes assets preaged for initial margin requirements on open fatures and swap contracts

## Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Western Asset Opportunistic Developing Markets Corp Investment Objective - To maximize total return by i fixed income securities of non-U.S. issuers in deve Redemption Provisions - Daily	nvesting in U.S. do			4,614	\$ 43,132	\$ 45,866
No underlying investments exceed 5% of net assets of	of the Total Return	Fixed Income	Pool.			
Total Investment in Other Funds - 44.3%					1,099,041	987,106
U. S. Treasury Issues						
United States Treasury	2.380 %	2.152 %	01/15/2025	37,070	43,165	43,194
United States Treasury	2.000	1.808	01/15/2026	29,820	32,915	31,437
United States Treasury	4.500	4.183	05/15/2038	1,203	1,267	1,242
United States Treasury	3.500	4.102	02/15/2039	504	452 77,799	436
Total U. S. Treasury Issues - 3.4%					77,799	76,309
U. S. Government Agency Issues						
U. S. Government Agency Bonds						
Federal National Mortgage Assn	5.250	0.000	03/15/2034	3,710	3,491	3,867
U. S. Government Agency MBS (coupon, yield, and ma	turity date are weig	hted average:	5)			
FHLMC Mortgage Pools	5.693	4.265	06/05/2038	70,277	71,780	72,893
FNMA Mortgage Pools	5.183	5.252	02/15/2038	421,475	423,114	431,827
GNMA Mortgage Pools	4.970	4.868	08/01/2039	26,100	26,510	26,564
Total U. S. Government Agency MBS					521,404	531,284
U. S. Government Agency CMO						
Federal Home Loan Mortgage	1.120 A	0.000	03/15/2034	485	_	466
Total U.S. Government Agency Issues - 24.0%  Corporate Issues					524,895	535,617
Corporate Bonds						
AES Corporation	7.750	7.362	03/01/2014	120	122	114
AES Corporation	7.750	7.714	10/15/2015	2,970	2,975	2,762
AES Corporation	8.000	7.910	10/15/2017	4,150	4,172	3,860
AES Corporation	8.000	8.000	06/01/2020	10,400	10,400	9,334
Aiful Corporation	5.000	5.167	08/10/2010	2,610	2,605	1,592
Allstate Life Global Fn Trust	5.380	5.398	04/30/2013	2,280	2,278	2,357
American Express	6.150	6.072	08/28/2017	4,500	4,478	4,150
American Express American General Finance Corp	6.800 6.900	6.550 7.000	09/01/2066 12/15/2017	1,660 1,580	1,722 1,570	1,195 856
American Intl Group	5.850	5.922	01/16/2018	910	906	482
Anadarko Finance Co	6.750	5.384	05/01/2011	100	102	104
Anadarko Finance Co	7.500	6.498	05/01/2031	1,720	1,920	1,678
Anadarko Petroleum Corp	6.450	6.433	09/15/2036	5,800	5,813	5,214
AOL Time Warner Inc	6.880	4.868	05/01/2012	2,010	2,116	2,150
ASIF Global Financing	4.900	4.777	01/17/2013	510	512	434
AT&T Corp Wireless Services	8.130	5.709	05/01/2012	480	510	537
AT&T Inc	5.100	5.290	09/15/2014	1,220	1,209	1,267
AT&T Inc BAC Capital Trust XIV	5.500 5.630	5.575 6.231	02/01/2018 12/31/2049	6,786 570	6,752 520	6,776 285
Bank of America Corp	5.380	5.591	08/15/2011	270	269	276
Bank of America Corp	5.420	3.544	03/15/2017	600	675	498
Bank One Corporation	5.900	6.087	11/15/2011	3,235	3,222	3,388
Bear Stearns Companies Inc	7.250	7.289	02/01/2018	7,410	7,392	7,810
Caterpillar Financial Services	5.450	5.235	04/15/2018	2,700	2,740	2,571
Citigroup Inc	5.000	4.901	09/15/2014	6,750	6,780	5,659
Citigroup Inc	6.880	6.929	03/05/2038	6,860	6,814	6,059
Comcast Corp	6.500	5.703	01/15/2015	4,825	5,004	5,118
Comcast Corp	6.500	6.334	01/15/2017	9,255	9,346	9,818
Commonwealth Edison	6.150	4.735	03/15/2012	2,000	2,071	2,123

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding.

 $<sup>*\</sup> Denotes\ assets\ pledged\ for\ initial\ margin\ requirements\ on\ open\ futures\ and\ swap\ contracts.$ 

## Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

				Par Value, Shares	Amortized	
Security Name	Coupon	Yield	Maturity	or Contracts	Cost	Fair Value
	6.050.07	5 (33 0/	04/15/2020	700	Ф 004	ф. 75.4
Conoco Inc Corp Bond Backed CTF-CCE	6.950 % 0.000	5.677 % 7.000	04/15/2029 05/15/2018	700 5,000	\$ 804 2,716	\$ 754 1,597
Countrywide Financial Corp	5.800	7.825	06/07/2012	40	38	40
Countrywide Financial Corp	6.250	7.950	05/15/2016	2,550	2,324	2,262
Countrywide Home Loan	5.630	16.221	07/15/2009	560	558	560
Countrywide Home Loan	4.130	13.712	09/15/2009	1,420	1,394	1,425
CVS Pass-Through Trust	6.940	7.044	01/10/2030	5,538	5,538	5,011
Daimler Finance NA Holdings	7.300	6.090	01/15/2012	2,830	2,909	2,931
Delta Air Lines	6.820	6.826	08/10/2022	2,541	2,541	2,109
Detroit Edison Company	5.200	5.223	10/15/2012	630	630	655
Deutsche Telekom Int Fin	5.750	5.903	03/23/2016	2,195	2,177	2,247
Dominion Resources Inc	5.130	5.202	12/15/2009	900	900	911
Dominion Resources Inc	4.750	4.773	12/15/2010	280	280	288
Dominion Resources Inc	5.700	5.019	09/17/2012	6,906	7,044	7,346
Dr Pepper Snapple Group	6.820	6.822	05/01/2018	2,460	2,460	2,601
Duke Energy Corp	5.630	5.626	11/30/2012	2,200	2,200	2,358
Dynegy Holdings Inc	7.750	8.739	06/01/2019	2,290	2,142	1,783
Eastman Kodak Co	7.250	6.911	11/15/2013	2,785	2,819	1,699
El Paso Corporation	7.800	11.222	08/01/2031	469	335	383
El Paso Corporation	7.750	7.814	01/15/2032	222	221	181
El Paso Natural Gas	8.380	8.455	06/15/2032	1,470	1,458	1,599
El Paso Performance-Link	7.750	7.724	07/15/2011	6,890	6,893	6,762
Evraz Group SA	8.880	9.038	04/24/2013	6,610	6,576	5,420
Evraz Group SA Exelon Corp	8.880	9.423	04/24/2013	490	482	413
Export Import Bk Korea	4.750 5.250	4.637 5.344	10/01/2012 02/10/2014	1,200 855	1,204 852	1,247 831
	6.450	6.603	11/15/2011	240	239	251
FirstEnergy Corp FirstEnergy Corp	7.380	6.853	11/15/2011	7,470	7,911	7,051
Ford Motor Credit Company	7.380	8.668	10/28/2009	2,885	2,873	2,860
Ford Motor Credit Company	7.880	7.565	06/15/2010	3,380	3,389	3,211
Ford Motor Credit Company	5.880 A	5.960	06/15/2011	5,800	5,791	5,032
Ford Motor Credit Company	12.000	12.250	05/15/2015	8,360	8,274	7,818
Ford Motor Credit Company	8.000	8.798	12/15/2016	4,230	4,048	3,234
Freeport-McMoRan Copper & Gold	8.380	6.848	04/01/2017	10,370	11,310	10,448
General Electric Capital Corp	5.450	5.188	01/15/2013	760	766	780
General Electric Capital Corp	6.380 A	4.094	11/15/2067	9,160	9,141	6,112
General Electric Company	5.000	4.832	02/01/2013	4,800	4,826	4,994
General Motors Corp	8.375 N	1.904	07/15/2033	3,900	3,398	497
Glitnir BankI HF	6.330 N	0.000	07/28/2011	2,530	2,530	411
Glitnir BankI HF	6.375 N	0.045	09/25/2012	3,390	3,385	551
Glitnir BankI HF	6.693 N	0.006	06/15/2016	5,000	4,998	1
Glitnir BankI HF	7.451 N	0.024	09/14/2049	600	594	-
GMAC LLC	7.500	14.913	12/31/2013	1,303	994	1,010
GMAC LLC	0.000	8.026	06/15/2015	50	31	22
GMAC LLC	8.000	19.012	12/31/2018	529	277	336
GMAC LLC	8.000 5.790 <i>A</i>	14.265	11/01/2031 12/29/2049	5,753	3,343	4,027
Goldman Sachs Capital II Goldman Sachs Group Inc	6.600 A	2.734 6.556	01/15/2012	3,960 2,710	3,254 2,713	2,413 2,885
Goldman Sachs Group Inc	6.150	6.141	04/01/2018	4,950	4,953	4,819
Household Finance Corporation	8.000	6.765	07/15/2010	2,130	2,156	2,211
Household Finance Corporation	6.380	5.707	10/15/2011	120	122	123
Household Finance Corporation	7.000	5.660	05/15/2012	20	21	21
Household Finance Corporation	6.380	6.462	11/27/2012	440	439	448
Hypothekenbk In Essen	5.000	5.023	01/20/2012	2,060	2,059	2,122
ICICI Bank Limited	6.380 A	6.989	04/30/2022	2,094	1,851	1,633
ICICI Bank Limited	6.380 A	6.847	04/30/2022	8,550	7,651	6,605
ILFC E-Capital Trust II	6.250 A	3.469	12/21/2065	4,520	4,336	1,672
International Business Machs	4.750	4.464	11/29/2012	3,360	3,390	3,587
John Deere Capital Corp	5.350	5.235	04/03/2018	4,100	4,133	4,075
JPMorgan Chase & Co	5.750	5.268	01/02/2013	1,590	1,614	1,640
JPMorgan Chase & Co	5.130	5.030	09/15/2014	560	562	557

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding.

<sup>\*</sup> Denotes assets pledged for initial margin requirements on open futures and swap contracts.

## Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

				Par Value, Shares	Amortized	
Security Name	Coupon	Yield	Maturity	or Contracts	Cost	Fair Value
IDM output Change & Co	5 150 0/	5.329 %	10/01/2015	790	¢ 792	\$ 768
JPMorgan Chase & Co Kaupthing Bank HF	5.150 % 7.625 N	2.606	10/01/2015 02/28/2015	7,930	\$ 783 6,849	\$ 768 615
Kazmunaigaz Finance Sub	8.380	8.500	07/02/2013	3,880	3,864	3,579
Kerr-McGee Corporation	6.950	6.236	07/01/2024	330	353	306
Kerr-McGee Corporation	7.880	6.583	09/15/2031	4,805	5,524	4,689
Key Bank NA	5.500	5.503	09/17/2012	1,220	1,220	1,207
Key Bank NA	4.950	5.908	09/15/2015	1,990	1,892	1,624
Kinder Morgan Energy Partners	6.750	6.157	03/15/2011	560	565	587
Kinder Morgan Energy Partners	7.130	5.551	03/15/2012	910	946	973
Kinder Morgan Energy Partners	5.850	7.004	09/15/2012	150	145	156
Kinder Morgan Energy Partners	5.000	6.163	12/15/2013	940	898	925
Kinder Morgan Energy Partners	6.000	6.219	02/01/2017	1,610	1,589	1,597
Kinder Morgan Energy Partners	5.950	6.030	02/15/2018	2,800	2,785	2,741
Kinder Morgan Energy Partners	6.950	6.678	01/15/2038	610	631	591
Koninklijke KPN NV	8.000	5.703	10/01/2010	3,370	3,462	3,536
Koninklijke KPN NV	8.380	6.760	10/01/2030	2,835	3,347	3,241
Kroger Co	5.500	4.914	02/01/2013	2,200	2,242	2,275
Kroger Co	6.400	5.641	08/15/2017	220	231	233
Kroger Co	6.150	5.941	01/15/2020	320	325	327
Lehman Brothers Holdings	5.625 N	-0.053	01/24/2013	3,040	3,046	460
Lehman Brothers Holdings	6.200 N	0.012	09/26/2014	1,690	1,689	249
Lehman Brothers Holdings Inc	6.500 N	0.017	07/19/2017	110	110	- 1
Lehman Brothers Holdings Inc	6.750 N	0.007	12/28/2017	8,860	8,854	1
Lehman Brothers Holdings Inc McDonalds Corp	5.857 <i>N</i> 5.350	0.114 5.225	11/29/2049 03/01/2018	4,430 6,830	4,229 6,889	7,207
Merrill Lynch & Company Inc	6.880	6.887	04/25/2018	14,650	14,638	13,559
MetLife Inc	6.400	7.003	12/15/2066	4,870	4,459	3,482
Morgan Stanley Dean Witter Co	5.630	5.806	01/09/2012	2,450	2,440	2,507
Morgan Stanley Dean Witter Co	6.600	5.476	04/01/2012	3,615	3,717	3,817
Morgan Stanley Dean Witter Co	6.630	6.224	04/01/2018	4,750	4,877	4,735
MUFG Capital Fin 1 LTD	6.350 A	4.698	07/29/2049	2,090	2,090	1,830
Natixis	10.000 A	8.793	04/29/2049	6,760	6,760	4,055
Nelnet Student Loan Trust	2.570 A	2.572	04/25/2024	4,480	4,480	4,414
News America Inc	6.650	6.763	11/15/2037	270	266	243
Oncor Electric Delivery	6.380	6.472	01/15/2015	110	110	115
Pacific Gas & Electric Corp	6.050	5.913	03/01/2034	2,830	2,880	2,936
Pacific Gas & Electric Corp	5.800	6.056	03/01/2037	1,400	1,352	1,407
Pacific Life Global Funding	5.150	5.161	04/15/2013	600	600	598
Pemex Proj Fdg Master Trust	6.630	6.276	06/15/2035	3,330	3,478	3,012
Petrobras Intl Fin Co	6.130	6.177	10/06/2016	4,130	4,118	4,233
Rabobank Nederland	11.000	10.092	99/98/9999	544	593	605
Resona PFD Global Securities	7.190 A	2.061	12/29/2049	750	632	548
Reyolds American Inc	6.750	6.619	06/15/2017	6,360	6,411	5,938
Royal Bank of Scotland Grp PLC	7.640 A	7.640	99/98/9999	1,400	1,400	567
Santander US Debt SA UNI	1.150 A	1.178	07/23/2010	10,000	9,997	9,800
Seariver Maritime Inc Shinsei Fin Cayman Ltd	0.000 6.420 <i>A</i>	3.908	09/01/2012	3,180	2,813	2,957
Southern Natural Gas Co	5.900 A	2.169 5.897	01/29/2049 04/01/2017	5,560 570	4,714 570	2,224 552
Southern Natural Gas Co	8.000 A	9.186	03/01/2032	1,450	1,285	1,534
Sprint Capital Corp	8.380	6.005	03/15/2012	3,690	3,905	3,635
Sprint Capital Corp	6.900	6.750	05/01/2019	120	121	99
Sprint Capital Corp	8.750	7.014	03/15/2032	680	813	547
Systems 2001 Asset Trust	6.660	5.340	09/15/2013	5,727	5,812	5,727
Telecom Italia Capital	5.250	5.287	11/15/2013	585	584	574
Telecom Italia Capital	4.950	4.995	09/30/2014	1,090	1,088	1,043
Telecom Italia Capital	5.250	5.332	10/01/2015	1,100	1,095	1,062
Tenet Healthcare Corporation	8.880	9.625	07/01/2019	250	238	251
Time Warner Entertainment Co	8.380	8.068	07/15/2033	4,080	4,212	4,567
TNK BP Finance	7.500	7.582	07/18/2016	4,725	4,704	4,028
TNK BP Finance	6.630	6.734	03/20/2017	451	448	356
TNK BP Finance	7.880	8.124	03/13/2018	3,540	3,486	2,921

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding.

<sup>\*</sup> Denotes assets pledged for initial margin requirements on open futures and swap contracts.

## Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Travelers Cos Inc	Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
TNK-BP Finance SA	TNK_RP Finance SA	7 500 %	6 703 %	07/18/2016	211	\$ 220	\$ 180
Travelers Cos Inc							2,689
TXU Corp							459
TXU Corp							272
TXU Corp							1,117
Tyco International Group SA         6.380         7.604         10/15/2011         3.650         3.556         3.345           Tyco International Group SA         6.000         4.798         11/15/2012         5.400         5.909         5.14           Tyco Tyco International Fin SA         6.880         5.816         01/15/2011         1.530         1.564         1.60           Union Pacific Corp         6.500         5.180         04/15/2012         1.210         1.251         1.27           United Mexicus         7.500         6.129         04/15/2012         1.210         1.251         1.27           United Mexicus States         7.500         6.129         04/15/2012         1.20         1.251         1.27           United Mexicus States         7.500         6.129         0.50         0.512         1.20         1.20         1.25         1.20         1.20         1.25         3.55         1.55         1.20         1.21         4.00 <td< td=""><td></td><td>6.550</td><td>8.063</td><td>11/15/2034</td><td>2,805</td><td>2,349</td><td>1,349</td></td<>		6.550	8.063	11/15/2034	2,805	2,349	1,349
Tyco   Tyco	Tyco International Group SA	6.750	4.956	02/15/2011	1,090	1,120	1,132
Tycoryco International Fin SA	Tyco International Group SA	6.380	7.604	10/15/2011	3,650	3,556	3,846
Union Pacific Corp	Tyco International Group SA	6.000	4.798	11/15/2013	5,800	6,072	5,898
Union Pacific Corp	Tyco/Tyco International Fin SA	6.880	5.816	01/15/2021	5,440	5,909	5,144
United Mexican States	Union Pacific Corp	6.650	5.135	01/15/2011	1,530	1,564	1,606
UnitedHealth Group Inc	Union Pacific Corp			04/15/2012			1,275
Velanta Resources PLC	United Mexican States	7.500		04/08/2033			555
Vedraina Resources PLC         8,750         8,751         0/115/2014         3,200         3,200         2,90           Verizon Communications         6,100         5,595         0,475/2018         2,300         2,380         2,380           Verizon Global Funding Corp         6,880         4,979         06/615/2012         90         95         99           Verizon Global Funding Corp         7,380         5,220         09/01/2012         1,180         1,253         1,323           Virip Corn Global Funding Corp         7,380         5,220         09/01/2012         1,180         1,253         1,323           Welr Device Corp         5,580         3,275         04/30/2013         5,040         5,044         4,57           Wachovia Corp         5,500         5,552         05/01/2013         13,200         13,177         13,63           Wachovia Corp         5,630         6,046         10/15/2016         4,150         4,048         3,96           Wall-Mart Stores         5,800         5,143         02/15/2018         810         847         88           Waste Management Inc         7,750         7,781         05/15/2032         50         50         55           WellPoint Inc         5,880	•						41
Verizon Global Funding Corp							3,999
Verizon Global Funding Corp         6.880         4.979         06/15/2012         90         95         99           Verizon Global Funding Corp         7.380         5.220         09/01/2012         1,180         1.253         1,320           VIP FIN (Vimpelcom)         8.380         8.375         04/30/2013         5,040         5,040         4,475           Wachovia Capital Trust         5.800         5.552         05/01/2013         13,200         13,177         13,636           Wachovia Corp         5.630         6.046         10/15/2016         4,150         4,048         3,966           Wal-Mart Stores         5.800         5.143         02/21/2018         810         847         88           Waste Management Ine         6.380         5.111         11/15/2012         1,730         1,797         1,833           Water Management Ine         7.750         7,781         05/15/2017         350         348         34           WellPoint Inc         5.880         5.980         06/15/2017         350         348         34           Well Sargo & Company         5.130         4.707         95/01/2012         140         142         14           Well-Fairgo & Copital X         5.950         <							
Verizon Global Funding Corp   7.380   5.220   09/01/2012   1.180   1.253   1.320   VIP FIN (Vimpelcom)   8.380   8.375   04/30/2013   5.040   5.040   4.577   Wachovia Capital Trust   5.800   A   2.186   12/29/2049   2.540   2.415   1.522   Wachovia Corp   5.500   5.552   05/01/2013   13.200   13.177   13.63   Wachovia Corp   5.630   6.046   101/5/2016   4.150   4.048   3.366   Wachovia Corp   5.630   5.143   022/15/2018   810   847   888   Waste Management Inc   6.380   5.141   11/15/2012   1,730   1,797   1.837   Waste Management Inc   5.880   5.980   06/15/2017   350   348   344   Wells Fargo & Company   5.130   4.707   09/01/2012   1.140   1.42   1.44   Wells Fargo & Company   5.130   4.707   09/01/2012   1.140   1.42   1.44   Wells Fargo & Company   6.750   5.789   03/15/2012   3.880   3.971   3.88   Wisconsin Electric Power   5.700   5.705   12/01/2036   5.000   4.997   5.022   Weychaeuser Company   6.750   5.789   03/15/2012   3.880   3.971   3.88   Wisconsin Power & Light   6.380   6.418   08/15/2037   1.220   1.213   1.133   WMX Technologies Inc   7.100   6.889   08/01/2036   2.110   2.154   2.022   Wyeth   5.950   5.999   0.401/2037   3.460   3.437   3.577   XTO Energy Inc   7.500   4.796   0.415/2012   625   669   69.							2,359
VP FIN (Vimpelcom)							99
Wachovia Capital Trust         5,800 A         2,186         12/29/2049         2,540         2,415         1,52           Wachovia Corp         5,500         5,552         05/01/2013         13,200         13,177         13,636           Wachovia Corp         5,630         6,046         10/15/2016         4,150         4,048         3,966           Wal Mart Stores         5,800         5,143         02/15/2018         810         847         88           Waste Management Inc         6,380         5,111         11/15/2012         1,730         1,797         1,83           Walt Management Inc         7,750         7,781         05/15/2032         50         50         5.5           WellPoint Inc         5,880         5,980         06/15/2017         350         348         34           Wells Fargo & Company         5,130         4,707         09/01/2012         140         142         14           Wells Fargo Capital X         5,950         6,337         12/15/2036         3,280         3,115         2,42           Weyenhaeuser Company         6,750         5,789         03/15/2012         3,880         3,911         3,88           Wisconsin Electrie Power         5,700         5,705 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
Wachovia Corp         5.500         5.552         05/01/2013         13,200         13,177         13,636           Wachovia Corp         5.630         6.046         10/15/2016         4,150         4,048         3,966           Wal-Mart Stores         5.800         5.143         02/15/2018         810         847         88           Waste Management Inc         6.380         5.111         11/15/2012         1,730         1,797         1,83           Waste Management Inc         7.750         7.781         05/15/2032         50         50         50         50           WellPoint Inc         5.880         5.980         06/15/2017         350         348         34           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo & Company         5.750         5.789         03/15/2012         3,880         3,971         3,88           Wisconsin Electric Power         5.700         5.705         12/01/2036         5,000         4,997         5,02           Wisconsin Power & Light         6.380	` ' '						
Wachovia Corp         5.630         6.046         10/15/2016         4,150         4,048         3,960           Wal-Mart Stores         5.800         5.143         02/15/2018         810         847         88           Waste Management Inc         6.380         5.111         11/15/2012         1,730         1,797         1,837           Waste Management Inc         7.750         7.781         05/15/2032         50         50         55           Wells Fargo & Company         5.880         5.980         06/15/2017         350         348         34           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo & Capital X         5.950         6.337         12/15/2036         3.280         3.115         2,42           Weyerhaeuser Company         6.750         5.789         03/15/2012         3,880         3,971         3,36           Wisconsin Bectric Power         5.700         5.705         12/01/2036         5,000         4,997         5,02           Wisconsin Electric Power         5.700         5							
Wal-Mart Stores         5.800         5.143         02/15/2018         810         847         885           Waste Management Inc         6.380         5.111         11/15/2012         1,730         1,797         1,83           Waste Management Inc         7.750         7.781         05/15/2032         50         50         50           WellPoint Inc         5.880         5.980         06/15/2017         350         348         34           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo & Company         6.750         5.789         03/15/2012         3.880         3.971         3.88           Wisconsin Electric Power         5.700         5.705         12.01/2036         5.000         4.997         5.02           Wisconsin Flectric Power         5.700         5.705         12.01/2036         5.000         4.997         5.02           Wisconsin Power & Light         6.889         6.801/							
Waste Management Inc         6.380         5.111         11/15/2012         1,730         1,797         1,837           Waste Management Inc         7.750         7.781         05/15/2032         50         51         30         4.707         09/01/2012         140         142         144         414	•						
Waste Management Inc         7.750         7.781         05/15/2032         50         50         50           WellPoint Inc         5.880         5.980         06/15/2017         350         348         34           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         14           Wells Fargo Capital X         5.950         6.337         12/15/2036         3,280         3,115         2,42°           Weyerhaeuser Company         6.750         5.709         5002         3,880         3,971         3,88           Wisconsin Electric Power         5.700         5.705         12/01/2036         5,000         4,997         5,022           Wisconsin Power & Light         6.380         6.418         08/15/2037         1,220         1,213         1,133           WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,02°           Wyeth         5.950         5.950         6.989         08/01/2037         3,460         3,437         3,57°           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         699           XTO Energy Inc         5.650							
WellPoint Inc         5.880         5.980         06/15/2017         350         348         343           Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         144           Wells Fargo Capital X         5.950         6.337         12/15/2036         3,280         3,115         2,427           Weyerhaeuser Company         6.750         5.789         03/15/2012         3,880         3,971         3,88           Wisconsin Electric Power         5.700         5.705         12/01/2036         5,000         4,997         5,022           Wisconsin Power & Light         6.380         6.418         08/15/2037         1,220         1,213         1,133           WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,02           Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,579           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         69           XTO Energy Inc         5.650         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687	=						53
Wells Fargo & Company         5.130         4.707         09/01/2012         140         142         144           Wells Fargo Capital X         5.950         6.337         12/15/2036         3,280         3,115         2,42*           Weyerhaeuser Company         6.750         5.789         03/15/2012         3,880         3,971         3,88           Wisconsin Electric Power         5.700         5.705         12/01/2036         5,000         4,997         5,022           Wisconsin Power & Light         6.380         6.418         08/15/2037         1,220         1,213         1,133           WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,022           Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,537           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         699           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687	=						
Wells Fargo Capital X         5.950         6.337         12/15/2036         3,280         3,115         2,42'           Weyerhaeuser Company         6.750         5.789         03/15/2012         3,880         3,971         3,88           Wisconsin Electric Power         5.700         5.705         12/01/2036         5,000         4,997         5,022           Wisconsin Power & Light         6.380         6.418         08/15/2037         1,220         1,213         1,133           WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,022           Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,579           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         692           XTO Energy Inc         5.650         5.683         04/01/2016         770         769         78           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687							144
Weyerhaeuser Company         6.750         5.789         03/15/2012         3,880         3,971         3,88           Wisconsin Electric Power         5.700         5.705         12/01/2036         5,000         4,997         5,022           Wisconsin Power & Light         6.380         6.418         08/15/2037         1,220         1,213         1,133           WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,02           Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,579           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         69           XTO Energy Inc         5.650         5.683         04/01/2016         770         769         78           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,59           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,59           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,59           Total Corporate Asset Backed Issues         6.80         5.48<							
Wisconsin Electric Power         5.700         5.705         12/01/2036         5,000         4,997         5,022           Wisconsin Power & Light         6.380         6.418         08/15/2037         1,220         1,213         1,133           WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,022           Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,575           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         692           XTO Energy Inc         5.650         5.683         04/01/2016         770         769         78           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.000         5.681         06							3,881
Wisconsin Power & Light         6.380         6.418         08/15/2037         1,220         1,213         1,135           WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,02°           Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,578           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         692           XTO Energy Inc         5.650         5.683         04/01/2016         770         769         78           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.650         5.687         06/15/2018 </td <td></td> <td></td> <td></td> <td></td> <td>· · · · · · · · · · · · · · · · · · ·</td> <td></td> <td>5,025</td>					· · · · · · · · · · · · · · · · · · ·		5,025
WMX Technologies Inc         7.100         6.889         08/01/2026         2,110         2,154         2,022           Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,579           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         692           XTO Energy Inc         5.650         5.683         04/01/2016         770         769         78           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           XTO Energy Inc         5.000         5.687         07/25/2017	Wisconsin Power & Light						1,139
Wyeth         5.950         5.999         04/01/2037         3,460         3,437         3,575           XTO Energy Inc         7.500         4.796         04/15/2012         625         669         692           XTO Energy Inc         5.650         5.683         04/01/2016         770         769         78           XTO Energy Inc         5.500         5.687         06/15/2018         9,570         9,446         9,590           Total Corporate Bonds         5.500         5.687         06/15/2018         9,570         9,446         9,590           Corporate Asset Backed Issues         8.370         17.655         07/25/2017         500         359         9           Public Service New Hampshire         6.480         5.468         05/01/2015         487         501         527           Total Corporate Asset Backed Issues         860         622         622         622         622           Corporate CMO         Asset Securitization Corp         7.150 A         4.988         02/14/2043         600         636         597           Banc of America Mortgage Sec         5.170 A         6.144         12/01/2034         7,600         7,274         5,770           Bear Stearns Adj Rate Mortgage         <	<u> </u>						2,027
XTO Energy Inc   5.650   5.683   04/01/2016   770   769   780	=	5.950	5.999	04/01/2037	3,460	3,437	3,579
XTO Energy Inc   5.500   5.687   06/15/2018   9,570   9,446   9,590   70   70   70   70   70   70   70	XTO Energy Inc	7.500	4.796	04/15/2012	625	669	692
Total Corporate Bonds         540,770         466,052           Corporate Asset Backed Issues         Pegasus Aviation Lease Sec         8.370         17.655         07/25/2017         500         359         99           Public Service New Hampshire         6.480         5.468         05/01/2015         487         501         52°           Total Corporate Asset Backed Issues         860         62°           Corporate CMO         4sset Securitization Corp         7.150 A         4.988         02/14/2043         600         636         59°           Banc of America Mortgage Sec         5.170 A         6.144         12/01/2034         7,600         7,274         5,770           Banc of America Mortgage Sec         4.700 A         5.222         04/25/2035         1,157         1,131         760           Bear Stearns Adj Rate Mortgage         5.000 A         2.334         12/25/2046         2,129         1,946         1,272           Commercial Mortgage Lease         6.750         5.249         06/20/2031         2,934         3,087         3,036           Countrywide Alternative Loan T         0.650 A         14.341         11/20/2035         3,004         1,719         1,357	XTO Energy Inc	5.650	5.683	04/01/2016	770	769	780
Corporate Asset Backed Issues   Pegasus Aviation Lease Sec   8.370   17.655   07/25/2017   500   359   99   99   99   99   99   99   9	XTO Energy Inc	5.500	5.687	06/15/2018	9,570	9,446	9,590
Pegasus Aviation Lease Sec         8.370         17.655         07/25/2017         500         359         93           Public Service New Hampshire         6.480         5.468         05/01/2015         487         501         527           Total Corporate Asset Backed Issues           Corporate CMO           Asset Securitization Corp         7.150 A         4.988         02/14/2043         600         636         59°           Banc of America Mortgage Sec         5.170 A         6.144         12/01/2034         7,600         7,274         5,770           Banc of America Mortgage Sec         4.700 A         5.222         04/25/2035         1,157         1,131         760           Bear Stearns Adj Rate Mortgage         5.000 A         2.334         12/25/2046         2,129         1,946         1,27°           Commercial Mortgage Lease         6.750         5.249         06/20/2031         2,934         3,087         3,030           Countrywide Alternative Loan T         0.650 A         14.341         11/20/2035         3,004         1,719         1,35°	Total Corporate Bonds					540,770	466,052
Public Service New Hampshire         6.480         5.468         05/01/2015         487         501         522           Total Corporate Asset Backed Issues         6.480         5.468         05/01/2015         487         501         522           Corporate CMO           Asset Securitization Corp         7.150 A         4.988         02/14/2043         600         636         59°           Banc of America Mortgage Sec         5.170 A         6.144         12/01/2034         7,600         7,274         5,770           Banc of America Mortgage Sec         4.700 A         5.222         04/25/2035         1,157         1,131         760           Bear Stearns Adj Rate Mortgage         5.000 A         2.334         12/25/2046         2,129         1,946         1,27           Commercial Mortgage Lease         6.750         5.249         06/20/2031         2,934         3,087         3,030           Countrywide Alternative Loan T         0.650 A         14.341         11/20/2035         3,004         1,719         1,357		9 270	17 655	07/25/2017	500	250	05
Total Corporate Asset Backed Issues         860         622           Corporate CMO         5.170 A         4.988         02/14/2043         600         636         59           Banc of America Mortgage Sec         5.170 A         6.144         12/01/2034         7,600         7,274         5,770           Banc of America Mortgage Sec         4.700 A         5.222         04/25/2035         1,157         1,131         760           Bear Stearns Adj Rate Mortgage         5.000 A         2.334         12/25/2046         2,129         1,946         1,27           Commercial Mortgage Lease         6.750         5.249         06/20/2031         2,934         3,087         3,030           Countrywide Alternative Loan T         0.650 A         14.341         11/20/2035         3,004         1,719         1,357	<u> </u>						
Asset Securitization Corp       7.150 A       4.988       02/14/2043       600       636       59°         Banc of America Mortgage Sec       5.170 A       6.144       12/01/2034       7,600       7,274       5,770         Banc of America Mortgage Sec       4.700 A       5.222       04/25/2035       1,157       1,131       760         Bear Stearns Adj Rate Mortgage       5.000 A       2.334       12/25/2046       2,129       1,946       1,272         Commercial Mortgage Lease       6.750       5.249       06/20/2031       2,934       3,087       3,030         Countrywide Alternative Loan T       0.650 A       14.341       11/20/2035       3,004       1,719       1,350	•	0.400	3.400	03/01/2013	407		622
Banc of America Mortgage Sec         5.170 A         6.144         12/01/2034         7,600         7,274         5,770           Banc of America Mortgage Sec         4.700 A         5.222         04/25/2035         1,157         1,131         760           Bear Stearns Adj Rate Mortgage         5.000 A         2.334         12/25/2046         2,129         1,946         1,272           Commercial Mortgage Lease         6.750         5.249         06/20/2031         2,934         3,087         3,030           Countrywide Alternative Loan T         0.650 A         14.341         11/20/2035         3,004         1,719         1,352	Corporate CMO						
Banc of America Mortgage Sec       4.700 A       5.222       04/25/2035       1,157       1,131       760         Bear Stearns Adj Rate Mortgage       5.000 A       2.334       12/25/2046       2,129       1,946       1,272         Commercial Mortgage Lease       6.750       5.249       06/20/2031       2,934       3,087       3,030         Countrywide Alternative Loan T       0.650 A       14.341       11/20/2035       3,004       1,719       1,357	•	7.150 A	4.988	02/14/2043			597
Bear Stearns Adj Rate Mortgage       5.000 A       2.334       12/25/2046       2,129       1,946       1,27/2046         Commercial Mortgage Lease       6.750       5.249       06/20/2031       2,934       3,087       3,030         Countrywide Alternative Loan T       0.650 A       14.341       11/20/2035       3,004       1,719       1,357	Banc of America Mortgage Sec	5.170 A	6.144	12/01/2034	7,600	7,274	5,770
Commercial Mortgage Lease         6.750         5.249         06/20/2031         2,934         3,087         3,036           Countrywide Alternative Loan T         0.650 A         14.341         11/20/2035         3,004         1,719         1,357	Banc of America Mortgage Sec	4.700 A	5.222	04/25/2035	1,157	1,131	760
Countrywide Alternative Loan T 0.650 A 14.341 11/20/2035 3,004 1,719 1,357	3 00						1,272
	5 5						3,030
Counterwride Alternative Lean T 5.440 A 5.554 12/25/2025 2.477 2.461 1.554							1,357
	Countrywide Alternative Loan T	5.440 A	5.554	12/25/2035	2,477	2,461	1,556
							1,508
							859
							4,831
							890
							872
							1,756
							1,198
	•						6,375 3,061

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding.

 $<sup>*\</sup> Denotes\ assets\ pledged\ for\ initial\ margin\ requirements\ on\ open\ futures\ and\ swap\ contracts.$ 

## Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Val	lue
JPMorgan Mortgage Trust	4.960 %	5.291 %	08/25/2035	2,436	\$ 2,395	\$	1,77
LB-UBS Commercial Mortgage Tr	4.950	4.990	09/15/2040	13,600	13,616		11,65
Lehman XZ Trust	0.530 A	30.579	04/25/2046	5,973	3,163		2,51
Luminent Mortgage Trust	0.510 A	16.478	02/25/2046	5,049	2,792		2,20
Mastr ARM Trust	4.850 A	5.328	01/25/2036	1,830	1,794		1,27
Mastr Performing Loan Trust	7.000	6.277	08/25/2034	99	101		10
Merrill Lynch Mortgage Invest	4.210 A	4.724	12/25/2034	54	53		4
	5.270 A						
Morgan Stanley Mortgage Loan		5.367	10/25/2034	1,652	1,644		1,13
Morgan Stanley Mortgage Loan	6.430 A	6.302	06/25/2037	5,186	5,199		2,93
Residential Accredit Loans Inc	5.810 A	5.950	12/01/2035	13,481	13,400		5,81
Structured Asset Mortgage Inv	0.520 A	10.547	08/25/2036	8,937	4,941		3,68
Thornburg Mtg Securities Trust	6.210 A	6.284	09/25/2037	8,337	8,304		6,02
Thornburg Mtg Securities Trust	6.190 A	6.557	09/25/2037	7,902	7,792		5,07
Washington Mutual Mortgage	4.910 A	5.244	08/25/2035	2,329	2,290		1,84
Washington Mutual Mortgage	4.820 A	5.230	10/25/2035	1,759	1,740		1,36
Washington Mutual Mortgage	5.040 A	5.333	12/25/2035	2,554	2,515		1,78
Washington Mutual Mortgage	5.600 A	5.686	11/25/2036	252	251		14
0 0	5.570 A	5.587	12/25/2036	991	989		63
Washington Mutual Mortgage							
Washington Mutual Mortgage	5.580 A	17.729	12/25/2036	800	443		49
Washington Mutual Mortgage	5.390 A	19.659	02/25/2037	786	436		46
Washington Mutual Mortgage	5.590 A	5.806	03/01/2037	290	287		16
Wells Fargo Mortgage Backed	4.570 A	12.052	12/25/2034	4,096	3,325		3,60
Wells Fargo Mortgage Backed	5.240 A	5.658	04/25/2036	856	848		62
Total Corporate CMO					122,572	9	91,08
Corporate Preferred Securities				100	2 402		2
General Motors Corp				132	2,403		34
Preferred Blocker Inc				1	431		61
Total Corporate Preferred Securities					2,834		96
Total Corporate Issues - 25.1%					667,036	55	58,72
Short-term Issues							
Futures Cash Collateral EURO *				211	275		29
Futures Cash Collateral GBP *				1,865	2,720		3,07
Futures Cash Collateral USD *				4,399	4,399		4,39
Swap Cash Collateral *				8,940	8,940		8,94
Dreyfus Cash Management				472,292	472,292		72,29
Total Short-term Issues - 21.9%					488,626	48	88,99
Option Contracts Purchased							
US Treaury 10YR Note Option - 0.0%			07/01/2059	1	1,074		1,03
Interest Rate Swaps Barclay's Capital, expiring 2025, notional value of \$16 Greenwhich Capital Holdings, expiring 2018 - 2019, n		,120,000					(92 (54
Total Interest Rate Swaps0.1%						(	(1,46
Total Investment Securities - 118.7%					\$ 2,858,471	\$ 2,64	46,32
Futures Contracts Long Positions U.S. Dollar							
US Treasury 2Yr Note Future, expiring September 200	)9			744		\$	(4:
US Treasury 10Yr Note Future, expiring September 20				4,504			(1,2
Euro 90 Day Future, expiring September 2009				1,860			9,2
Euro 90 Day Future, expiring September 2010				1,013			(44
Euro 90 Day Future, expiring June 2010				448			(3'
E 00 D Ei-i M1 2010				200			- 1
Euro 90 Day Future, expiring March 2010 Fotal Long Positions				200			6,7

 $* \ Denotes \ assets \ pledged \ for \ initial \ margin \ requirements \ on \ open \ futures \ and \ swap \ contracts.$ 

## Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fa	ir Value
Short Positions U.S. Dollar US Treasury 5Yr Note Future, expiring September 2009 US Treasury Bond Future, expiring September 2009 Euro 90 Day Future, expiring December 2009 Total Short Positions	)			(2,588) (1,118) (560)		\$	2,674 (2,059) (1,015) (400)
Total Futures Contracts - 0.3%						\$	6,356
Foreign Currency Forward Contracts  Long Positions  Japanese Yen, expiring 08/19/2009							(59)
Short Positions Euro Currency, expiring 08/12/2009						,	(552)
Total Foreign Currency Forward Contracts - 0.0%						\$	(611)

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding.

<sup>\*</sup> Denotes assets pledged for initial margin requirements on open futures and swap contracts. See accompanying notes to financial statements.

### Option Contracts Written June 30, 2009

(Amounts in thousands)

Security Name	 Cost	Fa	ir Value
Option Contracts Written			
Euro 90 Dy Future Option	\$ (475)	\$	(601)
Euro 90 Dy Future Option	(339)		(129)
Euro 90 Dy Future Option	(323)		(205)
Euro 90 Dy Future Option	(337)		(113)
Swaption	(1,356)		(1,551)
Swaption	(1,356)		(1,743)
Swaption	(1,329)		(1,483)
Swaption	(1,329)		(1,841)
US Treasury 10Yr Note Option	(338)		(464)
US Treasury 10Yr Note Option	(259)		(216)
US Treasury Bond Option	(670)		(1,011)
US Treaury 10YR Note Option	 (433)		(421)
Total Option Contracts Written	\$ (8,544)	\$	(9,778)

### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

T 4 4	•
Investment	income
my council	mcome

Interest income	investment income	
Dividend income	Interest income	\$ 51,149
1,380   Shareholder litigation proceeds   664   Net accretion   7 total investment income   95,378	Dividend income	
Shareholder litigation proceeds         664           Net accretion         1,125           Total investment income         95,378           Expenses           Investment advisor fees         (4,146)           Trustee fees         (16)           Custodian bank fees         (98)           Management fees         (882)           Fiduciary bond fees         (16)           Professional service fees         (201)           Securities lending agent fees         (129)           Securities lending borrower rebates         (733)           Total expenses         (6,221)           Investment income, net         89,157           Realized and unrealized gain (loss) from investments and foreign currency           Net realized gain (loss) from:           Investments         (20,614)           Foreign currency transactions         17,333           Net increase (decrease) in the fair value of:         11,133           Investments         (182,143)           Translation of assets and liabilities in foreign currencies         495		
Net accretion         1,125           Expenses         Expenses           Investment advisor fees         (4,146)           Trustee fees         (16)           Custodian bank fees         (98)           Management fees         (882)           Fiduciary bond fees         (16)           Professional service fees         (201)           Securities lending agent fees         (201)           Securities lending borrower rebates         (733)           Total expenses         (6,221)           Investment income, net         89,157           Realized and unrealized gain (loss) from investments and foreign currency           Net realized gain (loss) from:         (20,614)           Investments         (20,614)           Foreign currency transactions         17,333           Net increase (decrease) in the fair value of:         (182,143)           Investments         (182,143)           Translation of assets and liabilities in foreign currencies         495	· · · · · · · · · · · · · · · · · · ·	
Expenses         (4,146)           Investment advisor fees         (4,146)           Trustee fees         (16)           Custodian bank fees         (882)           Management fees         (882)           Fiduciary bond fees         (16)           Professional service fees         (201)           Securities lending agent fees         (129)           Securities lending borrower rebates         (733)           Total expenses         (6,221)           Investment income, net         89,157           Realized and unrealized gain (loss) from investments and foreign currency           Net realized gain (loss) from:         (20,614)           Investments         (20,614)           Foreign currency transactions         17,333           Net increase (decrease) in the fair value of:         (182,143)           Investments         (182,143)           Translation of assets and liabilities in foreign currencies         495           Net loss from investments and foreign currency         (184,929)		
Investment advisor fees		 
Investment advisor fees	Total investment income	95,378
Trustee fees       (16)         Custodian bank fees       (98)         Management fees       (882)         Fiduciary bond fees       (16)         Professional service fees       (201)         Securities lending agent fees       (129)         Securities lending borrower rebates       (733)         Total expenses       (6,221)         Investment income, net       89,157         Realized and unrealized gain (loss) from investments and foreign currency         Net realized gain (loss) from:         Investments       (20,614)         Foreign currency transactions       17,333         Net increase (decrease) in the fair value of:       11,333         Investments       (182,143)         Translation of assets and liabilities in foreign currencies       495         Net loss from investments and foreign currency       (184,929)	Expenses	
Custodian bank fees       (98)         Management fees       (882)         Fiduciary bond fees       (16)         Professional service fees       (201)         Securities lending agent fees       (129)         Securities lending borrower rebates       (6,221)         Total expenses       (6,221)         Investment income, net       89,157         Realized and unrealized gain (loss) from investments and foreign currency         Net realized gain (loss) from:         Investments       (20,614)         Foreign currency transactions       17,333         Net increase (decrease) in the fair value of:       (182,143)         Investments       (182,143)         Translation of assets and liabilities in foreign currencies       495         Net loss from investments and foreign currency       (184,929)	Investment advisor fees	(4,146)
Management fees (882) Fiduciary bond fees (16) Professional service fees (201) Securities lending agent fees (129) Securities lending borrower rebates (733)  Total expenses (6,221)  Investment income, net 89,157  Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from: Investments (20,614) Foreign currency transactions 17,333 Net increase (decrease) in the fair value of: Investments (182,143) Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Trustee fees	(16)
Fiduciary bond fees (16) Professional service fees (201) Securities lending agent fees (129) Securities lending borrower rebates (733)  Total expenses (6,221)  Investment income, net 89,157  Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from: Investments (20,614) Foreign currency transactions 17,333 Net increase (decrease) in the fair value of: Investments (182,143) Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Custodian bank fees	(98)
Professional service fees (201) Securities lending agent fees (129) Securities lending borrower rebates (733)  Total expenses (6,221)  Investment income, net 89,157  Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from: Investments (20,614) Foreign currency transactions 17,333 Net increase (decrease) in the fair value of: Investments (182,143) Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Management fees	(882)
Securities lending agent fees Securities lending borrower rebates  Total expenses (6,221)  Investment income, net  89,157  Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from: Investments Investments Foreign currency transactions Net increase (decrease) in the fair value of: Investments I	Fiduciary bond fees	(16)
Securities lending borrower rebates (733)  Total expenses (6,221)  Investment income, net 89,157  Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from:  Investments (20,614) Foreign currency transactions 17,333 Net increase (decrease) in the fair value of: Investments (182,143) Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Professional service fees	(201)
Total expenses (6,221)  Investment income, net 89,157  Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from:  Investments (20,614)  Foreign currency transactions 17,333  Net increase (decrease) in the fair value of:  Investments (182,143)  Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Securities lending agent fees	(129)
Investment income, net  Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from:  Investments (20,614)  Foreign currency transactions 17,333  Net increase (decrease) in the fair value of:  Investments (182,143)  Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Securities lending borrower rebates	 (733)
Realized and unrealized gain (loss) from investments and foreign currency  Net realized gain (loss) from:  Investments (20,614)  Foreign currency transactions 17,333  Net increase (decrease) in the fair value of:  Investments (182,143)  Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Total expenses	 (6,221)
Net realized gain (loss) from:  Investments (20,614) Foreign currency transactions 17,333  Net increase (decrease) in the fair value of: Investments (182,143) Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Investment income, net	89,157
Investments (20,614) Foreign currency transactions 17,333 Net increase (decrease) in the fair value of: Investments (182,143) Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Realized and unrealized gain (loss) from investments and foreign currency	
Foreign currency transactions 17,333  Net increase (decrease) in the fair value of:  Investments (182,143)  Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Net realized gain (loss) from:	
Net increase (decrease) in the fair value of: Investments  Translation of assets and liabilities in foreign currencies  (182,143)  Met loss from investments and foreign currency  (184,929)	Investments	(20,614)
Investments (182,143) Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Foreign currency transactions	17,333
Translation of assets and liabilities in foreign currencies 495  Net loss from investments and foreign currency (184,929)	Net increase (decrease) in the fair value of:	
Net loss from investments and foreign currency (184,929)	Investments	(182,143)
	Translation of assets and liabilities in foreign currencies	 495
Net decrease in net assets from operations \$ (95,772)	Net loss from investments and foreign currency	 (184,929)
	Net decrease in net assets from operations	\$ (95,772)

### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

<b>Operations</b>	S
-------------------	---

•		
Investment income, net	\$	89,157
Net realized loss from investments		(20,614)
Net realized gain from foreign currency transactions		17,333
Net decrease in the fair value of investments		(182,143)
Net increase in the translation of assets and liabilities in foreign currencies		495
Net decrease in net assets from operations		(95,772)
Distributions to unitholders		
Investment income, net		(88,747)
Unit transactions		
Proceeds from sale of units		1,113,877
Reinvestment of distributions		84,166
		1,198,043
Amount paid for repurchase of units		(1,520,984)
Net decrease in net assets from unit transactions		(322,941)
Decrease in net assets		(507,460)
Net assets, beginning of period		2,737,069
Net assets, end of period	\$	2,229,609
Unit data		
Units sold		94,648,450
Units issued from reinvestment of distributions		7,571,276
		102,219,726
Units repurchased	(1	136,719,094)
Net decrease in units		(34,499,368)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Total Return Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The main objective of this bond pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. The Pool was renamed in June 2009. It was previously known as the Fixed Income Pool. Western Asset Management Company (Western) manages the Pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital US Universal index.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Interest rate and credit default swap values are based on market values received from third parties or are determined by valuation models. Foreign currency forward contracts are valued at the difference between the month-end spot exchange rate and the forward contract amount. Investments in other funds are valued at the net asset value as provided by the fund's management. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

### **Notes to Financial Statements**

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Foreign Currency** – Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon on the following basis:

- a. Market value of investment securities, other assets and liabilities at the closing rate of exchange at the valuation date
- b. Purchases and sales of investment securities, income and expenses at the rate of exchange prevailing on the respective dates of such transactions.

The IMB isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from market prices of securities held.

Reported net realized foreign exchange gains and losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities including investments in securities at month end, resulting from changes in the exchange rate.

**Option Contracts** - The IMB may purchase or write equity, bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser (seller) of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying the contract at an agreed upon price (strike price) during or at the conclusion of a specified period of time.

Premiums paid upon the purchase of an option contract are recorded as an asset and subsequently adjusted to market value. Upon exercising a purchased option, a gain is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums paid. If the option expires unexercised, a loss is recognized in the amount of the premiums paid for the option.

Premiums received when option contracts are written are recorded as a liability and subsequently adjusted to market value. If a written option contract expires unexercised, a gain is recorded equal to the amount of the premiums received. The difference between the premiums received and the amount paid to effect a closing transaction is also recorded as a gain or loss. When a written option is exercised, a loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums received.

Written option contracts are used to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

When writing put options, there is risk that a loss may be incurred if the market price of the underlying instrument decreases and the option is exercised. This loss is determined by market conditions and cannot be specifically limited. The risk associated with writing call options is the loss of potential profit if the market price of the security increases and the option is exercised. Purchased put or call options bear the risk of loss of the premium paid if market conditions are not favorable to exercise the option. There may also be risk that the value of the option contract does not correlate perfectly with movements of the underlying instrument due to certain market distortions.

The IMB limits its exposure to credit risk by only buying or selling options traded on major exchanges, or executed with major dealers. There is a risk of the inability to enter into a closing transaction if a liquid secondary market does not exist. The IMB maintains sufficient levels of cash or cash equivalents to meet cash flow obligations.

**Security Loans** - The IMB, through its agent the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value

### **Notes to Financial Statements**

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

of the securities loaned. For international securities, the collateral is at least 105 percent of the market value of the securities on loan. Cash collateral received is invested in the Mellon GSL Reinvestment Trust. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Operations.

**Futures Contracts** - A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker for the fluctuations of the underlying securities or index. The IMB records the cash received or paid for the variation margin as a realized gain or loss.

Interest rate futures may be used to enhance portfolio yields, to hedge an existing position, or as an alternative investment of cash. Stock index futures may be used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows.

The market risk associated with holding interest rate and stock index futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Hedging risk associated with these futures contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions.

Other risks associated with futures contracts are liquidity risk and credit risk. Liquidity risk arises when there is insufficient trading in a particular futures contract. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. The IMB's managers generally only utilize futures contracts that are traded on major exchanges or are executed with major dealers. The major exchanges assume the risk of a counterparty default and generally require an initial margin deposit of cash or securities.

Foreign Exchange Forward Contracts - A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. Western enters into such contracts to hedge the assets and liabilities related to securities denominated in a foreign currency. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month end. An unrealized gain or loss is recorded as the difference between the spot value at month end and the contract amount to be received or paid at the expiration date. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires.

**Interest Rate Swaps** – Interest rate swaps represent agreements between counterparties to exchange cash flows based on the difference between two interest rates, applied to a notional principal amount for a specified period. Interest rate swaps do not involve the exchange of principal between the parties. Interest is paid or received periodically. Fair values are based on market values received from third parties or are determined by valuation models.

**Credit Default Swaps** – Credit default swaps are agreements between counterparties to transfer the credit risk of referenced debt securities. The buyer of the credit default swap gains protection against a negative credit event such as a default or credit rating downgrade and the seller assumes the credit risk and is obligated to pay upon the occurrence of such an event. Fair values are based on market values received from third parties or are determined by valuation models.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset-Backed Securities – The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Interest Income** - Interest income is recognized as earned on the accrual method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

**Amortization** - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Statement of Operations in the year of the change.

**Distributions to Participants** - The monthly net investment income of the Pool is declared as a dividend on the last day of the month and distributed to the participants of the Pool on the first day of the following month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Net Assets.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

### NOTE 3. INVESTMENT RISK DISCLOSURES

### Credit Risk

The IMB limits the exposure to credit risk in the Total Return Fixed Income Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the rated assets in the Total Return Fixed Income Pool as of June 30, 2009.

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

				Percent of
Security Type	Moody's	S&P	Fair Value	Assets
Agency mortgage backed securities	Aaa	AAA	\$ 531,284,382	20.2%
Money market funds	Aaa	AAA	472,292,326	17.9%
Corporate bonds and notes	Baa	BBB	466,052,257	17.7%
Corporate collateralized mortgage obligations	Baa	AA	91,081,767	3.5%
U. S. Treasury inflation protection bonds	Aaa	AAA	74,631,563	2.8%
Agency notes	Aa	AA	3,866,877	0.1%
U. S. Treasury bonds and notes	Aaa	AAA	1,678,244	0.1%
Corporate preferred securities	C	C	965,455	0.0%
Corporate asset backed securities	Aa	AA	622,399	0.0%
Agency collateralized mortgage obligations	Aaa	AAA	465,532	0.0%
Total rated investments			\$ 1,642,940,802	62.3%

Unrated securities include commingled investment pools valued at \$987,106,348, swaps, options, and swaptions valued at \$(10,205,602), futures contracts valued at \$6,356,507, foreign currency forward contracts valued at \$(610,756),and cash of \$16,705,447 pledged to brokers as collateral. These unrated securities represent 37.7 percent of the fair value of the pool's investments.

### **Concentration of Credit Risk**

West Virginia statutes prohibit the Total Return Fixed Income Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2009, the Total Return Fixed Income Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

### **Custodial Credit Risk**

At June 30, 2009, the Total Return Fixed Income Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102 percent and the collateral is held in the name of the IMB. Investments in commingled funds are held in an account in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

### **Interest Rate Risk**

The IMB monitors interest rate risk of the Total Return Fixed Income Pool by evaluating the modified duration of the investments in the Pool. The following table provides the weighted average modified duration for the various asset types in the Total Return Fixed Income Pool as of June 30, 2009.

			Modified
			Duration
Security Type	F	air Value	(years)
Commingled investment pools	\$	987,105,348	2.5
Agency mortgage backed securities		531,284,382	9.6
Money market fund		472,292,326	0.0
Corporate notes and bonds		466,052,257	5.7
Corporate collateralized mortgage obligations		91,081,767	5.1
U. S. Treasury inflation protection bonds		74,631,563	13.1
Agency bonds		3,866,877	2.8
U. S. Treasury notes and bonds		1,678,244	16.4
Corporate asset backed securities		622,399	2.5
Agency collateralized mortgage obligations		465,532	1.0
Total assets	\$	2,629,080,695	5.4

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The Total Return Fixed Income Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2009, the Total Return Fixed Income Pool held \$623,449,368 of these securities. This represents approximately 24 percent of the value of the Pool's securities.

### **Foreign Currency Risk**

None of the notes, bonds, asset backed securities, mortgage backed securities, collateralized mortgage obligations or money market fund held by the Total Return Fixed Income Pool are exposed to foreign currency risk. However, the Pool does have foreign exchange forward contracts. Refer to Note 10 for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$176,856,000, or 18 percent, of the commingled investment pools hold substantially all of their investments in foreign currencies. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2009 the IMB was in compliance with this limitation.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133) (FAS 161). FAS 161 requires pools with derivative instruments to disclose information that should enable financial statement users to understand how and why a pool uses derivative instruments, how derivative instruments are accounted for under FAS 133 and related Interpretations, and how derivative instruments and related items affect a pool's financial position, financial performance and cash flows. The required disclosures include the fair value of derivative instruments and their gains and losses in tabular format, counterparty credit risk, and a pool's strategies and objectives for using derivative financial instruments. FAS 161 will be effective for the IMB beginning July 1, 2009. The adoption of this standard will not have a material impact on the financial condition or operations of the Pool

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 21, 2009, for inclusion in these financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Level I	Level II	Level III	Total
Agency bonds	\$ -	\$ 3,866,877	\$ -	\$ 3,866,877
Agency collateralized mortgage				
obligations	-	465,532	=	465,532
Agency mortgage backed securities	-	531,284,382	-	531,284,382
Commingled investment pools	-	987,105,348	=	987,105,348
Convertible Preferred Securities	-	347,025	-	347,025
Corporate asset backed securities	-	622,399	-	622,399
Corporate collateralized mortgage				
obligations	-	91,081,767	=	91,081,767
Corporate notes and bonds	-	466,052,257	-	466,052,257
Foreign Exchange Forward Contracts	-	(610,756)	=	(610,756)
Futures	6,356,507	-	=	6,356,507
Interest Rate Swaps	-	(1,462,125)	=	(1,462,125)
Options	(8,743,477)	-	-	(8,743,477)
Preferred Securities	618,430	-	=	618,430
Regulated Investment Companies	-	472,292,326	=	472,292,326
Securities lending collateral pool	-	27,797,819	-	27,797,819
U. S. Treasury inflation protection				
bonds	-	74,631,563	=	74,631,563
U. S. Treasury notes and bonds	<u> </u>	1,678,244		1,678,244
Total	\$ (1,768,540)	\$ 2,655,152,658	\$ -	\$ 2,653,384,118

### NOTE 6. SECURITIES LENDING

At June 30, 2009, the fair value of securities on loan was \$29,350,931, initial collateral received was \$29,935,789, and the fair value of reinvested collateral held was \$27,797,819. All of the collateral was received as cash and was invested in the Mellon GSL DBT II Collateral Fund (Collateral Fund), the Mellon SL DBT II Liquidating Fund (Liquidating Fund), and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust).

In early November 2008, the IMB was notified that certain securities issued by Sigma Finance, Inc. (Sigma) were transferred from the Collateral Fund on October 1, 2008, to the Liquidating Trust. Units of the Liquidating Trust were transferred to the IMB's securities lending cash collateral account. For all of the IMB investment pools that participate in the securities lending program, the value of the units in the Liquidating Trust on an amortized cost basis was \$10,973,960 as calculated by the IMB's proportionate interest in the Collateral Fund as of the close of business on September 30, 2008. Sigma was subsequently placed into receivership and the IMB is exposed to a potential loss of the full value of the Sigma investment. In October 2008, the IMB recorded a reserve for these potential losses in each investment pool in proportion to its participation in the securities lending program at September 30, 2008. The reserve recorded for the Pool was \$1,703,359.

Effective April 20, 2009, the assets of the Collateral Fund with maturities greater than one day were transferred to the Liquidating Fund. As securities mature in the Liquidating Fund, the proceeds are transferred to the Collateral Fund. The combined value of the holdings in the Collateral Fund and the Liquidating Fund was used to determine the fair value of reinvested collateral.

Additionally, the distribution of securities lending income has been restricted beginning October 1, 2008. The accumulate8d undistributed securities lending income will be distributed once the actual loss on Sigma is realized. The accumulated undistributed securities lending income for June 30, 2009 was \$409,370.

### NOTE 7. FUTURES CONTRACTS

At June 30, 2009, open positions in futures contracts denominated in US dollars were as follows:

						Value Upon	C	umulative
					Value at	Entering	Net	Gain (Loss)
Expiration		Open Contracts	Position	_Jı	ine 30, 2009	Contract	Sin	ce Inception
					_	_		
Mar 2010	200	Euro 90 Day Future	Long	\$	49,412,500	\$ 49,392,125	\$	20,375
Jun 2010	448	Euro 90 Day Future	Long		110,269,600	110,644,800		(375,200)
Sep 2010	1,013	Euro 90 Day Future	Long		248,387,600	248,829,275		(441,675)
Sep 2009	1,860	Euro 90 Day Future	Long		461,884,500	452,665,694		9,218,806
Sep 2009	744	US Treasury 2yr Note Future	Long		160,866,750	161,294,391		(427,641)
Sep 2009	4,504	US Treasury 10yr Note Future	Long		523,660,375	524,898,688		(1,238,313)
Dec 2009	(560)	Euro 90 Day Future	Short		(138,733,000)	(137,718,450)		(1,014,550)
Sep 2009	(2,588)	US 5yr T-Note	Short		(296,892,125)	(299,565,767)		2,673,642
Sep 2009	(1,118)	US T-Bond	Short		(132,325,781)	(130,266,844)		(2,058,938)
_				\$	986,530,419	\$ 980,173,912	\$	6,356,507
					•	 		

At June 30, 2009, the Pool had pledged cash of \$7,765,447 to cover initial margin requirements on open futures contracts, and the net variation margin payable of \$513,406 represents one day's settlement on open futures contracts.

### NOTE 8. SWAPS

At June 30, 2009, open positions in interest rate swaps are as follows:

	Notional	Maturity		Receiv	ing		Paying		
Counterparty	Value	Date	Rate	Type	Base	Rate	Type	Base	Fair Value
Barclay's Capital	\$ 96,500,000	02/15/2025	1.00%	Floating	3 mo. Libor	4.30%	Fixed	N/A	\$ (2,912,795)
Barclay's Capital	65,300,000	02/15/2025	1.00%	Floating	3 mo. Libor	4.30%	Fixed	N/A	1,990,710
Greenwich Capital	10,560,000	12/18/2018	1.00%	Floating	3 mo. Libor	4.34%	Fixed	N/A	(540,040)
	\$ 172,360,000								\$ (1,462,125)

At June 30, 2009, the Pool had pledged cash of \$8,940,000 as collateral on open swap contracts.

### NOTE 9. OPTION CONTRACTS

At June 30, 2009, open option contracts were as follows:

Long Positions           Put         US Treaury 10Yr Note Option Total Long Positions         7/24/2009         111.500         1,122         \$ 1,0°           Short Positions         Call         Euro 90 Day Future Option         9/14/2009         99.250         (1,552)         \$ (4°	
Put         US Treaury 10Yr Note Option Total Long Positions         7/24/2009         111.500         1,122         \$ 1,07           Short Positions           Call         Euro 90 Day Future Option         9/14/2009         99.250         (1,552)         \$ (4)	ved)/Paid June 30, 2009
Total Long Positions         1,0°           Short Positions           Call         Euro 90 Day Future Option         9/14/2009         99.250         (1,552)         \$ (4°	<u> </u>
Short Positions           Call         Euro 90 Day Future Option         9/14/2009         99.250         (1,552)         \$ (4')	074,455 \$ 1,034,34
Call Euro 90 Day Future Option 9/14/2009 99.250 (1,552) \$ (4')	074,455 1,034,34
•	
$P_{\text{tot}} = P_{\text{total}} = P_{t$	474,516) \$ (601,40
Put Euro 90 Day Future Option 9/14/2009 99.250 (1,094) (32	323,277) (205,12
Put Euro 90 Day Future Option 9/14/2009 99.000 (1,129) (3:	337,470) (112,90
Put Euro 90 Day Future Option 9/14/2009 99.125 (982) (33	339,281) (128,88
Call US Treasury 10Yr Note Option 7/24/2009 118.000 (418) (2:	259,369) (215,53
Call US Treasury 10Yr Note Option 7/24/2009 116.000 (334) (334)	337,716) (464,469
Put US Treasury 10Yr Note Option 7/24/2009 113.500 (1,122) (4:	433,232) (420,75)
Call US Treasury Bond Option 7/24/2009 117.000 (374) (6'	670,348) (1,010,969
Put Swaption 10/2/2013 4.965 (224) (1,32	328,977) (1,483,23
Put Swaption 10/3/2013 4.860 (224) (1,33	356,410) (1,550,74
Call Swaption 10/2/2013 4.965 (224) (1,32	328,977) (1,841,09
Call Swaption 10/3/2013 4.860 (224) (1,33	356,410) (1,742,71)
Total Short Positions (8,54)	545,984) (9,777,82
Total Option Contracts \$ (7,4)	471,529) \$ (8,743,47)

A summary of the activity in short (written) option positions for the year ended June 30, 2009 was as follows:

		Puts	Calls			
	Number of	Premiums	Number of	Premiums		
	Contracts	(Received)/Paid	Contracts	(Received)/Paid		
Options outstanding at June 30, 2008	(5,347)	\$ (3,253,000)	(4,263)	\$ (2,057,635)		
Options written	(36,922)	(26,424,777)	(21,481)	(15,747,233)		
Options closed	11,465	5,347,046	6,935	2,894,204		
Options expired	26,030	20,212,081	15,682	10,483,330		
Options outstanding at June 30, 2009	(4,774)	\$ (4,118,650)	(3,127)	\$ (4,427,334)		

### NOTE 10. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2009, open foreign currency forward contracts were as follows:

				Rece	ivable	Pa	ayable	Uı	nrealized
Position	Foreign Currency	Inception Date	Expiration Date	(in foreign currency)	(in U. S. dollars)	(in foreign currency)	(in U. S. dollars)		preciation preciation)
Long/Hedge	Japanese Yen	04/28/2009	08/19/2009	2,696,608,000	\$ 27,965,543		\$ 28,023,986	\$	(58,443)
Short/Hedge	Euro Currency Unit	04/28/2009	08/19/2009		7,002,944	5,386,673	7,555,257		(552,313)
					\$ 34,968,487		\$ 35,579,243	\$	(610,756)

### NOTE 11. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 12.34
Income from investment operations:	
Net investment income	0.41
Net realized and unrealized loss on investment transactions	(0.52)
Net realized loss from foreign currency transactions	0.08
Total from investment operations	(0.03)
Less distributions from net investment income	(0.41)
Net asset value at June 30, 2009	\$ 11.90
Time-weighted Total Return *	0.1%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 2,229,609
Ratio to average net assets:	
Expenses **	0.22%
Net investment income **	3.66%

41.83%

Portfolio turnover rate

<sup>\*</sup> Return data is net of fees and is for the full fiscal year

<sup>\*\*</sup> All ratios are for the fiscal year

### **Notes to Financial Statements**

### NOTE 12. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool. The balances do not include the dividend declared by the Pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

<u>Participant</u>		Account Value
Public Employees' Retirement System		\$ 826,575,883
Teachers' Retirement System		654,604,478
Workers' Compensation Old Fund		192,216,943
Retiree Health Benefit Trust		134,113,394
State Police Death, Disability and Retirement Fund		92,328,351
Coal Workers' Pneumoconiosis Fund		87,546,458
Public Employees Insurance Agency		52,779,813
Board of Risk and Insurance Management		44,359,493
Revenue Shortfall Reserve Fund B		32,543,613
Prepaid Tuition Trust Fund		24,883,917
Judges' Retirement System		22,750,227
Revenue Shortfall Reserve Fund		22,490,848
Deputy Sheriff's Retirement System		19,969,962
State Police Retirement System		10,344,634
Wildlife Endowment Fund		7,793,984
Emergency Medical Services Retirement System		4,306,635
	Total	\$ 2,229,608,633

# **Audited Financial Statements**

June 30, 2009

# Audited Financial Statements June 30, 2009

# **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	H-1
Schedule of Investments in Securities	H-2
Statement of Operations	Н-6
Statement of Changes in Net Assets	H-7
Notes to Financial Statements	H-8



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

# **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the period March 2, 2009 (inception date) to June 30, 2009 for the West Virginia Investment Management Board's (WVIMB) Core Fixed Income Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Core Fixed Income Pool as of June 30, 2009 and the results of its operations, changes in net assets, and financial highlights for the period March 2, 2009 (inception date) to June 30, 2009 on the comprehensive basis of accounting described in the preceding paragraph and in note 1.



September 17, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

	 _	١.
Α	 eı	

Investment securities at fair value		\$	405,768
Receivables:			
Accrued interest			2,598
Investments sold			864
Dividends			16
	Total assets		409,246
Liabilities			
Accrued expenses			60
Cash overdraft			87
Dividends payable			2,027
Payable for investments purchased			12,189
	Total liabilities		14,363
	Net assets	\$	394,883
Analysis of net assets			
Paid-in capital		\$	393,272
Accumulated undistributed net realized gain from investments		Ψ	24
Unrealized net appreciation of investments			1,587
	Net assets	\$	394,883
Unit data			
Unite autotau din a			20 210 201
Units outstanding		Ф	39,310,381
Net asset value, unit price		<u>\$</u>	10.05

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
U. S. Treasury Issues						
United States Treasury	4.630 %	1.226 %	07/31/2012	2,500	\$ 2,756	\$ 2,722
United States Treasury	9.880	2.377	11/15/2015	3,100	4,467	4,332
United States Treasury	7.500	3.053	11/15/2016	8,900	11,495	11,355
United States Treasury	8.750	3.099	05/15/2017	4,500	6,264	6,164
United States Treasury	8.880	3.239	08/15/2017	4,400	6,158	6,083
United States Treasury	8.750	3.715	08/15/2020	2,900	4,220	4,155
United States Treasury	6.630	3.797	02/15/2027	500	681	645
United States Treasury	5.380	4.312	02/15/2031	1,000	1,148	1,148
United States Treasury Strip	0.000	1.623	08/15/2012	4,000	3,803	3,786
United States Treasury Strip	0.000	2.177	02/15/2013	200	185	185
United States Treasury Strip	0.000	2.873	02/15/2014	3,400	2,980	3,001
United States Treasury Strip	0.000	2.267	05/15/2014	6,800	6,092	5,940
United States Treasury Strip	0.000	2.343	08/15/2014	3,000	2,663	2,592
United States Treasury Strip	0.000	2.361	11/15/2014	750	661	642
United States Treasury Strip	0.000	3.331	08/15/2016	4,800	3,793	3,739
United States Treasury Strip	0.000	3.543	02/15/2017	4,650	3,557	3,525
United States Treasury Strip	0.000	3.278	11/15/2017	3,550	2,704	2,577
United States Treasury Strip	0.000	4.006	05/15/2020	4,500	2,924	2,846
United States Treasury Strip	0.000	4.033	05/15/2020	1,950	1,263	1,230
United States Treasury Strip	0.000	3.825	08/15/2020	4,250	2,789	2,641
United States Treasury Strip United States Treasury Strip	0.000	4.309	11/15/2020 05/15/2024	200 400	123 205	122 203
	0.000	4.551	05/15/2024	400		
Total U. S. Treasury Issues - 17.6%					70,931	69,633
U. S. Government Agency Issues		:-1.41				
U. S. Government Agency MBS (coupon, yield, and mo				59 229	co 020	(1.126
FHLMC Mortgage Pools	5.144 6.077	4.632 5.286	08/16/2028	58,238 51,929	60,928 54,694	61,136 55,076
FNMA Mortgage Pools GNMA Mortgage Pools	7.198	6.456	12/08/2031 09/30/2036	1,622	1,751	1,741
Total U. S. Government Agency MBS	7.190	0.430	09/30/2030	1,022	117,373	117,953
U. S. Government Agency CMO				_		
FHLMC Issues	7.278	6.901	09/07/2031	61,824	37,756	37,987
FNMA Issues	5.217	5.776	01/18/2026	99,529	74,799	75,333
GNMA Issues	11.053	12.694	08/07/2030	78,596	20,794	21,059
Total U. S. Government Agency CMO				,	133,349	134,379
Total U.S. Government Agency Issues - 63.9%					250,722	252,332
Corporate Issues						
U.S. Corporate Bonds						
Amgen Inc	5.700	5.035	02/01/2019	210	221	222
Anadarko Petroleum Corp	8.700	8.250	03/15/2019	300	309	336
Anadarko Petroleum Corp	6.950	7.108	06/15/2019	50	49	50
Anheuser- Busch	7.750	6.532	01/15/2019	175	190	191
Arrow Electronics Inc	6.880	6.098	07/01/2013	215	221	221
Associates Corp NA	6.950	11.588	11/01/2018	100	74	89 530
AT&T Corp Wireless Services	7.880	2.894	03/01/2011	500	540	539
AT&T Inc AT&T Inc	4.950	3.716	01/15/2013	175	182	182
	5.600	5.809	05/15/2018	365	360	367
AT&T Inc	6.300	7.669	01/15/2038	300	253 150	290
Atmos Energy Corp Bank Of America Corp	8.500 5.500	8.529 5.648	03/15/2019	150 2,000	1,992	175
Bank of America Corp	5.500 7.380	7.510	06/14/2012 05/15/2014	600	1,992 597	1,968 620
•				300	254	282
Bank of America Corp Bank of America Corp	5.130 7.630	8.762 7.715	11/15/2014 06/01/2019	210	208	202
1						368
Bank of New York Co Inc BB&T Corporation	5.130 6.850	3.868 7.048	08/27/2013 04/30/2019	350 225	367 222	234
BellSouth Corporation	5.200	4.342	09/15/2014	300	312	312
Berkshire Hathaway Fin	4.000	4.082	04/15/2012	600	599	620
Berkshire Hathaway Fin	4.600	4.335	05/15/2013	100	101	104
BHP Billiton Financial USA	5.500	5.577	04/01/2014	200	199	215
2.11 2 minor i marcari CO/1	5.500	5.511	0-1/01/2017	200	199	213

 ${\it A}$  -  ${\it Adjustable}$  rate security.

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Boeing Company	5.130 %	4.019 %	02/15/2013	100	\$ 104	\$ 106
BP Capital Markets PLC	3.130	3.127	03/10/2012	250	250	255
BP Capital Markets PLC	3.630	3.625	05/08/2014	100	100	100
British Telecom PLC	8.630	5.517	12/15/2010	260	271	276
Bunge Limited Finance Co	5.880	6.484	05/15/2013	50	49	49
Bunge Limited Finance Co	8.500	8.120	06/15/2019	218	224	228
Bunge NA Finance LP	5.900	7.617	04/01/2017	54	49	49
Burlington Northern Santa Fe	5.900	4.746	07/01/2012	150	155	159
C & P Telephone	7.150	7.864	05/01/2023	400	376	384
Capital One Bank USA NA	6.500	10.704	06/13/2013	100	87	99
Capital One Financial Corp	5.500 7.150	10.399 7.722	06/01/2015 02/15/2019	200 145	157 139	185 155
Caterpillar Financial Services Centerpoint Ener Houston	5.750	5.100	01/15/2014	185	190	189
Centerpoint Ener Houston	7.000	5.151	03/01/2014	185	199	200
Cisco Systems Inc	5.500	4.491	02/22/2016	210	222	222
Cisco Systems Inc	5.900	6.395	02/15/2039	160	150	158
Citigroup Inc	5.250	7.887	02/27/2012	200	188	195
Citigroup Inc	5.500	7.166	04/11/2013	600	567	562
Citigroup Inc	6.000	9.072	08/15/2017	190	157	166
Citigroup Inc	6.130	8.449	11/21/2017	300	259	263
Citigroup Inc	8.500	8.765	05/22/2019	265	260	270
Cleveland Electric Illum	8.880	7.005	11/15/2018	225	254	271
Coca-Cola Company	3.630	3.725	03/15/2014	100	100	101
Coca-Cola Company	4.880	4.993	03/15/2019	100	99	103
Columbus Southern Power	6.050	6.649	05/01/2018	205	197	209
Comcast Came Holdings	9.460	8.128 5.728	11/15/2022	500 350	553 353	585 360
Comcast Corp Comcast Corp	5.900 6.500	5.409	03/15/2016 01/15/2017	200	213	212
ConocoPhillips	5.750	5.911	02/01/2019	100	99	105
Credit Suisse FB USA Inc	5.130	5.058	01/15/2014	155	155	158
Credit Suisse FB USA Inc	4.880	6.376	01/15/2015	250	233	251
Credit Suisse New York	3.450	3.496	07/02/2012	200	200	200
Credit Suisse New York	5.500	5.524	05/01/2014	170	170	177
Credit Suisse USA Inc	5.850	6.720	08/16/2016	200	190	206
CSX Corp	6.300	4.952	03/15/2012	100	103	103
CSX Corp	7.380	6.722	02/01/2019	200	209	217
Daimler Finance NA Holdings	6.500	7.740	11/15/2013	275	263	280
Deutsche Telekom Int Fin	6.000	6.084	07/08/2019	385	383	388
Duke Energy Ohio Inc	5.450	5.455	04/01/2019	150	150	156
EOG Resources Inc	5.630	5.356	06/01/2019	200 125	204 125	209 134
FPL Group Capital Inc General Electric Capital Corp	6.000 5.250	6.006 4.913	03/01/2019 10/19/2012	800	808	822
General Electric Capital Corp	5.900	5.926	05/13/2014	1,500	1,498	1,531
General Electric Capital Corp	5.630	7.254	09/15/2017	200	180	191
General Electric Capital Corp	5.630	8.002	05/01/2018	250	213	236
General Electric Capital Corp	5.880	8.520	01/14/2038	200	144	158
General Electric Company	5.250	5.983	12/06/2017	305	290	300
General Mills Inc	5.200	4.836	03/17/2015	100	102	105
Georgia Power Company	5.250	5.030	12/15/2015	200	202	208
Glaxosmithkline Cap Inc	4.380	3.625	04/15/2014	215	222	221
Goldman Sachs	7.500	6.926	02/15/2019	575	598	615
Goldman Sachs Group Inc	4.750	7.235	07/15/2013	200	183	200
Goldman Sachs Group Inc	5.150	5.113	01/15/2014	415	416	417
Goldman Sachs Group Inc	6.250	7.134	09/01/2017	290	274	287
Goldman Sachs Group Inc	6.150	7.286	04/01/2018	235	218	229
Halliburton Company	7.450	7.646	09/15/2039	100	98 225	117
Hewlett-Packard Company Hewlett-Packard Company	2.950 5.400	2.956 4.620	08/15/2012 03/01/2017	225 280	225 294	227 291
Home Depot Inc	5.400	5.911	03/01/2017	500	486	499
Household Finance Corporation	4.750	7.304	07/15/2013	17	16	17
HRPT Properties Trust	6.650	10.261	01/15/2018	375	299	302
HSBC Finance Corp	1.380	8.210	01/15/2014	500	370	406
HSBC Finance Corp	5.000	9.339	06/30/2015	300	241	280

A -  $Adjustable\ rate\ security.$ 

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Jefferies Group Inc	7.750 %	25.463 %	03/15/2012	340	\$ 227	\$ 339
John Deere Capital Corp	5.250	5.329	10/01/2012	225	224	238
Kellogg Company	4.250	3.896	03/06/2013	100	101	103
Kimberly Clark Corporation	7.500	4.845	11/01/2018	250	299	301
Kohl's Corporation	6.250	5.839	12/15/2017	90	92	93
Kraft Foods Inc	6.750	4.586	02/19/2014	250	272	274
Kroger Co	6.400	6.119	08/15/2017	100	102	106
Lilly Eli and Company	3.550	3.578	03/06/2013	100	100	104
Lockheed Martin Corp	7.750	6.031	05/01/2026	95	112	115
Manuf & Traders Trust Co	6.630	7.668	12/04/2017	465	435	442
Marshall & Ilsley Corp	5.350	9.819	04/01/2011	215	200	204
Mass Mutual Global Funding	3.630	2.989	07/16/2012	150	150	150
Merrill Lynch & Company Inc	6.150	8.809	04/25/2013	341	312	341
Met Life Global Funding I	5.130	5.006	04/10/2013	300	301	305
Monsanto Company	5.130	5.008	04/15/2018	160	161	166
Morgan Stanley	6.000	5.915	05/13/2014	375	376	380
Morgan Stanley Dean Witter Co	6.250	7.609	08/28/2017	430	395	416
Morgan Stanley Mortgage Loan	4.750	8.248	04/01/2014	250	216	236
National Rural Utilities	10.380	8.107	11/01/2018	100	115	125
News America Holdings Inc	8.880	9.297	04/26/2023	250	242	240
Northern Trust Corp	5.500	4.130	08/15/2013	102	107	108
Northrop Grumman Corp	7.750	5.091	03/01/2016	195	224	223
Oracle Corporation	5.750	5.177	04/15/2018	250	260	264
Pacificorp	5.500	4.874	01/15/2019	350	367	370
PG&E Corp	5.750	5.875	04/01/2014	150	149	160
PNC Funding Corp	5.250	7.406	11/15/2015	200	178	190
Praxair Inc	3.950	3.652	06/01/2013	130	131	132
Praxair Inc	4.380	4.446	03/31/2014	200	199	207
Pricoa Global Funding	5.450	5.499	06/11/2014	350	349	349
Principal Life Global	6.250	7.272	02/15/2012	600	586	603
Principal Life Global	5.050	8.354	03/15/2015	500	426	456
Progress Energy Inc	6.050	6.115	03/15/2014	150	150	158
Sempra Energy	8.900	6.589	11/15/2013	200	217	223
Sempra Energy	6.500	6.539	06/01/2016	100	100	104
Sempra Energy	9.800	7.451	02/15/2019	150	174	182
Shell International Fin	4.000	4.006	03/21/2014	500	500	513
Shell International Fin	6.380	6.026	12/15/2038	140	147	152
Simon Property Group Inc	6.750	7.000	05/15/2014	85	84	85
Simon Property Group Inc	6.100	9.051	05/01/2016	325	277	303
Southern Cal Edison	4.150	4.153	09/15/2014	100	100	102
Southern Cal Edison	6.050	6.110	03/15/2039	250	248	268
Southern Company	4.150	4.173	05/15/2014	100	100	100
Spectra Energy	6.200	6.993	04/15/2018	245	232	241
Spectra Energy Capital	6.750	8.473	07/15/2018	160	143	151
Staples Inc	9.750	7.024	01/15/2014	220	243	246
State Street Corp	4.300	4.321	05/30/2014	300	300	297
Talisman Energy Inc	7.750	7.809	06/01/2019	30	30	33
TCI Communications Inc	7.880	7.698	02/15/2026	100	102	105
Telecom Italia Capital	7.000	8.462	06/04/2018	100	91	101
Telefonica Eisiones SAU	6.220	5.862	07/03/2017	150	153	159
Telefonica Eisiones SAU	5.880	5.877	07/15/2019	50	50	52
Time Warner Cable Inc	8.250	5.583	02/14/2014	380	421	426
TransCanada Pipe	7.630	7.632	01/15/2039	50	50	58
Trans-Canada Pipelines	6.500	6.559	08/15/2018	250	249	272
Union Pacific Corp	7.880	6.342	01/15/2019	120	133	137
UNP RR Co 2003 Pass Trust	4.700	5.282	01/02/2024	92	87	87
Verizon Communications	5.500	6.008	02/15/2018	100	97	87 99
Verizon Communications Verizon Communications			04/01/2039	400	390	
	7.350	7.564				436
Verizon Florida LLC	6.130	5.835	01/15/2013	275	278	284
Verizon Virginia Inc	4.630	4.968	03/15/2013	375	371	376
Viacom Inc	6.250	7.799	04/30/2016	145	133	143
Virginia Elec & Power Co	5.400	4.990	04/30/2018	490	504	508
Vodafone Group	5.750	6.019	03/15/2016	200	197	205
Wachovia Corp	5.500	5.859	05/01/2013	950	938	981

A -  $Adjustable\ rate\ security.$ 

# Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Wachovia Corp	5.750 %	6.830 %	02/01/2018	400	\$ 372	\$ 393
Wal-Mart Stores	5.250	5.736	09/01/2035	425	397	405
Waste Management Inc	7.380	7.011	03/11/2019	60	62	64
WellPoint Inc	5.880	6.710	06/15/2017	200	190	196
Wells Fargo & Company	5.000	7.000	11/15/2014	100	91	102
Wells Fargo & Company	5.630	7.025	12/11/2017	225	205	221
Total U.S. Corporate Bonds					39,571	41,035
Corporate Asset Backed Issues						
CNH Equipment Trust	5.280	5.342	11/15/2012	250	250	259
CNH Equipment Trust	2.970	2.996	03/15/2013	200	200	200
Ford Credit Auto Owner Trust Ford Credit Auto Owner Trust	2.790	2.810 4.547	08/15/2013	400 300	400 284	400 300
John Deere Owner Trust	4.500 2.590	2.612	07/15/2014 10/15/2013	300	300	300
Residential Accredit Loans Inc	15.970	16.446	10/25/2017	419	420	362
World Omni Auto Receivable	3.330	3.364	05/15/2013	365	365	370
Total Corporate Asset Backed Issues	3.330	3.301	03/13/2013	303	2,219	2,191
U. S. Corporate CMO						
ASG Resecuritization Trust	5.590	9.089	03/26/2037	1,593	1,475	1,471
ASG Resecuritization Trust	5.620 A	17.913	06/26/2037	1,719	1,366	1,581
ASG Resecuritization Trust	6.000	8.504	06/28/2037	2,020	1,918	1,918
ASG Resecuritization Trust	5.850 A	10.385	05/24/2036	991	874	872
Banc of Amer Altern Loan Trust	5.500	7.249	09/25/2033	448	398	395
Banc of America Commercial Mtg	5.370	10.516	09/10/2045	660	510	544
Banc of America Mortgage Sec	6.500	6.737	09/25/2032	524	519	523
Bank of America Corp	5.750	7.161	09/20/2034	751	662	665
Bear Stearns Commercial Mtg	5.540	9.695	10/12/2041	300	239	255
Chase Funding Mortgage Loan	4.280	6.642	11/25/2034	1,053	920	857
Citicorp Mortgage Securities	5.250	5.196	05/25/2034	628	627	601
Citigroup Mortgage Loan Trust	5.250 6.000	7.433 8.652	10/25/2033 06/25/2036	1,220 999	1,004 908	991 908
Citigroup Mortgage Loan Trust Commercial Mortgage Pass-Thru	4.980	9.224	05/10/2043	1,000	830	884
Countrywide Home Loans	4.500	5.308	06/25/2019	1,198	1,162	1,162
CS First Boston Mortgage	17.970	19.157	06/25/2035	392	382	375
GMAC Commercial Mortgage Sec.	5.240	0.000	11/10/2045	1,810	1,810	1,499
GS Mortgage Securities Corp	5.550	9.274	04/10/2038	1,000	828	824
GSMPS Mortgage Loan Trust	0.660	7.882	03/25/2035	753	469	684
Impac Secured Assets Corp	5.500	7.288	08/25/2033	435	394	384
JP Morgan Chase Commercial Mtg	5.400	9.292	05/15/2045	950	770	753
Master Reperforming Loan Trust	0.660	7.272	05/25/2035	1,038	683	715
Master Resecuritization Trust	0.000	13.625	05/28/2035	968	522	377
Mastr Asset Securitization	5.500	7.847	09/25/2033	404	356	382
Residential Accredit Loans	5.750	6.508	10/25/2033	795	744	664
Structured Asset Mortgage Inv	0.000	5.974	07/25/2032	306	201	228
Structured Asset Securities	5.000	11.022	05/25/2035	458	350	361
Structured Asset Securities	13.270	15.718	05/25/2035	431	416	442
Vendee Mortgage Trust	6.750	5.507	06/15/2026	950	1,005	1,009
Wachovia Bank Comm Mtg Trust	5.930 A	8.278	05/15/2043	1,440	1,272	1,185
Washington Mutual Mortgage	0.000	19.606	07/25/2033	461	300	280
Washington Mutual Mortgage Washington Mutual Mortgage	16.190 5.500	15.842 3.541	11/25/2033	1,057 940	1,076	988
Wells Fargo Mortgage Backed	4.490 A	16.432	05/25/2035 12/25/2034	527	96 443	104 487
Total Corporate CMO	4.490 A	10.432	12/23/2034	321	25,529	25,368
Total Corporate Issues - 17.4%					67,319	68,594
Short-term Issues						
Dreyfus Cash Management				15,209	15,209	15,209
Total Short-term Issues - 3.9%					15,209	15,209
Total Investment Securities - 102.8%					\$ 404,181	\$ 405,768

 ${\it A}$  -  ${\it Adjustable}$  rate security.

# **Statement of Operations**

# For the period March 2, 2009 (inception date) to June 30, 2009

(Amounts in thousands)

Investment income		
Interest income		\$ 5,757
Dividend income		194
Net amortization		 (711)
	Total investment income	5,240
Expenses		
Investment advisor fees		(85)
Custodian bank fees		(9)
Management fees		(35)
Professional service fees		 (6)
	Total expenses	 (135)
	Investment income, net	5,105
Realized and unrealized gains from investments		
Net realized gain from investments		24
Net increase in the fair value of investments		 1,587
	Net gain from investments	 1,611

Net increase in net assets from operations

6,716

# **Statement of Changes in Net Assets**

# For the period March 2, 2009 (inception date) to June 30, 2009

(Amounts in thousands, except unit data)

# **Operations**

•	
Investment income, net	\$ 5,105
Net realized gain from investments	24
Net increase in the fair value of investments	 1,587
Net increase in net assets from operations	6,716
Distributions to unitholders	
Investment income, net	(5,105)
Unit transactions	
Proceeds from sale of units	393,546
Reinvestment of distributions	3,078
	396,624
Amount paid for repurchase of units	 (3,352)
Net increase in net assets from unit transactions	 393,272
Increase in net assets	394,883
Net assets, beginning of period	 
Net assets, end of period	\$ 394,883
Unit data	
Units sold	39,337,425
Units issued from reinvestment of distributions	307,103
	39,644,528
Units repurchased	 (334,147)
Net increase in units	 39,310,381

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The Core Fixed Income Pool (Pool) began operations on March 2, 2009.

The accompanying financial statements reflect only the investments and investment-related operations of the Pool. They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The main objective of this core bond pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JPMorgan Investment Advisors, Inc. manages this pool. This pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital US Aggregate index.

# NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

**Asset-Backed Securities** – The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value, which is determined by a third party pricing service based on asset

# NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

portfolio pricing models and other sources. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

Investment Transactions - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

**Amortization** - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Statement of Operations in the year of the change.

**Distributions to Participants** - The monthly net investment income is declared as a dividend on the last day of the month and distributed to the participants of the Pool on the first day of the following month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Net Assets.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

# NOTE 3. INVESTMENT RISK DISCLOSURES

### Credit Risk

The IMB limits the exposure to credit risk in the Core Fixed Income Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the rated assets in the Core Fixed Income Pool as of June 30, 2009.

# NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Agency collateralized mortgage obligations	Aaa	AAA	\$ 134,378,380	33.1%
Agency mortgage backed securities	Aaa	AAA	117,952,526	29.1%
U. S. Treasury bonds and notes	Aaa	AAA	69,633,643	17.2%
Corporate bonds and notes	A	A	41,035,802	10.1%
Corporate collateralized mortgage obligations	Baa	AA	25,367,921	6.3%
Money market funds	Aaa	AAA	15,209,068	3.7%
Corporate asset backed securities	Aaa	AAA	2,191,003	0.5%
Total rated investments			\$ 405,768,343	100.0%

### **Concentration of Credit Risk**

West Virginia statutes prohibit the Core Fixed Income Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2009, the Core Fixed Income Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

### **Custodial Credit Risk**

At June 30, 2009, the Core Fixed Income Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB.

### **Interest Rate Risk**

The IMB monitors interest rate risk of the Core Fixed Income Pool by evaluating the modified duration of the investments in the Pool. The following table provides the weighted average modified duration for the various asset types in the Core Fixed Income Pool as of June 30, 2009.

N # 1'C' 1

		Modified Duration
Security Type	Fair Value	(years)
Agency collateralized mortgage obligations	\$ 134,378,380	3.4
Agency mortgage backed securities	117,952,526	8.9
U. S. Treasury bonds and notes	69,633,643	6.4
Corporate bonds and notes	41,035,802	5.0
Corporate collateralized mortgage obligations	25,367,921	4.1
Money market funds	15,209,068	0.0
Corporate asset backed securities	2,191,003	1.9
Total assets	\$ 405,768,343	5.4

The Core Fixed Income Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2009, the Core Fixed Income Pool held \$279,883,830 of these securities. This represents approximately 69 percent of the value of the Pool's securities.

### **Foreign Currency Risk**

None of the securities held by the Core Fixed Income Pool are exposed to foreign currency risk.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

# NOTE 5. FAIR VALUE MEASUREMENTS (continued)

	Le	evel I	Level II	Leve	ıl III	Total
Regulated Investment Companies	\$	-	\$ 15,209,069	\$	-	\$ 15,209,069
U.S. Government Agency Issues		-	252,330,905		-	252,330,905
U.S. Treasury Issues		-	69,634,643		-	69,634,643
Corporate Issues		-	68,593,726		-	68,593,726
Total	\$	-	\$ 405,768,343	\$	_	\$ 405,768,343

# NOTE 6. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance: Net asset value at March 2, 2009 (date of inception) Income from investment operations:	\$ 10.00
Net investment income	0.18
Net realized and unrealized gain on investment transactions	 0.04
Total from investment operations	 0.22
Less distributions from net investment income	 (0.17)
Net asset value at June 30, 2009	\$ 10.05
Time-weighted Total Return *	2.1%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 394,883
Ratio to average net assets:	
Expenses **	0.04%
Net investment income **	1.66%
Portfolio turnover rate	3.35%

<sup>\*</sup> Return data is net of fees for the period and is not annualized

<sup>\*\*</sup> All ratios are for the period and are annualized

# **Notes to Financial Statements**

# NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool. The balances do not include the dividend declared by the Pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month.

<u>Participant</u>		Account Value
Public Employees' Retirement System		\$ 86,852,941
Workers' Compensation Old Fund		77,176,358
Teachers' Retirement System		67,076,648
Retiree Health Benefit Trust		55,064,693
Coal Workers' Pneumoconiosis Fund		35,102,519
Public Employees Insurance Agency		21,297,666
Board of Risk and Insurance Management		18,355,959
State Police Death, Disability and Retirement Fund		9,692,548
Revenue Shortfall Reserve Fund B		8,649,369
Revenue Shortfall Reserve Fund		5,984,878
Prepaid Tuition Trust Fund		2,784,864
Judges' Retirement System		2,393,470
Deputy Sheriff's Retirement System		2,098,984
State Police Retirement System		1,087,818
Wildlife Endowment Fund		800,423
Emergency Medical Services Retirement System		452,852
Prepaid Tuition Trust Escrow Fund		11,285
	Total	\$ 394,883,275

June 30, 2009

# Audited Financial Statements June 30, 2009

# **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	I-1
Schedule of Investments in Securities	I-2
Statement of Operations	I-3
Statement of Changes in Net Assets	I-4
Statement of Cash Flows	I-5
Notes to Financial Statements	I-6



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

# **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, cash flows, and financial highlights (included in the footnotes) for the period December 10, 2008 (inception date) to June 30, 2009 for the West Virginia Investment Management Board's (WVIMB) TRS Annuity Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's TRS Annuity Pool as of June 30, 2009 and the results of its operations, changes in net assets, cash flows, and financial highlights for the period December 10, 2008 (inception date) to June 30, 2009 on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Investment securities at fair value	\$	198,915
Liabilities		
Accrued expenses		11
Net assets	\$	198,904
Analysis of net assets		
Paid-in capital Accumulated undistributed net investment income	\$	193,299 5,605
Net assets	s <u>\$</u>	198,904

19,419,996

10.24

See accompanying notes to financial statements.

Assets

Unit data

Units outstanding

Net asset value, unit price

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	A	mortized Cost	F:	air Value
	Similes		- COS <b>t</b>		· · · · · · · · · · · · · · · · · · ·
Annuity Contract					
Variable Annuity Life Insurance Company	198,915	\$	198,915	\$	198,915
Investment Objective - To provide a guaranteed annu- of 4.5% until final liquidation.	al interest yield				
Redemption Provisions - Scheduled redemptions in in on 5/4/2010, 5/4/2011, 5/4/2012 and 5/4/2013.	nstallments due				
Total Investment Securities		\$	198,915	\$	198,915

# **Statement of Operations**

# For the period December 10, 2008 (inception date) to June 30, 2009 $\,$

(Amounts in thousands)

Investment income		\$ 5,681
Expenses		
Trustee fees		(1)
Management fees		(54)
Fiduciary bond fees		(1)
Professional service fees		 (20)
	Total expenses	(76)
	Investment income, net	5,605
	Net increase in net assets from operations	\$ 5,605

# **Statement of Changes in Net Assets**

# For the period December 10, 2008 (inception date) to June 30, 2009

(Amounts in thousands, except unit data)

<b>Operations</b>
-------------------

Investment income, net	\$ 5,605
Unit transactions	
Proceeds from sale of units	248,440
Amount paid for repurchase of units	 (55,141)
Net increase in net assets from unit transactions	 193,299
Increase in net assets	198,904
Net assets, beginning of period	 <u>-</u>
Net assets, end of period	\$ 198,904
Unit data	
Units sold	24,843,883
Units repurchased	 (5,423,887)
Net increase in units	 19,419,996

# **Statement of Cash Flows**

# For the period December 10, 2008 (inception date) to June 30, 2009

(Amounts in thousands)

~ -	~	_		
Cash	flows	from	operating	activities

Net increase in net assets from operations	\$ 5,605
Adjustments to reconcile net increase in net assets from operations to	
net cash used in operating activities:	
Purchase of annuity contract	(254,056)
Proceeds from disposition of annuity contract	55,141
Increase in accrued expenses	11
Net cash used in operating activities	(193,299)
Cash flows from financing activities	
Proceeds from units sold	248,440
Paid for repurchase of units	 (55,141)
Net cash provided by financing activities	 193,299
Net change in cash	-
Cash	
Beginning balance	-
Ending balance	\$ =

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The TRS Annuity Pool (Pool) began operations on December 10, 2008.

The accompanying financial statements reflect only the investments and investment-related operations of the Pool. They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The Pool holds an investment contract strictly for the benefit of the Teachers Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring, and was transferred in kind to the IMB on December 10, 2008. The final amount transferred on the contract was \$248,292,529. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,102. The first payment was received on May 4, 2009 and subsequent payments will be received on May 4, 2010, 2011, 2012, and 2013. The contract and the payments include a guaranteed annual interest yield of 4.5%. VALIC is a wholly-owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. The VALIC contract is a private annuity contract between the issuer and the IMB and is not a marketable security. It is carried at fair value using a discounted cash flow model based on the underlying cash flows of the contract, implicit rate of return, and estimated credit risk premiums using observable market data.

Investment Transactions - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Interest Income** - Interest income is recognized as earned on the accrual method.

**Distributions** - The Pool does not routinely distribute dividends or net capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

# NOTE 3. INVESTMENT RISK DISCLOSURES

### Credit Risk

The contract issued by the VALIC is not rated by any of the nationally recognized statistical rating agencies. VALIC has received "A" ratings from Moody's, Fitch, and Standard & Poor's.

### **Concentration of Credit Risk**

The contract issued by the VALIC is the only security held by the Pool. Consequently, the Pool is subject to concentration of credit risk.

### **Custodial Credit Risk**

The Pool is not subject to custodial credit risk.

### **Interest Rate Risk**

The investment contract has a guaranteed annual interest yield of 4.5%, which is higher than current market interest rates. The IMB has elected to withdraw funds in equal installments over five years. Under the terms of the election agreement the interest rate became fixed. The Pool is subject to the risk that it could potentially earn a lower than market interest rate in the event market rates increase above the 4.5% contractual rate.

# **Foreign Currency Risk**

The Pool is not subject to foreign currency risk.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

# NOTE 5. FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Leve	l I	Level II		Level III	Total	
Annuity Contract	\$		\$	-	\$198,915,431	\$ 198,915,431	

The reconciliation of the beginning and ending balances of Level 3 investments for the period from December 10, 2008 (date of inception) to June 30, 2009 was as follows:

	Annuity		
	Contract		
Balance at December 10, 2008	\$	-	
Net realized gain/(loss)		-	
Net change in unrealized appreciation/(depreciation)		=	
Net purchases/(sales)		198,915,431	
Net transfers in/(out) of Level 3		-	
Balance at June 30, 2009	\$	198,915,431	

# NOTE 6. FINANCIAL HIGHLIGHTS

Per	I Init	Onerating	Performance:
1 (1	Omi	Oberaum	z i ci iui mance.

Ter Omit Operating Lerior mance.	
Net asset value at December 10, 2008	\$ 10.00
Net investment income from investment operations	0.24
Net asset value at June 30, 2009	\$ 10.24
Time-weighted Total Return *	2.5%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 198,904
Ratio to average net assets:	
Expenses **	0.03%
Net investment income **	2.38%
Portfolio turnover rate	23.38%

<sup>\*</sup> Return data is net of fees for the period and is not annualized

<sup>\*\*</sup> All ratios are for the period and are annualized

**Audited Financial Statements** 

June 30, 2009

# Audited Financial Statements June 30, 2009

# **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	J-1
Schedule of Investments in Securities	J-2
Statement of Operations	J-5
Statement of Changes in Net Assets	J-6
Statement of Cash Flows	J-7
Notes to Financial Statements	J-8



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

# **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, cash flows, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) Private Equity Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Private Equity Pool as of June 30, 2009 and the results of its operations, changes in net assets, cash flows, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 21, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Asset	

Investment securities at fair value Receivables: Partnership distributions Dividends		\$ 582,966 34 9
	Total assets	583,009
Liabilities		
Accrued expenses		 119
	Net assets	\$ 582,890
Analysis of net assets		
Paid-in capital		\$ 788,434
Accumulated undistributed net investment loss		(1,553)
Accumulated undistributed net realized loss from investments		(70,600)
Unrealized net depreciation of investments		 (133,391)
	Net assets	\$ 582,890
Unit data		
Units outstanding		78,901,662
Net asset value, unit price		\$ 7.39

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	<b>A</b> 1	mortized Cost	F	air Value
<u>Partnerships</u>					
Advent International GPE VI-A, LP		\$	7,400	\$	5,893
Investment Objective - To provide risk capital for, and		Ψ	7,100	Ψ	5,075
make investments in the securities of, privately held and					
publicly listed companies primarily in Europe and					
North America.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Carlyle Partners V			16,503		13,041
Investment Objective - To generate superior, long-term			ŕ		,
capital appreciation through privately negotiated equity					
and equity related investments.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Franklin Park Venture Fund Series 2008, LP			2,101		2,174
Investment Objective - To realize long-term compounded					
returns in excess of those available through conventional					
investments in the public equity markets.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Franklin Park Venture Fund Series 2009, LP			294		406
Investment Objective - To realize long-term compounded					
returns in excess of those available through conventional					
investments in the public equity markets.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
H.I.G. Bayside Debt & LBO Fund II, LP			10,610		10,939
Investment Objective - To invest in distressed debt					
obligations and other securities of distressed lower					
middle market companies.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Insight Equity II LP			489		151
Investment Objective - To acquire underperforming,					
operationally challenged, or financially distressed small					
and middle market businesses and to seek to reorganize					
operations and stategy to restore profitability and growth.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Insight Equity Mezzanine I, LP			1,326		1,131
Investment Objective - To invest in mezzanine securities					
issued by companies in which Insight is also an equity					
sponsor.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

Security Name	Shares	Amortized Cost		Fair Value	
LLR Equity Partners III, LP		\$	9,600	\$	8,331
Investment Objective - To provide investors with		Ψ	,,000	Ψ	0,001
substantial long-term capital gans by investing in a					
diversified portfolio of equity securities.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Natural Gas Partners IX, LP			10,213		7,096
Investment Objective - To generate long-term capital gains			10,213		7,000
through equity investments in companies engaged in the					
energy and resource related industries, wth an emphasis					
on privately negotiated equity investments in North					
America oil and gas companies.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Odyssey Investment Partners Fund IV, LP			947		403
			947		403
Investment Objective - To seek long-term capital					
appreciation by principally pursuing control oriented					
equity and equity related investments in middle market					
companies located primarily in the United States.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.			21 161		12 622
Platinum Equity Capital Partners II, LP			21,161		13,623
Investment Objective - To make private investments in					
equity, equity oriented or debt securities that offer					
equity-like returns, of underperforming companies to					
generate capital appreciation.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.			450		(20.5)
Welsh, Carson, Anderson & Stowe XI, LP			472		(206)
Investment Objective - To provide capital to domestic or					
foreign corporations, partnerships and joint ventures					
and to assist in developing the business of those					
enterprises.					
Redemption Provisions - Upon termination of the partnership.					
A detail of the underlying investments is not available.					
Total Partnerships - 10.8%			81,116		62,982
Investments in Other Funds					
Bridgewater Associates All Weather Portfolio	648,705		619,400		504,143
Investment Objective - To maintain market exposure					
for funds awaiting investment in private equity limited					
partnerships.					
Redemption Provisions - Monthly on the first business day					
A detail of the underlying investments is not available.					
Total Investments in Other Funds - 86.5%			619,400		504,143

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

	Amortized					
Security Name	Shares		Cost		Fair Value	
Short-term Issues Dreyfus Cash Management Institutional Fund - 2.7%	15,840,720	\$	15,841	\$	15,841	
Total Investment Securities - 100.0%		\$	716,357	\$	582,966	

# Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

T 4 4	•
Investment	income
mvesument	mcome

Dividend income	\$ 568
Expenses	
Trustee fees	(4)
Custodian bank fees	(3)
Management fees	(237)
Fiduciary bond fees	(5)
Professional service fees	(635)
Fund closing costs	(1,131)
Total expenses	 (2,015)
Investment loss, net	(1,447)
Realized and unrealized loss from investments	
Net realized loss from investments	(70,600)
Net decrease in the fair value of investments	(125,959)
	·
Net loss from investments	 (196,559)
Net decrease in net assets from operations	\$ (198,006)

# Private Equity Pool

#### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except for unit data)

#### **Operations**

Investment loss, net Net realized loss from investments Net decrease in the fair value of investments	\$	(1,447) (70,600) (125,959)
Net decrease in net assets from operations		(198,006)
Unit transactions		
Proceeds from sale of units Amount paid for repurchase of units		141,251 (229,415)
Net decrease in net assets from unit transactions		(88,164)
Decrease in net assets		(286,170)
Net assets, beginning of period		869,060
Net assets, end of period	\$	582,890
Unit data		
Units sold Units repurchased		18,594,315 (31,325,943)
Net decrease in units	\$ (	12,731,628)

# Private Equity Pool

#### Statement of Cash Flows Year Ended June 30, 2009

(Amounts in thousands)

	Cash	flows	from	operating	activities
--	------	-------	------	-----------	------------

Net decrease in net assets from operations	\$ (198,006)
Adjustments to reconcile net decrease in net assets from operations to	
net cash provided by operating activities:	
Purchase of investment securities	(161,713)
Proceeds from disposition of investment securities	210,000
Net realized loss from investments	70,600
Sales of short-term investment securities, net	41,205
Decrease in dividends receivable	138
Increase in accounts receivable	(34)
Increase in accrued expenses	15
Net decrease in the fair value of investments	 125,959
Net cash provided by operating activities	88,164
Cash flows from financing activities	
Proceeds from units sold	141,251
Paid for repurchase of units	(229,415)
Net cash used in financing activities	 (88,164)
Net change in cash	-
Cash	
Beginning balance Ending balance	\$ 
-	

#### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Private Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The Pool was established to hold the IMB's investments in various types of private equity funds. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for this asset class.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$567,125,872 of investments in private partnerships and other investment funds which are reported at fair value. For all of these investments, the IMB has concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the carrying amount of such investments is a reasonable estimate of fair value as of June 30, 2009.

Investment Transactions - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investments in other funds are recognized at the time of sale by the average cost method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

Distributions to Participants - The Pool does not routinely distribute dividends or net capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

#### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds limited partnerships, shares of an institutional commingled fund and a money market fund with the highest credit rating. The institutional commingled fund is not rated by any of the nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The securities of the Pool are not exposed to credit risk, interest rate risk, or custodial credit risk. There is an indirect exposure to foreign currency risk through certain of the partnerships and the commingled fund. At June 30, 2009 these investments had holdings in foreign currencies of approximately \$301,550,000 or approximately 53 percent of the total value of the Pool's investments. At June 30, 2009, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 21, 2009, for inclusion in these financial statements.

#### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Le	evel I	Level II	 Level III	 Total
Regulated Investment Companies	\$	-	\$ 15,840,720	\$ -	\$ 15,840,720
Investments in Other Funds		-	-	504,142,661	504,142,661
Partnerships		-	-	62,982,211	62,982,211
Total	\$	-	\$ 15,840,720	\$ 567,124,872	\$ 582,965,592

#### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2009 was as follows:

	I	nvestments in		
		Other Funds	I	Partnerships
Balance at June 30, 2008	\$	794,071,697	\$	17,898,601
Net realized gain/(loss)		(70,600,090)		-
Net change in unrealized appreciation/(depreciation)		(109,328,946)		(16,630,359)
Net purchases/(sales)		(110,000,000)		61,713,969
Net transfers in/(out) of Level 3				=
Balance at June 30, 2009	\$	504,142,661	\$	62,982,211

#### NOTE 6. COMMITMENTS

The IMB, with the assistance of its consultant, began implementing its plan to invest in private equity partnerships in February 2008. As of June 30, 2009 the IMB had made commitments to fourteen private equity general partnerships totaling \$540,000,000. The IMB had funded \$81,116,000 of these commitments at June 30, 2009, leaving unfunded commitments of \$458,884,000.

#### NOTE 7. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 9.48
Income from investment operations:	
Net investment loss	(0.02)
Net realized and unrealized loss on investment transactions	(2.07)
Total from investment operations	(2.09)
Net asset value at June 30, 2009	\$ 7.39
Time-weighted Total Return *	-22.1%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 582,890
Ratio to average net assets:	
Expenses **	0.31%
Net investment income **	-0.22%
Portfolio turnover rate	25.90%

<sup>\*</sup> Return data is net of fees and is for the full fiscal year

<sup>\*\*</sup> All ratios are for the fiscal year

# Private Equity Pool

#### **Notes to Financial Statements**

#### NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

Participant		Account Value
Teachers' Retirement System		\$ 273,787,906
Public Employees' Retirement System		251,942,890
State Police Death, Disability and Retirement Fund		33,768,787
Judges' Retirement System		8,220,482
Deputy Sheriff's Retirement System		7,149,282
State Police Retirement System		3,688,412
Wildlife Endowment Fund		2,789,696
Emergency Medical Services Retirement System		1,542,203
	Total	\$ 582,889,658

**Audited Financial Statements** 

June 30, 2009

#### Audited Financial Statements June 30, 2009

#### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	K-1
Schedule of Investments in Securities	K-2
Statement of Operations	K-3
Statement of Changes in Net Assets	K-4
Statement of Cash Flows	K-5
Notes to Financial Statements	K-6



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

#### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, cash flows, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) Private Real Estate Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Private Real Estate Pool as of June 30, 2009 and the results of its operations, changes in net assets, cash flows, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 21, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

		- 4	٠
Δ	SS	$\boldsymbol{\alpha}$	rc

Investment securities at fair value Dividends receivable		\$ 37,447 9
	Total assets	37,456
Liabilities		
Accrued expenses		 64
	Net assets	\$ 37,392
Analysis net assets		
Paid-in capital Accumulated undistributed net investment loss Unrealized net depreciation of investments		\$ 46,508 (360) (8,756)
	Net assets	\$ 37,392
Unit data		
Units outstanding Net asset value, unit price		\$ 4,985,376 7.50

See accompanying notes to financial statements.

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands, except share data)

	Amortized				
Security Name	Shares	Cost		Fair Value	
Investments in Partnerships and Other Funds					
Quadrant Fund I, LLC	2,649,623	\$	15,000	\$	7,360
Investment Objective - To provide an attractive total					
return by investing in a diversified portfolio of real					
estate assets.					
Redemption Provisions - Quarterly on the last business day					
A detail of the underlying investments is not available.					
RCG Longview Debt Fund IV, L. P.			10,058		8,942
Investment Objective - To provide above market, risk					
adjusted returns by investing in a variety of debt and					
debt-like instruments.					
Redemption Provisions - upon termination of partnership.					
A detail of the underlying investments is not available.					
Total Investments in Partnerships and Other Funds - 43.6%			25,058		16,302
Short-term Issues					
Dreyfus Cash Management Institutional Fund - 56.5%	21,145,192		21,145		21,145
T . 17		ф	46.000	Φ.	25.445
Total Investment Securities - 100.1%		\$	46,203	\$	37,447

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

#### **Investment income**

Net operating income from partnerships or funds Dividend income	\$ 632 328
Total investment income	960
Expenses	
Custodian bank fees	(2)
Management fees	(13)
Professional service fees	(407)
Fund closing costs	(432)
Management fees - external	 (245)
Total expenses	 (1,099)
Investment loss, net	(139)
Net decrease in the fair value of investments	 (7,354)
Net decrease in net assets from operations	\$ (7,493)

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

#### **Operations**

Investment loss, net		\$ (139)
Net decrease in the fair value of investments		 (7,354)
	et decrease in net assets from operations	(7,493)
Unit transactions		
Proceeds from sale of units  Amount paid for repurchase of units		 10,958
Net inci	rease in net assets from unit transactions	 10,949
	Increase in net assets	3,456
Net assets, beginning of period		 33,936
	Net assets, end of period	\$ 37,392
Unit data		
Units sold Units repurchased		 1,403,698 (1,255)
	Net increase in units	 1,402,443

#### Statement of Cash Flows Year Ended June 30, 2009

(Amounts in thousands)

Cash flows from operating activities	
Net decrease in net assets from operations	\$ (7,493)
Adjustments to reconcile net decrease in net assets from operations to	
net cash used in operating activities:	
Purchase of investment securities	(10,058)
Purchase of short-term investment securities, net	(754)
Decrease in dividends receivable	34
Decrease in accrued expenses	(32)
Net decrease in the fair value of investments	 7,354
Net cash used in operating activities	(10,949)
Cash flows from financing activities	
Proceeds from units sold	10,958
Paid for repurchase of units	 (9)
Net cash provided by financing activities	 10,949
Net change in cash	-
Cash	
Beginning balance	 

Ending balance

#### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Private Real Estate Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The Pool was established to hold the IMB's investments in private real estate funds. Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for this asset class.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$16,301,689 of investments in private partnerships and other investment funds which are reported at fair value. For all of these investments, the IMB has concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the carrying amount of such investments is a reasonable estimate of fair value as of June 30, 2009.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investments in other funds are recognized at the time of sale by the average cost method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

Distributions to Participants - The Pool does not routinely distribute dividends or net capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

#### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds a limited partnership, shares of an institutional commingled fund and a money market fund with the highest credit rating. The institutional commingled fund is not rated by any of the nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The securities of the Pool are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2009, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 21, 2009, for inclusion in these financial statements.

#### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Lev	el I	Level II Level III		Total		
Regulated Investment Companies	\$	-	\$ 21,145,192	\$	-	\$	21,145,192
Investments in partnerships and							
other funds		-	-	1	6,301,689		16,301,689
Total	\$	-	\$ 21,145,192	\$ 1	6,301,689	\$	37,446,881

#### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2009 was as follows:

	Investments in		
	Partnerships and Other		
		Funds	
Balance at June 30, 2008	\$	13,597,721	
Net realized gain/(loss)		-	
Net change in unrealized appreciation/(depreciation)		(6,721,382)	
Net purchases/(sales)		9,425,350	
Net transfers in/(out) of Level 3		-	
Balance at June 30, 2009	\$	16,301,689	

#### NOTE 6. COMMITMENTS

The IMB, with the assistance of its consultant, began implementing its plan to invest in private real estate in February 2008. The IMB committed \$130,000,000 to four real estate investment funds/partnerships. The IMB had funded \$25,058,000 of these commitments at June 30, 2009, leaving unfunded commitments of \$104,942,000.

#### NOTE 7. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 9.47
Income from investment operations:	
Net investment loss	(0.17)
Net realized and unrealized loss on investment transactions	 (1.80)
Total from investment operations	(1.97)
Net asset value at June 30, 2009	\$ 7.50
Time-weighted Total Return *	-20.9%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 37,392
Ratio to average net assets:	
Expenses **	3.13%
Net investment income **	-2.20%
Portfolio turnover rate	4.21%

<sup>\*</sup> Return data is net of fees and is for the full fiscal year

<sup>\*\*</sup> All ratios are for the fiscal year

#### **Notes to Financial Statements**

#### NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

Participant		Account Value
Public Employees' Retirement System		\$ 17,578,390
Teachers' Retirement System		16,467,753
State Police Death, Disability and Retirement Fund		2,047,454
Judges' Retirement System		450,123
Deputy Sheriff's Retirement System		394,870
State Police Retirement System		208,176
Wildlife Endowment Fund		168,398
Emergency Medical Services Retirement System		76,593
	Total	\$ 37,391,757

**Audited Financial Statements** 

June 30, 2009

#### Audited Financial Statements June 30, 2009

#### **Table of Contents**

Independent Auditors' Report	
Statement of Assets and Liabilities	L-1
Schedule of Investments in Securities	L-2
Statement of Operations	L-4
Statement of Changes in Net Assets	L-5
Statement of Cash Flows	L-6
Notes to Financial Statements	L-7



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

#### **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments in securities, as of June 30, 2009, and the related statements of operations, changes in net assets, cash flows, and financial highlights (included in the footnotes) for the year then ended for the West Virginia Investment Management Board's (WVIMB) Hedge Fund Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board's Hedge Fund Pool as of June 30, 2009 and the results of its operations, changes in net assets, cash flows, and financial highlights for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 21, 2009

# Statement of Assets and Liabilities June 30, 2009

(Amounts in thousands, except unit data)

Investment securities at fair value	\$	1,112,576
Liabilities		
Accrued expenses	_	132
Net	assets \$	1,112,444
Analysis of net assets		
Paid-in capital	\$	1,200,698
Accumulated undistributed net investment loss		(830)
Unrealized net depreciation of investments	_	(87,424)
Net	assets \$	1,112,444
Unit data		
Units outstanding		120,078,099
Net asset value, unit price	\$	9.26

See accompanying notes to financial statements.

# Schedule of Investments in Securities June 30, 2009

(Amounts in thousands)

Security Name	Cost	Fair Value
Investments in Other Funds		
AllBlue Limited	\$ 84,000	\$ 95,150
Investment Objective - To provide consistent long-term appreciation of assets		
through active investment in a diversified portfolio.		
Redemption Provisions - Monthly on the first business day with 33 days' prior		
written notice.		
A detail of the underlying investments is not available.  Anchorage Crossover Credit	48,000	39,393
Investment Objective - To earn superior risk-adjusted returns while emphasizing	10,000	57,575
preservation of capital.		
Redemption Provisions - Bi-annually with 90 days' prior written notice.		
A detail of the underlying investments is not available.		
Bennelong Asia Pacific	36,000	33,012
Investment Objective - To achieve long- and short-term capital appreciation		
primarily through equity investments in companies organized or operating in the		
Asia Pacific region.		
Redemption Provisions - Monthly with 90 days' prior written notice.		
A detail of the underlying investments is not available.  Brevan Howard Fund	48,000	55,698
Investment Objective - To generate consistent long-term appreciation through	40,000	33,098
Redemption Provisions - Monthly with 90 days' prior written notice.		
A detail of the underlying investments is not available.		
BW Pure Alpha	60,000	54,995
Investment Objective - To achieve substantial capital appreciation in a wide range		
of asset classes.		
Redemption Provisions - Monthly on the first business day with 5 days' prior written notice.		
A detail of the underlying investments is not available.		
CQS Convertible Strategies	60,000	45,940
Investment Objective - To achieve attractive risk-adjusted returns over the medium		
Redemption Provisions - Annually with 365 days' prior notice.		
A detail of the underlying investments is not available.  Davidson Kempner	84,000	83,757
Investment Objective - To achieve capital appreciation.	01,000	03,737
Redemption Provisions - Quarterly with 65 days' prior notice.		
A detail of the underlying investments is not available.		
Golden Tree Offshore	60,000	48,794
Investment Objective - To achieve superior risk-adjusted total returns through		
Redemption Provisions - Quarterly with 90 days' prior notice.		
A detail of the underlying investments is not available.	00.000	76.401
Highbridge Capital	90,000	76,431
Investment Objective - To attain consistent capital appreciation with low volatility		
through arbitrage and absolute return investment strategies in the global equity  Redemption Provisions - Quarterly with 45 days' prior notice.		
A detail of the underlying investments is not available.		
Ivory Offshore	48,000	50,789
Investment Objective - To take long and short positions primarily in equity securities	,	,
Redemption Provisions - Quarterly with 45 days' prior written notice.		
A detail of the underlying investments is not available.		
Level Global	60,000	64,141
Investment Objective - To achieve above average capital appreciation primarily		
Redemption Provisions - Quarterly with 60 days' prior written notice.		
A detail of the underlying investments is not available.	90,000	70.624
Magnetar Capital Fund	90,000	70,624
Investment Objective - To achieive superior risk-adjusted returns.  Redemption Provisions - Quarterly with 90 days' prior written notice.		
A detail of the underlying investments is not available.	49,000	12.050
M&G Episode  Investment Objective To deliver attractive returns with appropriate veletility by	48,000	42,059
Investment Objective - To deliver attractive returns with appropriate volatility by Redemption Provisions - Quarterly with 30 days' prior written notice.		
A detail of the underlying investments is not available.		
O'Connor Global	90,000	93,538
Investment Objective - To realize consistently high risk-adjusted appreciation in	,,,,,,,,,	,5,550
the value of its assets.		
Redemption Provisions - Quarterly with 60 days' prior written notice.		

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Schedule of Investments in Securities (Continued) June 30, 2009

(Amounts in thousands)

 Cost	Fa	ir Value
\$ 60,000	\$	51,724
36,000		32,974
90,000		69,801
60,000		56,545
48,000		47,211
1,200,000		1,112,576
\$ 1.200.000	\$	1.112.576
\$	\$ 60,000 36,000 90,000 60,000 48,000	\$ 60,000 \$ 36,000 90,000 60,000 48,000

#### Statement of Operations Year Ended June 30, 2009

(Amounts in thousands)

T 4 4	•
Investment	income
mvesument	mcome

Dividend income		\$ 96
Expenses		
Trustee fees		(7)
Custodian bank fees		(2)
Management fees		(397)
Fiduciary bond fees		(7)
Professional service fees		 (513)
	Total expenses	 (926)
	Investment loss, net	(830)
	Net decrease in the fair value of investments	(87,424)
	Net decrease in net assets from operations	\$ (88,254)

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Statement of Changes in Net Assets Year Ended June 30, 2009

(Amounts in thousands, except unit data)

#### **Operations**

Investment loss, net	\$	(830)
Net decrease in the fair value of investments		(87,424)
Net decrease in net assets from operations		(88,254)
Unit transactions		
Proceeds from sale of units		1,314,405
Amount paid for repurchase of units		(113,707)
Net increase in net assets from unit transactions		1,200,698
Increase in net assets		1,112,444
Net assets, beginning of period		
Net assets, end of period	\$	1,112,444
Unit data		
Units sold	1	32,470,814
Units repurchased		(12,392,715)
Net increase in units	1	20,078,099

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

#### Statement of Cash Flows Year Ended June 30, 2009

(Amounts in thousands)

	Cash	flows	from	operating	activities
--	------	-------	------	-----------	------------

Net decrease in net assets from operations	\$ (88,254)
Adjustments to reconcile net decrease in net assets from operations to	
net cash used in operating activities:	
Purchase of investment securities	(1,200,000)
Sales of short-term investment securities, net	67
Decrease in other receivables	206
Decrease in accrued expenses	(141)
Net decrease in the fair value of investments	 87,424
Net cash used in operating activities	(1,200,698)
Cash flows from financing activities	
Proceeds from units sold	1,314,405
Paid for repurchase of units	 (113,707)
Net cash provided by financing activities	 1,200,698
Net change in cash	-
Cash	
Beginning balance Ending balance	\$ <u>-</u>

See accompanying notes to financial statements.

#### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Hedge Fund Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The Pool was established to hold the IMB's investments in hedge funds. Albourne America, LLC has been retained by the IMB to provide consulting services for this asset class.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$1,112,575,678 of investments in alternative investment funds which are reported at fair value. For all of these investments, the IMB has concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. These investments are redeemable with the fund at net asset value under the original terms of the agreements and operations of the underlying fund. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the interests in the funds. Although a secondary market exists for these investments, it is

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the redemption rights in the funds were restricted or eliminated and the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the carrying amount of such investments is a reasonable estimate of fair value as of June 30, 2009.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Investment Gains and Losses** - Gains and losses on the sale of investments in other funds are recognized at the time of sale by the average cost method.

**Dividend Income** - Dividend income is recognized on the ex-dividend date.

**Distributions to Participants** - The Pool does not routinely distribute dividends or net capital gains.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

#### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares in various commingled institutional funds and shares of a money market fund with the highest credit rating. The commingled institutional funds are not rated by any of the nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The Pool is not exposed to interest rate risk, custodial credit risk, or concentration of credit risk. The Pool is indirectly exposed to foreign currency risk as certain of the funds have investments denominated in foreign currencies. At June 30, 2009, approximately \$456,938,000 or 41 percent, of the market value of the funds were held in foreign currencies.

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and

#### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard. In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 21, 2009, for inclusion in these financial statements.

#### NOTE 5. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with FAS 157 fair value hierarchy levels as of June 30, 2009:

	Leve	el I	Leve	el II	Level III		To	tal
Regulated Investment Companies	\$	-	\$	2	\$ -	<del></del>	\$	2
Investments in Other Funds		-		-	1,112,575,678	;	1,112,	575,678
Total	\$	-	\$	2	\$1,112,575,678	<u> </u>	\$1,112,5	575,680

#### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2009 was as follows:

	Investments in	
		Other Funds
Balance at June 30, 2008	\$	-
Net realized gain/(loss)		-
Net change in unrealized appreciation/(depreciation)		(87,424,322)
Net purchases/(sales)		1,200,000,000
Net transfers in/(out) of Level 3		
Balance at June 30, 2009	\$	1,112,575,678

#### NOTE 6. FINANCIAL HIGHLIGHTS

Per Unit Opera	iting Performance:
----------------	--------------------

Net asset value at June 30, 2008	\$ 10.00
Income from investment operations:	
Net investment loss	(0.01)
Net realized and unrealized loss on investment transactions	 (0.73)
Total from investment operations	(0.74)
Net asset value at June 30, 2009	\$ 9.26
Time-weighted Total Return *	-7.4%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ 1,112,444
Ratio to average net assets:	
Expenses **	0.09%
Net investment income **	-0.08%
Portfolio turnover rate	0.00%

<sup>\* -</sup> Return data is net of fees and is for the full fiscal year

 $<sup>\</sup>ensuremath{^{**}}$  - All ratios are for the fiscal year

#### **Notes to Financial Statements**

#### NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool.

<u>Participant</u>		Account Value
Teachers' Retirement System		\$ 383,447,940
Public Employees' Retirement System		372,819,535
Workers' Compensation Old Fund		134,293,717
Coal Workers' Pneumoconiosis Fund		44,461,575
Revenue Shortfall Reserve Fund B		43,785,025
State Police Death, Disability and Retirement Fund		35,474,664
Revenue Shortfall Reserve Fund		30,283,220
Public Employees Insurance Agency		22,682,651
Board of Risk and Insurance Management		20,654,514
Judges' Retirement System		8,626,374
Deputy Sheriff's Retirement System		7,503,691
State Police Retirement System		3,867,661
Wildlife Endowment Fund		2,927,883
Emergency Medical Services Retirement System		1,615,405
	Total	\$ 1,112,443,855

# **Audited Financial Statements**

June 30, 2009

# Fixed Income Qualified Pool

# Audited Financial Statements June 30, 2009

# **Table of Contents**

Independent Auditors' Report	
Statement of Operations	M-1
Statement of Changes in Net Assets	M-2
Notes to Financial Statements	M-3



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

# **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the period July 1, 2008 to February 27, 2009 (the date of conclusion of operations) for the West Virginia Investment Management Board's (WVIMB) Fixed Income Qualified Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations, changes in net assets, and financial highlights of the West Virginia Investment Management Board's Fixed Income Qualified Pool for the period July 1, 2008 to February 27, 2009 (the date of conclusion of operations) on the comprehensive basis of accounting described in the preceding paragraph and in note 1.



September 17, 2009

# Fixed Income Qualified Pool

# Statement of Operations For the period July 1, 2008 to February 27, 2009

(Amounts in thousands)

Investment income	\$	-
Expenses		
Investment advisor fees		(8)
Management fees		(22)
Fiduciary bond fees		(1)
Professional service fees	-	(6)
Total expenses		(37)
Investment loss, net		(37)
Realized and unrealized gain (loss) from investments		
Net realized gain from investments		60,856
Net decrease in the fair value of investments		(68,863)
Net loss from investments		(8,007)
Net decrease in net assets from operations	\$	(8,044)

# Fixed Income Qualified Pool

# Statement of Changes in Net Assets For the period July 1, 2008 to February 27, 2009

(Amounts in thousands, except unit data)

<b>Operations</b>	S
-------------------	---

Operations		
Investment loss, net	\$	(37)
Net realized gain from investments		60,856
Net decrease in the fair value of investments		(68,863)
Net decrease in net assets from operations		(8,044)
Distributions to unitholders		
Investment loss, net		660
Net realized gain on investments		(60,856)
Total distributions		(60,196)
Unit transactions		
Proceeds from sale of units		11,430
Reinvestment of distributions		335,977
	_	347,407
Amount paid for repurchase of units		(752,683)
Net decrease in net assets from unit transactions		(405,276)
Decrease in net assets		(473,516)
Net assets, beginning of period		473,516
Net assets, end of period	\$	-
Unit data		
Units sold		1,117,259
Units issued from reinvestment of distributions		52,302,066
		53,419,325
Units repurchased	(	99,695,415)
Net decrease in units	(	46,276,090)

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

# NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Fixed Income Qualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

This pool ceased operations on February 27, 2009. The investments in Barclays Global Investors' funds were sold and the cash proceeds were invested in the Short-Term Fixed Income Pool. A portion of the cash was transferred to the Core Fixed Income Pool on March 2, 2009.

# NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds are valued at the reported net asset value as provided by the fund's management.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Distributions to Participants** – To facilitate the closing of the Pool, all accumulated net realized gains, net of operating losses were distributed to the participants on February 27, 2009.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

# NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157, establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

# NOTE 4. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

# NOTE 4. FAIR VALUE MEASUREMENTS (continued)

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The reconciliation of the beginning and ending balances of Level 3 investments for the period ended February 27, 2009 was as follows:

	Ir	ivestments in
	(	Other Funds
Balance at June 30, 2008	\$	749,333,959
Net realized gain/(loss)		60,855,669
Net change in unrealized appreciation/(depreciation)		(68,862,909)
Net purchases/(sales)		(741,326,719)
Net transfers in/(out) of Level 3		=
Balance at February 27, 2009	\$	-

# NOTE 5. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:	
Net asset value at June 30, 2008	\$ 10.23
Net realized and unrealized loss on investment transactions	(0.93)
Less distributions from net realized gains	(9.30)
Net asset value at February 27, 2009	\$ -
Time-weighted Total Return *	-7.7%
Supplemental Data:	
Net assets, end of period (\$000's)	\$ -
Ratio to average net assets:	
Expenses **	0.03%
Net investment income **	-0.03%
Portfolio turnover rate	49.68%

<sup>\*</sup> Return data is net of fees for the period and is not annualized

<sup>\*\*</sup> All ratios are for the period and are annualized

# **Audited Financial Statements**

June 30, 2009

# Fixed Income Nonqualified Pool

# Audited Financial Statements June 30, 2009

# **Table of Contents**

Independent Auditors' Report	
Statement of Operations	N-1
Statement of Changes in Net Assets	N-2
Notes to Financial Statements	N-3



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

# **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statements of operations, changes in net assets, and financial highlights (included in the footnotes) for the period July 1, 2008 to February 27, 2009 (the date of conclusion of operations) for the West Virginia Investment Management Board's (WVIMB) Fixed Income Nonqualified Pool. These financial statements and financial highlights are the responsibility of WVIMB management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following U.S. generally accepted accounting principles established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) applicable to investment companies, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations, changes in net assets, and financial highlights of the West Virginia Investment Management Board's Fixed Income Nonqualified Pool for the period July 1, 2008 to February 27, 2009 (the date of conclusion of operations) on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

KPMG LLP

September 17, 2009

# Fixed Income Nonqualified Pool

# Statement of Operations For the period July 1, 2008 to February 27, 2009

(Amounts in thousands)

Investment income	\$ -
Expenses	
Investment advisor fees	(11)
Management fees	(33)
Fiduciary bond fees	(1)
Professional service fees	 (8)
Total expenses	 (53)
Investment loss, net	(53)
Realized and unrealized gain (loss) from investments	
Net realized gain from investments	30,723
Net decrease in the fair value of investments	(33,666)
Net loss from investments	 (2,943)
Net decrease in net assets from operations	\$ (2,996)

# Fixed Income Nonqualified Pool

# Statement of Changes in Net Assets For the period July 1, 2008 to February 27, 2009

(Amounts in thousands, except unit data)

<b>Operations</b>	š
-------------------	---

Investment loss, net Net realized gain from investments	\$	(53) 30,723
Net decrease in the fair value of investments		(33,666)
Net decrease in net assets from operations		(2,996)
Distributions to unitholders		
Investment loss, net		1,007
Net realized gain on investments		(79,970)
Total distributions		(78,963)
Unit transactions		
Proceeds from sale of units		2,771
Reinvestment of distributions		78,963
Amount paid for repurchase of units		81,734
Amount part for repurchase of units	-	(474,321)
Net decrease in net assets from unit transactions		(392,587)
Decrease in net assets		(474,546)
Net assets, beginning of period		474,546
Net assets, end of period	\$	
Unit data		
Units sold		290,296
Units issued from reinvestment of distributions		2,517,771
		2,808,067
Units repurchased	(7	2,470,088)
Net decrease in units	(4	9,662,021)

 $See\ accompanying\ notes\ to\ financial\ statements.$ 

# NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other Trustees for a term of six years.

The IMB operates on a fiscal year beginning July 1 and ending June 30.

The accompanying financial statements reflect only the investments and investment-related operations of the IMB's Fixed Income Nonqualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the IMB or the Administrative Fund of the IMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, these financial statements are not intended to and do not present the comprehensive financial position and operations of the IMB or any of the investment pool participants.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

	Investment Company GAAP	State and Local GAAP
Management Discussion and Analysis	Not required	Required
Schedule of Investments in Securities	Required	Not required
Statement of Operations	Required	Not required
Investment Risk Disclosures	Not required	Required
Financial Highlights	Required	Not required

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The Pool ceased operations on February 27, 2009. The investments in Barclays Global Investors' funds were sold and the cash proceeds were invested in the Short-Term Fixed Income Pool. A portion of the cash was transferred to the Core Fixed Income Pool on March 2, 2009.

# NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds are valued at the reported unit values of the individual funds as provided by fund's management.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# Fixed Income Nonqualified Pool

# **Notes to Financial Statements**

# NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment Gains and Losses** - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

**Distributions to Participants** - To facilitate the closing of the Pool, all accumulated net realized gains, net of operating losses were distributed to the participants on February 27, 2009.

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

# NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current GAAP from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of FAS 157 for non-recurring, non-financial instruments to fiscal years beginning after November 15, 2008. Additionally, on October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active (FSP 157-3), which clarifies the application of FAS 157 in a market that is not active. On April 9, 2009, the FASB issued FSP 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4), which supersedes FSP 157-3. FSP 157-4 provides further guidance on assessing fair market value when market transactions have decreased or are not orderly. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this standard did not have a material impact on the financial conditions or operations of the Pool. See Note 5 for further analysis of the impact of the adoption of this standard.

In May 2009, the FASB issued Statement No. 165, Subsequent Events (FAS 165). FAS 165 sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for periods ending after June 15, 2009. The IMB considered subsequent events through September 17, 2009, for inclusion in these financial statements.

# NOTE 4. FAIR VALUE MEASUREMENTS

FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The IMB adopted FAS 157 for fiscal year 2009.

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

FAS 157 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are:

# NOTE 4. FAIR VALUE MEASUREMENTS (continued)

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.
- Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The reconciliation of the beginning and ending balances of Level 3 investments for the period ended February 27, 2009 is as follows:

	Investments in	
	Other Funds	
Balance at June 30, 2008	\$	474,561,036
Net realized gain/(loss)		30,723,193
Net change in unrealized appreciation/(depreciation)		(33,666,142)
Net purchases/(sales)		(471,618,087)
Net transfers in/(out) of Level 3		=
Balance at February 27, 2009	\$	-

# NOTE 5. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:		
Net asset value at June 30, 2008	\$	9.56
Net realized and unrealized loss on investment transactions		0.15
Less distributions from net realized gains		(9.71)
Net asset value at February 27, 2009	\$	=
Time-weighted Total Return *		-2.0%
Supplemental Data:	Φ.	
Net assets, end of period (\$000's)	\$	-
Ratio to average net assets:		
Expenses **		0.03%
Net investment income **		-0.03%
Portfolio turnover rate		73.64%

<sup>\*</sup> Return data is net of fees for the period and is not annualized

<sup>\*\*</sup> All ratios are for the period and are annualized

# **Audited Financial Statements**

**Administrative Fund** 

# Audited Financial Statements June 30, 2009

# Audited Financial Statements June 30, 2009

# **Table of Contents**

Management's Discussion and Analysis	i
Independent Auditors' Report	
Statement of Net Assets	1
Statement of Revenues, Expenses, and Changes in Net Assets	2
Statement of Cash Flows	3
Notes to Financial Statements	4

# Management's Discussion and Analysis

This discussion and analysis of the West Virginia Investment Management Board's (IMB) financial performance provides an overview of the IMB's administrative financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the IMB Administrative Fund basic financial statements, which follow this discussion. During the fiscal year ended June 30, 2009 the IMB operated fourteen investment pools, twelve of which were active at year-end and had a combined net asset value at June 30, 2009 of \$9,165,866,000. Separate audited financial statements are issued on each of those investment pools.

# FINANCIAL HIGHLIGHTS

- The IMB is required by law to charge a fee sufficient to cover the cost of providing investment management services. Investment service fee revenues were \$24 million as compared to \$25 million for the previous fiscal year. The change primarily results from a reduction in fees charged to cover investment advisor fees. This reduction can be attributed to lower performance incentive fees.
- Fees paid to outside investment advisors decreased by \$1.7 million over the previous year as a result of lower performance incentive fees for certain domestic investment advisors. This was partially offset by higher fees paid to fixed income managers. Average net assets of the investment pools managed by the IMB decreased by \$1.8 billion from the previous year. The average expense ratio for investment advisor fees across all pools was 20.2 basis points for the year as compared to 18.0 basis points for the previous year.
- Fees paid to consultants for alternative investments increased by \$397,000 as a result of them being engaged for a full year of service in fiscal year 2009 and contractual escalators. This was partially offset by lower fees paid for legal services related to hedge fund investments. These fees were \$180,000 lower than the previous year.
- Administrative expenses increased by \$399,000, or 15 percent from the previous year. The expense ratio for administrative expenses was 3.6 basis points of average net assets as compared to 2.5 basis points for the previous year. Increased personnel costs, primarily related to the addition of six staff members, accounted for the majority of the increase. Total salary expense for the fiscal year ended June 30, 2009 was \$1,641,109. In total, administrative fees were \$919,000 lower than the expenses included in the fiscal year budget approved by the Board of Trustees.
- Dividend income for the year was \$27,000. This was \$146,000 lower than the previous year. This decrease is primarily a result of the decrease in market interest rates.

# THE FINANCIAL REPORTS

The financial reports consist of three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These statements include all assets and liabilities of the IMB Administrative Fund using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting takes into account all revenues and expenses regardless of when cash is received or paid. These statements give an overall perspective of the IMB Administrative Fund's financial position and the changes in the financial position during the current fiscal year.

The Statement of Net Assets presents the IMB Administrative Fund's assets and liabilities, with the difference between the two reported as net assets. The Statement of Revenues, Expenses, and Changes in Net Assets describes how the IMB Administrative Fund's net assets changed during the fiscal year. The Statement of Cash Flows identifies the sources of cash received by the IMB Administrative Fund and how that cash was used in the IMB Administrative Fund's activities during the year. The ending cash presented in this statement is a significant portion of the IMB Administrative Fund's assets as reported in the Statement of Net Assets. This statement also contains a reconciliation of the operating profit as reported in the Statement of Revenues, Expenses, and Changes in Net Assets to the cash used in the IMB Administrative Fund's operating activities during the year.

# Management's Discussion and Analysis

# FINANCIAL ANALYSIS

The IMB Administrative Fund's total assets as of June 30, 2009, were \$9 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. This was \$1.1 million lower than the previous year.

Total liabilities as of June 30, 2009, were \$4.7 million, consisting of invoices payable and accrued liabilities for external investment management and consulting fees, custodial fees, and administrative expenses. This was \$1.2 million lower than the previous year.

The decreases in assets and liabilities can be attributed to lower fees payable to investment advisors. This in turn resulted in lower receivables from the investment portfolios.

Table 1 Net Assets (In thousands)	2009	2008
Cash and cash equivalents Receivables Other assets Total assets Total liabilities Net assets	\$ 5,048 3,850 124 9,022 (4,715) \$ 4,307	\$ 5,157 4,844 100 10,101 (5,923) \$ 4,178
Composition of net assets: Invested in capital assets Unrestricted	\$ 36 4,271	\$ 3 4,175

Table 2 Changes in Net Assets (In thousands)	2009	2008	Percentage Change
Investment service fees	\$ 24,014	\$ 25,043	-4.1%
Expenses			
Advisor fees	(17,593)	(19,224)	-8.5%
Custodian fees	(1,014)	(1,148)	-11.7%
Trustee fees	(56)	(68)	-17.6%
Fiduciary bond expense	(53)	(89)	-40.4%
Professional service fees	(2,115)	(1,879)	12.6%
Administrative expenses	(3,084)	(2,681)	15.0%
Operating income (loss)	99	(46)	n/a
Nonoperating revenues	30	173	82.7%
Increase in net assets	129	127	1.6%
Net assets – beginning of year	4,178	4,051	3.1%
Net assets – end of year	\$ 4,307	\$ 4,178	3.1%

# **CAPITAL ASSETS**

The IMB Administrative Fund sold a fully depreciated investment trading station for \$3,000 during the year ended June 30, 2009. Office equipment in the amount of \$34,545 was acquired during this period.

# Management's Discussion and Analysis

# **CONTACTING THE IMB**

This financial report is designed to provide its readers with a general overview of the IMB Administrative Fund's finances. If you have any questions about this report or need additional information, including the audited financial statements of the IMB Investment Pools, contact the IMB at 500 Virginia Street, East, Suite 200, Charleston, WV 25301-2164, or visit us at <a href="https://www.wvimb.org">www.wvimb.org</a>.



KPMG LLP Suite 2500 One Mellon Center Pittsburgh, PA 15219-2598

# **Independent Auditors' Report**

Board of Trustees West Virginia Investment Management Board:

We have audited the accompanying statement of net assets of the West Virginia Investment Management Board Administrative Fund (the Fund), an internal service fund of the State of West Virginia, as of June 30, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the West Virginia Investment Management Board is comprised of an Administrative Fund and distinct Investment Pools. These financial statements present only the Administrative Fund of the West Virginia Investment Management Board and do not include the financial position and results of operations of the Investment Pools. Accordingly, these financial statements do not purport to, and do not, present the complete financial position of the West Virginia Investment Management Board as of June 30, 2009 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board Administrative Fund as of June 30, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.



The information in the Management's Discussion and Analysis section on pages i and ii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 11, 2009

# Statement of Net Assets June 30, 2009

# Assets

Current assets:	
Cash and cash equivalents	\$ 5,047,912
Accounts receivable	3,850,371
Prepaid expenses	79,136
Dividend receivable	 46
Total current assets	8,977,465
Noncurrent assets:	
Prepaid expenses - noncurrent	9,066
Capital assets:	
Equipment	586,849
Office furniture	115,231
Leasehold improvements	45,492
Less accumulated depreciation	 (711,841)
Total capital assets (net of accumulated depreciation)	 35,731
Total noncurrent assets	44,797
Total assets	9,022,262
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	 4,715,022
Total current liabilities	4,715,022
Total liabilities	4,715,022
Net assets	
Invested in capital assets	35,731
Unrestricted	 4,271,509
Total net assets	\$ 4,307,240

See accompanying notes to financial statements.

# Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2009

# **Operating revenues**

Investment service fees		\$ 24,014,488
	Total operating revenue	24,014,488
Operating expenses		
Advisor fees		17,593,158
Custodian fees		1,013,523
Trustee fees		56,250
Fiduciary bond expenses		53,149
Professional service fees		2,115,367
Administrative expenses		3,083,775
	Total operating expenses	23,915,222
	Operating income	99,266
Nonoperating revenues		
Dividend income		27,263
Gain on disposal of fixed asset		3,000
	Total nonoperating revenues	30,263
	•	
	Increase in net assets	129,529
Net assets, beginning of year		4,177,711
	Net assets, end of year	\$ 4,307,240

See accompanying notes to financial statements.

# Statement of Cash Flows Year Ended June 30, 2009

Cash flows from operating activities	
Cash received from customers	\$ 25,000,144
Cash paid to suppliers	(22,779,604)
Cash paid to employees	 (2,333,261)
Net cash used in operating activities	(112,721)
Cash flows from investing activities	
Dividends on investments	 34,938
Net cash provided by investing activities	34,938
Cash flows from capital and related financing activities	
Purchase of capital assets	(34,545)
Proceeds from sale of capital assets	 3,000
Net cash used in capital and related financing activities	 (31,545)
Net decrease in cash and cash equivalents	(109,328)
Cash and cash equivalents, beginning of year	 5,157,240
Cash and cash equivalents, end of year	\$ 5,047,912
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 99,266
Adjustments to reconcile operating income to net cash	
used in operating activities:	
Depreciation	1,399
Change in assets and liabilities:	005.656
Decrease in accounts receivable  Decrease in prepaid expenses	985,656 9,203
Decrease in accounts payable and accrued expenses	(1,208,245)
2 certains in accounts payable and accrack expenses	 (1,200,210)
Total adjustments	 (211,987)
Net cash used in operating activities	\$ (112,721)

See accompanying notes to financial statements.

# NOTE 1. NATURE OF ORGANIZATION

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public corporation created by West Virginia Code §12-6-1 to provide prudent fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other State government funds. The IMB has established twelve distinct investment pools to efficiently invest the entrusted funds. These investment pools combined June 30, 2009 net asset value was \$9,165,866,000. Separate audited financial statements are issued for these investment pools. The IMB Administrative Fund's financial statements are included as an internal service fund of the State of West Virginia in the State's financial statements.

A Board of Trustees, consisting of thirteen members, governs the IMB. The Governor, the State Auditor, and the State Treasurer are ex officio members of the Board of Trustees. The Governor appoints all other trustees for a term of six years.

# NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the IMB Administrative Fund conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash held in checking and money market accounts. Management believes the IMB Administrative Fund is not exposed to any significant credit or market risk on cash and cash equivalents. Cash equivalents are maintained with a financial institution in an institutional Treasury Money Market Fund which has an average maturity of less than ninety days.

**Property & Equipment** - Purchased equipment is recorded at cost. Donated equipment is recorded at estimated fair value at date of donation. Depreciation on purchased and donated assets is provided for over the estimated useful lives of the assets ranging from three years to five years using the straight-line method. Leasehold improvements are amortized over the life of the lease.

**Revenues and Expenses** - The IMB's Board of Trustees adopts an annual budget and fee schedule for services to be provided to the investment pools. Revenues of the IMB Administrative Fund are derived from the allocation of fees to the investment pools per the fee schedule. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. Revenues and expenses are recorded when earned or incurred in accordance with the economic resources measurement focus and the accrual basis of accounting. The carrying value of investment service fees receivable approximates its fair value.

Government Accounting Standards Board (GASB) Statement Number 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" – The IMB Administrative Fund applies all applicable GASB pronouncements, and has elected to apply only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and is exempt from federal and state taxation. Accordingly, the IMB Administrative Fund financial statements have been prepared recognizing that the IMB is not subject to federal or state income taxes.

# **NOTE 3. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	<u>Decreases</u>	Ending Balance
Capital assets, being depreciated:				
Office equipment	\$ 552,304	\$ 34,545	\$ -	\$ 586,849
Office furniture	125,245	-	(10,014)	115,231
Leasehold improvements	45,492	-	-	45,492
Total capital assets, being depreciated	723,041	34,545	(10,014)	747,572
Less accumulated depreciation for:				
Office equipment	(549,718)	(1,400)	-	(551,118)
Office furniture	(125,245)	-	10,014	(115,231)
Leasehold improvements	(45,492)	-	-	(45,492)
Total accumulated depreciation	(720,455)	(1,400)	10,014	(711,841)
Capital assets, net	\$ 2,586	\$ 33,145	\$ -	\$ 35,731

Depreciation expense of \$1,400 was charged to the investment management activity and is included in the administrative expenses. Fully depreciated office furniture originally valued at \$10,014 was sold during the year resulting in a gain of \$3,000. Office equipment in the amount of \$34,545 and having useful lives ranging from three years to five years was acquired during the year.

# **NOTE 4. OPERATING LEASES**

On August 26, 2002, the IMB entered into a long-term lease for office space for a term of five years. The lease commenced on January 1, 2003, and the monthly rent expense for years one through three was \$14,747. For years four through five, the monthly rent expense was \$15,523. Under the lease terms, beginning on January 1, 2004, and continuing throughout the term, the IMB shall pay as additional rent a portion of the increase in utility costs and taxes over the base year 2003 amounts. Rent expense for the period July 1, 2008 to June 30, 2009 totaled \$191,507. On December 7, 2006, the IMB executed an amendment to renew its long-term lease for a period of five years beginning on January 1, 2008 at a monthly cost of \$15,523. The IMB may extend the lease for an additional three years at the then existing fair market rental rate by giving notice to the landlord seven months previous to the expiration of the lease.

The following is a schedule of future minimum rental payments required under this lease:

Fiscal Years ending June 30:

2010-2012 \$ 186,280 per year

Thereafter \$ 93,140

# NOTE 5. EMPLOYEE BENEFIT PLAN

The IMB provides a defined contribution money purchase pension plan covering all of its employees. An employee becomes eligible to participate in the plan on the earlier of the January 1 or July 1 coinciding with or following the employee's hire

# **Notes to Financial Statements**

# NOTE 5. EMPLOYEE BENEFIT PLAN (continued)

date. The IMB contributes 10 percent of each covered employee's salary. Contributions for the period from July 1, 2008 to June 30, 2009 totaled \$154,843. The plan provides for a five-year vesting schedule with vesting increasing 20 percent per year.

# NOTE 6. CASH AND INVESTMENT RISK

At June 30, 2009, all of the IMB Administrative Fund's cash equivalents were invested in an institutional Treasury Money Market Fund. This investment fund is rated Aaa by Moody's and AAA by Standard & Poor's and has no significant custodial credit risk or interest rate risk. The investment fund invests in U.S. Treasuries and is not exposed to a concentration of credit risk or any foreign currency risk. Cash balances are held in a FDIC insured bank account, the balance of which is below the \$250,000 insurance limit at all times.