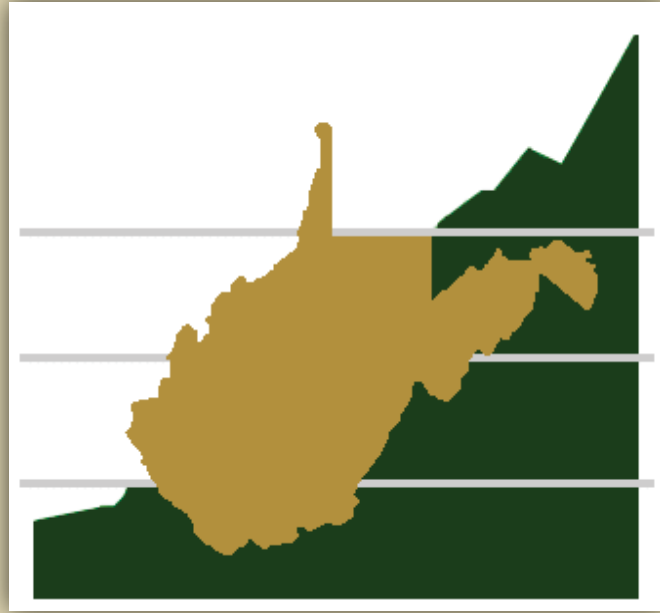


**2010 Annual Report**

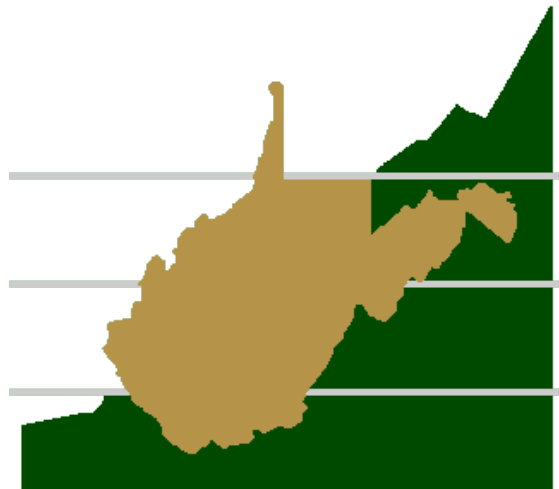


**West Virginia  
Investment Management Board**



# Annual Report

**Year Ended June 30, 2010**



*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 with which it has been entrusted.*

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##### *Administrative Fund*

## Definition of Terms and Abbreviations

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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.

<b>Allocation Committee</b>	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.
<b>Board</b>	The thirteen-member Board of Trustees that governs the West Virginia Investment Management Board.
<b>Cap</b>	Abbreviation for "capitalization," referring to the size of the investment market for that particular asset style.
<b>IMB</b>	The "West Virginia Investment Management Board" including its Trustees, plan Representatives, Committee Members, and staff.
<b>Neutral Target</b>	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.
<b>Participant Plan</b> (Participant)	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.
<b>Policy Allocation</b>	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.
<b>Pool</b>	Refers to the specific investment pool created and operated by the West Virginia Investment Management Board for a specific investment asset class.
<b>Range Allocation</b>	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.
<b>Strategic Allocation</b>	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.

# Introduction





## Message from Chairman

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September 10, 2010

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, 2010. Please note that additional information about the Investment Management Board may be accessed electronically on its website, [www.wvimb.org](http://www.wvimb.org).

I am pleased to announce that the Investment Management Board's assets returned 16 percent for fiscal year 2010 (using the Public Employees' Retirement System as a proxy for all long-term assets). Unfortunately, this great return in fiscal year 2010 will not be enough to eliminate the need for additional contributions to the retirement systems after the economic turmoil of the previous two fiscal years. It will take several years of returns above the actuarial assumed rate of 7.5 percent to do so. This will be difficult given the many challenges, both known and unknown, the current economic environment presents. It is important to remind ourselves, however, that the time horizon is long-term, and I am confident that the Investment Management Board is structured to deal with the investment challenges it will face.

I wish to thank fellow trustees and the staff of the Investment Management Board for their dedicated service. I am pleased with the Board's professionalism, commitment to its mission, and customer service.

Very truly yours,



Joe Manchin III  
Governor of the State of West Virginia  
Chairman of the Board of Trustees

## Message from Executive Director

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September 10, 2010

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 the audited financial statements are presented separately for each pool. The separate presentation 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. The majority of assets managed by the IMB are for participants with longer time horizons. These include the defined pension plans, employment security plans and other trust assets.

Defined benefit pension plans make up approximately 80% of the Investment Management Board's total assets. For general comparison purposes, the IMB uses the Public Employees Retirement System (PERS) as a proxy for the other systems because of its similarity to other statewide public plans throughout the nation. As of June 30, 2010 the return for PERS was up 16 percent net of expenses for the fiscal year. As you well know, of greater significance is the longer-term performance. In that regard, over the five years ending June 30, 2010, the IMB's return was 3.3 percent versus the policy benchmark of -2.83 percent. Over the ten-year period ending June 30, 2010, the IMB's return was 4.3 percent versus a policy benchmark of 2.9 percent. This represents millions of dollars in value added by trustees and staff. Specifically, for the defined benefit pension plans, the returns for the fiscal year ending June 30, 2010, ranged from 16.1 percent for the Public Safety Retirement System to 15.2 percent for the Teachers' Retirement System. Since asset allocations are virtually the same for each plan, differences in the 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. The Teachers' Retirement System is an exception as it inherited investments in an annuity product when assets of participants were moved from the Teachers' Defined Contribution Plan (managed by the Consolidated Public Retirement Board) to the IMB in December 2008. Other trust assets, including the Wildlife Endowment Fund and Prepaid Tuition Trust Fund have similar asset allocations to the defined benefit pension plans and returned 16 and 17.2 percent respectively.

## Message from Executive Director

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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 differences in the respective plans' allocation to stocks and hedge funds play a much greater role. For fiscal year 2010, 20 percent of the Coal Workers Pneumoconiosis Fund was allocated to stocks while the Workers' Compensation Old Fund had an allocation of 10 percent. The Coal Workers Pneumoconiosis Fund also had a 20 percent allocation to hedge funds while the Workers' Compensation Old Fund had a zero allocation. The Board of Risk and Insurance Management and Public Employees' Insurance Agency also have allocations commensurate with their needs. As a result, the returns for employment security assets for the fiscal year ending June 30, 2010, range from 0.1 percent for the Workers' Compensation Self-Insured Guarantee Risk Pool to 14.6 percent for the Workers' Compensation Old Fund.

Herein, the plans, 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 IMB is partially responsible for adequate funding of the defined benefit pension plans with the expectation that it will return 7.5 percent on the assets entrusted to it. Any time the IMB fails to achieve that return, there is a decrease in the funded liability. Every time the IMB achieves a return greater than 7.5 percent, there is an increase in the funded liability. The turmoil in the capital markets in fiscal year 2009 and the subsequent negative return for IMB assets reduced the funded liability causing an increase in employer contributions and stress on the State's budget. The great performance in fiscal year 2010 improved the funded position, and will help relieve the stress on the State's budget. The performance of fiscal year 2010 and the last quarter of 2009 was a testament to the structure and management of the IMB. It is sometimes said that the greatest risk to an institution like the IMB in times of crisis is that it will panic and abandon its asset allocation. The portfolio that suffered through the market turmoil of 2009 is essentially the same portfolio that produced great relative returns in fiscal year 2009 and great relative and absolute returns in fiscal year 2010. The IMB held firm to its conviction and did not abandon its asset allocation.

While asset allocations remained essentially unchanged, there was one exception, the Revenue Shortfall Reserve Funds. In anticipation of potential future needs, the Revenue Shortfall Reserve Funds' asset allocation has been restructured with a shorter timeframe in mind. As it recovered from the turmoil of fiscal year 2009, the Revenue Shortfall Reserve Fund stock allocation was transitioned to fixed income and Revenue Shortfall Reserve Fund – Part B's stock allocation was reduced in an effort to provide a more liquid source of funds should West Virginia's economy suffer significant deterioration over the next few years.

As an investor, the IMB's capacity to generate return on assets is largely a function of growth in the world capital markets. Diversification helps smooth the volatility in capital markets, but growth is the engine of returns. In this regard, the road ahead is foggy and treacherous. Credit, employment, and income growth in the developed world face many challenges. The emerging markets of the world are better positioned for growth, but will likely experience more volatility. It will be a challenge to achieve the returns expected of the IMB, but staff looks forward to helping trustees cope with the challenges as fiscal year 2011 unfolds.

Sincerely,



H. Craig Slaughter  
Executive Director



# Organization



## Board of Trustees – Fiscal Year 2010

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**Joe Manchin III**, Chairman

Governor of the State of West Virginia

**James R. Alsop**

Partner in the law firm of Jackson Kelly, PLLC

**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

**David H. McKinley**

President and Managing Director of McKinley | Carter Wealth Services

**Francis R. Oates**

Senior Vice President and Registered Advisor for Wells Fargo

*Period of Appointment | July 6, 2009 – June 21, 2010*

**John D. Perdue**

Treasurer of the State of West Virginia

**Terresa T. Pratt**

Senior Development Officer for Cabell Huntington Hospital Foundation

*Period of Appointment | August 17, 2009 – May 5, 2010*

**Marie L. Prezioso**

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

**Steven L. Smith**

Administrator of the West Virginia Laborers Trust Funds

**Randall E. Snider**

President and Chief Executive Officer of Community Bank

## Representatives and Committee Members – Fiscal Year 2010

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### *Deputy Sheriff's Retirement System*

**David D. Gentry**, Representative

**Terry Miller**, Committee Member

**Paul O'Dell, Jr.**, Committee Member

### *Judges' Retirement System*

**Robert B. Stone**, Representative

### *Public Employees' Retirement System*

**Fredric W. Thomas**, Representative

**Keith Chapman**, Committee Member

**Patricia Hamilton**, Committee Member

### *State Police Death, Disability and Retirement Fund*

**Vacant**

### *State Police Retirement System*

**Joe White**, 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.*



## Staff Members – Fiscal Year 2010

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### *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

**Kristen Lanham-Meadows**, Investment Accountant

**Laura Leport**, Investment Accountant

**David McCormick**, Investment Accountant

**Traci Pollitt**, Senior Alternative Investment Analyst

**James Atkins**, Alternative Investment Analyst

### *Support Staff*

**Jo Ann Harrison**, Administrative Assistant to the Executive Director

**Jane Heitz**, Secretary / Receptionist

**Shane Jividen**, Human Resources and Office Administrator

**Milly Torman**, Administrative Assistant to the Chief Investment Officer

### *Technology Division*

**John Cole**, Director of Technology

**Rick Greathouse**, Network Administrator

**Rebecca King**, Enterprise Information Architect

### *Internal Audit*

**Melissa Petit**, Director of Internal Audit

**Tabitha Crist**, Internal Audit Associate

## Organizational History

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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 significant 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 economies of scale 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 pools, 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 State 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. The creation of the trust as a vehicle to allow investment in stocks was also challenged and was struck down, failing to satisfy the constitutional concerns of the State Supreme Court. It did, however, bring about three very important changes. The Legislature, demonstrating impeccable managerial foresight, granted the West Virginia Trust Fund, Inc. control over its own budget. With the same 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

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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", 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

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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.

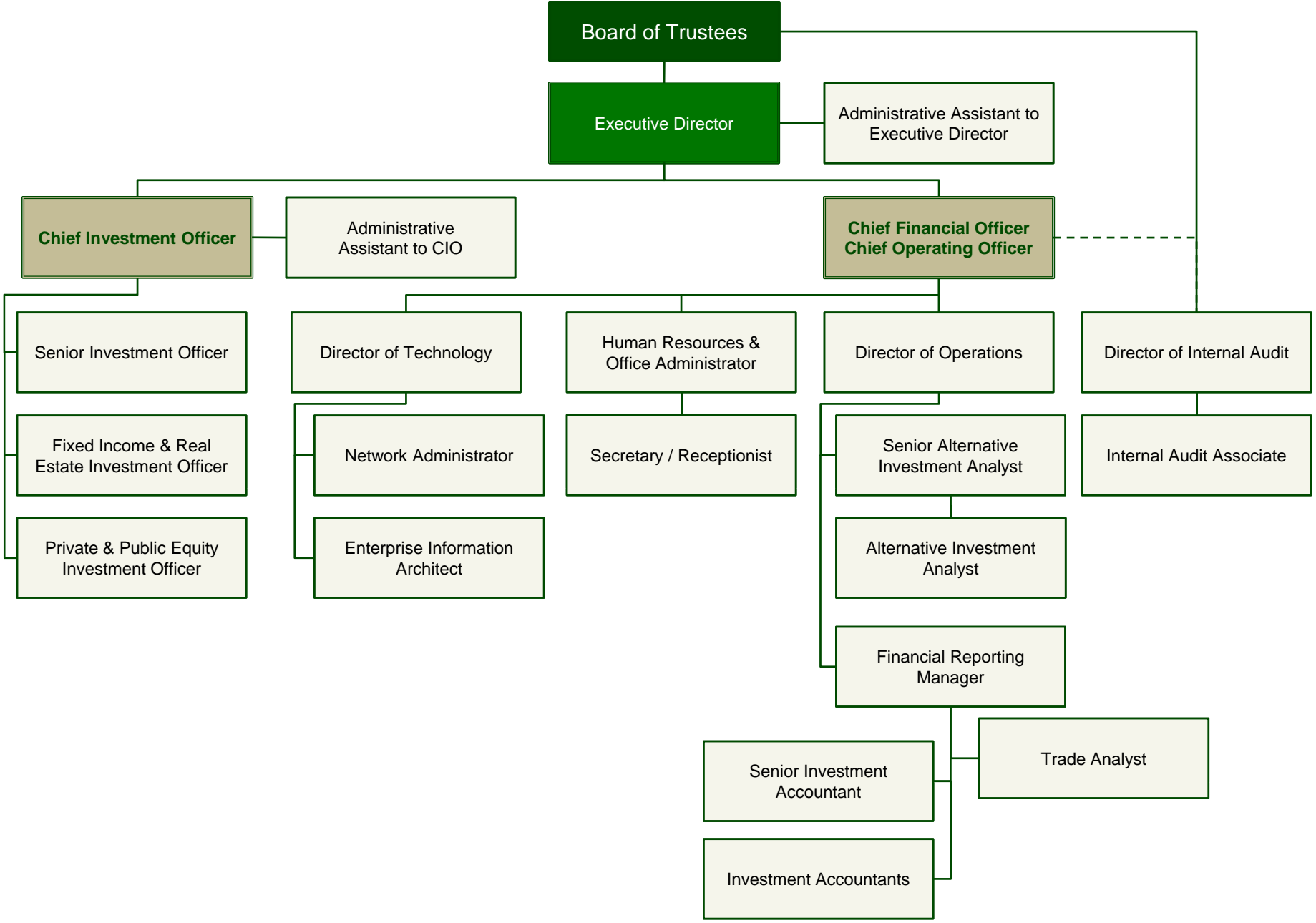
A member of each defined benefit retirement plan is designated by the Consolidated Public Retirement Board to represent the Participant Plans' interests. Likewise, the West Virginia Insurance Commission designates a representative for the Coal Workers' Pneumoconiosis Fund and the Workers' Compensation 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.

The staff of the West Virginia Investment Management Board is divided into two principal divisions—Investments and Operations.

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. See the organization chart on the following page.

# Organization Chart



## Investment Philosophy

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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:

<u>Agenda Item</u>	<u>Review Schedule</u>
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.

# Investment Objectives & Financial Highlights

# Short-Term Fixed Income Pool

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## 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

<b>Progression of Net Assets (in \$000s)</b>	<b>Short-Term Fixed Income</b>
Net assets - June 30, 2009	\$ 264,554
Net increase from operations	310
Income distributions to unitholders	(286)
Net increase from unit transactions	25,818
Net assets - June 30, 2010	<u>\$ 290,396</u>

<b>Investment Securities (in \$000s)</b>	<b>Short-Term Fixed Income</b>	
	<b>Carrying Value</b>	<b>Percent of Securities</b>
Short-term issues	\$ 280,418	91.8%
U.S. government agency issues	24,999	8.2
Total	<u>\$ 305,417</u>	<u>100.0%</u>



## Short-Term Fixed Income Pool

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### 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.

Period	Short-Term Fixed Income	
	Actual	Citigroup 90 Day Treasury Bill plus 15 bps
One-year	0.1%	0.3%
Three-year	1.8%	1.7%
Five-year	3.0%	2.9%
Ten-year	2.8%	2.9%

### 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:

Expense Ratios (in basis points)	Short-Term Fixed Income
Investment advisor fees	5.0
Trustee fees	0.0
Custodian bank fees	0.5
Management fees	2.1
Fiduciary bond fees	0.0
Professional service fees	0.6
Total	8.2

## Fixed Income Pools

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### 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	--	--
Total Return Fixed Income Pool	--	--
Total Fixed Income Pools	20.0%	+/- 5%

Participant Plans	Neutral Target	Allocation Range
All plans except Prepaid Tuition Trust	50% Total Return Income Pool	+/- 20% (30% to 70%)
	50% Core Fixed Income Pool	+/- 20% (30% to 70%)
Prepaid Tuition Trust	100% Core Fixed Income Pool	N/A

*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
Dodge & Cox	Total Return Fixed Income
JPMorgan Investment Advisors, Inc.	Core Fixed Income
State Street Global Advisors	Core Fixed Income

## Fixed Income Pools

### FINANCIAL HIGHLIGHTS

Separate investment pools have been established for each investment style. Individually, these pools are the Total Return Fixed Income Pool and the Core Fixed Income 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)

	Total Return Fixed Income	Core Fixed Income
Net assets - June 30, 2009	\$ 2,229,609	\$ 394,883
Net increase from operations	303,405	111,117
Income distributions to unitholders	(55,709)	(31,890)
Net increase (decrease) from unit transactions	(685,226)	1,080,154
Net assets - June 30, 2010	<u>\$ 1,792,079</u>	<u>\$ 1,554,264</u>

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

	Total Return Fixed Income		Core Fixed Income	
	Fair Value	Percentage of Securities	Fair Value	Percentage of Securities
Commingled fixed income pools	\$ 441,720	24.6%	\$ 488,243	31.3%
Corporate issues	651,750	36.2	286,832	18.4
Municipal bonds	26,929	1.5	273	0.0
Short-term issues	268,245	14.9	53,413	3.4
Option contracts purchased	1,349	0.1	-	0.0
U.S. government agency issues	212,240	11.8	397,830	25.5
U.S. Treasury issues	196,851	10.9	334,152	21.4
Total	<u>\$ 1,799,084</u>	<u>100.0%</u>	<u>\$ 1,560,743</u>	<u>100.0%</u>

### 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.

Period	Total Return Fixed Income		Core Fixed Income	
	Actual	*Barclays Capital U.S. Universal	Actual	Barclays Capital Aggregate
One-year	16.7%	10.6%	10.8%	9.5%
Three-year	6.2%	7.2%	N/A	N/A
Five-year	5.7%	5.6%	N/A	N/A
Ten-year	7.6%	6.6%	N/A	N/A

*\*The Total Return Fixed Income Pool benchmark is the Barclays Capital Universal as of April 2008. Prior periods were a custom index.*

## Fixed Income Pools

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### 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:

<b>Expense Ratios (in basis points)</b>	<b>Total Return Fixed Income</b>	<b>Core Fixed Income</b>
Investment advisor fees	21.4	10.5
Trustee fees	0.1	0.1
Custodian bank fees	0.4	0.5
Management fees	3.5	3.3
Fiduciary bond fees	0.0	0.0
Professional service fees	0.9	0.8
<b>Total</b>	<b>26.3</b>	<b>15.2</b>

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## Equity Pools

### 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
U.S. Equity	25.0%	+/- 5% (20% to 30%)
International Equity	25.0%	+/- 5% (20% to 30%)
Total Equity Pool	50.0%	+/- 5% (45% to 55%)

Category	Neutral Target	Allocation Range
U.S. Large Cap vs. U.S. 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
U.S. Non-Large Value vs. U.S. 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 U.S.	0.5 to 2.5 times benchmark Sum must equal 100

*\* The Neutral Target is established based on the listed indices and is reset, 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
<b>U.S. Large Cap</b>	
State Street Global Advisors	Index Core
Intech Investment Management, LLC	Quantitative Core
<b>U.S. Non-Large Cap</b>	
Westfield Capital Management	Growth at a Reasonable Price
Aronson + Johnson + Ortiz, LP	Relative Value
<b>International</b>	
<i>Developed Markets</i>	
Silchester International Investors	All Country, Value
LSV Asset Management	All Country, Value
<i>Small Capitalization</i>	
Pictet Asset Management Limited	All Country, Growth at a Reasonable Price
<i>Emerging Markets</i>	
Brandes Investment Partners, LLC	Emerging Market, Value
State Street Global Advisors	Emerging Market, Index Core

## Equity Pools

### 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
U.S. Large Cap	Large Cap Domestic Equity Pool
U.S. 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)

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity
Net assets - June 30, 2009	\$ 1,774,719	\$ 312,464
Net increase from operations	272,002	69,002
Net decrease from unit transactions	(332,543)	(23,920)
Net assets - June 30, 2010	\$ 1,714,178	\$ 357,546

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

	International Qualified	International Nonqualified	International Equity
Net assets - June 30, 2009	\$ 612,382	\$ 101,242	\$ 1,544,383
Net increase from operations	82,702	13,891	297,255
Net increase (decrease) from unit transactions	298	(61,338)	(333,356)
Net assets - June 30, 2010	\$ 695,382	\$ 53,795	\$ 1,508,282

## Equity Pools

Investment Securities (in \$000s)	Large Cap Domestic Equity		Non-Large Cap Domestic Equity	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Domestic equities sector exposure:				
Basic Materials	\$ 50,729	3.0%	\$ 28,314	8.3%
Capital Goods	172,253	10.0	45,637	13.3
Communications Services	56,147	3.3	4,977	1.5
Consumer Discretionary	174,742	10.2	41,733	12.2
Consumer Staples	198,377	11.6	9,314	2.7
Energy	162,822	9.5	23,173	6.8
Financial Services	245,972	14.3	68,678	20.1
Health Care	241,704	14.1	37,987	11.1
Technology	331,234	19.3	56,577	16.5
Utilities	67,074	3.9	18,131	5.3
Total domestic equities	1,701,054	99.2	334,521	97.8
Short-term issues	13,810	0.8	7,466	2.2
<b>Total</b>	<b>\$ 1,714,864</b>	<b>100.0%</b>	<b>\$ 341,987</b>	<b>100.0%</b>

Investment Securities (in \$000s)	International Qualified		International Nonqualified	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Investments in other funds	\$ 695,712	100.0%	\$ 53,797	100.0%

Investment Securities (in \$000s)	International Equity	
	Fair Value	Percent of Securities
International equities country exposure:		
Brazil	\$ 141,613	9.5%
Canada	58,626	3.9
China	39,363	2.6
France	68,962	4.6
Germany	61,731	4.1
Hong Kong	89,377	6.0
Japan	162,121	10.8
Korea	103,071	7.0
Mexico	42,528	2.8
Russia	41,043	2.7
Singapore	35,370	2.4
South Africa	38,417	2.6
Switzerland	41,479	2.8
Taiwan	51,582	3.4
Turkey	44,479	3.0
United Kingdom	139,206	9.3
All others (none greater than 2%)	310,656	20.8
Total international equities	1,469,624	98.3
Short-term issues	26,133	1.7
<b>Total</b>	<b>\$ 1,495,757</b>	<b>100.0%</b>



## Equity 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. The actual rate of return is net of investment advisor fees.

Period	Large Cap Domestic Equity		Non-Large Cap Domestic Equity	
	Actual	S&P 500	Actual	Russell 2500
One-year	14.9%	14.4%	22.2%	24.0%
Three-year	-9.7%	-9.8%	-9.1%	-8.0%
Five-year	-0.9%	-0.8%	0.5%	1.0%
Ten-year	-1.7%	-1.6%	5.7%	4.2%

Period	International Qualified		International Nonqualified		International Equity	
	Actual	MSCI EAFE	Actual	MSCI EAFE	Actual	MSCI ACWIxU.S.
One-year	13.6%	6.4%	13.1%	6.4%	19.6%	10.9%
Three-year	-2.9%	-12.9%	-3.3%	-12.9%	-10.6%	-10.3%
Five-year	6.5%	1.4%	6.1%	1.4%	5.0%	3.8%
Ten-year	10.4%	3.9%	10.0%	3.9%	1.3%	2.3%

### 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	7.7	21.2	52.8	68.6	55.6
Trustee fees	0.1	0.1	0.1	0.1	0.1
Custodian bank fees	0.5	0.6	N/A	N/A	6.0
Management fees	3.5	3.4	3.4	3.5	3.5
Fiduciary bond fees	0.0	0.1	0.1	0.0	0.1
Professional service fees	0.7	0.7	0.7	0.8	0.7
<b>Total</b>	<b>12.5</b>	<b>26.1</b>	<b>57.1</b>	<b>73.0</b>	<b>66.0</b>

Trading Costs	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International Equity	Total
Net commission costs	\$ 1,346,167	\$ 513,918	\$ 2,279,511	\$ 4,139,596
Domestic Equity commission rate (cents per share)	1.3	1.6		
International Equity commission rate (basis points per dollar volume)			13.3	

## Alternative Pools

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### OBJECTIVES

The main objective for the Alternative Pools is to provide diversification and risk reduction benefits for its participants' assets. Secondly, 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 Funds. 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, 2010:

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, 2010:

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)

	Private Equity	Hedge Fund
Net assets - June 30, 2009	\$ 582,890	\$ 1,112,444
Net increase from operations	132,436	112,566
Net increase (decrease) from unit transactions	196,985	(100,980)
Net assets - June 30, 2010	<b>\$ 912,311</b>	<b>\$ 1,124,030</b>

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

	Private Equity		Hedge Fund	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Investment in other funds	\$ 755,609	82.8%	\$ 1,112,790	100.0%
Partnerships	129,115	14.2	-	0.0
Short-term issues	27,729	3.0	8	0.0
Total	<b>\$ 912,453</b>	<b>100.0%</b>	<b>\$ 1,112,798</b>	<b>100.0%</b>

## Alternative Pools

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### 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, 2010, the Hedge Fund Pool returned 10.2 percent, net of external investment management and/or partnership fees and expenses.

### 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	3.4	3.5
Fiduciary bond fees	0.0	0.1
External fees/Fund closing costs	2.5	N/A
Professional service fees	9.4	4.3
Total	15.4	8.0

# Real Estate Pool

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## OBJECTIVES

The main objective for the Real Estate Pool is to provide diversification and risk reduction benefits for its participants' assets. Secondly, 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, 2010 are as follows:

Category	Target Range	Allocation Range
Core	50%	+/- 20% (30% to 70%)
Value-Added	30%	+/- 20% (10% to 50%)
Opportunistic	20%	+/- 10% (10% to 30%)

## FINANCIAL HIGHLIGHTS

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

	Real Estate
Net assets - June 30, 2009	\$ 37,392
Net increase from operations	17,482
Net increase from unit transactions	440,393
Net assets - June 30, 2010	<u>\$ 495,267</u>

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

	Real Estate	
	Fair Value	Percent of Securities
U.S. Treasury issues	\$ 445,007	90.4%
Partnerships and other funds	20,599	4.2
Real estate investment trusts	9,233	1.9
Short-term issues	17,088	3.5
Total	<u>\$ 491,927</u>	<u>100.0%</u>

## 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, 2010, the Real Estate Pool returned 5.7 percent, net of external investment management and/or partnership fees and expenses.

## Real Estate Pool

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### 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:

<b>Expense Ratio (in basis points)</b>	<b>Real Estate</b>
Investment advisor fees	2.7
Trustee fees	0.1
Custodian bank fees	1.9
Management fees	3.2
Fiduciary bond fees	0.1
External fees/Fund closing costs	9.2
Professional service fees	13.3
<b>Total</b>	<b>30.5</b>

## Special Purpose Pool

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. Payments were received on May 4, 2009 and 2010. Remaining payments will be received on May 4, 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, 2009	\$ 198,904
Net increase from operations	8,425
Net decrease from unit transactions	(54,910)
Net assets - June 30, 2010	<u>\$ 152,419</u>

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

	TRS Annuity	
	Fair Value	Percent of Securities
Annuity Contract	<u>\$ 152,429</u>	<u>100.0%</u>

### 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, 2010, the TRS Annuity Pool returned 4.5 percent.

### EXPENSES

The IMB charges each investment pool for its direct investment-related expenses and an allocated share of other expenses. The TRS Annuity Pool's 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	0.1
Custodian bank fees	N/A
Management fees	3.6
Fiduciary bond fees	0.0
Professional service fees	3.8
Total	<u>7.5</u>

# Participant Plans

# Deputy Sheriff's Retirement System

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## HISTORY

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*	

*\* 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.*



# Deputy Sheriff's Retirement System

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	77,050
Contributions		7,475
Withdrawals		(5,347)
Net		<u>2,128</u>
Investment income		696
Net unrealized appreciation		11,674
June 30, 2010	\$	<u><u>91,548</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 17,477	19.1%
Non-Large Cap Domestic	3,313	3.6
International Qualified	7,586	8.3
International Equity	15,155	16.6
Short-Term Fixed Income	527	0.6
Total Return Fixed Income	13,306	14.5
Core Fixed Income	9,844	10.8
Private Equity	9,655	10.5
Private Real Estate	5,334	5.8
Hedge Fund	9,351	10.2
Total	\$ 91,548	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	16.0%	7.5%
Three-year	-2.9%	7.5%
Five-year	3.3%	7.5%
Ten-Year	4.4%	7.5%

# Judges' Retirement System

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## HISTORY

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*	

*\* 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.*

# Judges' Retirement System

## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	88,310
Contributions		4,885
Withdrawals		(4,414)
Net		471
Investment income		781
Net unrealized appreciation		13,252
June 30, 2010	\$	102,814

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 19,724	19.2%
Non-Large Cap Domestic	3,739	3.6
International Qualified	8,595	8.4
International Equity	17,075	16.6
Short-Term Fixed Income	289	0.3
Total Return Fixed Income	14,685	14.2
Core Fixed Income	11,228	10.9
Private Equity	10,900	10.6
Private Real Estate	6,023	5.9
Hedge Fund	10,556	10.3
Total	\$ 102,814	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	16.0%	7.5%
Three-year	-3.0%	7.5%
Five-year	3.3%	7.5%
Ten-year	4.3%	7.5%

# Public Employees' Retirement System

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## 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*	

*\* 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.*

# Public Employees' Retirement System

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 3,243,754
Contributions	191,839
Withdrawals	<u>(272,340)</u>
Net	(80,501)
Investment income	28,293
Net unrealized appreciation	490,569
June 30, 2010	<u><u>\$ 3,682,115</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 690,392	18.7%
Non-Large Cap Domestic	147,742	4.0
International Qualified	308,228	8.4
International Equity	614,649	16.6
Short-Term Fixed Income	15,420	0.4
Total Return Fixed Income	525,019	14.3
Core Fixed Income	384,826	10.5
Private Equity	400,159	10.9
Private Real Estate	217,928	5.9
Hedge Fund	377,752	10.3
Total	<u><u>\$ 3,682,115</u></u>	<u><u>100.0%</u></u>

## 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	16.0%	7.5%
Three-year	-2.9%	7.5%
Five-year	3.3%	7.5%
Ten-year	4.3%	7.5%

# State Police Death, Disability and Retirement Fund

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## HISTORY

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)	\$2,500,000*	

*\* 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.*

# State Police Death, Disability and Retirement Fund

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 362,924
Contributions	13,467
Withdrawals	(29,781)
Net	(16,314)
Investment income	3,125
Net unrealized appreciation	54,711
June 30, 2010	\$ 404,446

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 75,914	18.8%
Non-Large Cap Domestic	14,390	3.6
International Qualified	33,159	8.2
International Equity	65,650	16.2
Short-Term Fixed Income	10,298	2.5
Total Return Fixed Income	57,157	14.2
Core Fixed Income	42,093	10.4
Private Equity	41,959	10.4
Private Real Estate	23,194	5.7
Hedge Fund	40,632	10.0
Total	\$ 404,446	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	16.1%	7.5%
Three-year	-3.0%	7.5%
Five-year	3.2%	7.5%
Ten-year	4.4%	7.5%

# State Police Retirement System

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## 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*	

*\* 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.*



# State Police Retirement System

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 40,321
Contributions	6,501
Withdrawals	(558)
Net	5,943
Investment income	377
Net unrealized appreciation	6,098
June 30, 2010	\$ 52,739

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 9,959	18.9%
Non-Large Cap Domestic	1,888	3.6
International Qualified	4,281	8.1
International Equity	8,673	16.4
Short-Term Fixed Income	781	1.5
Total Return Fixed Income	7,635	14.5
Core Fixed Income	5,663	10.7
Private Equity	5,498	10.4
Private Real Estate	3,035	5.8
Hedge Fund	5,326	10.1
Total	\$ 52,739	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	16.0%	7.5%
Three-year	-2.8%	7.5%
Five-year	3.3%	7.5%
Ten-year	4.4%	7.5%

# Teachers' Retirement System & Teachers' Employers Contribution Collection Account

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## HISTORY

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*	

\* *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.*

# Teachers' Retirement System

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 3,513,001
Contributions	623,292
Withdrawals	(569,477)
Net	<u>53,815</u>
Investment income	23,453
Net unrealized appreciation	509,070
June 30, 2010	<u><u>\$ 4,099,339</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 765,922	18.6%
Non-Large Cap Domestic	160,014	3.9
International Qualified	331,554	8.1
International Equity	679,006	16.6
Short-Term Fixed Income	135,601	3.3
Total Return Fixed Income	471,837	11.5
Core Fixed Income	314,308	7.7
TRS Annuity	152,419	3.7
Private Equity	437,924	10.7
Private Real Estate	236,320	5.8
Hedge Fund	414,434	10.1
Total	<u><u>\$ 4,099,339</u></u>	<u>100.0%</u>

## 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	15.2%	7.5%
Three-year	-3.7%	7.5%
Five-year	2.8%	7.5%
Ten-year	4.0%	7.5%

# Teachers' Employers Contribution Collection Account

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	6
Contributions		382,048
Withdrawals		(381,728)
Net		<u>320</u>
Investment income		29
June 30, 2010	\$	<u><u>355</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Short-Term Fixed Income	\$ 355	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. TECCA has no defined target rate of return.

Period	Actual
One-year	0.1%
Three-year	1.7%

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# Emergency Medical Services Retirement System

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## 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 fiscal year 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	

# Emergency Medical Services Retirement System

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	16,870
Contributions		3,893
Withdrawals		(122)
Net		<u>3,771</u>
Investment income		154
Net unrealized appreciation		2,550
June 30, 2010	\$	<u><u>23,345</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 4,588	19.6%
Non-Large Cap Domestic	870	3.7
International Qualified	1,978	8.5
International Equity	3,991	17.1
Short-Term Fixed Income	528	2.3
Total Return Fixed Income	3,470	14.8
Core Fixed Income	1,533	6.6
Private Equity	2,534	10.9
Private Real Estate	1,399	6.0
Hedge Fund	2,454	10.5
Total	<u><u>\$ 23,345</u></u>	<u><u>100.0%</u></u>

## INVESTMENT PERFORMANCE

Investment performance for the one-year period ended June 30, 2010 was 15.7 percent. The EMSRS has a target rate of return of 7.5 percent.

# Coal Workers' Pneumoconiosis Fund

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## HISTORY

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%



# Coal Workers' Pneumoconiosis Fund

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	224,353
Contributions		41
Withdrawals		(10,043)
Net		<u>(10,002)</u>
Investment income		4,157
Net unrealized appreciation		25,683
June 30, 2010	\$	<u><u>244,191</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 18,272	7.5%
Non-Large Cap Domestic	3,463	1.4
International Nonqualified	8,288	3.4
International Equity	15,468	6.3
Short-Term Fixed Income	11,646	4.8
Total Return Fixed Income	67,942	27.8
Core Fixed Income	70,217	28.8
Hedge Fund	48,895	20.0
Total	<u><u>\$ 244,191</u></u>	<u>100.0%</u>

## 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	13.4%	5.0%
Three-year	1.6%	5.0%

# Workers' Compensation Old Fund

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## HISTORY

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 are 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 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:

- Preservation of principal and minimization of volatility, while still achieving some investment earnings growth adjusted for inflation.
- 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	5.0%	5.0%
International Equity	5.0%	5.0%
Private Equity	0.0%	0.0%
Fixed Income	90.0%	80.0%
Hedge Fund	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash	\$0*	10.0%

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

# Workers' Compensation Old Fund

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 670,648
Contributions	125,122
Withdrawals	(6,960)
Net	118,162
Investment income	12,543
Net unrealized appreciation	87,427
June 30, 2010	\$ 888,780

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 32,583	3.7%
Non-Large Cap Domestic	6,176	0.7
International Nonqualified	13,715	1.5
International Equity	28,650	3.2
Short-Term Fixed Income	95,319	10.7
Total Return Fixed Income	285,346	32.1
Core Fixed Income	321,445	36.2
Hedge Fund	105,546	11.9
Total	\$ 888,780	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	14.6%	5.0%
Three-year	0.8%	5.0%

# Workers' Compensation Self-Insured Guaranty Risk Pool

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## HISTORY

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%

# Workers' Compensation Self-Insured Guaranty Risk Pool

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	6,794
Contributions		1,445
Withdrawals		(182)
Net		<u>1,263</u>
Investment income		9
June 30, 2010	\$	<u><u>8,066</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Short-Term Fixed Income	\$ 8,066	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	0.1%	5.0%
Three-year	1.8%	5.0%

# Workers' Compensation Uninsured Employers' Fund

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## 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%

# Workers' Compensation Uninsured Employers' Fund

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	8,537
Contributions		361
Withdrawals		(56)
Net		<u>305</u>
Investment income		10
June 30, 2010	\$	<u><u>8,852</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Short-Term Fixed Income	\$ 8,852	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	0.1%	5.0%
Three-year	1.8%	5.0%

# Wildlife Endowment Fund

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## HISTORY

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	



# Wildlife Endowment Fund

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 30,069
Contributions	1,640
Withdrawals	(1,800)
Net	<u>( 160)</u>
Investment income	276
Net unrealized appreciation	4,689
June 30, 2010	<u>\$ 34,874</u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 6,669	19.1%
Non-Large Cap Domestic	1,264	3.6
International Nonqualified	3,018	8.7
International Equity	5,647	16.2
Short-Term Fixed Income	65	0.2
Total Return Fixed Income	5,123	14.7
Core Fixed Income	3,802	10.9
Private Equity	3,683	10.6
Private Real Estate	2,036	5.8
Hedge Fund	3,567	10.2
Total	<u>\$ 34,874</u>	<u>100.0%</u>

## 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	16.0%	6.0%
Three-year	-2.9%	6.0%
Five-year	3.3%	6.0%
Ten-year	5.6%	6.0%

# WV Prepaid Tuition Trust Fund & WV Prepaid Tuition Trust Escrow Account

## HISTORY

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 was withdrawn in September 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	36.0%	36.0%
International Equity	19.0%	19.0%
Private Equity	0.0%	0.0%
Fixed Income	45.0%	45.0%
Hedge Fund	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash	\$1,000,000*	

\* 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.

# WV Prepaid Tuition Trust Fund

## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	73,291
Contributions		-
Withdrawals		(8,200)
Net		(8,200)
Investment income		912
Net unrealized appreciation		11,280
June 30, 2010	\$	77,283

### Asset Allocation (\$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 20,521	26.5%
Non-Large Cap Domestic	4,790	6.2
International Nonqualified	5,001	6.5
International Equity	9,570	12.4
Short-Term Fixed Income	1,000	1.3
Core Fixed Income	36,401	47.1
Total	\$ 77,283	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	17.2%	7.25%
Three-year	-1.6%	7.25%
Five-year	4.1%	7.25%
Ten-year	4.9%	7.25%

## WV Prepaid Tuition Trust Escrow Account

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### FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	11
Contributions		-
Withdrawals		(11)
Net		<u>(11)</u>
Investment income		-
Net unrealized appreciation		-
June 30, 2010	\$	<u><u>-</u></u>

### INVESTMENT PERFORMANCE

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

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# Revenue Shortfall Reserve Fund

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## HISTORY

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 preservation of principal and minimization of volatility. 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	0.0%	0.0%
International Equity	0.0%	0.0%
Private Equity	0.0%	0.0%
Fixed Income	100.0%	100.0%
Hedge Fund	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash	\$0*	

\* Statutory cash requirements of \$100 million will be invested by the West Virginia Board of Treasury Investments.

## Revenue Shortfall Reserve Fund

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### FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 163,763
Contributions	-
Withdrawals	(14,752)
Net	<u>(14,752)</u>
Investment income	2,617
Net unrealized appreciation	27,003
June 30, 2010	<u>\$ 178,631</u>

#### Asset Allocation (in \$000s)

	Amount	Percent of Total
Short-Term Fixed Income	\$ 110	0.1%
Total Return Fixed Income	78,557	44.0
Core Fixed Income	78,641	44.0
Hedge Fund	21,323	11.9
Total	<u>\$ 178,631</u>	<u>100.0%</u>

### 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	18.5%
Three-year	-2.8%

## Revenue Shortfall Reserve Fund – Part B

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### HISTORY

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	15.0%	15.0%
International Equity	15.0%	15.0%
Private Equity	0.0%	0.0%
Fixed Income	70.0%	70.0%
Hedge Funds	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash	\$0	



## Revenue Shortfall Reserve Fund – Part B

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### FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 237,835
Contributions	1,555
Withdrawals	-
Net	1,555
Investment income	2,952
Net unrealized appreciation	36,348
June 30, 2010	\$ 278,690

#### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 31,422	11.4%
Non-Large Cap Domestic	5,957	2.1
International Nonqualified	13,977	5.0
International Equity	26,870	9.6
Short-Term Fixed Income	1,520	0.5
Total Return Fixed Income	80,291	28.8
Core Fixed Income	84,493	30.3
Hedge Fund	34,160	12.3
Total	\$ 278,690	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	16.5%
Three-year	-3.6%

# Board of Risk and Insurance Management Fund

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## 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	

# Board of Risk and Insurance Management Fund

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 105,461
Contributions	-
Withdrawals	-
Net	-
Investment income	2,166
Net unrealized appreciation	12,704
June 30, 2010	<u>\$ 120,331</u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 8,924	7.5%
Non-Large Cap Domestic	1,701	1.4
International Nonqualified	4,023	3.3
International Equity	7,792	6.5
Short-Term Fixed Income	3	0.0
Total Return Fixed Income	36,332	30.2
Core Fixed Income	37,553	31.2
Hedge Fund	24,003	19.9
Total	<u>\$ 120,331</u>	<u>100.0%</u>

## 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	14.1%	4.9%
Three-year	3.1%	4.9%
Five-year	4.8%	4.9%

# Public Employees Insurance Agency

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## 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. 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*	

*\* 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.*

# Public Employees Insurance Agency

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$ 115,072
Contributions	-
Withdrawals	-
Net	-
Investment income	2,549
Net unrealized appreciation	13,506
June 30, 2010	<u>\$ 131,127</u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 7,297	5.5%
Non-Large Cap Domestic	1,383	1.1
International Nonqualified	3,282	2.5
International Equity	6,205	4.7
Total Return Fixed Income	42,750	32.6
Core Fixed Income	44,179	33.7
Hedge Fund	26,031	19.9
Total	<u>\$ 131,127</u>	<u>100.0%</u>

## 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	14.0%	5.4%
Three-year	2.7%	5.4%

# WV Retiree Health Benefit Trust Fund

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## 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*	

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

# WV Retiree Health Benefit Trust Fund

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## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	200,538
Contributions		-
Withdrawals		-
Net		-
Investment income		6,479
Net unrealized appreciation		22,460
June 30, 2010	\$	229,477

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Large Cap Domestic	\$ 4,194	1.8%
Non-Large Cap Domestic	795	0.3
International Nonqualified	1,901	0.8
International Equity	3,550	1.5
Total Return Fixed Income	107,717	46.9
Core Fixed Income	111,320	48.7
Total	\$ 229,477	100.0%

## INVESTMENT PERFORMANCE

Investment performance for the one-year period ended June 30, 2010 was 14.4 percent. RHBTF has no defined target rate of return.

## HISTORY

AccessWV (AWV) is a health plan created by West Virginia statute to provide health insurance to West Virginians who have been unable to find or who have been denied health insurance in the private market because of a medical condition. Only a portion of the plan is invested with the IMB.

## LIQUIDITY NEEDS

AWV is expected to have no liquidity needs from the IMB portion until fiscal year 2015.

## 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 AWV. Policy and Strategic Allocations are established on a market value basis.

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	25.0%	25.0%
International Equity	25.0%	25.0%
Private Equity	0.0%	0.0%
Fixed Income	50.0%	50.0%
Hedge Funds	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash (included in Fixed Income above)	\$0	



**FINANCIAL HIGHLIGHTS**

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

June 30, 2009	\$	-
Contributions		2,000
Withdrawals		-
Net		<u>2,000</u>
Investment income		4
Net unrealized depreciation		(39)
June 30, 2010	\$	<u><u>1,965</u></u>

**Asset Allocation (in \$000s)**

	Amount	Percent of Total
Large Cap Domestic	\$ 320	16.3%
Non-Large Cap Domestic	61	3.1
International Nonqualified	588	29.9
International Equity	329	16.7
Total Return Fixed Income	434	22.1
Core Fixed Income	233	11.9
Total	\$ 1,965	100.0%

**INVESTMENT PERFORMANCE**

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

# Municipal Police Officers' and Firefighters' Retirement System

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## HISTORY

Municipal Police Officers' and Firefighters' Retirement System (MPFRS) was created in 2010 for the purpose of providing retirement benefits for municipal police officers and paid professional firefighters hired into covered employment by participation municipalities on or after January 1, 2010.

## LIQUIDITY NEEDS

Undetermined at this time.

## INVESTMENT OBJECTIVES

Undetermined at this time.

## ASSET ALLOCATION

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

## FINANCIAL HIGHLIGHTS

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

June 30, 2009	\$	-
Contributions		6
Withdrawals		(3)
Net		<u>3</u>
Investment income		-
Net unrealized appreciation		-
June 30, 2010	\$	<u><u>3</u></u>

### Asset Allocation (in \$000s)

	Amount	Percent of Total
Short-Term Fixed Income	\$ 3	100.0%

## INVESTMENT PERFORMANCE

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

# Audited Financial Statements

## Investment Pools



# **Audited Financial Statements**

**June 30, 2010**

**Large Cap Domestic Equity Pool**

# Large Cap Domestic Equity Pool

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## **Audited Financial Statements June 30, 2010**

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations and changes in net assets for the year then ended for the West Virginia Investment Management Board (WVIMB) Large Cap Domestic Equity Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board Large Cap Domestic Equity Pool as of June 30, 2010, and the results of its operations and changes in net assets for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Large Cap Domestic Equity Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$	1,714,864
Cash		1,498
Collateral for securities loaned at fair value (Note 7)		72,732
Receivables:		
Dividends		2,334
Securities lending income		15
		<u>          </u>
<b>Total assets</b>		<b>1,791,443</b>

### Liabilities

Accrued expenses		601
Payable upon return of securities loaned (Note 7)		76,067
Unrealized loss on futures contracts (Note 8)		597
		<u>          </u>
<b>Total liabilities</b>		<b>77,265</b>
		<u>          </u>
<b>Net assets</b>	\$	<b>1,714,178</b>

### Analysis of net assets

Paid-in capital	\$	1,557,057
Accumulated undistributed net investment income		262,803
Accumulated undistributed net realized loss from investments		(46,507)
Unrealized net depreciation of investments		(59,175)
		<u>          </u>
<b>Net assets</b>	\$	<b>1,714,178</b>

### Unit data

Units outstanding		171,884,432
Net asset value, unit price	\$	<u>9.97</u>

See accompanying notes to financial statements.



# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<b>Equity Securities</b>			
<i>Basic Materials</i>			
Air Products and Chemicals Inc	48,600	\$ 3,711	\$ 3,150
Airgas Inc	8,300	414	516
Alcoa Inc	93,400	1,231	940
Allegheny Technologies Inc	29,000	1,312	1,282
Ball Corporation	15,000	686	792
Bemis Company Inc	9,000	210	243
CF Industries Holdings Inc	10,400	948	660
Cliffs Natural Resources Inc	49,900	2,424	2,353
CONSOL Energy Inc	19,000	858	641
Dow Chemical Company	175,100	4,743	4,153
DuPont EI de Nemours Co	156,900	4,295	5,427
Eastman Chemical Company	29,800	1,623	1,590
Ecolab Inc	20,600	958	925
FMC Corporation	6,500	357	373
Freeport-McMoRan Copper & Gold	41,600	2,737	2,460
International Paper Company	73,400	1,589	1,661
Intl Flavors & Fragrances Inc	26,800	1,101	1,137
Massey Energy Company	46,100	1,506	1,261
MeadWestvaco Corp	138,500	3,407	3,075
Monsanto Company	48,300	3,921	2,232
Newmont Mining Corp	43,400	1,934	2,680
Nucor Corporation	28,400	1,324	1,087
Owens-Illinois Inc	23,100	635	611
Pactiv Corporation	11,400	166	317
Peabody Energy Corp	34,500	1,258	1,350
PPG Industries Inc	71,600	4,217	4,325
Praxair Inc	27,800	2,240	2,113
Sealed Air Corporation	13,700	268	270
Sigma-Aldrich Corporation	11,500	621	573
Titanium Metals Corp	27,000	390	475
United States Steel Corp	23,000	1,020	887
Vulcan Materials	12,000	645	526
Weyerhaeuser Company	18,300	669	644
<i>Total Basic Materials - 3.0%</i>		53,418	50,729
<i>Capital Goods</i>			
3M Co	129,800	9,528	10,253
AK Steel Holding Corporation	11,600	233	138
Apollo Group	11,100	791	471
Avery Dennison Corp	69,300	2,291	2,227
Block H&R Inc	81,800	1,477	1,283
Boeing Company	118,000	7,002	7,405
C H Robinson Worldwide Inc	14,900	849	829
Caterpillar Inc	107,500	5,928	6,458
Cintas Corp	11,300	341	271
CSX Corp	77,200	3,339	3,831
Cummins Engine Company Inc	23,000	888	1,498
Danaher Corp	47,600	1,617	1,767
Deere & Company	49,700	2,298	2,767
Donnelley & Sons	122,500	2,526	2,005
Dover Corp	46,800	1,635	1,956
Dun & Bradstreet Corp	4,700	352	315
Eaton Corporation	40,600	2,527	2,657
Emerson Electric Co	73,900	3,010	3,229
Equifax Inc	20,400	576	572
Expeditors Intl of Washington	18,300	634	632
Fastenal Company	17,700	750	888
FedEx Corp	63,600	5,092	4,459
Flowserve Corp	8,400	748	712
Fluor Corporation	15,500	789	659
General Dynamics Corp	61,300	3,871	3,590

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
General Electric Company	2,048,675	46,787	29,542
Goodrich BF Company	76,300	4,214	5,055
Grainger WW Inc	30,300	2,495	3,013
Honeywell International Inc	99,500	3,890	3,883
Illinois Tool Works Inc	56,000	2,403	2,312
Iron Mountain Inc	15,900	413	357
ITT Industries Inc	15,900	812	714
Jacobs Engineering Group Inc	11,300	519	412
L-3 Communications Hldgs Inc	17,900	1,422	1,268
Lockheed Martin Corp	30,200	2,197	2,250
Masco Corporation	43,200	525	465
Monster Worldwide Inc	26,100	432	304
Norfolk Southern Corp	70,600	3,480	3,745
Northrop Grumman Corp	48,700	2,705	2,651
PACCAR Inc	32,900	1,224	1,312
Pall Corporation	15,900	550	546
Parker-Hannifin Corporation	14,500	753	804
Pitney Bowes Inc	18,200	404	400
Precision Castparts Corp	45,500	4,839	4,683
Priceline.com Inc	26,210	5,510	4,627
Raytheon Company	55,900	2,677	2,705
Republic Services Inc	37,800	1,027	1,124
Robert Half International Inc	13,600	340	320
Rockwell Automation Inc	79,300	3,327	3,893
Rockwell Collins	54,600	2,569	2,901
Roper Industries Inc	8,000	426	448
Ryder System Inc	17,000	642	684
Southwest Airlines Co	461,500	5,602	5,127
Stanley Black & Decker Inc	52,284	2,576	2,641
Textron Inc	102,700	1,923	1,743
Union Pacific Corp	64,300	3,719	4,469
United Parcel Service Inc	88,200	4,908	5,018
United Technologies Corp	151,700	9,608	9,847
Waste Management Inc	67,700	2,084	2,118
<i>Total Capital Goods - 10.0%</i>		186,094	172,253
<i>Communication Services</i>			
American Tower Corporation	52,400	2,002	2,332
AT&T Inc	1,363,529	40,601	32,984
CenturyTel Inc	128,305	3,967	4,274
Frontier Communications Corp	142,300	1,096	1,012
Metropcs Communications Inc	27,600	267	226
Qwest Communications Intl Inc	359,500	1,771	1,887
Sprint Nextel Corporation	267,900	1,335	1,136
Verizon Communications	401,549	13,790	11,251
Windstream Corp	99,000	979	1,045
<i>Total Communication Services - 3.3%</i>		65,808	56,147
<i>Consumer Discretionary</i>			
Abercrombie & Fitch Co	10,300	336	316
Amazon.com Inc	72,500	6,973	7,921
AutoNation Inc	10,000	180	195
AutoZone Inc	3,800	602	734
Bed Bath & Beyond Inc	28,400	1,047	1,053
Best Buy Co Inc	31,000	1,216	1,050
Big Lots Inc	8,200	210	263
CarMax Inc	19,900	425	396
Carnival Corp	39,300	1,293	1,188
CBS Corp	72,000	919	931
Coach Inc	88,600	2,863	3,238
Comcast Corp	380,150	6,683	6,603
CVS Caremark Corp	216,276	6,683	6,341
Darden Restaurants Inc	12,400	338	482

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

*(Amounts in thousands, except share data)*

Security Name	Shares	Cost	Fair Value
DeVry Inc	34,400	2,154	1,806
DIRECTV Group Inc	136,500	3,781	4,630
Discovery Communications Inc	52,600	1,638	1,878
Disney Walt Company	291,300	7,594	9,176
DR Horton Inc	23,900	277	235
Eastman Kodak Co	140,500	798	610
Expedia Inc	87,600	1,842	1,645
Family Dollar Stores	20,700	610	780
Ford Motor Company	718,000	6,002	7,237
Fortune Brands Inc	14,200	610	556
GameStop Corp	13,200	352	248
Gannett Co Inc	129,000	1,969	1,736
Gap Inc	62,000	1,084	1,207
Genuine Parts Company	13,600	506	537
Goodyear Tire & Rubber Co	20,800	355	207
Harley-Davidson Inc	27,400	623	609
Harman Intl Industries Inc	55,600	1,964	1,662
Hasbro Inc	29,900	1,087	1,229
Home Depot Inc	207,700	5,546	5,830
International Game Technology	28,400	609	446
Interpublic Group of Co Inc	42,400	322	302
Johnson Controls Inc	158,000	4,254	4,245
Kohl's Corporation	54,100	2,794	2,570
Leggett & Platt Inc	39,400	740	790
Lennar Corporation	16,300	234	227
Limited Inc	205,000	4,049	4,524
Lowe's Corp Inc	141,100	2,984	2,881
Macy's Inc	36,500	498	653
Marriott International Inc	24,266	660	727
Mattel Inc	78,500	1,543	1,661
McDonald's Corporation	155,200	8,866	10,223
McGraw-Hill Companies Inc	93,600	2,490	2,634
Meredith Corp	3,900	117	121
New York Times Company	77,700	812	672
Newell Rubbermaid Inc	115,900	1,586	1,697
News Corp	417,200	4,925	4,990
Nike Inc	65,800	3,977	4,445
Office Depot Inc	29,100	188	118
Omnicom Group Inc	57,900	2,146	1,986
O'Reilly Automotive Inc	12,200	443	580
Penney JC & Company	22,400	698	481
Polo Ralph Lauren Corporation	44,600	3,518	3,254
Pulte Corporation	28,100	309	233
RadioShack Corp	25,200	405	492
Ross Stores Inc	14,200	614	757
Sears Holding Corp	26,100	1,983	1,687
Sherwin-Williams Co	8,200	485	567
Snap-On Inc	12,100	487	495
Staples Inc	85,400	1,947	1,627
Starbucks Corp	231,900	4,299	5,635
Starwood Hotels & Resorts Inc	31,300	1,083	1,297
Target Corp	105,300	5,058	5,178
Tiffany & Co	73,300	3,232	2,779
Time Warner Cable Inc	93,412	3,937	4,865
Time Warner Inc	169,066	4,432	4,888
TJX Companies Inc	116,400	3,829	4,883
Urban Outfitters Inc	73,900	2,561	2,541
VF Corp	11,500	837	819
Viacom Inc	197,100	5,463	6,183
Washington Post Company	1,100	496	452
Whirlpool Corporation	30,700	2,592	2,696
Wyndham Worldwide Corporation	88,400	1,620	1,780
Wynn Resorts Limited	6,200	435	473

*See accompanying notes to financial statements.*

# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Yum Brands Inc	42,500	1,397	1,659
<i>Total Consumer Discretionary - 10.2%</i>		164,514	174,742
<i>Consumer Staples</i>			
Altria Group Inc	301,220	5,770	6,036
Archer-Daniels-Midland Co	60,300	1,573	1,557
Avon Products Inc	91,400	2,970	2,422
Brown Forman Corp	21,100	1,146	1,208
Campbell Soup Co	56,200	1,929	2,014
Clorox Company	15,200	908	945
Coca-Cola Company	435,000	22,893	21,802
Coca-Cola Enterprises	96,700	1,942	2,501
Colgate-Palmolive Co	87,400	6,476	6,884
ConAgra Foods Inc	76,400	1,695	1,782
Constellation Brands Inc	123,200	2,034	1,924
Costco Wholesale Corp	58,700	3,408	3,219
Dean Foods Company	19,100	367	192
Dr Pepper Snapple Group	93,600	2,366	3,500
Estee Lauder Companies Inc	72,600	3,989	4,046
General Mills Inc	169,400	5,726	6,017
Heinz HJ Company	71,500	3,035	3,090
Hershey Foods Corp	15,000	580	719
Hormel Foods Corp	11,200	438	453
Kellogg Company	73,100	3,595	3,677
Kimberly Clark Corporation	47,300	2,624	2,868
Kraft Foods Inc	196,500	5,312	5,502
Kroger Co	79,000	2,012	1,556
Lorillard, Inc	30,200	2,166	2,174
McCormick & Company Inc	30,200	1,129	1,146
Mead Johnson Nutrition Co-A	112,209	4,827	5,624
Molson Coors Brewing Co	20,900	972	885
Pepsico Inc	304,364	18,110	18,551
Philip Morris International	332,420	15,295	15,238
Procter & Gamble Company	510,932	30,109	30,646
Reynolds American Inc	82,600	4,178	4,305
Safeway Inc	46,000	920	904
Sara Lee Corp	287,100	3,724	4,048
Smucker JM Company	69,300	3,792	4,173
Supervalu Inc	17,300	258	188
Sysco Corp	81,400	2,059	2,326
Tyson Foods, Inc	90,300	1,097	1,480
Walgreen Co	156,000	5,672	4,165
Wal-Mart Stores	348,100	18,299	16,733
Whole Foods Market Inc	52,100	1,450	1,877
<i>Total Consumer Staples - 11.6%</i>		196,845	198,377
<i>Energy</i>			
Anadarko Petroleum Corp	103,200	5,287	3,724
Apache Corporation	36,700	3,574	3,090
Baker Hughes Inc	81,542	3,754	3,390
Cabot Oil & Gas Corporation	9,300	301	291
Cameron International Corp	57,600	1,960	1,873
Chesapeake Energy Corp	64,600	1,800	1,353
ChevronTexaco Corp	378,855	28,803	25,709
ConocoPhillips	239,280	13,658	11,746
Denbury Resources Inc	33,900	516	496
Devon Energy Corporation	43,000	2,910	2,620
Diamond Offshore Drilling Inc	12,500	1,165	777
El Paso Corporation	60,500	464	672
EOG Resources Inc	22,300	1,816	2,194
Exxon Mobil Corporation	1,041,695	73,694	59,450
First Solar Inc	4,600	702	524
FMC Technologies Inc	18,000	944	948

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Halliburton Company	165,100	4,245	4,053
Helmerich & Payne Inc	9,900	401	362
Hess Corp	26,400	1,339	1,329
Marathon Oil Corp	64,200	1,934	1,996
Murphy Oil Corporation	17,200	986	852
Nabors Industries Ltd	31,900	662	562
National-Oilwell Varco Inc	53,600	2,272	1,773
Noble Energy Inc	15,700	1,026	947
Occidental Petroleum Corp	126,900	9,218	9,790
Pioneer Natural Resources Co	36,800	1,741	2,188
Range Resources Corporation	15,000	743	602
Rowan Companies Inc	9,800	226	215
Schlumberger Ltd	215,000	13,576	11,898
Smith International Inc	40,400	1,347	1,521
Spectra Energy Corp	133,100	2,516	2,671
Sunoco Inc	10,100	287	351
Tesoro Petroleum Corporation	14,800	212	173
Valero Energy Corporation	49,100	947	883
Williams Companies Inc	98,400	1,782	1,799
<i>Total Energy - 9.5%</i>		186,808	162,822
<i>Financial Services</i>			
AFLAC Inc	115,800	5,252	4,941
Allstate Corp	71,600	2,221	2,057
American Express	232,400	7,381	9,226
American International Group	15,800	640	544
Ameriprise Financial Inc	74,800	2,095	2,703
Aon Corporation	24,000	978	891
Apartment Investment & Mgmt Co	74,100	1,439	1,435
Assurant Inc	23,700	762	822
Avalonbay Communities Inc	12,600	994	1,176
Bank of America Corporation	1,265,077	26,493	18,179
Bank of New York Mellon Corp	139,000	4,998	3,432
BB&T Corporation	111,100	2,927	2,923
Berkshire Hathaway Inc	182,096	13,399	14,511
Boston Properties Inc	18,700	1,260	1,334
Capital One Financial Corp	67,400	2,206	2,716
CB Richard Ellis Grp Inc	64,200	640	874
Chubb Corp	38,200	1,944	1,910
Cincinnati Financial Corp	31,100	824	805
Citigroup Inc	2,102,507	13,723	7,905
CME Group Inc	9,200	2,774	2,590
Comerica Inc	92,900	2,885	3,422
Discover Financial Services	194,800	2,543	2,723
E*Trade Group Inc	16,820	291	199
Equity Residential Prop Trust	50,300	1,787	2,094
Federated Investors Inc	9,400	248	195
Fifth Third Bancorp	397,900	3,983	4,890
First Horizon National Corp	21,421	245	245
Franklin Resources Inc	63,100	5,934	5,439
Genworth Financial Inc	235,900	2,719	3,083
Goldman Sachs Group Inc	77,300	11,005	10,147
Hartford Financial Services Gp	44,600	1,179	987
HCP Inc	29,300	859	945
Health Care Inc	19,000	820	800
Host Hotels & Resorts Inc	67,589	742	911
Hudson City Bancorp Inc	44,500	743	545
Huntington Bancshares Inc	356,800	1,514	1,977
Intercontinental Exchange Inc	6,900	657	780
Invesco Limited	57,100	1,011	961
Janus Capital Group Inc	19,300	270	171
JPMorgan Chase & Co	604,153	22,670	22,118
KeyCorp	120,900	847	930

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Kimco Realty Corporation	34,600	382	465
Legg Mason Inc	19,300	557	541
Leucadia National Corporation	17,100	424	334
Lincoln National Corp	35,300	796	857
Loews Corp	173,300	6,091	5,773
M & T Bank Corporation	42,200	3,095	3,585
Marsh & McLennan Co Inc	63,800	1,555	1,439
Marshall & Ilsley Corporation	48,400	262	348
MasterCard Inc	18,400	3,972	3,671
MetLife Inc	79,200	2,842	2,991
Moody's Corp	17,900	432	357
Morgan Stanley Dean Witter Co	123,800	4,268	2,873
Nasdaq Stock Market Inc	15,000	323	267
Nordstrom Inc	29,600	864	953
Northern Trust Corp	21,800	1,270	1,018
NYSE Euronext	24,600	710	680
People's United Financial Inc	32,800	511	443
Plum Creek Timber Co Inc	33,900	1,121	1,171
PNC Financial Services Group	106,800	5,279	6,034
Principal Financial Group Inc	37,600	907	881
Progressive Corp	72,300	1,149	1,353
ProLogis Trust	54,900	672	556
Prudential Financial Inc	56,200	2,476	3,016
Public Storage Inc	17,700	1,331	1,556
Regions Financial Corp	429,400	2,577	2,825
Schwab Charles Corp	88,500	1,611	1,255
Simon Property Group	46,302	3,223	3,739
SLM Corp	213,300	2,016	2,216
State Street Corp	56,600	2,872	1,914
SunTrust Banks Inc	102,000	2,423	2,377
T Rowe Price Associates Inc	38,100	1,819	1,691
Torchmark Corporation	13,900	636	688
Travelers Cos Inc	94,700	4,215	4,664
UnumProvident Corp	31,300	580	679
US Bancorp	308,400	7,112	6,893
Ventas Inc	39,400	1,506	1,850
Visa Inc-Class A Shares	97,200	8,503	6,877
Vornado Realty Trust	20,040	1,368	1,462
Wells Fargo & Company	697,800	18,163	17,864
XL Capital Ltd	153,300	2,228	2,454
Zions Bancorporation	38,300	624	826
<i>Total Financial Services - 14.3%</i>		258,667	245,972
<i>Health Care</i>			
Abbott Laboratories	258,400	13,162	12,088
Aetna Inc	88,000	2,605	2,321
Allergan Inc	40,800	2,267	2,377
AmerisourceBergen Corp	124,100	3,178	3,940
Amgen Inc	120,600	6,549	6,344
Bard CR Inc	11,100	877	861
Baxter International Inc	106,300	5,824	4,320
Becton Dickinson & Company	25,000	1,744	1,691
Biogen Idec Inc	32,700	1,619	1,552
Boston Scientific Corp	151,500	1,444	879
Bristol-Myers Squibb Company	322,442	6,967	8,042
Cardinal Health Inc	124,200	4,098	4,174
CareFusion Corporation	115,500	2,880	2,622
Celgene Corporation	80,700	4,558	4,101
Cephalon Inc	28,500	1,664	1,617
Cerner Corporation	13,500	1,159	1,025
CIGNA Corporation	161,100	4,969	5,004
Coventry Health Care Inc	130,000	2,851	2,298
DaVita Inc	48,300	3,024	3,016

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
DENTSPLY International Inc	20,800	694	622
Express Scripts Inc	121,400	4,909	5,708
Forest Laboratories Inc	73,400	2,138	2,013
Genzyme Corporation	24,000	1,344	1,218
Gilead Sciences Inc	80,000	3,746	2,742
Hospira Inc	101,500	4,825	5,831
Humana Inc	84,900	3,680	3,877
Intuitive Surgical Inc	17,400	5,431	5,492
Johnson & Johnson	527,200	32,130	31,136
King Pharmaceuticals Inc	232,600	2,306	1,765
Laboratory Corp of Amer Hldgs	9,300	609	701
Life Technologies Corp	75,300	3,713	3,558
Lilly Eli and Company	96,100	3,515	3,219
McKesson HBOC Inc	87,300	5,330	5,863
Medco Health Solutions Inc	132,300	6,494	7,287
Medtronic Inc	190,600	7,680	6,913
Merck & Co Inc	593,180	19,950	20,744
Millipore Corp	4,900	348	523
Mylan Laboratories Inc	193,600	3,140	3,299
Patterson Companies Inc	74,800	2,152	2,134
PerkinElmer Inc	88,500	1,880	1,829
Pfizer Inc	1,607,383	34,634	22,921
Quest Diagnostics Inc	20,500	1,043	1,020
St Jude Medical Inc	28,400	1,107	1,025
Stericycle Inc	7,600	368	498
Stryker Corporation	96,200	4,992	4,816
Tenet Healthcare Corporation	276,100	1,495	1,198
Thermo Electron Corporation	72,300	3,285	3,546
UnitedHealth Group Inc	184,700	5,245	5,245
Varian Medical Systems Inc	52,500	2,590	2,745
Waters Corporation	42,000	2,598	2,717
Watson Pharmaceuticals Inc	24,900	888	1,010
WellPoint Inc	133,700	6,737	6,542
Zimmer Holdings Inc	68,000	3,877	3,675
<i>Total Health Care - 14.1%</i>		256,312	241,704
<i>Technology</i>			
Adobe Systems Inc	94,400	3,201	2,495
Advanced Micro Devices Inc	173,200	949	1,268
Agilent Technologies Inc	232,700	7,453	6,616
Akamai Technologies Inc	29,700	915	1,205
Altera Corporation	59,700	1,082	1,481
Amphenol Corp	20,900	808	821
Analog Devices Inc	102,600	2,809	2,858
Apple Computer Inc	150,900	22,929	37,956
Applied Materials Inc	121,600	1,613	1,462
Autodesk Inc	35,700	928	870
Automatic Data Processing Inc	45,800	1,816	1,844
BMC Software Inc	15,700	500	544
Broadcom Corp	56,700	1,525	1,869
CA Inc	34,200	594	629
Cisco Systems Inc	1,079,990	22,920	23,015
Citrix Systems Inc	67,100	2,611	2,834
Cognizant Tech Solutions Corp	143,900	5,474	7,204
Computer Sciences Corp	54,700	2,578	2,475
Compuware Corporation	25,100	184	200
Coming Inc	147,100	2,586	2,376
Dell Inc	274,800	3,987	3,314
eBay Inc	332,500	7,739	6,520
Electronic Arts Inc	30,500	584	439
EMC Corporation	348,600	4,928	6,379
Fidelity Ntl Information Svcs	73,000	1,716	1,958
Fiserv Inc	13,100	631	598

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
FLIR Systems Inc	47,000	1,328	1,367
Google Inc	49,000	23,941	21,803
Harris Corporation	74,400	3,346	3,099
Hewlett-Packard Company	498,100	21,081	21,558
Intel Corporation	906,800	18,363	17,637
International Business Machs	258,100	26,810	31,870
Intuit Inc	32,400	897	1,127
Jabil Circuit Inc	115,500	1,456	1,536
JDS Uniphase Corporation	92,500	847	910
Juniper Networks Inc	73,700	1,884	1,682
KLA-Tencor Corporation	48,600	1,632	1,355
Lexmark International Inc	58,100	2,035	1,919
Linear Technology Corp	38,300	955	1,065
LSI Logic Corporation	71,900	374	331
McAfee, Inc	14,900	608	458
MEMC Electronic Materials Inc	23,700	391	234
Microchip Technology Inc	53,600	1,427	1,487
Micron Technology Inc	209,400	1,728	1,778
Microsoft Corporation	1,520,702	39,594	34,991
Molex Inc	27,600	456	503
Motorola Inc	399,600	3,113	2,605
National Semiconductor Corp	23,700	341	319
NetApp Inc.	160,000	4,272	5,970
Novell Inc	48,600	202	276
Novellus Systems Inc	17,900	356	454
NVIDIA Corporation	67,800	683	692
Oracle Corporation	673,744	13,346	14,459
Paychex Inc	27,900	810	725
QLogic Corporation	45,300	853	753
Qualcomm Inc	227,200	9,622	7,461
Red Hat Inc	67,800	1,853	1,962
SAIC INC	29,400	554	492
Salesforce.com Inc	44,600	2,890	3,828
SanDisk Corporation	46,200	1,550	1,944
Scripps Networks Interactive	67,100	2,678	2,707
Symantec Corporation	72,700	1,082	1,009
Tellabs Inc	32,900	156	210
Teradata Corporation	89,700	2,618	2,734
Teradyne Inc	18,500	168	180
Texas Instruments Inc	296,100	7,356	6,893
Total System Services Inc	66,200	1,042	900
VeriSign Inc	17,400	323	462
Western Digital Corp	101,500	3,434	3,061
Western Union Company	68,400	1,012	1,020
Xerox Corporation	233,504	2,060	1,877
Xilinx Inc	32,000	728	808
Yahoo! Inc	107,900	2,092	1,493
<i>Total Technology - 19.3%</i>		317,407	331,234
<i>Utilities</i>			
AES Corporation	264,600	3,423	2,445
Allegheny Energy Inc	15,200	397	314
Ameren Corporation	85,800	2,179	2,039
American Electric Power Co Inc	88,100	2,644	2,846
CenterPoint Energy Inc	233,700	3,196	3,075
CMS Energy Corporation	51,800	725	759
Consolidated Edison Inc	51,000	2,172	2,198
Constellation Energy Group	75,500	2,510	2,435
Dominion Resources Inc	77,300	2,817	2,995
DTE Energy Company	98,000	4,267	4,470
Duke Energy Corp	168,500	2,892	2,696
Edison International	34,600	1,164	1,098
Entergy Corporation	20,700	1,712	1,483

See accompanying notes to financial statements.



# Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Cost	Fair Value
EQT Corp	18,300	772	661
Exelon Corp	58,300	2,903	2,214
FirstEnergy Corp	35,000	1,537	1,233
Integrus Energy Group Inc	64,100	2,980	2,804
NextEra Energy Inc	41,600	2,271	2,028
NICOR Inc	30,300	1,251	1,227
NiSource Inc	150,500	2,292	2,182
Northeast Utilities	53,300	1,369	1,358
NRG Energy Inc	32,000	767	679
ONEOK Inc	80,700	3,729	3,490
PEPCO Holdings	168,000	2,713	2,634
PG&E Corp	39,900	1,633	1,640
Pinnacle West Capital Corp	56,100	1,984	2,040
PPL Corporation	40,800	1,190	1,018
Progress Energy Inc	24,800	978	973
Public Service Enterprise Grp	45,700	1,582	1,432
Quanta Services Inc	17,700	389	366
Questar Corporation	21,000	738	955
SCANA Corporation	10,000	349	358
Sempra Energy	24,300	1,222	1,137
Southern Company	79,500	2,531	2,646
Southwestern Energy Company	31,200	1,340	1,206
TECO Energy Inc	117,200	1,816	1,766
Wisconsin Energy Corporation	26,600	1,213	1,356
Xcel Energy Inc	39,700	777	818
<i>Total Utilities - 3.9%</i>		70,424	67,074
Total Equity Securities - 99.2%		1,756,297	1,701,054
<b><u>Short-term Issues</u></b>			
Dreyfus Cash Management Institutional Fund	13,809,797	13,810	13,810
Total Short-term Issues - 0.8%		13,810	13,810
Total Investment Securities - 100.0%		\$ 1,770,107	\$ 1,714,864

*See accompanying notes to financial statements.*

# Large Cap Domestic Equity Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Investment income**

Dividend	\$ 39,099
Securities lending	274
Securities lending borrower premiums	197
Shareholder litigation proceeds	583
Commission recapture	<u>114</u>

**Total investment income** 40,267

**Expenses**

Investment advisor fees	(1,455)
Trustee fees	(11)
Custodian bank fees	(94)
Management fees	(655)
Fiduciary bond fees	(10)
Professional service fees	(143)
Securities lending agent fees	<u>(94)</u>

**Total expenses** (2,462)

**Investment income, net** 37,805

**Realized and unrealized gain from investments**

Net realized gain from investments	128,473
Net increase in the fair value of investments	<u>105,724</u>

**Net gain from investments** 234,197

**Net increase in net assets from operations** \$ 272,002

*See accompanying notes to financial statements.*

# Large Cap Domestic Equity Pool

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## Statement of Changes in Net Assets

Year Ended June 30, 2010

(Amounts in thousands, except unit data)

### Operations

Investment income, net	\$ 37,805
Net realized gain from investments	128,473
Net increase in the fair value of investments	<u>105,724</u>

**Net increase in net assets from operations** 272,002

### Unit transactions

Proceeds from sale of units	170,118
Amount paid for repurchase of units	<u>(502,661)</u>

**Net decrease in net assets from unit transactions** (332,543)

**Decrease in net assets** (60,541)

**Net assets, beginning of period** 1,774,719

**Net assets, end of period** \$ 1,714,178

### Unit data

Units sold	16,963,136
Units repurchased	<u>(49,316,504)</u>

**Net decrease in units** (32,353,368)

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 in equity securities are carried at fair value, which is determined by a third party pricing service based on quoted market prices. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. 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

# Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

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

of the securities loaned. Cash collateral received is invested in the Mellon GSL Reinvestment Trust and is reported on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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 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 futures at fair market value as determined by the exchange on which they are traded. Gains or losses on open futures positions are unrealized. These gains or losses become realized when the position is closed.

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 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. Investment 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.

# Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

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

**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, exchange traded stock index futures, 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, 2010, 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 June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

# Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

Futures contracts are the only derivative financial instruments held in the Pool. These derivative financial instruments are not designated as hedging instruments under ASC 815; they are 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 primary risk managed by using these derivative financial instruments is market risk. See Note 2 for additional information on the Pool's purpose for entering into derivatives not designated as hedging instruments and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Assets and Liabilities as of June 30, 2010:

Derivatives not designated as hedging instruments under ASC 815	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Equity contracts		\$ -	Unrealized loss on futures contracts	\$ (597)

The table below presents the impact of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Operations for the year ended June 30, 2010:

Derivatives not designated as hedging instruments under ASC 815	Statement of Operations Location	Realized Gain (Loss)
Equity contracts	Net realized gain from investments	\$ 251

### NOTE 6. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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.

# Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 6. FAIR VALUE MEASUREMENTS (continued)

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 1,701,054	\$ -	\$ -	\$ 1,701,054
Regulated Investment Companies	-	13,810	-	13,810
Securities Lending Collateral Funds	-	72,732	-	72,732
Futures	(597)	-	-	(597)
Total	<u>\$ 1,700,457</u>	<u>\$ 86,542</u>	<u>\$ -</u>	<u>\$ 1,786,999</u>

### NOTE 7. SECURITIES LENDING

At June 30, 2010, the fair value of securities on loan was \$76,473, the initial collateral received was \$78,502, and the fair value of collateral held was \$75,108. Of the collateral held, \$76,067 was received as cash and 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) with a fair value of \$72,732.

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 \$10,974 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 \$3,248.

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, 2010 the accumulated undistributed securities lending income was \$1,774.

### NOTE 8. FUTURES CONTRACTS

At June 30, 2010, open positions in futures contracts were as follows:

Expiration	Open Contracts	Position	Value at June 30, 2010	Value Upon Entering Contract	Cumulative Net Gain (Loss) Since Inception
Sept 2010	218 S&P 500	Long	<u>\$ 11,190</u>	<u>\$ 11,787</u>	<u>\$ (597)</u>

At June 30, 2010, the Pool had pledged cash of \$1,483 to cover margin requirements on open futures contracts.



# Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 9. FINANCIAL HIGHLIGHTS

<b>Per Unit Operating Performance:</b>	
Net asset value at June 30, 2009	\$ 8.69
Income from investment operations:	
Net investment income	0.20
Net realized and unrealized gain on investment transactions	1.08
Total from investment operations	1.28
Net asset value at June 30, 2010	\$ 9.97
<b>Time-weighted Total Return *</b>	14.8%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 1,714,178
Ratio to average net assets:	
Expenses **	0.12%
Net investment income **	1.99%
Portfolio turnover rate	88.57%

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

\*\* All ratios are for the fiscal year

### NOTE 10. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 765,922
Public Employees' Retirement System	690,392
State Police Death, Disability and Retirement Fund	75,914
Workers' Compensation Old Fund	32,582
Revenue Shortfall Reserve Fund B	31,423
Prepaid Tuition Trust Fund	20,521
Judges' Retirement System	19,725
Coal Workers' Pneumoconiosis Fund	18,271
Deputy Sheriff's Retirement System	17,477
State Police Retirement System	9,960
Board of Risk and Insurance Management	8,924
Public Employees' Insurance Agency	7,297
Wildlife Endowment Fund	6,668
Emergency Medical Services Retirement System	4,588
Retiree Health Benefit Trust	4,194
AccessWV	320
Total	\$ 1,714,178

### NOTE 11. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.



# **Audited Financial Statements**

**June 30, 2010**

**Non-Large Cap Domestic Equity Pool**

**B**

# Non-Large Cap Domestic Equity Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
BNY Mellon Center  
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## **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, 2010, and the related statements of operations and changes in net assets for the year then ended for the West Virginia Investment Management Board (WVIMB) Non-Large Cap Domestic Equity Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board Non-Large Cap Domestic Equity Pool as of June 30, 2010, and the results of its operations and changes in net assets for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Non-Large Cap Domestic Equity Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$	341,987
Collateral for securities loaned at fair value (Note 6)		89,931
Receivables:		
Investments sold		22,065
Dividends		167
Securities lending income		11
		<u>11</u>
<b>Total assets</b>		<b>454,161</b>

### Liabilities

Accrued expenses		50
Payable for investments purchased		4,278
Payable upon return of securities loaned (Note 6)		92,287
		<u>92,287</u>
<b>Total liabilities</b>		<b>96,615</b>
<b>Net assets</b>	<b>\$</b>	<b><u>357,546</u></b>

### Analysis of net assets

Paid-in capital	\$	347,394
Accumulated undistributed net investment income		20,009
Accumulated undistributed net realized loss from investments		(15,576)
Accumulated undistributed net realized loss from foreign currency transactions		(506)
Unrealized net appreciation of investments		6,225
		<u>6,225</u>
<b>Net assets</b>	<b>\$</b>	<b><u>357,546</u></b>

### Unit data

Units outstanding		28,701,046
Net asset value, unit price	\$	<u>12.46</u>

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

## Schedule of Investments in Securities

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<b>Equity Securities</b>			
<i>Basic Materials</i>			
AptarGroup Inc	21,200	\$ 831	\$ 802
Ashland Inc New	13,700	812	636
Cabot Corporation	55,400	1,156	1,336
Celanese Corp	97,500	2,217	2,429
Compass Minerals International	52,680	4,118	3,702
CONSOL Energy Inc	123,210	3,975	4,160
Crown Holdings Inc	148,050	3,517	3,707
Domtar Corporation	12,600	744	619
Eastman Chemical Company	27,800	1,820	1,483
Ferro Corporation	109,900	793	810
Innophos Holdings Inc	31,900	773	832
Lubrizol Corporation	1,200	61	96
Massey Energy Company	149,250	3,405	4,082
Minerals Technology Inc	30,600	1,562	1,455
OM Group Inc	30,200	553	721
Schnitzer Steel Industries Inc	17,200	967	674
Steel Dynamics Inc	58,400	878	770
<i>Total Basic Materials - 7.9%</i>		28,182	28,314
<i>Capital Goods</i>			
Alaska Air Group Inc	37,300	1,086	1,677
Ametek Inc	78,200	2,267	3,140
Applied Industrial Tech Inc	47,400	1,398	1,200
BE Aerospace Inc	171,475	3,340	4,361
Career Education Corp	25,700	781	592
Compass Diversified Holdings	82,100	1,172	1,101
Complete Production Services	70,200	1,091	1,004
Crane Company	88,400	2,650	2,671
Deluxe Corporation	37,900	851	711
Drew Industries	33,100	691	669
Ennis Inc	47,800	868	717
Enpro Industries Inc	35,300	764	994
Gardner Denver Inc	31,400	687	1,400
Genco Shipping & Trading Ltd	50,700	1,062	760
Graco Inc	27,900	752	787
IDEX Corporation	105,850	2,749	3,024
ITT Educational Services Inc	13,300	1,349	1,104
Kaiser Aluminum Corp	21,900	802	759
KBR Inc	93,900	1,903	1,910
Knightsbridge Tankers Ltd	25,400	482	447
Landstar System Inc	66,150	2,497	2,579
Layne Christensen Company	29,900	800	726
Oshkosh Truck Corporation	43,000	1,552	1,340
Owens Corning Inc	36,900	1,026	1,104
Ryder System Inc	41,100	1,830	1,653
Toro Company	25,000	703	1,228
Tutor Perini Corporation	36,500	694	602
Waste Connections Inc	93,800	2,979	3,273
WESCO International Inc	98,000	3,208	3,300
World Fuel Services Copr	31,000	790	804
<i>Total Capital Goods - 12.8%</i>		42,824	45,637
<i>Communication Services</i>			
NII Holdings Inc	96,300	1,906	3,132
Telephone & Data Systems	60,700	1,648	1,845
<i>Total Communication Services - 1.4%</i>		3,554	4,977
<i>Consumer Discretionary</i>			
Aeropostale Inc	38,100	1,157	1,091
American Eagle Outfitters Inc	190,733	2,049	2,241
Autoliv Inc	14,200	749	679
Boise Inc	224,200	1,302	1,231

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Cash America International Inc	41,400	1,399	1,419
Citrip.com International Ltd	87,223	2,296	3,276
Darling International Inc	125,500	1,839	943
Deckers Outdoor Corporation	9,000	534	1,286
Dillard's Inc	36,400	894	783
Finish Line Inc	83,600	995	1,165
Fossil Inc	71,000	2,841	2,464
Gentex Corporation	185,300	3,658	3,332
Helen of Troy Ltd	31,700	654	699
Hibbett Sports Inc	114,900	2,135	2,753
Jones Apparel Group Inc	42,100	715	667
Meredith Corp	21,900	745	682
Navigant Consulting Inc	176,900	2,863	1,836
O'Reilly Automotive Inc	62,600	1,832	2,977
PetSmart Inc	34,900	1,039	1,053
Polaris Industries Inc	26,500	1,599	1,447
Rent-A-Center Inc	54,500	983	1,104
Scientific Games Corporation	259,900	3,692	2,391
Stage Stores Inc	57,100	697	610
Steven Madden Ltd	30,000	515	946
Timberland Company	72,100	1,519	1,164
TRW Automotive Holdings Co	26,500	745	731
WMS Industries Inc	70,400	3,004	2,763
<i>Total Consumer Discretionary - 11.7%</i>		42,450	41,733
<i>Consumer Staples</i>			
Church & Dwight Company Inc	47,550	2,424	2,982
Lancaster Colony Corp	13,700	535	731
M&F Worldwide Corp	26,900	793	729
Nash Fich Company	25,500	976	871
Ralcorp Holdings Inc	58,950	3,631	3,230
Sanderson Farms Inc	15,200	786	771
<i>Total Consumer Staples - 2.6%</i>		9,145	9,314
<i>Energy</i>			
Clayton Williams Energy Inc	25,700	1,254	1,082
Denbury Resources Inc	219,000	2,515	3,206
Ensko International PLC	117,350	4,341	4,610
Exterran Holdings Inc	155,000	4,832	4,001
Frontline Limited	22,200	721	634
Getty Realty Corporation	40,600	1,034	910
Gulf Island Fabrication Inc	40,900	716	635
Oil States International Inc	34,800	836	1,377
Southern Union Company	33,100	760	724
Sunoco Inc	41,800	1,248	1,453
TETRA Technologies Inc	83,200	830	755
VAALCO Energy Inc	239,400	1,370	1,341
W&T Offshore Inc	129,200	1,250	1,222
Whiting Petroleum Corp	15,600	1,399	1,223
<i>Total Energy - 6.5%</i>		23,106	23,173
<i>Financial Services</i>			
American Financial Group	70,000	1,741	1,912
American Physicians Capital	26,533	752	819
Apartment Investment & Mgmt Co	85,700	1,492	1,660
Assurant Inc	47,100	1,200	1,634
Axis Capital Hldgs Ltd	59,900	2,121	1,780
Banco Latinoamericano Export	102,700	1,936	1,283
Bank of Hawaii Corp	39,100	2,055	1,890
Bank of the Ozarks Inc	37,600	908	1,334
BOK Financial Corporation	15,600	640	741
CBL & Associates Properties	55,300	750	688
Commonwealth REIT	216,300	1,275	1,343

See accompanying notes to financial statements.



# Non-Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Community Bank System Inc	34,400	814	758
Credicorp Ltd	34,280	2,942	3,116
Dime Community Bancshares	113,000	1,458	1,393
Endurance Specialty Hldg Ltd	45,300	1,676	1,700
EZCORP Inc	73,400	1,322	1,362
First Cash Financial Services	49,700	774	1,083
FPIC Insurance Group Inc	37,500	908	962
Hanover Insurance Group Inc	28,300	1,249	1,231
Hospitality Properties Trust	155,600	3,884	3,283
Huntington Bancshares Inc	364,600	2,274	2,020
Infinity Property & Casualty	28,000	1,135	1,293
International Bancshares Corp	79,900	1,207	1,334
Jones Lang LaSalle Inc	20,700	1,158	1,359
Life Partners Holdings Inc	35,100	796	718
Lincoln Educational Services	44,800	1,063	922
LTC Properties Inc	30,900	672	750
Mercury General Corp	30,700	1,178	1,272
Montpelier Re Hldgs Ltd	105,600	1,651	1,577
National Financial Partners	106,200	914	1,038
National Health Investors Inc	35,300	1,112	1,361
Net 1 UEPS Technologies Inc	87,200	1,592	1,169
NewAlliance Bancshares Inc	113,000	1,678	1,267
Platinum Underwriters Hldg Ltd	42,000	1,367	1,524
ProAssurance Corporation	29,400	1,613	1,669
Provident Financial Services	119,100	1,608	1,392
PS Business Parks Inc	14,500	674	809
Raymond James Financial Inc	27,200	813	672
RenaissanceRe Holdings Ltd	37,800	2,093	2,127
Republic Bancorp Inc	38,600	712	865
S&T Bancorp Inc	35,400	747	700
Safety Insurance Group Inc	38,500	1,551	1,425
SEI Investments Company	39,300	768	800
Signature Bank	20,600	706	783
StanCorp Financial Group Inc	18,200	945	738
Taubman Centers Inc	45,400	1,206	1,708
Triple-S Management Corp	37,100	724	688
Unitrin Inc	58,600	978	1,500
Universal American Finl Corp	96,300	1,376	1,387
Waddell & Reed Financial Inc	129,400	2,910	2,831
World Acceptance Corporation	26,300	773	1,008
<i>Total Financial Services - 19.2%</i>		67,891	68,678
<i>Health Care</i>			
Alexion Pharmaceuticals Inc	130,388	3,494	6,675
Amerigroup Corporation	38,800	1,066	1,260
Community Health Systems Inc	89,050	3,461	3,011
Coventry Health Care Inc	131,200	2,759	2,320
Elan Corporation PLC	385,000	3,193	1,733
Health Net Inc	69,500	1,060	1,694
Healthspring Inc	83,500	1,124	1,295
Herbalife Ltd	35,300	1,401	1,626
Hill-Rom Holdings Inc	159,450	4,343	4,852
IDEXX Laboratories Inc	64,400	2,155	3,922
Illumina Inc	46,350	1,619	2,018
Kindred Healthcare Inc	28,200	426	362
Life Technologies Corp	72,800	2,495	3,440
Magellan Health Services Inc	35,600	1,174	1,293
Molina Healthcare Inc	28,300	784	815
Santarus Inc	275,000	1,851	682
Skilled Healthcare Group Inc	145,600	1,212	989
<i>Total Health Care - 10.6%</i>		33,617	37,987
<i>Technology</i>			
ACI Worldwide Inc	38,900	812	757

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Cost	Fair Value
Alliance Data Systems Corp	65,000	4,083	3,869
Altera Corporation	116,700	2,609	2,895
Amkor Technology Inc	156,800	635	864
Anixter International Inc	16,700	794	711
Arrow Electronics Inc	45,700	1,319	1,021
Avnet Inc	39,200	793	945
BMC Software Inc	93,300	3,232	3,231
Brocade Communications Systems	633,000	3,993	3,266
Check Point Software	110,100	2,574	3,246
Citrix Systems Inc	62,550	2,120	2,641
Comverse Technology Inc	229,200	2,801	1,788
Ingram Micro Inc	105,600	1,628	1,604
Insight Enterprises Inc	40,800	659	537
Intersil Corporation	53,000	787	642
Jabil Circuit Inc	50,500	725	672
John Bean Technologies Corp	39,100	725	596
LSI Logic Corporation	615,000	3,410	2,829
Manhattan Associates Inc	28,700	851	791
Mettler-Toledo International	31,810	2,817	3,551
MSCI Inc	89,050	2,086	2,440
Nuance Communications Inc	282,800	4,250	4,228
ON Semiconductor Corp	362,200	2,904	2,311
Plantronics Inc	49,300	1,256	1,410
QLogic Corporation	45,200	790	751
Salesforce.com Inc	27,875	1,158	2,392
Sanmina Corporation	50,300	817	685
USA Mobility Inc	10,700	258	138
ValueClick Inc	85,400	724	913
VeriSign Inc	126,900	3,455	3,369
Vishay Intertechnology Inc	85,500	813	662
Zebra Technologies Corp	32,400	560	822
<i>Total Technology - 15.8%</i>		56,438	56,577
<i>Utilities</i>			
AGL Resources Inc	22,200	757	795
Alliant Energy Corp	66,200	1,915	2,101
El Paso Electric Company	59,300	1,172	1,147
Energen Corporation	46,500	1,338	2,061
Great Plains Energy Inc	90,700	1,599	1,544
GT Solar International Inc	133,000	759	745
IDACORP Inc	27,300	919	908
MDU Resources Group Inc	38,000	807	685
Mirant Corporation	166,200	2,634	1,755
NorthWestern Corporation	45,000	1,188	1,179
NV Energy Inc	125,500	1,937	1,482
OGE Energy Corp	57,900	1,941	2,117
Pinnacle West Capital Corp	19,800	732	720
PNM Resources	80,300	1,035	892
<i>Total Utilities - 5.1%</i>		18,733	18,131
Total Equity Securities - 93.6%		325,940	334,521
<b>Short-term Issues</b>			
Dreyfus Cash Management Institutional Fund - 2.1%	7,466,013	7,466	7,466
Total Investment Securities - 95.7%		\$ 333,406	\$ 341,987

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Investment income**

Dividends, net of foreign withholding taxes	\$ 3,717
Securities lending	261
Securities lending borrower premiums	27
Shareholder litigation proceeds	200
Commission recapture	154

**Total investment income** 4,359

**Expenses**

Investment advisor fees	(779)
Trustee fees	(2)
Custodian bank fees	(23)
Management fees	(126)
Fiduciary bond fees	(2)
Professional service fees	(27)
Securities lending agent fees	(57)

**Total expenses** (1,016)

**Investment income, net** 3,343

**Realized and unrealized gain from investments**

Net realized gain from investments	33,538
Net increase in the fair value of investments	32,121

**Net gain from investments** 65,659

**Net increase in net assets from operations** \$ 69,002

*See accompanying notes to financial statements.*

## Non-Large Cap Domestic Equity Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2010**  
*(Amounts in thousands, except unit data)*

**Operations**

Investment income, net	\$ 3,343
Net realized gain from investments	33,538
Net increase in the fair value of investments	<u>32,121</u>

**Net increase in net assets from operations** 69,002

**Unit transactions**

Proceeds from sale of units	30,269
Amount paid for repurchase of units	<u>(54,189)</u>

**Net decrease in net assets from unit transactions** (23,920)

**Increase in net assets** 45,082

**Net assets, beginning of period** 312,464

**Net assets, end of period** \$ 357,546

**Unit data**

Units sold	2,596,920
Units repurchased	<u>(4,581,360)</u>

**Net decrease in units** (1,984,440)

*See accompanying notes to financial statements.*

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 in equity securities are carried at fair value, which is determined by a third party pricing service based on quoted market prices. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. 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.

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### 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 and is reported on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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 as net increase or decrease in the fair value of investments.

**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, 2010, 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 June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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.

# Non-Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### 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 table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 334,521	\$ -	\$ -	\$ 334,521
Regulated Investment Companies	-	7,466	-	7,466
Securities Lending Collateral Funds	-	89,931	-	89,931
Total	\$ 334,521	\$ 97,397	\$ -	\$ 431,918

### NOTE 6. SECURITIES LENDING

At June 30, 2010, the fair value of securities on loan is \$89,979, initial collateral received is \$92,287, and the fair value of collateral held is \$89,931. 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 \$10,974 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, 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.

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, 2010, the accumulated undistributed securities lending income is \$893.



# Non-Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 7. FINANCIAL HIGHLIGHTS

<b>Per Unit Operating Performance:</b>	
Net asset value at June 30, 2009	\$ 10.18
Income from investment operations:	
Net investment income	0.11
Net realized and unrealized gain on investment transactions	2.18
Total from investment operations	2.28
Net asset value at June 30, 2010	\$ 12.46
<b>Time-weighted Total Return *</b>	22.1%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 357,546
Ratio to average net assets:	
Expenses **	0.26%
Net investment income **	0.91%
Portfolio turnover rate	88.95%

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

\*\* All ratios are for the fiscal year

### NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 160,014
Public Employees' Retirement System	147,742
State Police Death, Disability and Retirement Fund	14,390
Workers' Compensation Old Fund	6,176
Revenue Shortfall Reserve Fund B	5,957
Prepaid Tuition Trust Fund	4,790
Judges' Retirement System	3,739
Coal Workers' Pneumoconiosis Fund	3,463
Deputy Sheriff's Retirement System	3,313
State Police Retirement System	1,888
Board of Risk and Insurance Management	1,701
Public Employees' Insurance Agency	1,383
Wildlife Endowment Fund	1,264
Emergency Medical Services Retirement System	870
Retiree Health Benefit Trust	795
AccessWV	61
Total	\$ 357,546

### NOTE 9. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.



# **Audited Financial Statements**

**June 30, 2010**

**International Qualified Pool**

# International Qualified Pool

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## **Audited Financial Statements June 30, 2010**

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations, changes in net assets and cash flows for the year then ended for the West Virginia Investment Management Board (WVIMB) International Qualified Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board International Qualified Pool as of June 30, 2010, and the results of its operations, changes in net assets and cash flows for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# International Qualified Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$	695,712
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### Liabilities

Accrued expenses		<u>330</u>
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<b>Net assets</b>	<b>\$</b>	<b><u>695,382</u></b>
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### Analysis of net assets

Paid-in capital	\$	379,166
Accumulated undistributed net investment loss		(22,614)
Accumulated undistributed net realized gain from investments		21,455
Unrealized net appreciation of investments		<u>317,375</u>

<b>Net assets</b>	<b>\$</b>	<b><u>695,382</u></b>
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### Unit data

Units outstanding		20,610,222
Net asset value, unit price	\$	<u>33.74</u>

See accompanying notes to financial statements.

## International Qualified Pool

### Schedule of Investments in Securities

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Cost	Fair Value
<b><u>Investments in Other Funds</u></b>			
Silchester International Investors' Value Equity Group Trust	1,228,414,953	\$ 378,337	\$ 695,712
Investment Objective - To achieve desired exposure to publicly traded 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%		<u>\$ 378,337</u>	<u>\$ 695,712</u>

The Silchester International Investors' Value Equity Group Trust had investments in the following countries at June 30, 2010.

	<u>Percent of Market Value</u>
Japan	24.7 %
Great Britain	16.8
Switzerland	10.4
France	8.0
Singapore	6.7
Hong Kong	6.4
Netherlands	5.6
South Korea	3.9
Thailand	3.5
Taiwan	2.6
Germany	2.5
Mexico	2.0
Finland	1.1
Sweden	1.1
Greece	0.9
Belgium	0.8
Italy	0.8
Portugal	0.7
Malaysia	0.5
Austria	0.4
Denmark	0.3
Spain	0.3
Total	<u>100.0 %</u>

*See accompanying notes to financial statements.*

# International Qualified Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

<b>Investment income</b>	\$	-
<b>Expenses</b>		
Investment advisor fees		(3,697)
Trustee fees		(4)
Management fees		(242)
Fiduciary bond fees		(4)
Professional service fees		<u>(52)</u>
	<b>Total expenses</b>	<u>(3,999)</u>
	<b>Investment loss, net</b>	(3,999)
<b>Realized and unrealized gain from investments</b>		
Net realized gain from investments		1,679
Net increase in the fair value of investments		<u>85,022</u>
	<b>Net gain from investments</b>	<u>86,701</u>
	<b>Net increase in net assets from operations</b>	<u><u>\$ 82,702</u></u>

*See accompanying notes to financial statements.*



# International Qualified Pool

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## Statement of Changes in Net Assets

Year Ended June 30, 2010

(Amounts in thousands, except unit data)

### Operations

Investment loss, net	\$ (3,999)
Net realized gain from investments	1,679
Net increase in the fair value of investments	<u>85,022</u>

**Net increase in net assets from operations** 82,702

### Unit transactions

Proceeds from sale of units	7,209
Amount paid for repurchase of units	<u>(6,911)</u>

**Net increase in net assets from unit transactions** 298

**Increase in net assets** 83,000

**Net assets, beginning of period** 612,382

**Net assets, end of period** \$ 695,382

### Unit data

Units sold	212,723
Units repurchased	<u>(203,998)</u>

**Net increase in units** 8,725

See accompanying notes to financial statements.

# International Qualified Pool

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## Statement of Cash Flows Year Ended June 30, 2010 *(Amounts in thousands)*

### Cash flows from operating activities

Net increase in net assets from operations	\$	82,702
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:		
Proceeds from disposition of investment securities		3,663
Net realized gain from investments		(1,679)
Increase in accrued expenses		38
Net increase in the fair value of investments		<u>(85,022)</u>
<b>Net cash used in operating activities</b>		<b>(298)</b>

### Cash flows from financing activities

Proceeds from units sold		7,209
Paid for repurchase of units		<u>(6,911)</u>
<b>Net cash provided by financing activities</b>		<b><u>298</u></b>

**Net change in cash** -

### Cash

Beginning balance		<u>-</u>
Ending balance	\$	<u><u>-</u></u>

*See accompanying notes to financial statements.*

# International Qualified Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 values of the individual funds, provided by the fund's management, as a practical expedient for measuring fair value.

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

# International Qualified Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

**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.

**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 invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2010, was \$695,712. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. 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, 2010 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 June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

# International Qualified Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Investments in Other Funds	\$ -	\$ 695,712	\$ -	\$ 695,712

# International Qualified Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 6. FINANCIAL HIGHLIGHTS

<b>Per Unit Operating Performance:</b>	
Net asset value at June 30, 2009	\$ 29.73
Income from investment operations:	
Net investment loss	(0.19)
Net realized and unrealized gain on investment transactions	4.20
Total from investment operations	4.01
Net asset value at June 30, 2010	\$ 33.74
<b>Time-weighted Total Return *</b>	13.5%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 695,382
Ratio to average net assets:	
Expenses **	0.57%
Net investment income **	-0.57%
Portfolio turnover rate	0.00%

\* Return data is net of fees 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 at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 331,555
Public Employees' Retirement System	308,228
State Police Death, Disability and Retirement Fund	33,159
Judges' Retirement System	8,595
Deputy Sheriff's Retirement System	7,586
State Police Retirement System	4,281
Emergency Medical Services Retirement System	1,978
Total	\$ 695,382

### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

# **Audited Financial Statements**

**June 30, 2010**

**International Nonqualified Pool**

**D**

# International Nonqualified Pool

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## **Audited Financial Statements June 30, 2010**

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations, changes in net assets and cash flows for the year then ended for the West Virginia Investment Management Board (WVIMB) International Nonqualified Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board International Nonqualified Pool as of June 30, 2010, and the results of its operations, changes in net assets and cash flows for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# International Nonqualified Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$	53,797
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### Liabilities

Accrued expenses		<u>2</u>
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<b>Net assets</b>	<b>\$</b>	<b><u>53,795</u></b>
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### Net assets

Paid-in capital	\$	13,631
Accumulated undistributed net investment loss		(2,997)
Accumulated undistributed net realized gain from investments		27,636
Unrealized net appreciation of investments		<u>15,525</u>

<b>Net assets</b>	<b>\$</b>	<b><u>53,795</u></b>
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### Unit data

Units outstanding		1,707,959
Net asset value, unit price	\$	<u>31.50</u>

See accompanying notes to financial statements.

# International Nonqualified Pool

## Schedule of Investments in Securities

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Cost	Fair Value
<b><u>Investments in Other Funds</u></b>			
Silchester International Investors' Value Equity Trust	90,165,301	\$ 38,272	\$ 53,797
Investment Objective - To achieve desired exposure to publicly traded 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%		\$ 38,272	\$ 53,797

The Silchester International Investors' Value Equity Trust had investments in the following countries at June 30, 2010.

	Percent of Market Value
Japan	24.6 %
Great Britain	16.8
Switzerland	10.5
France	8.0
Singapore	6.7
Hong Kong	6.4
Netherlands	5.6
South Korea	3.8
Thailand	3.5
Taiwan	2.6
Germany	2.5
Mexico	2.0
Finland	1.1
Sweden	1.1
Belgium	0.9
Greece	0.9
Italy	0.8
Portugal	0.7
Malaysia	0.5
Austria	0.4
Denmark	0.3
Spain	0.3
Total	100.0 %

*See accompanying notes to financial statements.*

# International Nonqualified Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

<b>Investment income</b>	\$	-
<b>Expenses</b>		
Investment advisor fees		(528)
Trustee fees		(1)
Management fees		(27)
Professional service fees		<u>(6)</u>
	<b>Total expenses</b>	<u>(562)</u>
	<b>Investment loss, net</b>	(562)
<b>Realized and unrealized gain (loss) from investments</b>		
Net realized gain from investments		18,043
Net decrease in the fair value of investments		<u>(3,590)</u>
	<b>Net gain from investments</b>	<u>14,453</u>
	<b>Net increase in net assets from operations</b>	<u>\$ 13,891</u>

*See accompanying notes to financial statements.*

## International Nonqualified Pool

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### Statement of Changes in Net Assets

Year Ended June 30, 2010

(Amounts in thousands, except unit data)

#### Operations

Investment loss, net	\$	(562)
Net realized gain from investments		18,043
Net decrease in the fair value of investments		<u>(3,590)</u>

**Net increase in net assets from operations** 13,891

#### Unit transactions

Proceeds from sale of units		3,920
Amount paid for repurchase of units		<u>(65,258)</u>

**Net decrease in net assets from unit transactions** (61,338)

**Decrease in net assets** (47,447)

**Net assets, beginning of period** 101,242

**Net assets, end of period** \$ 53,795

#### Unit data

Units sold		120,950
Units repurchased		<u>(2,050,112)</u>

**Net decrease in units** (1,929,162)

See accompanying notes to financial statements.

# International Nonqualified Pool

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## Statement of Cash Flows Year Ended June 30, 2010 *(Amounts in thousands)*

### Cash flows from operating activities

Net increase in net assets from operations	\$	13,891
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Proceeds from disposition of investment securities		61,902
Net realized gain from investments		(18,043)
Decrease in accrued expenses		(2)
Net decrease in the fair value of investments		<u>3,590</u>
<b>Net cash provided by operating activities</b>		<b>61,338</b>

### Cash flows from financing activities

Proceeds from units sold		3,920
Paid for repurchase of units		<u>(65,258)</u>
<b>Net cash used in financing activities</b>		<b><u>(61,338)</u></b>

**Net change in cash** -

### Cash

Beginning balance		<u>-</u>
Ending balance	\$	<u><u>-</u></u>

*See accompanying notes to financial statements.*

# International Nonqualified Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 values of the individual funds, provided by the fund's management, as a practical expedient for measuring fair value.

**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.

# International Nonqualified Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### 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 invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2010, was \$53,797. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. 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, 2010 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 June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in



# International Nonqualified Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

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

and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Investments in Other Funds	\$ -	\$ 53,797	\$ -	\$ 53,797

# International Nonqualified Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 6. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2009	\$	27.84
Income from investment operations:		
Net investment loss		(0.24)
Net realized and unrealized gain on investment transactions		3.90
Total from investment operations		3.66
Net asset value at June 30, 2010	\$	31.50

**Time-weighted Total Return \*** 13.0%

#### Supplemental Data:

Net assets, end of period	\$	53,795
Ratio to average net assets:		
Expenses **		0.73%
Net investment income **		-0.73%
Portfolio turnover rate		0.00%

\* Return data is net of fees 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 at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Revenue Shortfall Reserve Fund B	\$ 13,978
Workers' Compensation Old Fund	13,716
Coal Workers' Pneumoconiosis Fund	8,288
Prepaid Tuition Trust Fund	5,001
Board of Risk and Insurance Management	4,023
Public Employees' Insurance Agency	3,282
Wildlife Endowment Fund	3,018
Retiree Health Benefit Trust	1,901
AccessWV	588
Total	\$ 53,795

### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

# **Audited Financial Statements**

**June 30, 2010**

**International Equity Pool**

**F**

# International Equity Pool

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## **Audited Financial Statements June 30, 2010**

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations and changes in net assets for the year then ended for the West Virginia Investment Management Board (WVIMB) International Equity Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board International Equity Pool as of June 30, 2010, and the results of its operations and changes in net assets for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# International Equity Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$ 1,495,757
Cash	(12)
Cash denominated in foreign currencies (cost \$11,006)	10,907
Collateral for securities loaned at fair value (Note 6)	114,456
Receivables:	
Investments sold	976
Dividends	5,382
Securities lending income	64
Foreign tax withholding	1,176
Unrealized gain on foreign currency exchange contracts (Note 7)	4
	<hr/>
<b>Total assets</b>	<b>1,628,710</b>

### Liabilities

Accrued expenses	1,562
Payable for investments purchased	789
Payable upon return of securities loaned (Note 6)	118,077
	<hr/>
<b>Total liabilities</b>	<b>120,428</b>
	<hr/>
<b>Net assets</b>	<b>\$ 1,508,282</b>

### Analysis of net assets

Paid-in capital	\$ 1,076,320
Accumulated undistributed net investment income	220,027
Accumulated undistributed net realized gain from investments	203,581
Accumulated undistributed net realized gain from foreign currency transactions	56,932
Unrealized net appreciation of investments	1,556
Unrealized net depreciation on translation of assets and liabilities in foreign currencies	(50,134)
	<hr/>
<b>Net assets</b>	<b>\$ 1,508,282</b>

### Unit data

Units outstanding	85,029,641
Net asset value, unit price	\$ 17.74

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<b>Equity Securities</b>			
<i>Argentina</i>			
Grupo Clarin-GDR CL B Reg S	180,327	\$ 937	\$ 1,208
Nortel Inversora SA	111,540	2,291	2,123
Telecom Argentina SA	144,998	2,066	2,382
<i>Total Argentina - 0.4%</i>		5,294	5,713
<i>Australia</i>			
Australian Worldwide Explora	553,310	820	830
BlueScope Steel Ltd	1,549,600	4,967	2,749
Centennial Coal Company Ltd	489,766	540	1,849
Downer EDI Ltd	733,200	2,478	2,229
DUET Group	889,928	1,187	1,214
Goodman Fielder Ltd	2,216,200	3,417	2,518
John Fairfax Holdings Ltd	1,119,139	1,818	1,243
Metcash Ltd	1,158,200	4,392	4,099
Premier Investment Ltd	126,500	737	652
Sigma Pharmaceuticals Ltd	3,474,289	3,460	1,233
Southern Cross Media Group	944,500	3,110	1,312
Telstra Corporation Ltd	2,941,200	8,645	8,074
<i>Total Australia - 1.9%</i>		35,571	28,002
<i>Austria</i>			
Voestalpine AG - 0.2%	92,700	3,772	2,567
<i>Belgium</i>			
Agfa Gevaert NV	151,434.00	833	877
Barco NV	22,300.00	1,603	1,004
Bekaert NV	8,743.00	1,302	1,471
Delhaize Le Lion SA	65,100.00	4,658	4,763
D'Ieteren SA NV	2,810.00	1,288	1,203
KBC Groep NV	113,900.00	5,008	4,441
Solvay SA	39,400.00	3,990	3,386
Telenet Group Holding NV	54,734.00	1,004	1,447
Tessenderlo Chemie NV	65,300.00	2,990	1,672
<i>Total Belgium - 1.3%</i>		22,676	20,264
<i>Bermuda</i>			
Central European Media Enterp	1,223	32	25
China Green Holdings Ltd	1,115,086	1,007	1,128
China Yurun Food Group Ltd	78,700	190	249
Cosco Pacific Ltd	102,000	139	122
Credicorp Ltd	3,727	292	339
GOME Electrical Appliances	636,000	186	194
Hiscox Ltd	526,100	2,407	2,695
Huabao International Holdings	100,000	108	128
Nine Dragons Paper Holdings	90,000	160	124
Pacific Basin Shipping Ltd	1,818,831	1,508	1,142
Sinofert Holdings Ltd	149,000	70	59
Yue Yuen Industrial Holdings	2,356,000	4,748	7,367
<i>Total Bermuda - 0.9%</i>		10,847	13,572
<i>Brazil</i>			
AES Tiete SA	5,600	63	64
All America Latina Logistica	22,200	176	175
B2W Companhia Global do Varejo	3,133	82	52
Banco Bradesco SA	94,472	1,721	1,479
Banco do Brasil SA	28,100	484	384
Banco do Estado do Rio Grande	714,204	5,111	5,202
Banco Santander Brasil SA	775,314	9,553	8,008
BM&F Bovespa SA	107,641	731	693
BR Malls Participacoes	7,244	97	94
Bradespar SA	12,400	244	226
Brascan Residential Properties	10,744	53	46
Brasil Telecom SA	421,754	10,619	6,544

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Braskem SA Pref A	7,500	48	52
BRF-Brasil Foods SA	36,136	461	476
Centrais Eletricas Brasileiras	1,341,380	14,795	19,100
CESP-Companhia Energetica	9,809	121	134
Cetrais Elect de Santa Catarin	155,600	4,108	2,957
CIA Paranaense De Energia	296,190	3,701	5,787
Cielo SA	33,574	314	283
Compahnia de Transmissao	1,400	39	36
Companhia Brasileira de Distri	4,700	144	164
Companhia de Bebidas das Amer	8,142	712	815
Companhia de Concessoes Rodov	10,700	210	222
Companhia de Saneamento	697,989	9,230	14,521
Companhia Energetica de Minas	21,000	299	305
Companhia Energetica do Ceara	132,730	2,273	1,928
Companhia Siderurgica Nacional	41,850	661	612
Cosan SA Industrial e Comercio	6,558	72	82
CPFL Energia SA	4,700	87	103
Cyrela Brazil Realty SA	12,200	202	173
Duratex SA	11,344	86	103
EDP-Energias do Brasil SA	2,700	44	54
Eletropaulo Metropolitana SA	243,857	4,453	4,865
Empresa Brasileira	487,570	8,100	10,215
Empresa Brasileira de Aeronaut	5,800	33	30
Fertilizantes Fosfatados SA	4,500	45	34
Fibria Celulose SA	8,969	150	133
Gafisa SA	21,034	151	126
Gerdau SA	35,702	511	468
Gol-Linhas Aereas Inteligentes	4,600	65	55
Hypermarcas SA	14,823	184	191
Inpar SA	2,577,740	4,582	3,933
Itau Unibanco Holding SA	113,522	2,316	2,046
Itausa - Investimentos Itau SA	125,052	766	743
JBS SA	28,636	133	121
Klabin SA	22,900	58	64
LLX Logistica SA	13,550	72	55
Localiza Rent A Car	6,679	74	78
Lojas Americanas SA	18,300	125	133
Lojas Renner SA	6,700	148	182
Marfrig Frigorificos e Comerci	11,112	122	104
Metalurgica Gerdau SA	15,000	263	243
MMX Mineracao e Metalicos	9,318	52	54
MRV Engenharia e Participacoes	12,913	84	91
Multiplan Empreendimentos Imob	3,255	56	60
Natura Cosmeticos SA	9,400	172	209
Net Servicos de Comunicacao SA	10,035	122	95
OGX Petroleo e Gas Participac	70,400	602	653
PDG Realty SA	21,352	209	181
Petroleo Brasileiro SA	532,699	16,885	12,698
Porto Seguro SA	6,424	65	66
Redecard SA	404,870	4,514	5,728
Rossi Residencial SA	9,558	78	69
Souza Cruz SA	4,200	148	158
Suzano Papel e Celulose SA	8,750	70	74
Tam SA	4,158	92	58
Tele Norte Leste Participacoes	449,940	7,130	9,326
Telemar Norte Leste SA	1,200	38	33
Tim Participacoes SA	235,490	4,430	6,242
Tractebel Energia SA	7,200	86	85
Ultrapar Participacoes SA	4,000	169	192
Usinas Siderurgicas de Minas	20,000	540	531
Vale SA	185,989	4,384	4,140
Vivo Participacoes SA	238,353	3,497	6,177
<i>Total Brazil - 9.4%</i>		132,315	141,613

See accompanying notes to financial statements.



# International Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Cost	Fair Value
<i>Canada</i>			
Alimentation Couche-Tard Inc	352,300	4,992	5,934
ATCO Ltd	21,800	651	977
BCE Inc	153,100	4,266	4,475
Biovail Corporation	257,200	3,293	4,964
Bombardier	1,078,600	3,495	4,913
Canadian Imperial Bank	79,900	4,731	4,973
Celestica Inc	597,200	3,867	4,833
China Railway Group Ltd	245,800	192	159
Fairfax Financial Holdings Inc	15,500	3,578	5,687
Laurentian Bank of Canada	83,174	2,496	3,298
Manitoba Telecom Services	120,600	4,695	3,054
Metro Inc	114,900	4,758	4,521
National Bank of Canada	153,700	6,813	7,876
Transcontinental Inc	239,200	3,637	2,962
<i>Total Canada - 3.9%</i>		51,464	58,626
<i>Cayman Islands</i>			
Agile Property Holdings Ltd	90,000	115	94
Alibaba.com Ltd	70,000	161	140
Belle International Holdings	246,600	269	353
China Dongxiang Group	182,300	119	123
China High Speed Transmission	58,700	121	125
China Mengniu Dairy Co	63,000	175	206
China Resources Land Ltd	112,000	256	213
China Zhongwang Holdings	91,200	87	58
Country Garden Holdings Co	236,446	86	63
Daphne International Holdings	1,282,000	997	1,307
Geely Automobile Holdings Ltd	205,000	72	63
Golden Eagle Retail Group	38,000	71	80
Greentown China Holdings	51,100	64	55
Hengan International Group	42,000	275	343
Hidili Industry International	73,900	69	55
Kingboard Chemical Holdings	416,000	1,854	1,806
Renhe Commercial Holdings	430,000	88	90
Semiconductor Manufacturing	937,000	101	76
Shimae Property Holdings	88,500	158	139
Shui On Land Ltd	155,000	89	67
Soho China Ltd	104,000	56	61
TCL Multimedia Technology	1,679,000	1,682	908
VST Holdings Limited	3,808,000	1,327	1,227
Want Want China Holdings Ltd	350,400	245	297
Xinao Gas Holdings Ltd	42,000	114	94
<i>Total Cayman Islands - 0.5%</i>		8,651	8,043
<i>Chile</i>			
Banco Santander Chile	4,597	271	308
Cencosud SA	5,867	273	396
Compania Cervecerias Unidas SA	5,008	188	216
Empresa Nacional de Electricid	8,191	377	378
Enersis SA	19,564	352	390
Lan Airlines SA	17,165	256	318
Sociedad Quimica Minera Chile	9,161	344	299
Vina Concha Y Toro	4,419	195	184
<i>Total Chile - 0.2%</i>		2,256	2,489
<i>China</i>			
Anhui Conch Cement Co Ltd	44,000	147	129
Bank of China Ltd	23,709,000	8,415	12,087
Bank of Communications	319,000	382	340
BBMG Corporation	47,849	-	19
Beijing Capital Intl Airport	44,000	44	46
China Bluechemical Ltd	94,000	59	56
China CITIC Bank	118,000	67	66
China Coal Energy Co	370,200	246	237

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
China Communication Services	193,000	274	245
China Communications Construct	90,000	48	44
China Construction Bank Corp	233,000	248	215
China Cosco Holdings Company	2,507,000	2,044	2,041
China Life Insurance Co	156,700	193	162
China Longyuan Power Group	411,000	1,852	1,829
China Minsheng Banking Corp	120,700	148	112
China National Bldg Material	210,600	186	185
China Pacific Insurance Group	66,000	144	106
China Railway Construction Ltd	45,000	191	180
China Shipping Container Lines	104,000	137	132
China Shipping Development Co	232,000	84	83
China South Locomotive	72,000	103	92
China Telecom Corp Ltd	108,000	67	74
Dongfang Electric Corp Ltd	768,000	357	371
Dongfeng Motor Group Company	20,000	52	62
First Tractor Company Ltd	150,000	183	177
Great Wall Motor Company Ltd	1,640,000	3,148	2,864
Guangzhou R&F Properties Corp	54,000	96	69
Huaneng Power International	172,000	110	102
Industrial & Comm Bnk of China	3,010,000	2,282	2,211
Jiangsu Expressway Co Ltd	80,000	69	73
Metallurgical Corp of China	168,600	102	73
PetroChina Co Ltd	1,164,000	1,350	1,311
PICC Property & Casualty Co	134,000	104	129
Ping An Insurance Co	97,000	788	802
Shandong Weigao Gp Med Polymer	20,000	74	88
Shanghai Electric Group Co	192,000	90	86
Sichuan Xinhua Winshare	6,391,000	1,553	3,414
Sinopec Shanghai Petrochemical	118,000	47	45
Sinopharm Medicine Holding Co	36,300	157	134
Sinotrans Ltd	35,607,000	6,371	8,185
Tsingtao Brewery Company Ltd	18,000	74	85
Weichai Power Co Ltd	11,000	68	72
Wumart Stores Inc	36,000	70	65
Yanzhou Coal Mining Company	108,000	181	212
Zijin Mining Group	222,000	214	167
ZTE Corporation	27,900	107	86
<i>Total China - 2.6%</i>		32,726	39,363
<i>Colombia</i>			
Bancolombia SA	6,779	283	340
Ecopetrol SA	19,729	545	566
<i>Total Colombia - 0.1%</i>		828	906
<i>Czech Republic</i>			
CEZ	6,404	335	263
Komerční Banka AS	603	121	98
Telefonica O2 Czech Republic	498,333	11,643	9,720
<i>Total Czech Republic - 0.7%</i>		12,099	10,081
<i>Denmark</i>			
D/S Norden A/S	36,748	1,525	1,279
Danisco A/S	19,990	1,342	1,354
Danske Bank A/S	144,600	3,042	2,808
SimCorp A/S	10,449	1,151	1,674
<i>Total Denmark - 0.5%</i>		7,060	7,115
<i>Egypt</i>			
Commercial International Bank	12,921	138	153
Egyptian Company for Mobile Sv	1,502	60	44
Egyptian Financial Group-Herme	11,650	66	60
Egyptian Kuwait Holding Co	33,624	73	51
EISweddy Cables Holding Company	1,820	25	21
Ezz Steel	11,976	49	37

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Orascom Construction Industrie	4,732	213	189
Orascom Telecom Holdings	146,211	181	128
Talaat Moustafa Group	47,479	66	61
Telecom Egypt	17,097	56	47
<i>Total Egypt - 0.1%</i>		927	791
<i>Finland</i>			
Huhtamaki	224,400	2,469	2,086
TietoEnator Oyj	171,000	4,238	2,849
<i>Total Finland - 0.3%</i>		6,707	4,935
<i>France</i>			
April Group	48,126	1,613	1,179
Arkema	35,990	1,404	1,265
Axa	259,700	7,310	4,054
BNP Paribas	77,000	5,743	4,223
Bull SA	403,295	1,011	1,339
Casino Guichard Perrachon SA	52,000	3,859	3,973
Credit Agricole SA	339,900	4,822	3,595
European Aeronautic Defence	197,200	2,773	4,075
France Telecom SA	210,000	6,791	3,675
Havas Advertising SA	286,529	1,336	1,275
Medica	81,871	1,514	1,490
Metropole Television	64,402	1,528	1,318
Rallye SA	35,300	2,308	1,077
Rhodia SA	72,028	1,290	1,221
SA des Ciments Vicat	19,313	1,347	1,303
Sanofi-Synthelabo SA	198,200	13,337	12,025
SCOR SE	152,600	3,648	2,933
Societe BIC SA	18,609	1,356	1,326
Teleperformance	42,159	1,466	1,060
Total SA	198,200	13,041	8,974
Virbac SA	16,072	1,208	1,714
Vivendi Universal	284,900	9,739	5,868
<i>Total France - 4.6%</i>		88,444	68,962
<i>Germany</i>			
Allianz AG	67,400	9,038	6,738
BASF AG	118,600	5,065	6,566
Bijou Brigitte Accessoires AG	7,612	780	1,114
Deutsche Bank AG	81,700	7,346	4,664
E.On AG	267,200	8,100	7,279
Fuchs Petrolub AG	19,861	1,214	1,764
GEA Group AG	91,900	1,992	1,849
Kontron AG	148,688	1,357	1,336
Krones AG	22,784	1,086	1,144
Muenchener Rueckversicherungs	38,700	6,977	4,897
MUT Aero Engines Holding AG	94,800	3,636	5,328
Pfeiffer Vacuum Technology AG	20,598	1,089	1,514
Rhoen-Klinikum AG	57,628	1,097	1,285
RWE AG	83,300	6,579	5,490
SGL Carbon AG	51,900	1,716	1,512
Suedzucker AG	124,631	1,882	2,271
Symrise AG	70,227	1,715	1,465
ThyssenKrupp AG	146,200	3,770	3,658
TUI AG	208,647	1,960	1,857
<i>Total Germany - 4.1%</i>		66,399	61,731
<i>Greece</i>			
Alapis Holding Ind & Commer	1,859,100	1,132	592
Alpha Bank AE	91,300	2,833	452
Hellenic Petroleum SA	67,538	941	484
<i>Total Greece - 0.1%</i>		4,906	1,528

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<i>Hong Kong</i>			
Air China Ltd	122,000	83	122
Aluminum Corp of China	218,000	234	169
Angang New Steel Company	60,000	113	72
Anta Sports Products Ltd	57,600	87	105
Beijing Enterprises Holdings	28,000	164	184
BYD Company Ltd	28,500	248	213
Chaoda Modern Agricultures Ltd	18,802,000	12,943	18,592
China Agri-Industries Holdings	86,000	89	100
China Everbright Ltd	50,000	116	115
China Merchants Bank	215,905	500	524
China Merchants Holdings Intl	60,000	203	200
China Mobile (Hong Kong) Ltd	335,000	3,233	3,364
China Oilfield Services Ltd	86,000	94	102
China Overseas Land & Invstmnt	226,000	498	426
China Pet & Chem Cor (Sinopec)	9,560,000	7,968	7,796
China Resources Enterprise Ltd	66,000	212	245
China Resources Power	92,000	201	210
China Shenhua Energy Company	192,000	840	703
China Taiping Insurance	42,000	133	138
China Travel International	220,000	47	47
China Unicom (Hong Kong) Ltd	326,000	435	441
Citic Pacific Ltd	61,000	155	114
CNOOC Ltd	986,000	1,437	1,694
Dah Sing Financial Group	190,000	993	1,086
Datang Intl Power Generation	178,000	87	73
Denway Motors Ltd	272,000	132	129
Dickson Concepts Ltd	1,628,500	1,191	1,148
Erste Group Bank AG	311,440	12,964	10,054
First Pacific Company Ltd	24,369,732	9,912	16,586
Fosun International	112,400	77	79
Fountain Set (Holdings) Ltd	8,574,000	2,096	1,167
Franshion Properties China Ltd	259,500	76	72
Fushan Intl Energy Group Ltd	190,000	133	108
Guangdong Investment Ltd	170,000	85	81
Hopson Development Holdings	36,000	56	45
Jiangxi Copper Company Ltd	77,000	174	145
Kingboard Chemical Holdings	3,200	-	1
Kunlun Energy Co Ltd	140,000	146	179
Lenovo Grp Ltd	264,000	144	144
Li Ning Company	40,500	123	134
Maanshan Iron & Steel Company	86,000	52	38
Minth Group Ltd	1,167,000	1,794	1,394
Parkson Retail Group Ltd	70,500	110	120
Poly (Hong Kong) Investments	83,000	108	82
Shanghai Industrial Holdings	30,000	141	120
Sino-Ocean Holdings Ltd	172,500	160	126
Sinotruk Hong Kong Ltd	38,000	44	30
Skworth Digital Holdings Ltd	84,000	83	56
SmarTone Telecommunications	6,401,500	6,377	6,659
Tencent Holdings Ltd	56,000	989	938
Tingyi Holding Corporation	94,000	208	232
TPV Technology Ltd	2,069,400	1,344	1,238
Varitronix International Ltd	783,000	784	229
Weiqiao Textile Company Ltd	13,096,000	16,742	8,056
Zhejiang Expressway Company	3,400,000	2,557	3,152
<i>Total Hong Kong - 5.9%</i>		89,915	89,377
<i>Hungary</i>			
Magyar Telekom	4,094,629	18,137	11,313
MOL Hungarian Oil & Gas Nyrt	2,626	233	219
OTP Bank Nyrt	14,947	451	306
Richter Gedeon Nyrt	878	181	157
<i>Total Hungary - 0.8%</i>		19,002	11,995

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<i>India</i>			
Axis Bank Ltd	2,000	52	53
Axix Bank Ltd	21,000	449	557
Bharat Heavy Electricals Ltd	5,900	287	312
DLF Ltd	8,700	60	54
Dr. Reddy's Laboratories	15,522	330	479
Gail India Ltd	8,970	432	553
HDFC Bank Ltd	7,223	832	1,033
Hero Honda Motors Ltd	500	22	22
Hindustan Unilever Limited	19,000	98	109
Housing Development Finance	7,000	435	444
ICICI Bank Ltd	33,072	1,214	1,195
Indiabulls Real Estate Ltd	5,900	20	20
Infosys Technologies	37,477	1,808	2,245
ITC Limited	22,300	131	147
Jaiprakash Associates Ltd	17,500	60	48
Jindal Steel & Power Limited	9,400	149	126
JSW Steel Limited	500	14	11
Larsen & Toubro Ltd	18,643	643	712
Mahindra & Mahindra Ltd	31,526	318	419
Oil & Natural Gas Corporation	5,600	136	159
Patni Computer Systems Ltd	114,011	2,388	2,603
Ranbaxy Laborato-SP	17,000	143	169
Reliance Communications	15,300	58	65
Reliance Industries Ltd	45,448	2,015	2,122
Reliance Infrastructure Ltd	500	11	13
Satyam Computer Services Ltd	51,623	298	265
Sesa Goa Ltd	3,600	38	27
State Bank of India	4,702	437	466
Sterlite Industries (India)	35,838	582	510
Suzlon Energy Ltd	10,993	16	12
Tata Consultancy Services	14,800	243	239
Tata Motors Ltd	27,150	361	467
Tata Steel Ltd	20,695	227	224
Unitech Limited	33,800	57	54
United Spirits Ltd	700	21	20
Wipro Ltd	40,797	463	490
<i>Total India - 1.1%</i>		14,848	16,444
<i>Indonesia</i>			
Adaro Energy	535,500	108	118
Aneka Tambang TBK	182,500	45	39
Astra Agro Lestari TBK	21,500	50	46
Astra International TBK	112,500	412	599
Bank Central Asia TBK	686,500	346	451
Bank Danamon Indonesia TBK	162,500	85	97
Bank Mandiri	405,000	202	268
Bank Negara Indonesia	208,500	44	54
Bank Rakyat Indonesia	306,000	246	314
Bumi Resources TBK	973,000	283	202
Indo Tambangraya Megah PT	18,500	66	76
Indocement Tungal Prakersa	82,000	101	143
Indofood Sukses Mak TBK	245,000	83	112
Indosat TBK	74,000	42	40
Intl Nickel Indonesia TBK	139,000	59	58
Lippo Karawaci TBK	608,000	238	260
Perusahaan Gas Negara	32,000	118	121
Semen Gresik (Persero) TBK	165,500	136	160
Tambang Bukit Asam TBK	44,000	69	84
Telekomunikasi Indones TBK	561,500	501	477
Unilever Indonesia TBK	85,000	98	159
United Tractors TBK	83,500	140	173
<i>Total Indonesia - 0.3%</i>		3,472	4,051

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<i>Ireland</i>			
C&C Group PLC	461,999	1,791	1,828
Irish Life & Permanent Group	398,100	6,377	743
Total Produce PLC	82,700	92	34
<i>Total Ireland - 0.2%</i>		8,260	2,605
<i>Israel</i>			
Bank Leumi Le-Israel	976,800	3,243	3,501
Bezeq Israeli Telecommunicatio	1,021,570	1,494	2,246
Israel Discount Bank	1,581,300	3,538	2,684
Makhteshim-Agan Industries Ltd	4,147,930	17,637	13,892
Syneron Medical Ltd	330,882	3,454	3,401
<i>Total Israel - 1.7%</i>		29,366	25,724
<i>Italy</i>			
Amplifon SpA	321,496	1,464	1,496
Benetton Group Spa	113,434	916	764
Beni Stabill SpA	90,013	601	934
Danieli SpA	268,668	687	1,331
Davide Campari - Milano SpA	1,044,300	5,684	4,464
Enel SpA	271,500	8,677	5,052
ENI SpA	71,100	488	450
Enia SpA	276,900	4,130	2,897
Finmeccanica SpA	126,938	1,523	1,441
Indesit Company SpA	519,631	986	783
Iride SpA	504,634	1,355	1,183
Parmalat SpA	3,429,152	1,935	1,913
Sorin SPA	658,847	1,302	1,169
<i>Total Italy - 1.6%</i>		29,748	23,877
<i>Japan</i>			
Acom Co Ltd	76,600	1,386	1,000
Aeon Delight Company Ltd	99,244	1,687	1,945
Akebono Brake Industry Co Ltd	221,100	1,218	1,017
Astellas Pharma Inc	206,700	7,370	6,984
Canon Marketing Japan Inc	83,500	1,397	1,184
Century Leasing System Inc	141,100	1,829	1,725
Circle K Sunkus Company Ltd	153,800	2,188	1,983
Cosmo Oil Company	96,000	340	232
DDI Corporation	900	4,328	4,317
Don Quijote Co Ltd	62,350	1,089	1,681
Eizo Nannao Corporation	51,700	1,645	1,131
Enix Corporation	65,300	1,617	1,212
Furukawa Electric Co Ltd	434,216	2,036	1,924
GEO Corporation	1,800	1,846	2,201
Hanwa Company Ltd	600,000	3,094	2,407
Hitachi Cable Ltd	887,000	3,002	2,376
Hitachi Capital Corporation	67,400	608	905
Hitachi High-Technologies Corp	100,500	1,772	1,864
Hitachi Metals Ltd	180,127	1,897	1,848
Hokuto Corporation	40,302	814	799
Hoshizaki Electric Company Ltd	80,996	1,090	1,421
Ines Corp	135,455	995	918
Itochu Corp	499,000	3,527	3,976
Itochu Techno-Science Corp	136,500	4,254	5,013
Izumi Company Ltd	106,200	1,201	1,434
JSR Corporation	101,600	1,503	1,729
JTEKT Corporation	152,124	1,446	1,432
JX Holdings Inc	958,421	6,146	4,733
Kanto Auto Works Ltd	119,600	1,670	888
Keihin Corporation	160,500	1,387	2,810
Keiyo Bank Ltd	271,000	1,303	1,424
Kobayashi Pharmaceutical Co	41,075	1,577	1,750
Konica Corporation	438,000	3,109	4,272
Kyoei Steel Ltd	91,400	1,535	1,502

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Kyowa Exeo Corporation	239,500	2,147	2,127
Marubeni Corporation	654,800	2,948	3,411
McDonald's Holding Company	58,574	1,166	1,313
Megmilk Snow Brand Co Ltd	82,529	1,530	1,497
Mimasu Semiconductor Industry	91,900	1,294	1,086
Miraca Holdings Inc	160,100	3,438	4,829
Mitsui & Company Ltd	259,600	4,500	3,092
Mizuho Financial Grp Inc	3,862,700	8,543	6,417
Nippon Telegraph & Telephone	188,900	8,428	7,770
NOK Corporation	87,193	955	1,404
NTT DoCoMo	5,500	8,422	8,360
Numura Real Estate Office Fund	290	1,579	1,452
Sankyo Company Ltd	48,400	2,199	2,201
Seiko Epson Corporation	138,000	2,066	1,798
Seino Holdings Corporation Ltd	330,000	1,730	2,290
Sumitomo Corporation	885,000	11,914	8,971
Sumitomo Heavy Industries	258,229	1,196	1,538
Sumitomo Mitsui Financial Grp	59,000	2,183	1,692
Sundrug Co Ltd	81,600	1,679	1,999
Takeda Pharmaceutical Co Ltd	219,900	9,889	9,493
THK Co Ltd	75,414	1,484	1,586
Tocalo Co Ltd	65,200	1,164	1,194
Tokai Tokyo Securities Co Ltd	712,000	2,718	2,832
Tokyo Ohka Kogyo Company Ltd	99,600	1,899	1,695
Toshiba Plant Sys & Ser Corp	140,695	1,741	1,771
Tsumura & Company	61,600	1,793	1,892
Yamaguchi Financial Group	144,099	1,436	1,389
Yaskawa Electric Corporation	202,835	1,748	1,524
Yodogawa Steel Works Ltd	512,000	2,194	2,118
Yokohama Rubber Company Ltd	294,951	1,273	1,343
<i>Total Japan - 10.7%</i>		167,162	162,121
<i>Korea</i>			
Amorepacific Corporation	177	126	151
Celltrion Inc	3,010	41	51
Cheil Industries Inc	2,612	115	202
CJ CheilJedang Corp	430	76	79
Daegu Bank	6,570	90	75
Daelim Industrial Co Ltd	1,530	96	80
Daewoo International Corp	2,782	80	71
Daewoo Securities Co Ltd	6,800	118	113
Daewoo Shipbuilding & Marine	5,280	80	81
Dongbu Insurance Company Ltd	2,160	65	63
Dongkuk Steel Mill Co Ltd	142,330	2,893	2,562
Doosan Corporation	550	46	50
Doosan Heavy Industries	2,360	138	146
Doosan Infracore Co, Ltd	4,710	73	74
Glovis Company Ltd	630	59	69
GS Engineering & Construction	1,960	161	120
GS Holdings Corp	2,820	81	89
Halla Climate Control Corp	364,500	3,474	4,892
Hana Financial Group	10,430	335	280
Hanjin Heavy Indus & Const	1,750	36	37
Hankook Tire Company Ltd	4,210	82	96
Hanwha Chemical Corporation	271,600	2,992	3,945
Hanwha Corporation	2,690	95	82
Hite Brewery Co Ltd	300	41	36
Honam Petrochemical Corp	800	63	96
Hynix Semiconductor Inc	27,800	491	570
Hyosung Corporation	1,260	78	81
Hyundai Dept Store Co	830	75	80
Hyundai Development Company	3,120	104	70
Hyundai Engineering & Construc	3,720	189	173
Hyundai Heavy Industries Co	2,080	332	400
Hyundai Mipo Dockyard Company	27,820	2,517	2,948

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Hyundai Mobis	3,780	514	640
Hyundai Motor Co Ltd	10,650	869	1,101
Hyundai Motor Company	136,860	4,346	5,645
Hyundai Securities Co Ltd	6,660	82	64
Hyundai Steel Co	3,020	204	223
Industrial Bank of Korea (IBK)	313,980	5,162	3,726
Kaewoo Engineering & Construct	6,330	71	54
Kangwon Land Inc	5,380	77	81
KB Financial Group Inc	260,924	11,498	10,143
KCC Corp	260	78	63
Kia Motors Corporation	12,980	227	347
Korea Electric Power Corp	140,060	4,515	3,622
Korea Exchange Bank	485,260	6,071	5,004
Korea Gas Corporation	1,290	57	44
Korea Investment Holdings Co	2,060	59	53
Korea Life Insurance Co Ltd	9,720	54	68
Korea Zinc Company	25,170	2,803	4,490
Korean Air Lines Co	1,980	86	133
KT Corporation	94,400	4,258	3,488
KT&G Corporation	6,070	361	299
LG Chemical Ltd	7,760	791	931
LG Display Co Ltd	12,900	370	433
LG Electronics Inc	6,110	550	426
LG Household & Health Care Ltd	470	106	134
LG Innotek	530	65	70
LG Telecom Ltd	13,907	97	87
Lotte Chilsung Beverage Co	16,020	14,154	10,396
Lotte Confectionery Co Ltd	1,457	1,564	1,520
Lotte Shopping Company Ltd	21,440	2,334	6,176
LS Cable Ltd	990	80	72
LS Industrial Systems Co	920	69	59
Mirae Asset Securities Co	1,280	72	57
NCsoft Corporation	780	101	130
NHN Corporation	2,236	340	336
OCI Company Ltd	830	156	169
Pohang Iron & Steel Co Ltd	3,624	1,553	1,384
Pusan Bank	377,060	4,367	3,441
S1 Corporation	960	40	41
Samsung C&T Corporation	6,830	317	291
Samsung Card Co	2,400	103	98
Samsung Electro Mechanics Co	3,270	282	413
Samsung Electronics Co Ltd	10,414	5,759	6,364
Samsung Engineering Co	1,640	152	154
Samsung Fire & Marine Ins Co	2,070	394	331
Samsung Heavy Industries	8,860	187	167
Samsung Life Insurance Co	2,780	237	235
Samsung SDI Co Ltd	1,870	226	265
Samsung Securities Co Ltd	2,750	152	123
Samsung Techwin Company Ltd	2,040	157	177
Seoul Semiconductor Co Ltd	1,790	64	64
Shinhan Financial Group	124,080	4,835	4,635
Shinsegae Co Ltd	773	371	336
SK Broadband Company Ltd	7,191	31	35
Sk C&C Co Ltd	840	48	58
SK Energy Co Ltd	3,290	334	296
SK Holdings Co Ltd	32,540	2,835	2,327
SK Networks Co Ltd	4,890	49	42
SK Telecom Company Ltd	23,298	3,984	3,060
S-Oil Corporation	2,480	127	109
STX Pan Ocean Co Ltd	5,710	57	53
Tong Yang Securities Inc	3,960	44	29
Woongjin Coway Co Ltd	2,770	90	93
Woori Finance Holdings Co	15,680	208	187
Worri Investment & Securities	4,770	67	62

See accompanying notes to financial statements.



# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Yuhan Corporation	438	67	55
<i>Total Korea - 6.8%</i>		104,620	103,071
<i>Malaysia</i>			
AirAsia Berhad	60,700	26	23
Alliance Financial Group	45,400	38	41
AMMB Holdings Berhad	107,100	144	165
Axiata Group Berhad	138,500	130	168
Berjaya Corp Berhad	89,430	37	35
Berjaya Sports Toto Berhad	40,700	52	54
British American Tobacco Malay	7,800	102	106
Bursa Malaysia Berhad	18,800	45	41
Commerce Asset Hldg Berhad	215,200	379	465
Digi.com Berhad	19,100	122	136
Gamuda Berhad	88,300	80	87
Genting Berhad	121,500	246	267
Genting Malaysia Berhad	176,600	143	149
Genting Plantations Berhad	11,100	20	23
Hong Leong Bank Berhad	26,000	55	69
Hong Leong Financial Group	12,900	29	34
IJM Corporation Berhad	61,500	83	93
IOI Corporation Berhad	200,886	302	311
Kuala Lumpur Kepong Berhad	26,300	112	133
Lafarge Malayan Cement Berhad	16,600	31	35
Malayan Banking Berhad	193,300	382	451
Malaysian Airline Berhad	40,900	27	26
Maxis Berhad	102,500	166	167
MISC Berhad	73,220	182	194
MMC Corporation Berhad	59,000	44	44
Parkson Holdings Berhad	28,438	43	48
Petronas Dagangan Berhad	12,100	32	35
Petronas Gas Berhad	27,100	77	83
Plus Expressways Berhad	82,100	80	86
PPB Group Berhad	29,200	135	144
Proton Holdings Berhad	1,654,500	2,423	2,259
Public Bank Berhad	57,720	175	213
RHB Capital Berhad	21,000	34	38
Sime Darby Berhad	164,100	414	405
SP Setia Berhad	44,600	52	58
Tanjong Public Ltd Company	685,700	3,073	3,694
Telekom Malaysia Berhad	58,800	54	61
Tenage Nasional Berhad	106,700	257	277
UMW Holdings Berhad	30,600	57	60
YTL Corporation Berhad	45,500	98	104
YTL Power International Berhad	114,000	72	78
<i>Total Malaysia - 0.7%</i>		10,053	10,960
<i>Mexico</i>			
Alfa SA A Shares	750,200	4,447	5,635
America Movil SAB de CV	1,068,601	2,187	2,554
Cemex SAB de CV	1,998,377	12,273	14,934
Coca-Cola Femsa SAB de CV	14,800	79	93
Desarrolladora Homex SA	11,900	67	51
Fomento Economico Mexicano SA	117,900	525	513
Grupo Aeroportuario del Pacifi	26,000	74	76
Grupo Bimbo SAB de CV	19,200	116	137
Grupo Carso SAB de CV	31,684	99	101
Grupo Elektra SA de CV	4,000	166	161
Grupo Financiero Banorte	77,057	269	300
Grupo Financiero Inbursa SAB	36,400	106	118
Grupo Mexico SAB de CV	208,142	415	493
Grupo Modelo SA de CV	27,600	130	137
Grupo Televisa MM	2,695,560	10,191	9,454
Industrias Penoles SA de CV	5,400	95	106
Kimberly-Clark de Mexico SAB	29,100	128	169

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Mexichem SAB de CV	49,100	88	128
Telefonos de Mexico SA	3,781,410	8,054	6,608
Urbi Desarrollos Urbanos SA	26,600	55	49
Wal-Mart de Mexico SAB	320,000	607	711
<i>Total Mexico - 2.8%</i>		40,171	42,528
<i>Netherlands</i>			
Aegon NV	779,500	6,586	4,230
ASM International NV	58,099	995	1,152
CSM NV	167,751	2,083	5,023
Fugro NV	17,498	677	820
Gemalto NV	37,703	1,447	1,436
Koninklijke DSM NV	139,700	5,192	5,621
Nutreco Holding NV	21,185	760	1,148
<i>Total Netherlands - 1.3%</i>		17,740	19,430
<i>New Zealand</i>			
Fletcher Building Ltd - 0.1%	189,796	720	1,025
<i>Norway</i>			
DNB Holding ASA	230,200	3,057	2,235
StatoilHydro ASA	275,900	7,095	5,363
Stolt-Nielsen SA	96,500	2,011	1,128
TGS Nopec Geophysical Company	86,373	691	1,009
Veidekke ASA	306,000	2,774	1,835
<i>Total Norway - 0.8%</i>		15,628	11,570
<i>Pakistan</i>			
Nishat Mills Ltd - 0.1%	1,831,640	2,114	923
<i>Panama</i>			
Banco Latinoamericano de Exp - 0.5%	604,261	9,560	7,547
<i>Peru</i>			
Compania de Minas Buenaventura - 0.0%	10,462	357	402
<i>Philippines</i>			
Ayala Corporation	9,270	59	66
Ayala Land Inc	277,000	68	81
Bank of Philippine Islands	69,200	67	69
First Philippine Holdings Corp	4,618,700	2,919	5,580
Manila Electric Company	23,790	94	95
Philippine Long Distance Tel	2,490	132	129
SM Investments Corporation	9,770	66	89
SM Prime Holdings Inc	213,000	45	51
<i>Total Philippines - 0.4%</i>		3,450	6,160
<i>Poland</i>			
Asseco Poland SA	3,387	68	54
Bank Handlowy w Warszawie	1,790	42	39
Bank Millennium SA	20,894	28	26
Bank Pekao SA	6,456	354	298
Bank Zachodni WBK SA	1,196	64	69
BRE Bank SA	1,039	79	70
Cyfrowy Polsat SA	3,970	20	17
Getin Holding SA	17,501	53	49
Globe Trade Centre SA	7,186	58	50
Grupa Lotos SA	3,195	30	27
Ing Bank Slaski SA	178	40	40
Kernel Holding SA	1,995	39	36
KGHM Polska Miedz	162,060	5,388	4,252
PBG SA	492	34	30
Polska Grupa Energetyczna	14,205	107	88
Polski Koncern Naftowy Orlen	17,551	190	184
Polskie Gornictwo Naftowe Gaz	96,567	114	94

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Powszechna Kasa Oszczednosci	34,190	425	369
Powszechny Zaklad Ubezpieczen	2,119	224	220
Telekomunikacja Polska SA	439,442	3,218	1,861
TVN SA	8,365	42	40
<i>Total Poland - 0.5%</i>		10,617	7,913
<i>Portugal</i>			
Banco Espirito Santo - 0.1%	675,000	3,718	2,687
<i>Russia</i>			
Cherepovets MK Severstal	10,372	97	102
Comstar United Telesystems	12,924	75	79
Federal Grid Co Unified Energy	11,244,436	129	121
Gazprom	567,927	11,566	10,802
Lukoil	155,044	10,146	7,985
Magnit	12,000	232	207
Magnitogorsk Iron & Steel Work	700,800	6,294	6,510
Mechel	9,105	184	165
Mining & Metallurgical Co	48,686	685	730
MMC Norilsk Nickel	296,596	4,759	4,307
Mobile TeleSystems	202,217	2,770	3,874
NovaTek OAO	5,195	291	376
Novolipetsk Steel (NLMK)	4,596	131	119
OAO TMK	4,734	85	71
Polymetal	6,236	60	78
Polyus Gold	7,339	182	180
Rosneft Oil	89,513	682	553
RusHydro	4,962,933	196	248
Sberbank	511,686	1,125	1,249
Sistema JSFC	6,912	126	164
Surgutneftegaz	73,222	515	510
Tatneft	12,987	359	366
Territorial Generation Co-1	2,929,352,260	1,641	1,816
Uralkali	7,190	146	120
VTB Bank OJSC	47,386	209	231
Wimm-Bill-Dnn Foods	4,510	88	80
<i>Total Russia - 2.7%</i>		42,773	41,043
<i>Singapore</i>			
Changjiang Fertilizer Holdings	53	1	-
ComfortDelGro Corporation	1,353,200	1,252	1,415
Flextronics International Ltd	997,110	2,850	5,584
Golden Agri-Resources Ltd	3,872,779	1,010	1,470
Haw Par Corporation Ltd	271,000	1,076	1,114
Hong Leong Asia Ltd	1,164,000	2,220	2,826
MobileOne Ltd	8,552,300	9,661	13,109
Noble Group Ltd	2,197,635	1,192	2,692
Peoples Food Holdings Ltd	12,701,000	9,798	5,368
Venture Corp Ltd	280,200	1,552	1,792
<i>Total Singapore - 2.3%</i>		30,612	35,370
<i>South Africa</i>			
ABSA Group Ltd	17,623	289	279
African Bank Investments Ltd	41,656	168	164
African Rainbow Minerals	5,785	122	122
Anglo Platinum Ltd	3,584	317	341
Anglogold Ashanti Ltd	20,095	796	870
ArcelorMittal South Africa Ltd	9,722	142	96
Aspen Pharmacare Holdings	14,115	126	140
Astral Foods Ltd	161,900	2,256	2,365
Aveng Ltd	21,593	119	97
Bidvest Group Ltd	16,012	256	255
Discovery Holdings Ltd	14,525	59	66
Exxaro Resources Ltd	6,810	86	98
FirstRand Ltd	153,708	351	362

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Foschini Ltd	11,146	92	94
Gold Fields Ltd	39,136	515	530
Growthpoint Properties Ltd	85,983	158	174
Harmony Gold Mining Co Ltd	21,302	220	226
Impala Platinum Holdings Ltd	29,272	694	687
Imperial Holdings Ltd	478,492	2,330	5,356
Investec Ltd	11,767	89	83
JD Group Ltd	297,371	1,805	1,571
Kumba Iron Ore Ltd	4,368	156	182
Liberty Holdings Ltd	6,238	56	60
Massmart Holdings Ltd	10,980	132	169
Metropolitan Holdings Ltd	1,946,300	3,206	4,078
MTN Group Ltd	787,313	11,704	10,373
Murray & Roberts Holdings	17,192	123	87
Nampak Ltd	1,627,100	3,444	4,075
Naspers Ltd	21,384	774	725
Nedbank Group Ltd	9,513	153	149
Netcare Ltd	59,685	90	100
Northam Platinum Ltd	7,857	39	47
Pick n Pay Stores Ltd	12,419	67	70
Pretoria Portland Cement Co	27,167	119	113
Redefine Income Fund Ltd	140,196	135	132
Remgro Ltd	23,610	281	292
Reunert Ltd	9,677	73	72
RMB Holdings Ltd	39,557	148	161
Sanlam Ltd	111,888	316	334
Sappi Ltd	27,823	107	109
Sasol	31,868	1,210	1,142
Shoprite Holdings Ltd	22,225	190	240
Standard Bank Group Ltd	65,125	840	870
Steinhoff International Hldgs	68,762	156	160
Telkom South Africa Ltd	14,198	77	70
Tiger Brands Ltd	8,800	183	195
Truworths International Ltd	23,567	141	165
Vodacom Group (Pty) Ltd	20,283	147	155
Woolworths Holdings Ltd	37,130	87	116
<i>Total South Africa - 2.5%</i>		35,144	38,417
<i>Spain</i>			
Banco Santander Ctrl Hisp SA	763,400	8,451	8,173
Ebro Puleva SA	99,620	1,824	1,692
Repsol SA	323,400	9,400	6,602
Tecnicas Reunidas SA	28,449	1,539	1,309
Telefonica SA	332,800	7,121	6,219
<i>Total Spain - 1.6%</i>		28,335	23,995
<i>Sweden</i>			
Boliden AB	351,300	5,413	3,939
KappAhl Holding AB	114,354	377	705
Meda AB	236,316	1,883	1,726
NCC AB	212,300	3,788	3,192
Svenska Handelsbanken AB	159,300	2,449	3,934
Telefonaktiebolaget LM	424,600	3,220	4,761
<i>Total Sweden - 1.2%</i>		17,130	18,257
<i>Switzerland</i>			
Baloise Holding Ltd	73,300	4,946	5,135
Clariant AG	185,494	1,098	2,367
Credit Suisse Group	110,000	5,276	4,174
EFG International AG	11,276	157	136
Kuoni Reisen Holding AG	3,040	1,180	851
Novartis AG	265,800	9,791	12,965
Partners Group Holding AG	14,373	1,325	1,738
Sika AG	815	680	1,451
Swiss Re	78,300	4,167	3,246

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Swisscom AG	8,300	2,855	2,824
Temenos Group AG	57,542	558	1,395
Zurich Financial Services AG	23,400	5,452	5,197
Total Switzerland - 2.8%		37,485	41,479
<i>Taiwan</i>			
Acer Inc	139,000	353	325
Advanced Semiconductor Engr	490,649	338	392
Advantech Company Ltd	14,000	29	29
Asia Cement Corporation	100,000	106	88
Asustek Computer Inc	31,350	257	234
Au Optronics Corp	409,000	402	367
Benq Corporation	85,000	49	42
Capital Securities Corp	52,000	27	22
Catcher Technology Co Ltd	29,000	74	63
Cathay Financial Hldg Co Ltd	352,000	603	526
Chang Hwa Commercial Bank	272,000	124	125
Cheng Shin Rubber Industry Co	51,000	108	104
Cheng Uei Precision Industry	16,000	32	26
Chicony Electronics Co Ltd	21,000	50	47
China Airlines Ltd	116,000	41	60
China Development Financial	522,000	141	141
China Life Insurance Co Ltd	59,000	46	48
China Steel Corporation	547,000	515	507
Chinatrust Financial Holding	462,000	295	255
Chinese Gamer International	2,000	21	16
Chunghwa Picture Tubes	546,000	59	36
Chunghwa Telecom Co Ltd	263,818	508	525
Clevo Company	27,000	55	57
CMC Magnetics Corporation	128,000	33	32
Compal Communications	16,000	17	13
Compal Electronics Inc	3,880,461	3,772	4,668
Coretronic Corporation	38,000	48	56
Delta Electronics Inc	97,000	281	312
E Sun Financial Holding Co	171,000	71	70
Epistar Corporation	34,000	114	89
Eternal Chemical Company Ltd	29,000	29	28
EVA Airways Corp	73,000	30	43
Evergreen Intl Storage & Trans	21,000	17	15
Evergreen Marine Corporation	69,000	41	44
Everlight Electronics Co Ltd	16,885	51	44
Far Eastern Department Stores	47,000	48	39
Far Eastern Textile Ltd	153,000	181	159
Far EasTone Telecommunications	5,864,931	7,198	7,246
Farglory Land Development	12,000	25	24
Feng Hsin Iron & Steel Co	24,000	38	32
First Financial Hldg Co Ltd	260,000	158	144
Formosa Chemicals & Fibre Corp	155,000	310	357
Formosa International Hotels	2,000	22	25
Formosa Petrochemical Corp	68,000	174	165
Formosa Plastics Corporation	217,000	445	459
Formosa Taffeta Company	38,000	28	27
Foxconn Technology Co Ltd	32,000	101	107
Fubon Financial Holding	271,000	318	304
Giant Manufacturing Co Ltd	15,000	41	46
Gigabyte Technology Company	2,968,000	2,206	2,914
HannStar Display Corporation	9,544,111	3,776	1,833
Hon Hai Precision Industry Co	428,000	1,725	1,519
HTC Corporation	37,000	400	495
Hua Nan Financial Holdings	210,000	129	121
Innolux Display Corporation	258,926	331	269
Inotera Memories Inc	99,139	67	56
Inventec Co Ltd	101,000	58	54
KGI Securities Company Ltd	159,000	82	62
Kinsus Interconnect Technology	12,000	28	23

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Largan Precision Co Ltd	6,000	79	96
Lite-On Technology Corp	111,000	146	123
Macronix International Co	181,000	101	120
MediaTek Inc	51,000	826	718
Mega Financial Holding Co	423,000	256	228
Micro-Star International Co	45,000	29	24
Mitac International Corp	54,000	24	21
Motech Industries	13,000	51	40
Nan Ya Plastics Corp	278,000	472	447
Nan Ya Printed Circuit Bd Corp	12,000	43	49
Nanya Technology Corp	62,000	53	49
Novatek Microelectronics Corp	26,000	65	70
Pegatron Corp	84,379	111	79
Phison Electronics Corp	6,000	48	35
PixArt Imaging Inc	5,000	40	28
Polaris Securities Co Ltd	112,000	63	49
Pou Chen Corporation	125,000	87	98
Powerchip Semiconductor Corp	452,000	50	62
Powertech Technology Inc	31,000	94	87
President Chain Store Corp	29,000	69	86
Prime View International Co	38,000	71	47
Quanta Computer Inc	3,549,456	5,076	6,462
Realtek Semiconductor Corp	22,000	51	49
RichTek Technology Corp	7,000	61	59
Ruentex Development Co Ltd	26,000	40	42
Ruentex Industries Ltd	21,000	39	59
Shin Kong Financial Holding	295,025	122	102
Siliconware Precision Inds	165,000	220	180
Simplo Technology Co Ltd	11,000	61	60
SinoPac Financial Holdings	307,000	120	98
Synnex Technology Intl Corp	58,000	122	127
Taishin Financial Holdings Co	204,952	91	80
Taiwan Business Bank	106,000	27	28
Taiwan Cement Corporation	162,000	176	138
Taiwan Cooperative Bank	196,000	121	119
Taiwan Fertilizer Co Ltd	40,000	137	106
Taiwan Glass Industrial Corp	50,000	43	46
Taiwan Mobile Co Ltd	102,000	187	209
Taiwan Semiconductor Manf Co	1,365,000	2,610	2,574
Tatung Company Ltd	260,000	59	46
Teco Electric & Machinery Co	96,000	41	40
Transcend Information Inc	17,000	60	45
Tripod Technology Corp	21,000	58	78
TSRC Corp	23,000	29	32
Tung Ho Steel Enterprise Corp	39,000	41	31
U-Ming Marine Transport Corp	24,000	44	46
Unimicron Technology Corp	68,000	82	100
Uni-President Enterprises Corp	181,000	209	201
United Microelectronics Corp	674,000	336	301
Vanguard Intl Semiconductor	42,000	20	17
Walsin Lihwa Corporation	29,523,000	9,322	10,980
Wan Hai Lines Ltd	52,000	29	32
Winbond Electronics Corp	136,000	34	34
Wintek Corp	53,000	40	43
Wistron Corporation	96,000	176	142
WPG Holdings Co Ltd	35,000	52	65
Yang Ming Marine Transport	64,000	25	33
Young Fast Optoelectronics	4,000	48	30
Yuanta Financial Holding Co	399,000	283	215
Yulon Motor Co Ltd	48,000	55	48
<i>Total Taiwan - 3.4%</i>		49,751	51,582
<i>Thailand</i>			
Advanced Info Service Public	49,700	133	133
Bangkok Bank Public Company	80,500	289	311

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Bank of Ayudhya Public Co	144,300	85	87
Banpu Putlic Company Ltd	10,400	151	195
BEC World Public Company	49,300	38	42
Charoen Pokphand Foods Public	164,500	77	103
CP ALL PLC	125,200	80	111
Glow Energy PCL	28,100	34	32
IRPC PCL	584,300	74	75
Kasikombank Public Co Ltd	92,300	240	259
Krung Thai Bank Public Co Ltd	16,140,100	4,712	6,279
PTT Aromatics & Refining PLC	50,600	35	39
PTT Chemical PCL	16,700	35	54
PTT Exploration & Production	64,400	275	282
PTT PLC	45,800	343	348
Siam Cement Public Co Ltd	17,600	117	142
Siam Commercial Bank Public Co	84,900	217	213
Thai Oil Putlic Co Ltd	51,600	68	70
<i>Total Thailand - 0.6%</i>		7,003	8,775
<i>Turkey</i>			
AkBank TAS	60,612	266	293
Anadolu Efes Biracilik Ve Malt	11,073	121	130
Arcelik AS	1,619,459	4,117	6,853
Asya Katilim Bankasi AS	24,606	53	57
BIM Birlesik Magazalar AS	4,149	86	115
Coca-Cola Icecek AS	3,477	33	31
Dogan Sirketler Grubu Holding	46,889	33	30
Enka Insaat ve Sanayi AS	15,638	54	54
Eregli Demir Ve Celik Fabrik	21,872	65	56
Ford Otomotiv Sanayi AS	1,161,699	6,697	7,558
Haci Omer Sabanci Holding	33,471	130	135
Koc Holding AS	26,412	72	90
Selcuk Exza Deposu Ticaret AS	3,454,524	4,463	4,735
Trakya Cam Sanayii AS	5,317,149	4,483	7,153
Tupras-Turkiye Petrol Rafinery	6,847	121	125
Turk Hava Yollari Anonim Ort	21,871	63	54
Turk Telekomunikasyon AS	28,707	88	92
Turkcell Iletisim Hizmet AS	820,604	5,395	4,276
Turkcity Is Bankasi (Isbank)	87,301	179	273
Turkiye Garanti Bankasi AS	107,726	417	452
Turkiye Halk Bankasi	17,088	105	127
Turkiye Vakiflar Bankasi T-D	5,071,511	5,412	11,660
Yapi ve Kredi Bankasi AS	47,540	104	130
<i>Total Turkey - 2.9%</i>		32,557	44,479
<i>United Kingdom</i>			
Aberdeen Asset Management PLC	378,813	756	731
Aggreko PLC	114,481	594	2,424
AstraZeneca Group PLC	201,300	8,100	9,544
Aviva PLC	640,900	5,495	3,012
Barclays PLC	1,178,654	9,498	4,771
BBA Aviation PLC	182,101	525	499
BP Amoco PLC	1,892,800	17,716	9,031
Bradford & Bingley PLC	202,000	1,045	-
British Aerospace PLC	879,500	4,446	4,125
BT Group PLC	1,427,300	5,116	2,778
Centrica PLC	673,200	2,097	2,988
Charter International PLC	163,100	960	1,534
Computacenter PLC	900,800	3,344	3,841
Daily Mail & General Trust PLC	244,431	1,234	1,605
Dana Petroleum PLC	62,291	1,495	1,058
Drax Group PLC	336,200	4,504	1,893
Dunelm Group PLC	209,806	970	1,039
GlaxoSmithKline PLC	566,000	11,510	9,679
Greene King PLC	72,815	343	427
Halfords Group PLC	215,024	1,017	1,575

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Cost	Fair Value
Hothschild Mining plc	308,598	1,551	1,422
Hunting PLC	156,249	1,293	1,048
IG Group Holdings PLC	283,893	1,057	1,788
IMI PLC	525,900	3,980	5,409
Informa PLC	350,189	1,132	1,864
International Personal Finance	412,300	1,527	1,175
Legal & General Group PLC	1,431,600	3,410	1,685
Logica PLC	2,046,300	2,035	3,343
Marston's PLC	893,188	2,333	1,243
Meggitt PLC	482,110	857	2,266
Melrose PLC	475,524	1,577	1,497
Micro focus International PLC	297,114	1,272	1,879
N Brown Group PLC	304,118	1,157	1,139
Northern Foods PLC	290,100	781	189
Old Mutual PLC	2,141,000	4,842	3,315
Pace Micro Technology PLC	395,739	901	958
Premier Farnell PLC	570,968	1,647	1,871
Premier Oil PLC	96,813	1,417	1,800
Royal & Sun Alliance Insurance	1,063,100	1,800	1,902
Royal Dutch Shell B Shares	738,000	20,690	18,008
RPS Group PLC	459,073	958	1,284
Spectris PLC	469,319	5,174	5,449
Spirax-Sarco Engineering	68,600	1,429	1,406
Spirent Commuicatiois plc	859,761	1,488	1,411
St. James Place PLC	350,240	948	1,112
Tate & Lyle PLC	402,600	3,556	2,709
Thomas Cook Group	959,500	3,433	2,566
Tomkins PLC	39,411	63	134
Vodafone Group PLC	2,467,200	5,000	5,136
William Hill PLC	641,368	1,828	1,644
<i>Total United Kingdom - 9.2%</i>		159,901	139,206
<i>United States</i>			
Southern Copper Corporation - 0.0%	11,682	364	310
Total Equities - 97.5%		1,514,518	1,469,624
<b>Short-term Issues</b>			
Dreyfus Cash Management Institutional Fund - 1.7%	26,133,109	26,133	26,133
Total Investment Securities - 99.2%		\$ 1,540,651	\$ 1,495,757

See accompanying notes to financial statements.



# International Equity Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Investment income**

Dividends, net of foreign withholding taxes	\$ 49,844
Securities lending income	455
Securities lending borrower premiums	858
Shareholder litigation proceeds	106
Commission recapture	<u>2</u>

**Total investment income** 51,265

**Expenses**

Investment advisor fees	(8,855)
Trustee fees	(9)
Custodian bank fees	(963)
Management fees	(551)
Fiduciary bond fees	(8)
Professional service fees	(117)
Securities lending agent fees	<u>(255)</u>

**Total expenses** (10,758)

**Investment income, net** 40,507

**Realized and unrealized gain (loss) from  
investments and foreign currency**

Net realized gain from:	
Investments	144,709
Foreign currency transactions	18,598
Net increase (decrease) in the fair value of:	
Investments	125,037
Translation of assets and liabilities in foreign currencies	<u>(31,596)</u>

**Net gain from investments and foreign currency** 256,748

**Net increase in net assets from operations** \$ 297,255

*See accompanying notes to financial statements.*

# International Equity Pool

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## Statement of Changes in Net Assets Year Ended June 30, 2010 *(Amounts in thousands, except unit data)*

### Operations

Investment income, net	\$ 40,507
Net realized gain from investments	144,709
Net realized gain from foreign currency transactions	18,598
Net increase in the fair value of investments	125,037
Net decrease in the translation of assets and liabilities in foreign currencies	<u>(31,596)</u>
<b>Net increase in net assets from operations</b>	297,255

### Unit transactions

Proceeds from sale of units	120,734
Amount paid for repurchase of units	<u>(454,090)</u>
<b>Net decrease in net assets from unit transactions</b>	<u>(333,356)</u>

**Decrease in net assets** (36,101)

**Net assets, beginning of period** 1,544,383

**Net assets, end of period** \$ 1,508,282

### Unit data

Units sold	6,488,143
Units repurchased	<u>(25,476,097)</u>
<b>Net decrease in units</b>	<u><u>(18,987,954)</u></u>

*See accompanying notes to financial statements.*

# International Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 Brandes Investment Partners, LLC, LSV Asset Management, Pictet Asset Management Limited, and State Street Global Advisors. 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 in equity securities are carried at fair value, which is determined by a third party pricing service based on quoted market prices. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Foreign currency forward contracts are valued at either spot or forward month-end exchange rates. 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.

# International Equity Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### 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.

**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 and is reported on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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 amount valued at month end and the 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.

# International Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

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

**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 is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2010, 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, 2010 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, 2010 are as follows:

Currency	Equity Securities	Cash	Total
Australian Dollar	\$ 28,001	\$ 8	\$ 28,009
Brazil Cruzeiros Real	82,624	1,605	84,229
British Pound Sterling	141,897	435	142,332
Canadian Dollar	58,467	59	58,526
Czech Koruna	10,106	5	10,111
Danish Krone	7,115	6	7,121
Egyptian Pound	741	12	753
Euro Currency Unit	242,635	379	243,014
Hong Kong Dollar	137,405	848	138,253
Hungarian Forint	11,994	39	12,033
Indian Rupee	1,938	1	1,939
Indonesian Rupian	4,049	24	4,073
Israeli Shekel	22,323	-	22,323
Japanese Yen	162,122	1,834	163,956
Malaysian Ringgit	10,960	206	11,166
Mexican New Peso	23,959	422	24,381
New Taiwan Dollar	51,582	2,875	54,457
New Turkish Lira	44,480	1	44,481
New Zealand Dollar	1,025	-	1,025
Norwegian Krone	11,570	33	11,603
Pakistan Rupee	923	-	923
Philippines Peso	6,158	15	6,173
Polish Zloty	7,912	5	7,917
Singapore Dollar	29,787	113	29,900
South African Rand	38,417	132	38,549

*Continued on next page*

# International Equity Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Currency	Equity Securities	Cash	Total
South Korean Won	103,072	1,207	104,279
Swedish Krona	18,257	45	18,302
Swiss Franc	41,481	417	41,898
Thailand Baht	8,775	180	8,955
Total	<u>\$ 1,309,775</u>	<u>\$ 10,906</u>	<u>\$ 1,320,681</u>

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 \$185,968.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

# International Equity Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

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

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 1,469,624	\$ -	\$ -	\$ 1,469,624
Regulated Investment Companies	-	26,133	-	26,133
Foreign Exchange Forward Contracts	-	4	-	4
Securities Lending Collateral Funds	-	114,456	-	114,456
Total	\$ 1,469,624	\$ 140,593	\$ -	\$ 1,610,217

### NOTE 6. SECURITIES LENDING

At June 30, 2010, the fair value of securities on loan is \$103,525, initial collateral received is \$118,077, and the fair value of reinvested collateral held is \$114,456. 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 \$10,974 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.

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, 2010 the accumulated undistributed securities lending income is \$2,896.

# International Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 7. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2010, open foreign currency forward contracts are as follows:

Position	Foreign Currency	Inception Date	Expiration Date	Receivable		Payable		Unrealized appreciation (depreciation)
				(in foreign currency)	(in U. S. dollars)	(in foreign currency)	(in U. S. dollars)	
Long	New Taiwan Dollar	6/30/2010	7/1/2010	54,900	\$ 1,709		\$ 1,706	\$ 3
Long	Singapore Dollar	6/28/2010	7/1/2010	146	106		105	1
Long	British Pound	6/29/2010	7/1/2010	19	28		28	-
Long	British Pound	6/30/2010	7/2/2010	14	20		20	-
Long	Hong Kong Dollar	6/30/2010	7/2/2010	140	18		18	-
Short	Brazil Real	6/30/2010	7/1/2010		300	542	300	-
Short	Brazil Real	6/30/2010	7/1/2010		214	387	214	-
Short	Brazil Real	6/30/2010	7/1/2010		46	84	46	-
Short	Euro Currency	6/29/2010	7/1/2010		26	22	26	-
Short	Euro Currency	6/30/2010	7/2/2010		8	7	8	-
					<u>\$ 2,475</u>		<u>\$ 2,471</u>	<u>\$ 4</u>

The contracts listed above were initiated to correspond to transactions in securities trading in foreign currencies. The fair value, gains and losses, and risks are not material the Pool.

### NOTE 8. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2009	\$ 14.85
Income from investment operations:	
Net investment income	0.47
Net realized and unrealized gain on investment transactions	2.57
Net realized gain from foreign currency transactions	0.21
Net decrease in the translation of assets and liabilities in foreign currencies	(0.36)
Total from investment operations	<u>2.89</u>
Net asset value at June 30, 2010	<u>\$ 17.74</u>

**Time-weighted Total Return \*** 19.5%

#### Supplemental Data:

Net assets, end of period	\$ 1,508,282
Ratio to average net assets:	
Expenses **	0.66%
Net investment income **	2.54%
Portfolio turnover rate	59.34%

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

\*\* All ratios are for the fiscal year



# International Equity Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 9. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 679,006
Public Employees' Retirement System	614,649
State Police Death, Disability and Retirement Fund	65,650
Workers' Compensation Old Fund	28,650
Revenue Shortfall Reserve Fund B	26,870
Judges' Retirement System	17,076
Coal Workers' Pneumoconiosis Fund	15,468
Deputy Sheriff's Retirement System	15,155
Prepaid Tuition Trust Fund	9,570
State Police Retirement System	8,673
Board of Risk and Insurance Management	7,792
Public Employees' Insurance Agency	6,205
Wildlife Endowment Fund	5,648
Emergency Medical Services Retirement System	3,991
Retiree Health Benefit Trust	3,550
AccessWV	329
Total	<u>\$ 1,508,282</u>

### NOTE 10. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.



# **Audited Financial Statements**

**June 30, 2010**

**Short-Term Fixed Income Pool**

# Short-Term Fixed Income Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations and changes in net assets for the year then ended for the West Virginia Investment Management Board (WVIMB) Short-Term Fixed Income Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board Short-Term Fixed Income Pool as of June 30, 2010, and the results of its operations and changes in net assets for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Short-Term Fixed Income Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at amortized cost	\$	305,417
Accrued interest		<u>10</u>
<b>Total assets</b>		<b>305,427</b>

### Liabilities

Accrued expenses		33
Payable for investments purchased		<u>14,998</u>
<b>Total liabilities</b>		<b><u>15,031</u></b>
<b>Net assets</b>	<b>\$</b>	<b><u><u>290,396</u></u></b>

### Analysis of net assets

Paid-in capital	\$	290,381
Accumulated undistributed net realized gain from investments		<u>15</u>
<b>Net assets</b>	<b>\$</b>	<b><u><u>290,396</u></u></b>

### Unit data

Units outstanding		290,380,844
Net asset value, unit price	\$	<u><u>1.00</u></u>

See accompanying notes to financial statements.

# Short-Term Fixed Income Pool

## Schedule of Investments in Securities

**June 30, 2010**

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
<b><u>U. S. Government Agency Issues</u></b>						
Federal Farm Credit Bank	0.310 %	0.320 %	03/21/2011	1,000	\$ 1,000	\$ 1,000
Federal Farm Credit Bank	0.170	0.150	08/26/2011	1,000	1,000	998
Federal Home Loan Bank	0.470	0.248	10/15/2010	3,000	3,000	3,000
Federal Home Loan Bank	0.500	0.520	10/18/2010	2,000	1,999	2,002
Federal Home Loan Bank	0.270	0.305	10/26/2010	2,000	2,000	2,001
Federal Home Loan Bank	0.260	0.280	11/17/2010	3,000	3,000	3,000
Federal Home Loan Bank	0.280	0.281	12/01/2010	2,000	2,000	2,000
Federal Home Loan Bank	0.340	0.325	12/06/2010	3,000	3,000	3,001
Federal Home Loan Bank	0.300	0.329	05/25/2011	1,000	1,000	1,000
Federal Home Loan Mort Corp	0.430	0.194	07/12/2010	4,000	4,000	4,000
Federal National Mortgage	0.300	0.332	08/05/2010	3,000	3,000	3,000
Total U. S. Government Agency Issues - 8.6%					24,999	25,002
<b><u>Short-term Issues</u></b>						
Amsterdam Funding Corp	0.000	0.274	07/07/2010	4,000	4,000	4,000
Atlantis One Funding	0.000	0.335	07/01/2010	5,000	5,000	5,000
Barclays US Funding LLC	0.000	0.183	07/26/2010	6,000	5,999	5,999
Citigroup Funding Inc	0.000	0.335	07/20/2010	4,000	3,999	3,999
Dreyfus Cash Management Institutional Fund	0.010	0.760	N/A	1,000	1	1
Federal Home Loan Bank	0.000	0.101	07/07/2010	6,000	6,000	6,000
Federal Home Loan Bank	0.000	0.051	07/14/2010	10,000	10,000	10,000
Federal Home Loan Bank	0.000	0.172	07/26/2010	2,000	2,000	2,000
Federal Home Loan Bank	0.000	0.203	07/30/2010	2,000	2,000	2,000
Federal Home Loan Bank	0.000	0.203	08/13/2010	2,000	2,000	2,000
Federal Home Loan Bank	0.000	0.122	08/20/2010	4,000	3,999	3,999
Federal Home Loan Mort Corp	0.000	0.213	07/06/2010	1,000	1,000	1,000
Federal Home Loan Mort Corp	0.000	0.183	07/19/2010	3,000	3,000	3,000
Federal Home Loan Mort Corp	0.000	0.203	08/03/2010	1,000	1,000	1,000
Federal Home Loan Mort Corp	0.000	0.223	08/06/2010	6,000	5,999	5,999
Federal National Mortgage Assn	0.000	0.183	07/06/2010	5,000	5,000	5,000
Federal National Mortgage Assn	0.000	0.183	07/08/2010	5,000	5,000	5,000
Federal National Mortgage Assn	0.000	0.183	07/09/2010	5,000	5,000	5,000
Federal National Mortgage Assn	0.000	0.172	07/12/2010	3,000	3,000	3,000
Federal National Mortgage Assn	0.000	0.172	08/10/2010	4,000	3,999	3,999
Federal National Mortgage Assn	0.000	0.203	08/11/2010	2,000	2,000	2,000
Federal National Mortgage Assn	0.000	0.218	08/18/2010	3,000	2,999	2,999
Federal National Mortgage Assn	0.000	0.203	09/01/2010	3,000	2,999	2,999
Federal National Mortgage Assn	0.000	0.209	09/08/2010	5,000	4,998	4,998
Federal National Mortgage Assn	0.000	0.305	09/29/2010	2,000	1,998	1,999
Federal National Mortgage Assn	0.000	0.218	10/18/2010	6,000	5,996	5,996
Federal National Mortgage Assn	0.000	0.279	10/20/2010	3,000	2,997	2,998
Federal National Mortgage Assn	0.000	0.305	10/27/2010	2,000	1,998	1,999
Federal National Mortgage Assn	0.000	0.305	11/10/2010	2,000	1,998	1,999
Federal National Mortgage Assn	0.000	0.305	01/19/2011	3,000	2,995	2,996
ING Funding LLC	0.000	0.294	07/06/2010	6,000	6,000	6,000
Natixis Banques US Finance Co	0.000	0.345	07/16/2010	5,000	4,999	4,999
Repurchase Agreement	0.010	0.010	07/01/2010	69,861	69,861	69,861
Societe Generale NA	0.000	0.304	07/07/2010	4,000	4,000	4,000
UBS Finance Delaware LLC	0.000	0.132	07/06/2010	5,000	5,000	5,000
United States Treasury	0.000	0.118	07/01/2010	15,000	15,000	15,000
United States Treasury	0.000	0.064	07/08/2010	29,000	29,000	29,000
United States Treasury	0.000	0.041	07/15/2010	8,000	8,000	8,000
United States Treasury	0.000	0.132	07/29/2010	15,000	14,998	14,998
United States Treasury	0.000	0.251	10/14/2010	6,000	5,996	5,997
United States Treasury	0.000	0.244	10/28/2010	3,600	3,597	3,598
United States Treasury	0.000	0.228	11/26/2010	5,000	4,993	4,994
Total Short-Term Issues - 96.6%					280,418	280,426
Total Investment Securities - 105.2%					\$ 305,417	\$ 305,428

## Short-Term Fixed Income Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Investment income**

Interest	\$	147
Dividends		1
Net accretion		<u>339</u>

**Total investment income** 487

**Expenses**

Investment advisor fees	(121)
Trustee fee	(1)
Custodian bank fees	(12)
Management fees	(52)
Fiduciary bond fees	(1)
Professional service fees	(11)
Shareholder litigation	<u>(3)</u>

**Total expenses** (201)

**Investment income, net** 286

**Net realized gain from investments** 24

**Net increase in net assets from operations** \$ 310

*See accompanying notes to financial statements.*



## Short-Term Fixed Income Pool

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### Statement of Changes in Net Assets

Year Ended June 30, 2010

(Amounts in thousands, except unit data)

#### Operations

Investment income, net	\$	286
Net realized gain from investments		<u>24</u>
<b>Net increase in net assets from operations</b>		<b>310</b>

#### Distributions to unitholders

Investment income, net		(286)
------------------------	--	-------

#### Unit transactions

Proceeds from sale of units		1,713,495
Reinvestment of distributions		<u>286</u>
		1,713,781
Amount paid for repurchase of units		<u>(1,687,963)</u>
<b>Net increase in net assets from unit transactions</b>		<b><u>25,818</u></b>

**Increase in net assets** 25,842

**Net assets, beginning of period** 264,554

**Net assets, end of period** \$ 290,396

#### Unit data

Units sold		1,713,495,285
Units issued from reinvestment of distributions		<u>285,660</u>
		1,713,780,946
Units repurchased		<u>(1,687,963,127)</u>
<b>Net increase in units</b>		<b><u><u>25,817,819</u></u></b>

See accompanying notes to financial statements.

# Short-Term Fixed Income Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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. JP Morgan Investment Advisors, Inc. manages the Pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Salomon ninety-day T-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 which approximates fair 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.

# Short-Term Fixed Income Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

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

**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.

**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 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 Pool's investments as of June 30, 2010.

<u>Security Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent</u>
U.S. Treasury bills	Aaa	AAA	\$ 126,984	41.4%
Agency discount notes	P-1	A-1	89,973	29.3%
Commercial paper	P-1	A-1	38,997	12.7%
U.S. Treasury notes	Aaa	AAA	25,572	8.4%
Agency notes	Aaa	AAA	24,999	8.2%
Money market fund	Aaa	AAA	1	0.0%
Total rated investments			<u>\$ 306,526</u>	<u>100.0%</u>

This table includes securities received as collateral for repurchase agreements with a fair value of \$70,971 as compared to the amortized cost of the repurchase agreements of \$69,861.

# Short-Term Fixed Income Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

#### Concentration of Credit Risk

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2010, 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, 2010, the 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 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, 2010.

Security Type	Carrying Value	WAM (days)
Agency discount notes	\$ 89,973	48
U.S. Treasury bills	81,586	32
Repurchase agreements	69,861	1
Commercial paper	38,997	11
Agency notes	24,999	41
Money market fund	1	1
Total assets	\$ 305,417	28

#### Foreign Currency Risk

The Pool has no securities that are subject to foreign currency risk.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

## Short-Term Fixed Income Pool

### Notes to Financial Statements

(Amounts in thousands, except share data)

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

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

#### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Agency discount notes	\$ -	\$ 89,973	\$ -	\$ 89,973
U.S. Treasury bills	-	81,586	-	81,586
Repurchase agreements	-	69,861	-	69,861
Commercial paper	-	38,997	-	38,997
Agency notes	-	24,999	-	24,999
Regulated investment companies	-	1	-	1
Total	\$ -	\$ 305,417	\$ -	\$ 305,417

# Short-Term Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 6. FINANCIAL HIGHLIGHTS

<b>Per Unit Operating Performance:</b>	
Net asset value at June 30, 2009	\$ 1.00
Net asset value at June 30, 2010	<u>\$ 1.00</u>
<b>Time-weighted Total Return *</b>	0.1%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 290,396
Ratio to average net assets:	
Expenses **	0.08%
Net investment income **	0.12%
Portfolio turnover rate	N/A

\* Return data is net of fees 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 at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 135,600
Workers' Compensation Old Fund	95,318
Public Employees' Retirement System	15,420
Coal Workers' Pneumoconiosis Fund	11,646
State Police Death, Disability and Retirement Fund	10,298
Workers' Compensation Uninsured Employers Fund	8,852
Workers' Compensation Self-insured Employers Fund	8,066
Revenue Shortfall Reserve Fund B	1,520
Prepaid Tuition Trust Fund	1,000
State Police Retirement System	781
Emergency Medical Services Retirement System	528
Deputy Sheriff's Retirement System	527
Teachers' Employers Contribution Collection Account	355
Judges' Retirement System	289
Revenue Shortfall Reserve Fund	110
Wildlife Endowment Fund	65
Municipal Police Officers and Firefighters Retirement System	3
Board of Risk and Insurance Management	3
Total	<u>\$ 290,381</u>

### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

# **Audited Financial Statements**

**June 30, 2010**

**Total Return Fixed Income Pool**

# Total Return Fixed Income Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
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Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations and changes in net assets for the year then ended for the West Virginia Investment Management Board (WVIMB) Total Return Fixed Income Pool. These financial statements are the responsibility of WVIMB 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 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 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, 2010, 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 Total Return Fixed Income Pool as of June 30, 2010, and the results of its operations and changes in net assets for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Total Return Fixed Income Pool

## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$ 1,799,084
Cash	17,501
Cash denominated in foreign currencies (cost \$829)	828
Collateral for securities loaned at fair value (Note 6)	67,040
Unrealized gain on futures contracts (Note 8)	1,794
Unrealized gain on swap contracts (Note 9)	3,846
Unrealized gain on foreign currency exchange contracts (Note 11)	3,791
Receivables:	
Accrued interest	11,230
Investments sold	25,183
Dividends	23
Securities lending income	10
	<hr/>
<b>Total assets</b>	<b>1,930,330</b>

### Liabilities

Accrued expenses	823
Dividends payable	5,522
Payable for investments purchased	38,989
Payable upon return of securities loaned (Note 6)	68,824
Unrealized loss on futures contracts (Note 8)	6,125
Unrealized loss on swap contracts (Note 9)	8,488
Unrealized loss on foreign currency exchange contracts (Note 11)	2,773
Option contracts written	6,707
	<hr/>
<b>Total liabilities</b>	<b>138,251</b>
	<hr/>
<b>Net assets</b>	<b>\$ 1,792,079</b>

### Analysis of net assets

Paid-in capital	\$ 1,405,375
Accumulated undistributed net investment income	527
Accumulated undistributed net realized gain from investments	370,748
Accumulated undistributed net realized gain from foreign currency transactions	16,783
Unrealized net depreciation of investments	(2,627)
Unrealized net appreciation on translation of assets and liabilities in foreign currencies	1,273
	<hr/>
<b>Net assets</b>	<b>\$ 1,792,079</b>

### Unit data

Units outstanding	132,945,050
Net asset value, unit price	\$ 13.48

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments in Securities

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
<b><u>Municipal Bonds</u></b>						
California	6.200 %	6.260 %	10/01/2019	2,250	\$ 2,241	\$ 2,352
California	7.500	7.624	04/01/2034	11,400	11,246	12,166
California	7.550	6.922	04/01/2039	245	264	263
California	7.300	7.353	10/01/2039	2,155	2,141	2,244
Los Angeles Calif Uni Sch Dist	6.760	6.758	07/01/2034	2,500	2,500	2,741
Pennsylvania St Higher Ed Assn	0.380 A	0.697	05/01/2046	8,100	7,163	7,163
Total Municipal Bonds - 1.5%					25,555	26,929
<b><u>U. S. Treasury Issues</u></b>						
United States Treasury	2.380	0.185	08/31/2010	47,900	48,074	48,074
United States Treasury	0.880	0.369	01/31/2011	9,500	9,528	9,534
United States Treasury	0.880	0.355	02/28/2011	12,000	12,041	12,046
United States Treasury	1.380	1.361	05/15/2013	8,020	8,023	8,118
United States Treasury	2.130	1.977	05/31/2015	450	453	458
United States Treasury	3.130	3.141	10/31/2016	5,130	5,125	5,381
United States Treasury	2.750	2.849	11/30/2016	90	89	92
United States Treasury	2.500	2.575	06/30/2017	43,600	43,392	43,791
United States Treasury	4.000	3.465	08/15/2018	13,000	13,489	14,299
United States Treasury	3.630	3.443	08/15/2019	1,880	1,907	1,988
United States Treasury	3.380	3.515	11/15/2019	19,210	18,996	19,896
United States Treasury	3.630	3.810	02/15/2020	2,060	2,030	2,177
United States Treasury	2.000	1.808	01/15/2026	26,670	30,054	30,997
Total U. S. Treasury Issues - 11.0%					193,201	196,851
<b><u>U. S. Government Agency Issues</u></b>						
<i>U. S. Government Agency Bonds</i>						
Federal National Mortgage Assn	5.250	7.425	08/01/2012	3,710	3,557	4,004
<i>U. S. Government Agency MBS (coupon, yield, and maturity date are weighted averages)</i>						
FHLMC Mortgage Pools	6.167	2.311	12/21/2034	26,146	27,697	28,258
FNMA Mortgage Pools	5.738	1.884	5/17/2031	158,651	170,393	172,720
Total U. S. Government Agency MBS					198,090	200,978
<i>U. S. Government Agency CMO</i>						
Federal Home Loan Mortgage	1.150	0.000	03/15/2034	367	-	357
Federal National Mortgage Assn	6.500	5.037	09/25/2042	83	90	90
Federal National Mortgage Assn	6.500	4.856	12/25/2042	2,799	3,080	3,100
Federal National Mortgage Assn	7.500	4.587	12/25/2045	3,253	3,681	3,711
Total U.S. Government Agency CMO					6,851	7,258
Total U.S. Government Agency Issues - 11.8%					208,498	212,240
<b><u>Corporate Issues</u></b>						
<i>Corporate Bonds</i>						
AES Corporation	8.000	8.000	06/01/2020	6,400	6,400	6,432
Aiful Corporation	5.000	5.167	08/10/2010	1,330	1,330	1,287
American Express	6.150	6.072	08/28/2017	1,250	1,243	1,370
American Express	6.800	6.550	09/01/2066	1,660	1,722	1,581
American General Finance Corp	6.900	7.000	12/15/2017	1,580	1,571	1,258
American Intl Group	5.850	5.922	01/16/2018	910	906	813
Amgen Inc	4.500	4.506	03/15/2020	1,290	1,289	1,384
Anadarko Finance Co	7.500	6.498	05/01/2031	930	1,036	782
Anadarko Petroleum Corp	6.450	6.433	09/15/2036	470	471	374
AOL Time Warner Inc	7.630	6.150	04/15/2031	4,500	5,273	5,413
AOL Time Warner Inc	7.700	6.150	05/01/2032	3,000	3,555	3,618
ASIF Global Financing	4.900	4.777	01/17/2013	510	511	500
AT&T Corp	8.000	6.053	11/15/2031	2,750	3,387	3,540
AT&T Corp Wireless Services	8.130	5.709	05/01/2012	480	500	537
AT&T Inc	5.100	5.291	09/15/2014	1,220	1,211	1,353
AT&T Inc	5.500	5.575	02/01/2018	5,076	5,053	5,613
AT&T Inc	6.550	6.152	02/15/2039	525	553	588
BAC Capital Trust XIV	5.630	6.231	12/31/2049	570	520	385

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity. See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Bank of America Corp	5.380	5.591	08/15/2011	270	269	281
Bank of America Corp	5.420	3.544	03/15/2017	600	667	598
Bank of America Corp	7.630	5.366	06/01/2019	10,500	12,163	12,028
Bank of America Corp	5.630	5.672	07/01/2020	2,100	2,092	2,117
Bank One Corporation	5.900	6.087	11/15/2011	2,415	2,409	2,538
Barclays Bank PLC	5.130	5.256	01/08/2020	11,030	10,922	10,972
Bear Stearns Companies Inc	7.250	7.289	02/01/2018	1,250	1,247	1,460
Boston Properties LP	5.880	5.323	10/15/2019	4,950	5,148	5,296
Boston Scientific Corp	6.400	4.862	06/15/2016	5,000	5,394	5,247
Boston Scientific Corp	6.000	6.548	01/15/2020	5,790	5,567	5,748
Burlington NO SF 00-1 TR	8.250	0.068	01/15/2021	371	442	460
Burlington Northern Santa Fe	5.650	4.016	05/01/2017	3,600	3,948	4,024
Burlington Northern Santa Fe	4.700	4.757	10/01/2019	850	846	900
Capital One Financial Corp	6.750	5.178	09/15/2017	6,175	6,753	7,072
Caterpillar Financial Services	5.450	5.235	04/15/2018	2,010	2,037	2,243
CIGNA Corporation	7.650	6.919	03/01/2023	1,825	1,936	2,174
CIGNA Corporation	7.880	6.874	05/15/2027	1,525	1,676	1,808
CIGNA Corporation	6.150	6.261	11/15/2036	1,575	1,553	1,620
Citigroup Inc	6.000	5.431	12/13/2013	3,050	3,104	3,200
Citigroup Inc	5.000	4.901	09/15/2014	6,750	6,775	6,751
Citigroup Inc	4.750	4.940	05/19/2015	1,325	1,314	1,324
Citigroup Inc	6.130	5.720	11/21/2017	8,395	8,598	8,767
Citigroup Inc	6.880	6.929	03/05/2038	5,140	5,106	5,392
Comcast Cable Communication	8.880	4.655	05/01/2017	6,915	8,606	8,673
Comcast Corp	6.500	5.706	01/15/2015	3,605	3,717	4,138
Comcast Corp	6.500	4.573	01/15/2017	4,500	4,985	5,156
Commonwealth Edison	6.150	4.735	03/15/2012	1,500	1,534	1,617
Continental Airlines Inc	9.250	9.250	05/10/2017	1,370	1,370	1,411
Continental Airlines Inc	7.250	7.250	11/10/2019	5,830	5,830	6,209
Corp Bond Backed CTF-CCE	0.000	7.000	05/15/2098	5,000	2,909	3,250
Countrywide Financial Corp	5.800	7.825	06/07/2012	40	39	42
Countrywide Financial Corp	6.250	7.950	05/15/2016	2,550	2,350	2,658
Cox Communications Inc	9.380	5.245	01/15/2019	6,945	8,899	9,204
Cox Communications Inc	8.380	6.396	03/01/2039	1,500	1,888	2,039
Credit Agricole SA	8.380	8.375	12/13/2049	4,130	4,130	3,903
CVS Caremark Corp	6.940	7.044	01/10/2030	5,412	5,412	5,969
Delta Air Lines	6.820	6.823	08/10/2022	2,360	2,360	2,348
Deutsche Telekom Int Fin	5.750	5.903	03/23/2016	1,635	1,623	1,789
Dominion Resources Inc	4.750	4.773	12/15/2010	280	280	285
Dow Chemical Company	8.550	5.684	05/15/2019	5,600	6,706	6,855
Dow Chemical Company	9.400	6.699	05/15/2039	1,500	2,015	2,086
Dr Pepper Snapple Group	6.820	6.822	05/01/2018	1,830	1,830	2,183
El Paso Corporation	7.800	11.230	08/01/2031	469	336	464
El Paso Corporation	7.750	7.814	01/15/2032	222	221	219
Exelon Corp	4.750	4.637	10/01/2012	890	892	953
FirstEnergy Corp	6.450	6.603	11/15/2011	11	11	12
FirstEnergy Corp	7.380	6.855	11/15/2031	5,860	6,198	6,179
Ford Motor Credit Company	7.250	6.377	10/25/2011	15,500	15,666	15,920
Ford Motor Credit Company	7.000	7.125	04/15/2015	10,300	10,248	10,188
Ford Motor Credit Company	12.000	12.250	05/15/2015	8,360	8,285	9,678
Freeport-McMoRan Copper & Gold	8.380	6.848	04/01/2017	7,680	8,305	8,448
General Electric Capital Corp	5.450	5.188	01/15/2013	570	574	613
General Electric Capital Corp	5.900	3.549	05/13/2014	2,000	2,168	2,208
General Electric Capital Corp	5.500	5.104	01/08/2020	2,905	2,991	3,070
General Electric Capital Corp	6.380	4.104	11/15/2067	9,160	9,110	8,519
General Electric Company	5.000	4.833	02/01/2013	3,590	3,604	3,850
General Motors Corp	0.000 N	1.903	07/15/2033	3,900	3,402	1,248
Glitmir BankI HF	0.000 N	0.000	07/28/2011	2,530	2,530	658
Glitmir BankI HF	0.000 N	0.045	09/25/2012	3,390	3,387	881
Glitmir BankI HF	0.000 N	0.006	06/15/2016	5,000	4,998	6
Glitmir BankI HF	0.000 N	0.024	09/14/2049	600	594	1
GMAC LLC	6.880	6.497	09/15/2011	14,425	14,487	14,623
Goldman Sachs Capital II	5.790	2.748	12/29/2049	3,960	3,254	2,990
Goldman Sachs Group Inc	6.600	6.556	01/15/2012	2,030	2,031	2,147

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity. See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Goldman Sachs Group Inc	6.150	6.141	04/01/2018	3,680	3,682	3,855
Groupe BPCE	12.500	9.578		5,317	6,939	5,914
HCA Inc	6.300	5.990	10/01/2012	4,500	4,529	4,478
HCA Inc	6.250	6.429	02/15/2013	7,000	6,970	6,878
HCA Inc	5.750	7.676	03/15/2014	800	751	744
Health Net Inc	6.380	7.593	06/01/2017	1,650	1,543	1,535
Household Finance Corporation	6.380	5.707	10/15/2011	120	121	125
Household Finance Corporation	7.000	5.660	05/15/2012	20	20	22
Household Finance Corporation	6.380	6.462	11/27/2012	440	439	475
HSBC Holdings PLC	6.500	6.141	05/02/2036	4,200	4,393	4,356
Humana Inc	7.200	6.671	06/15/2018	2,030	2,095	2,266
Humana Inc	8.150	8.095	06/15/2038	730	734	793
Hypotheekbank In Essen	5.000	5.023	01/20/2012	2,060	2,059	2,177
ICICI Bank Limited	6.380	6.674	04/30/2022	2,238	2,003	2,074
ILFC E-Capital Trust II	6.250	3.480	12/21/2065	4,520	4,232	2,898
John Deere Capital Corp	5.350	5.235	04/03/2018	1,550	1,561	1,730
JP Morgan Chase CAP XV	5.880	6.581	03/15/2035	1,850	1,692	1,685
JPM Chase Capital XXV	6.800	6.684	10/01/2037	1,000	1,014	988
JPMorgan Chase & Co	5.750	5.268	01/02/2013	1,590	1,608	1,710
JPMorgan Chase & Co	5.130	5.030	09/15/2014	40	40	43
JPMorgan Chase & Co	5.150	5.330	10/01/2015	790	784	845
JPMorgan Chase & Co	4.950	4.955	03/25/2020	650	650	676
Kaupthing Bank HF	0.000 <i>N</i>	2.606	02/28/2015	7,930	7,029	1,903
Kerr-McGee Corporation	6.950	6.236	07/01/2024	330	352	300
Kerr-McGee Corporation	7.880	6.583	09/15/2031	1,505	1,726	1,379
Kinder Morgan Energy Partners	6.750	6.157	03/15/2011	560	562	580
Kinder Morgan Energy Partners	7.130	5.551	03/15/2012	910	933	978
Kinder Morgan Energy Partners	5.850	7.004	09/15/2012	150	147	161
Kinder Morgan Energy Partners	5.000	6.163	12/15/2013	940	906	1,000
Kinder Morgan Energy Partners	6.000	6.219	02/01/2017	1,610	1,591	1,754
Koninklijke KPN NV	8.000	5.704	10/01/2010	2,500	2,514	2,540
Kraft Foods Inc	5.380	5.483	02/10/2020	1,800	1,786	1,929
Kroger Co	6.400	5.641	08/15/2017	220	230	256
Kroger Co	6.150	5.941	01/15/2020	240	244	277
L-3 Communications Corp	5.200	5.246	10/15/2019	2,870	2,860	2,994
Lafarge SA	6.500	5.066	07/15/2016	3,700	3,973	3,833
Lehman Brothers Holdings	0.000 <i>N</i>	-0.053	01/24/2013	3,040	3,044	616
Lehman Brothers Holdings	0.000 <i>N</i>	0.012	09/26/2014	1,690	1,689	334
Lehman Brothers Holdings	0.000 <i>N</i>	0.017	07/19/2017	110	110	-
Lehman Brothers Holdings	0.000 <i>N</i>	0.007	12/28/2017	8,860	8,855	4
Lehman Bros CAP TR VII	0.000 <i>N</i>	0.114	11/29/2049	4,430	4,234	-
Lloyds TSB Bank PLC	4.380	4.376	01/12/2015	4,115	4,115	3,965
Lloyds TSB Bank PLC	5.800	5.831	01/13/2020	4,135	4,126	3,903
Lorillard Tobacco Company	8.130	6.688	06/23/2019	5,060	5,545	5,612
Macys Retail Holding Inc	6.380	7.050	03/15/2037	6,000	5,516	5,640
Macys Retail Holdings Inc	6.650	7.436	07/15/2024	5,415	5,048	5,198
McDonalds Corp	5.350	5.225	03/01/2018	2,210	2,227	2,531
Merrill Lynch & Company Inc	6.880	6.887	04/25/2018	10,890	10,882	11,617
MetLife Inc	6.400	7.003	12/15/2066	4,870	4,459	4,286
MMC Corporation Berhad	6.250	4.545	01/15/2018	2,300	2,548	2,618
Morgan Stanley Dean Witter Co	5.630	5.806	01/09/2012	2,450	2,444	2,549
Morgan Stanley Dean Witter Co	6.600	5.476	04/01/2012	3,615	3,682	3,836
Morgan Stanley Dean Witter Co	6.630	6.224	04/01/2018	360	369	377
MUFG Capital Fin 1 LTD	6.350	4.304	07/29/2049	2,090	2,090	2,022
National Semiconductor Corp	6.600	5.898	06/15/2017	2,580	2,682	2,890
Nelnet Student Loan Trust	1.800	1.796	04/25/2024	4,480	4,480	4,615
News America Inc	6.650	6.763	11/15/2037	270	266	303
Pacific Gas & Electric Corp	6.050	5.913	03/01/2034	1,860	1,892	2,075
Pacific Gas & Electric Corp	5.800	6.056	03/01/2037	1,050	1,014	1,141
Pacific Life Global Funding	5.150	5.161	04/15/2013	450	450	472
Pfizer Inc	6.200	4.552	03/15/2019	6,250	6,984	7,428
Rabobank Nederland	11.000	10.092		544	593	672
Reed Elsevier Capital	7.750	3.463	01/15/2014	2,300	2,626	2,661
Reed Elsevier Capital	8.630	5.108	01/15/2019	1,075	1,334	1,369

*A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity. See accompanying notes to financial statements.*

# Total Return Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Resona PFD Global Securities	7.190	2.061	12/29/2049	750	591	690
Reyolds American Inc	6.750	6.619	06/15/2017	4,740	4,774	5,135
Royal Bank of Scotland Grp PLC	6.380	6.375	02/01/2011	1,270	1,270	1,285
Royal Bank of Scotland Grp PLC	5.000	7.737	10/01/2014	7,310	6,597	6,859
Royal Bank of Scotland Grp PLC	0.000 <i>N</i>	0.000		1,400	1,400	802
Santander US Debt SA UNI	0.360	0.391	07/23/2010	10,000	10,000	9,998
Seariver Maritime Inc	0.000	3.908	09/01/2012	3,180	2,924	3,037
Shinsei Fin Cayman Ltd	6.420	2.169	01/29/2049	4,660	3,747	2,996
Southern Natural Gas Co	5.900	5.897	04/01/2017	570	570	604
Southern Natural Gas Co	8.000	9.187	03/01/2032	1,090	968	1,235
Sprint Capital Corp	8.380	6.005	03/15/2012	3,690	3,830	3,870
Sprint Capital Corp	6.900	6.750	05/01/2019	120	121	109
Sprint Capital Corp	8.750	7.015	03/15/2032	680	811	649
Sprint Nextel Corporation	6.000	7.410	12/01/2016	4,300	3,995	3,859
Student Loan Marketing Assn	8.450	8.524	06/15/2018	5,000	4,976	4,614
Student Loan Marketing Assn	8.000	8.250	03/25/2020	950	934	834
Systems 2001 Asset Trust	6.660	5.437	09/15/2013	5,132	5,206	5,439
Teachers Insurance & Annuity	6.850	6.860	12/16/2039	1,230	1,228	1,433
Telecom Italia Capital	5.250	5.287	11/15/2013	435	435	449
Telecom Italia Capital	4.950	4.995	09/30/2014	810	809	812
Telecom Italia Capital	5.250	5.332	10/01/2015	820	817	828
Tenet Healthcare Corporation	8.880	9.625	07/01/2019	250	239	265
Time Warner Cable Inc	8.750	5.331	02/14/2019	5,300	6,539	6,687
Time Warner Entertainment Co	8.380	8.068	07/15/2033	3,050	3,147	3,786
TNK-BP Finance SA	7.880	8.692	03/13/2018	2,820	2,693	2,938
Travelers Cos Inc	6.250	4.048	06/20/2016	1,150	1,283	1,340
Travelers Cos Inc	5.750	4.273	12/15/2017	1,623	1,775	1,776
Travelers Cos Inc	6.250	4.756	03/15/2037	570	538	535
TXU Corp	5.550	7.064	11/15/2014	430	406	305
TXU Corp	6.500	8.559	11/15/2024	2,230	1,854	1,004
TXU Corp	6.550	8.064	11/15/2034	2,805	2,354	1,248
Union Pacific Corp	7.880	4.321	01/15/2019	5,500	6,883	7,002
Union Pacific RR Co 07-3	6.180	2.500	01/02/2031	851	924	984
UnitedHealth Group Inc	5.250	4.986	03/15/2011	40	40	41
UNP RR Co 1999 Pass Trust	7.600	-0.709	01/02/2020	688	798	850
UNP RR Co 2005 Pass Trust	5.080	4.269	01/02/2029	1,845	1,878	1,946
Vale Overseas Ltd	8.250	6.778	01/17/2034	250	293	293
Vale Overseas Ltd	6.880	6.982	11/21/2036	2,532	2,499	2,640
Vedanta Resources PLC	8.750	8.751	01/15/2014	1,430	1,430	1,502
Verizon Communications	6.100	5.595	04/15/2018	1,710	1,764	1,941
Verizon Global Funding Corp	6.880	4.979	06/15/2012	90	93	99
Verizon Global Funding Corp	7.380	5.220	09/01/2012	1,180	1,231	1,326
Wachovia Capital Trust	5.800	2.198	12/29/2049	2,540	2,376	2,019
Wachovia Corp	5.630	6.046	10/15/2016	4,150	4,060	4,479
Wachovia Corp	5.750	4.885	02/01/2018	4,000	4,217	4,382
Wal-Mart Stores	5.800	5.143	02/15/2018	610	635	719
WellPoint Inc	5.880	4.694	06/15/2017	5,096	5,449	5,677
WellPoint Inc	7.000	4.945	02/15/2019	1,175	1,343	1,394
Wells Fargo & Company	5.250	3.972	10/23/2012	140	144	150
Wells Fargo Capital X	5.950	6.337	12/15/2036	3,280	3,117	2,909
Wyeth	5.950	5.999	04/01/2037	2,570	2,553	2,911
Xerox Corporation	6.400	4.485	03/15/2016	11,000	12,050	12,364
XTO Energy Inc	7.500	4.797	04/15/2012	625	654	696
XTO Energy Inc	5.650	5.683	04/01/2016	770	769	882
XTO Energy Inc	5.500	5.687	06/15/2018	3,030	2,994	3,462
<i>Total Corporate Bonds</i>					597,313	572,512
<i>Corporate Asset Backed Issues</i>						
Education Funding Capital Trust	1.850 <i>A</i>	1.616	12/15/2042	900	853	855
Hertz Vehicle Financing LLC	5.290	5.350	03/25/2016	2,600	2,600	2,813
Nelnet Student Loan Trust	1.350 <i>A</i>	1.793	03/22/2032	10,080	8,860	8,959
Pegasus Aviation Lease Sec	8.370	17.655	07/25/2017	500	382	180
Public Service New Hampshire	6.480	5.468	05/01/2015	376	385	406
<i>Total Corporate Asset Backed Issues</i>					13,080	13,213

*A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity. See accompanying notes to financial statements.*

# Total Return Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
<i>Corporate CMO</i>						
Banc of America Mortgage Sec	5.220 A	6.961	12/01/2034	5,325	5,097	5,324
Banc of America Mortgage Sec	2.990 A	3.537	04/25/2035	946	925	709
Bear Stearns Adj Rate Mortgage	5.000	3.546	12/25/2046	1,776	1,582	1,168
Countrywide Alternative Loan Trust	5.320 A	5.459	12/25/2035	2,227	2,212	1,527
Countrywide Asset-Backed Certificate	1.350	12.264	08/25/2047	2,434	1,849	1,409
Countrywide Home Loans	5.580 A	5.582	06/20/2036	1,282	1,281	930
GMAC Mortgage Corp Loan Trust	4.720 A	5.152	09/19/2035	932	918	889
Greenpoint Mtge Funding Trust	0.560	25.581	04/25/2036	2,122	1,148	1,236
Indymac Inda Mortgage Loan Trust	6.020 A	5.973	09/25/2037	2,135	2,134	1,623
Indymac Indx Mortgage Loan Trust	0.560	25.727	04/25/2046	2,259	1,245	1,089
IndyMac Residential Asset Sec	4.750	4.399	02/25/2019	4,643	4,670	4,687
JPMorgan Mortgage Trust	4.940 A	5.439	08/25/2035	1,887	1,855	1,585
Lehman XZ Trust	0.570	30.647	04/25/2046	5,165	2,813	2,338
Luminent Mortgage Trust	0.550	13.392	02/25/2046	4,720	2,635	2,428
MASTR ARM Trust	4.660 A	5.388	01/25/2036	1,278	1,254	1,136
MASTR Performing Loan Trust	7.000	6.347	08/25/2034	90	92	91
Merrill Lynch Mortgage Invest	3.060 A	3.583	12/25/2034	44	43	42
Morgan Stanley Mortgage Loan	2.800 A	2.868	10/25/2034	1,458	1,451	1,196
Morgan Stanley Mortgage Loan	10.240 A	10.117	06/25/2037	4,685	4,696	2,347
Residential Accredit Loans Inc	5.740 A	5.883	12/01/2035	11,253	11,186	6,166
Structured Asset Mortgage Inv	0.560	11.734	08/25/2036	8,174	4,544	4,504
Thornburg Mtg Securities Trust	6.210 A	6.285	09/25/2037	6,592	6,565	6,280
Thornburg Mtg Securities Trust	6.200 A	6.534	09/25/2037	6,726	6,632	6,526
Washington Mutual Mortgage	4.180 A	4.684	08/25/2035	1,784	1,754	1,533
Washington Mutual Mortgage	4.800 A	5.281	10/25/2035	1,043	1,033	978
Washington Mutual Mortgage	5.030 A	5.376	12/25/2035	2,173	2,140	1,843
Washington Mutual Mortgage	5.540 A	5.626	11/25/2036	224	223	174
Washington Mutual Mortgage	5.520 A	5.515	12/25/2036	841	840	616
Washington Mutual Mortgage	5.500 A	17.586	12/25/2036	707	394	519
Washington Mutual Mortgage	5.340 A	19.553	02/25/2037	701	390	517
Washington Mutual Mortgage	5.490 A	5.711	03/01/2037	254	252	188
Wells Fargo Mortgage Backed	2.970 A	9.306	12/25/2034	3,263	2,654	3,046
Wells Fargo Mortgage Backed	4.420 A	4.883	04/25/2036	531	527	490
<i>Total Corporate CMO</i>					77,034	65,134
<i>Corporate Preferred Securities</i>						
General Motors Corp	0.000	0.000		132	2,403	891
<i>Total Corporate Preferred Securities</i>					2,403	891
Total Corporate Issues - 36.4%					689,830	651,750
<b><u>Investments in Other Funds</u></b>						
Western Asset High Yield Portfolio				10,253	98,792	85,712
Investment Objective - To maximize total return by investing in fixed income securities that are rated below investment grade at time of purchase.						
Redemption Provisions - Daily						
No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.						
Western Asset International Investment Grade Securities Portfolio				970	18,033	24,024
Investment Objective - To maximize total return by investing in fixed income securities that are rated investment grade at time of purchase.						
Redemption Provisions - Daily						
No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.						
Western Asset Floating Rate High Income Fund, LLC				5,243	62,624	72,806
Investment Objective - To maximize total return by investing in U.S. dollar-denominated loans, loan participations and below investment grade fixed income securities.						
Redemption Provisions - Daily						
No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.						

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# Total Return Fixed Income Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Western Asset U.S. Enhanced Cash, LLC Investment Objective - To maximize total return by investing in investment grade fixed income securities. Redemption Provisions - Daily No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.				5,078	48,816	50,192
Western Asset Opportunistic Asian Securities Portfolio, LLC Investment Objective - To maximize total return by investing in debt and fixed income securities of Asian issuers. Redemption Provisions - Daily No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.				4,160	43,343	48,351
Western Asset Non-U.S. Inflation Linked Securities Portfolio, LLC Investment Objective - To maximize total return by investing in inflation linked securities of non-U.S. issuers (70%) and U.S. issuers (30%). Redemption Provisions - Daily No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.				615	9,706	8,573
Western Asset Opportunistic Local Market Debt Securities Portfolio, LLC Investment Objective - To maximize total return by investing in lower rated debt and other fixed income securities of non-U.S. issuers. Redemption Provisions - Daily No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.				1,555	19,415	25,307
Western Asset Opportunistic Structured Securities Portfolio, LLC Investment Objective - To maximize total return by investing in primarily investment grade asset backed fixed income securities. Redemption Provisions - Daily No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.				9,012	80,373	97,623
Western Asset Opportunistic Developing Markets Corporate Credit Securities Portfolio, LLC Investment Objective - To maximize total return by investing in U.S. dollar-denominated fixed income securities of non-U.S. issuers in developing markets. Redemption Provisions - Daily No underlying investments exceed 5% of net assets of the Total Return Fixed Income Pool.				2,384	22,282	29,132
Total Investments in Other Funds - 24.6%					403,384	441,720
<b><u>Short-term Issues</u></b>						
Dreyfus Cash Management Institutional Fund				268,244,707	268,245	268,245
Total Short-term Issues - 15.0%					268,245	268,245
<b><u>Option Contracts Purchased</u></b>						
<i>Call, strike price, expiration</i>						
U.S. Treasury 10 Yr Note, 121.5, August 2010				430	620	840
U.S. Treasury 10 Yr Note, 119.5, August 2010				64	64	220
<i>Total Calls</i>					684	1,060
<i>Put, strike price, expiration</i>						
Euro 90 Day Future, 98.75, March 2011				909	776	250
Euro 90 Day Future Option, 99.25, September 2010				213	51	39
<i>Total Puts</i>					827	289
Total Option Contracts Purchased - 0.1%					1,511	1,349
Total Investment Securities - 100.4%					\$ 1,790,224	\$ 1,799,084

*A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity. See accompanying notes to financial statements.*



## Total Return Fixed Income Pool

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### Option Contracts Written

**June 30, 2010**

*(Amounts in thousands)*

<u>Type</u>	<u>Description</u>	<u>Maturity</u>	<u>Strike Price</u>	<u>Contracts</u>	<u>Cost</u>	<u>Fair Value</u>
Call	US Treasury 10Yr Note Option	8/27/2010	123.500	(161)	\$ (105)	\$ (151)
Call	Swaption	10/3/2013	4.860	(224)	(1,356)	(2,201)
Call	Swaption	10/2/2013	4.965	(224)	(1,329)	(2,332)
Call	Euro 90 Day Future Option	3/14/2011	98.750	(142)	(138)	(184)
Call	Euro 90 Day Future Option	9/13/2010	99.125	(100)	(75)	(68)
Put	Swaption	10/3/2013	4.860	(224)	(1,356)	(838)
Put	Swaption	10/2/2013	4.965	(224)	(1,329)	(782)
Put	Euro 90 Day Future Option	3/14/2011	98.250	(1,051)	(496)	(138)
Put	Euro 90 Day Future Option	9/11/2010	98.625	(213)	(37)	(13)
Total Option Contracts Written - (0.4%)					<u>\$ (6,221)</u>	<u>\$ (6,707)</u>

*See accompanying notes to financial statements.*

## Total Return Fixed Income Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Investment income**

Interest income	\$ 45,301
Dividend income	16,602
Securities lending income	187
Shareholder litigation proceeds	118
Net amortization	<u>(1,392)</u>

**Total investment income** 60,816

**Expenses**

Investment advisor fees	(4,009)
Trustee fees	(11)
Custodian bank fees	(67)
Management fees	(659)
Fiduciary bond fees	(10)
Professional service fees	(164)
Securities lending agent fees	(29)
Securities lending borrower rebates	<u>(41)</u>

**Total expenses** (4,990)

**Investment income, net** 55,826

**Realized and unrealized gain from  
investments and foreign currency**

Net realized gain from:	
Investments	31,639
Foreign currency transactions	1,131
Net increase in the fair value of:	
Investments	213,553
Translation of assets and liabilities in foreign currencies	<u>1,256</u>

**Net gain from investments and foreign currency** 247,579

**Net increase in net assets from operations** \$ 303,405

*See accompanying notes to financial statements.*

## Total Return Fixed Income Pool

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### Statement of Changes in Net Assets

Year Ended June 30, 2010

(Amounts in thousands, except unit data)

#### Operations

Investment income, net	\$ 55,826
Net realized gain from investments	31,639
Net realized gain from foreign currency transactions	1,131
Net increase in the fair value of investments	213,553
Net increase in the translation of assets and liabilities in foreign currencies	<u>1,256</u>

**Net increase in net assets from operations** 303,405

#### Distributions to unitholders

Investment income, net	(55,709)
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#### Unit transactions

Proceeds from sale of units	588,989
Reinvestment of distributions	<u>60,895</u>
	649,884
Amount paid for repurchase of units	<u>(1,335,110)</u>

**Net decrease in net assets from unit transactions** (685,226)

**Decrease in net assets** (437,530)

**Net assets, beginning of period** 2,229,609

**Net assets, end of period** \$ 1,792,079

#### Unit data

Units sold	45,198,056
Units issued from reinvestment of distributions	<u>4,757,074</u>
	49,955,130
Units repurchased	<u>(104,347,828)</u>

**Net decrease in units** (54,392,698)

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 Pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox and Western Asset Management Company (Western) manage 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 in debt securities are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Investments in other funds are valued at the reported net asset values of the individual funds, provided by the fund's management, as a practical expedient for measuring fair value. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Interest rate

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

and total return 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 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.

**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.

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

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 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 and is reported on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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 futures at fair market value. Gains or losses on open futures positions are unrealized. These gains or losses become realized when the position is closed.

Interest rate futures may be used to enhance portfolio yields or as an alternative investment of cash.

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. Investment 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 take advantage of the relative changes in currency exchange rates. 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 are valued at the prevailing market exchange rates at month end. An unrealized gain or loss is recorded as the difference between the amount valued at month end and the 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.

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

**Total Return Swaps** – Total return swaps represent agreements in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. This is owned by the party receiving the set rate payment.

**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 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 Pool as of June 30, 2010.

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands, except share data)

#### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	Baa	BBB	\$ 572,512	31.8%
Money market funds	Aaa	AAA	268,245	14.9%
Agency mortgage backed securities	Aaa	AAA	200,978	11.2%
U. S. Treasury bonds and notes	Aaa	AAA	165,854	9.2%
Corporate collateralized mortgage obligations	Ba	BB	65,134	3.6%
U. S. Treasury inflation protection bonds	Aaa	AAA	30,997	1.7%
Municipal bonds	Aa	A	26,929	1.5%
Corporate asset backed securities	Aaa	AAA	13,213	0.7%
Agency collateralized mortgage obligations	Aaa	AAA	7,258	0.4%
Agency notes	Aa	A	4,004	0.2%
Corporate preferred securities	NR	NR	891	0.0%
Total rated investments			<u>\$ 1,356,015</u>	<u>75.2%</u>

Unrated securities include commingled investment pools valued at \$441,720 and option contract purchased valued at \$1,349. These unrated securities represent 24.8 percent of the fair value of the pool's investments.

#### Concentration of Credit Risk

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2010, 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, 2010, the 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 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 Pool as of June 30, 2010.

Security Type	Fair Value	Modified Duration (years)
Corporate bonds and notes	\$ 572,512	6.3
Commingled investment pools	441,720	0.5
Money market fund	268,245	0.0
Agency mortgage backed securities	200,978	3.8
U. S. Treasury bonds and notes	165,854	3.9
Corporate collateralized mortgage obligations	65,134	4.8
U. S. Treasury inflation protection bonds	30,997	13.1
Municipal bonds	26,929	17.7
Corporate asset backed securities	13,213	17.5
Agency collateralized mortgage obligations	7,258	5.2
Agency notes	4,004	2.0
Total assets	<u>\$ 1,796,844</u>	<u>4.1</u>



# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The 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, 2010, the Pool held \$286,583 of these securities. This represents approximately 16 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 Pool are exposed to foreign currency risk. However, the Pool does have foreign exchange forward contracts. Refer to Note 11 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 \$111,363, or 25 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, 2010 the IMB was in compliance with this limitation.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands, except share data)

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

beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

#### NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool include foreign exchange contracts, futures, options, interest rate swaps, and total return swaps. None of these derivative financial instruments are designated as hedging instruments under ASC 815; they are used to implement portfolio strategy, capture valuation opportunities, and to exploit market inefficiencies. The primary risks managed by using these derivative financial instruments include interest rate, foreign exchange rate, and market price risks. See Note 2 for additional information on the Pool's purpose for entering into derivatives not designated as hedging instruments and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Assets and Liabilities as of June 30, 2010:

Derivatives not designated as hedging instruments under ASC 815	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Fixed Income / Interest rate contracts	Investment securities at fair value	\$ 1,349	Option contracts written	\$ (6,707)
Fixed Income / Interest rate contracts	Unrealized gain on swap contracts	3,846	Unrealized loss on swap contracts	(8,488)
Fixed Income / Interest rate contracts	Unrealized gain on futures contracts	1,794	Unrealized loss on futures contracts	(6,125)
Foreign exchange contracts	Unrealized gain on foreign currency exchange contracts	3,791	Unrealized loss on foreign currency contracts	(2,773)
Total		<u>\$ 10,780</u>		<u>\$ (24,093)</u>

The table below presents the impact of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Operations for the year ended June 30, 2010:

Derivatives not designated as hedging instruments under ASC 815	Statement of Operations Location	Realized Gain (Loss)
Fixed income / Interest rate contracts	Net realized gain from investments	\$ (13,539)
Foreign exchange contracts	Net realized gain from foreign currency transactions	1,131
Total		<u>\$ (12,408)</u>

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands, except share data)

#### NOTE 6. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Agency Collateralized Mortgage Obligations	\$ -	\$ 7,258	\$ -	\$ 7,258
Agency Mortgage Backed Securities	-	200,978	-	200,978
Agency Notes	-	4,004	-	4,004
Commingled Funds	-	441,720	-	441,720
Corporate Asset Backed Securities	-	13,213	-	13,213
Corporate Bonds and Notes	-	572,512	-	572,512
Corporate Collateralized Mortgage Obligations	-	65,134	-	65,134
Foreign Exchange Forward Contracts	-	1,018	-	1,018
Futures	(4,331)	-	-	(4,331)
Interest Rate Swaps	-	(8,488)	-	(8,488)
Total Return Swaps	-	3,846	-	3,846
Municipal Bonds	-	26,929	-	26,929
Options	(5,358)	-	-	(5,358)
Preferred Securities	891	-	-	891
Regulated Investment Companies	-	268,245	-	268,245
Securities Lending Collateral Funds	-	67,040	-	67,040
U.S. Treasury Bonds and Notes	-	165,854	-	165,854
U.S. Treasury Inflation Protection Bonds	-	30,997	-	30,997
Total	\$ (8,798)	\$ 1,860,260	\$ -	\$ 1,851,462

## Total Return Fixed Income Pool

### Notes to Financial Statements

*(Amounts in thousands, except share data)*

#### NOTE 7. SECURITIES LENDING

At June 30, 2010, the fair value of securities on loan was \$68,850, initial collateral received was \$70,260, and the fair value of collateral held was \$68,448. Of the collateral held, \$68,824 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) with a fair value of \$67,040.

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 \$10,974 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, 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.

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 accumulated undistributed securities lending income will be distributed once the actual loss on Sigma is realized. The accumulated undistributed securities lending income for June 30, 2010 was \$526.

#### NOTE 8. FUTURES CONTRACTS

At June 30, 2010, open positions in futures contracts denominated in U.S. dollars were as follows:

Expiration	Open Contracts		Position	Value at June 30, 2010	Value Upon Entering Contract	Cumulative Net Gain (Loss) Since Inception
Sep 2010	14	Euro 90 Day Future	Long	\$ 3,477	\$ 3,463	\$ 14
Sep 2010	534	US Ultra Bond Future	Long	72,523	70,759	1,764
Sep 2010	(1,007)	US Treasury 10Yr Note Future	Short	(123,404)	(121,863)	(1,541)
Sep 2010	(1,000)	US Treasury Bond Future	Short	(127,500)	(124,047)	(3,453)
Sep 2010	(763)	US Treasury 5Yr Note Future	Short	(90,302)	(89,171)	(1,131)
				<u>\$ (265,206)</u>	<u>\$ (260,859)</u>	<u>\$ (4,347)</u>

At June 30, 2010, open positions in futures contracts denominated in foreign currencies are as follows:

Expiration	Open Contracts		Currency	Position	Value at June 30, 2010 Local Currency	Initial Value in Local Currency	June 30, 2010 Exchange Rate	Cumulative Net Gain (Loss) Since Inception
Sep 2010	18	Euro Bond Future	Euro	Long	<u>\$ 2,329</u>	<u>\$ 2,316</u>	1.2249	<u>\$ 16</u>

At June 30, 2010, the Pool had pledged cash of \$6,637 and securities of \$2,326 to cover margin requirements on open futures contracts.

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands, except share data)

#### NOTE 9. SWAPS

At June 30, 2010, open positions in interest rate and total return swaps are as follows:

Counterparty / Moody's Rating / S&P Rating	Notional Value	Maturity Date	Receiving			Paying			Fair Value
			Rate	Type	Base	Rate	Type	Base	
<i>Interest Rate Swaps</i>									
CS First Boston / Aa2 / A	\$ 78,080	12/10/2039	0.5%	Floating	3 mo. Libor	4.2%	Fixed	N/A	\$ (7,253)
Greenwich Capital / A2 / A+	10,560	12/18/2018	0.5%	Floating	3 mo. Libor	4.3%	Fixed	N/A	(1,235)
Total Interest Rate Swaps	88,640								(8,488)
<i>Total Return Swap</i>									
CS First Boston / Aa2 / A	81,660	9/10/2010	0.5%	Fixed	N/A	4.4%	Floating	3 mo. Libor	3,846
Total Swaps	\$ 170,300								\$ (4,642)

At June 30, 2010, the Pool had pledged cash of \$11,210 as collateral on open swap contracts.

#### NOTE 10. OPTION CONTRACTS

A summary of the activity in short (written) option positions for the period ended June 30, 2010 is as follows:

	Puts		Calls	
	Number of Contracts	Premiums (Received)/Paid	Number of Contracts	Premiums (Received)/Paid
Options outstanding at June 30, 2009	(4,774)	\$ (4,119)	(3,127)	\$ (4,427)
Options written	(9,513)	(3,236)	(3,521)	(2,676)
Options closed	4,720	1,854	887	622
Options expired	7,855	2,283	4,910	3,478
Options outstanding at June 30, 2010	(1,712)	\$ (3,218)	(851)	\$ (3,003)

#### NOTE 11. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2010, open foreign currency forward contracts were as follows:

Position	Foreign Currency	Inception Date	Expiration Date	Receivable		Payable		Unrealized appreciation (depreciation)
				(in foreign currency)	(in U. S. dollars)	(in foreign currency)	(in U. S. dollars)	
Long	Australian Dollar	5/7/2010	8/17/2010	40,444	\$ 33,964	\$ 35,636	\$ (1,672)	
Long	Euro Currency	5/6/2010	8/17/2010	11,289	13,832	14,468	(636)	
Long	Euro Currency	5/17/2010	8/17/2010	9,940	12,179	12,256	(77)	
Short	Australian Dollar	5/5/2010	8/17/2010		35,384	39,430	33,113	2,271
Short	Euro Currency	5/6/2010	8/17/2010		19,771	15,449	18,928	843
Short	Euro Currency	5/7/2010	8/17/2010		5,578	4,390	5,379	199
Short	Euro Currency	5/11/2010	8/17/2010		12,252	9,610	11,774	478
Short	Japanese Yen	6/10/2010	8/17/2010		12,187	1,111,850	12,575	(388)
					\$ 145,147	\$ 144,129	\$ 1,018	

BNY Mellon is the counterparty in the above positions, except for the short Australian Dollar position which JPMorgan Chase & Co. is the counterparty. BNY Mellon is rated Aa2 and AA- by Moody's and S&P, respectively. JPMorgan Chase & Co. is rated Aa3 and A+ by Moody's and S&P, respectively.

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands, except share data)

#### NOTE 12. FINANCIAL HIGHLIGHTS

<b>Per Unit Operating Performance:</b>	
Net asset value at June 30, 2009	\$ 11.90
Income from investment operations:	
Net investment income	0.40
Net realized and unrealized gain on investment transactions	1.55
Net realized gain from foreign currency transactions	0.01
Net increase in the translation of assets and liabilities in foreign currencies	0.01
Total from investment operations	1.97
Less distributions from net investment income	(0.39)
Net asset value at June 30, 2010	\$ 13.48
 <b>Time-weighted Total Return *</b>	16.7%
 <b>Supplemental Data:</b>	
Net assets, end of period	\$ 1,792,079
Ratio to average net assets:	
Expenses **	0.26%
Net investment income **	2.98%
Portfolio turnover rate	125.12%

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

\*\* All ratios are for the fiscal year

#### NOTE 13. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2010. 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>	<u>Account Value</u>
Public Employees' Retirement System	\$ 523,407
Teachers' Retirement System	470,388
Workers' Compensation Old Fund	284,471
Retiree Health Benefit Trust	107,386
Revenue Shortfall Reserve Fund B	80,044
Revenue Shortfall Reserve Fund	78,316
Coal Workers' Pneumoconiosis Fund	67,733
State Police Death, Disability and Retirement Fund	56,981
Public Employees' Insurance Agency	42,618
Board of Risk and Insurance Management	36,220
Judges' Retirement System	14,639
Deputy Sheriff's Retirement System	13,265
State Police Retirement System	7,611
Wildlife Endowment Fund	5,107
Emergency Medical Services Retirement System	3,460
AccessWV	433
Total	\$ 1,792,079

# Total Return Fixed Income Pool

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## **Notes to Financial Statements** *(Amounts in thousands, except share data)*

### **NOTE 14. SUBSEQUENT EVENTS**

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.





# **Audited Financial Statements**

**June 30, 2010**

**Core Fixed Income Pool**

**H**

# Core Fixed Income Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations and changes in net assets for the year then ended for the West Virginia Investment Management Board (WVIMB) Core Fixed Income Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board Core Fixed Income Pool as of June 30, 2010, and the results of its operations and changes in net assets for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Core Fixed Income Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$ 1,560,743
Receivables:	
Accrued interest	7,464
Investments sold	2,067
Dividends	9

**Total assets** 1,570,283

### Liabilities

Cash overdraft	371
Accrued expenses	793
Dividends payable	3,516
Payable for investments purchased	11,339

**Total liabilities** 16,019

**Net assets** \$ 1,554,264

### Analysis of net assets

Paid-in capital	\$ 1,473,426
Accumulated undistributed net realized gain from investments	12,074
Unrealized net appreciation of investments	68,764

**Net assets** \$ 1,554,264

### Unit data

Units outstanding	144,358,165
Net asset value, unit price	\$ 10.77

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
<b><u>Municipal Bonds</u></b>						
Illinois	5.100 %	5.763 %	06/01/2033	350	\$ 321	\$ 273
Total Municipal Bonds - 0.0%					321	273
<b><u>U. S. Treasury Issues</u></b>						
United States Treasury	1.750	1.335	08/15/2012	1,495	1,508	1,530
United States Treasury	0.000	1.623	08/15/2012	4,000	3,865	3,947
United States Treasury	1.380	1.257	09/15/2012	1,205	1,208	1,223
United States Treasury	1.380	1.423	02/15/2013	320	320	324
United States Treasury	0.000	2.177	02/15/2013	200	189	196
United States Treasury	1.750	1.520	04/15/2013	6,000	6,038	6,136
United States Treasury	0.000	2.796	02/15/2014	4,100	3,708	3,903
United States Treasury	1.880	2.255	02/28/2014	1,000	987	1,019
United States Treasury	1.750	2.213	03/31/2014	500	492	507
United States Treasury	0.000	2.283	05/15/2014	7,100	6,502	6,711
United States Treasury	2.630	2.231	06/30/2014	2,000	2,030	2,091
United States Treasury	2.630	2.187	07/31/2014	12,500	12,713	13,062
United States Treasury	0.000	2.343	08/15/2014	3,000	2,725	2,812
United States Treasury	0.000	2.361	11/15/2014	750	677	698
United States Treasury	2.630	2.587	12/31/2014	25,800	25,842	26,872
United States Treasury	0.000	2.704	02/15/2015	150	132	138
United States Treasury	2.380	2.339	02/28/2015	1,000	1,002	1,031
United States Treasury	9.880	2.377	11/15/2015	3,100	4,266	4,358
United States Treasury	9.250	2.704	02/15/2016	500	670	693
United States Treasury	2.630	2.861	02/29/2016	200	198	206
United States Treasury	2.630	2.947	04/30/2016	1,000	983	1,028
United States Treasury	7.250	2.641	05/15/2016	500	625	642
United States Treasury	0.000	3.331	08/15/2016	4,800	3,921	4,156
United States Treasury	3.130	3.241	10/31/2016	12,500	12,418	13,112
United States Treasury	0.000	3.233	11/15/2016	1,000	815	857
United States Treasury	7.500	3.028	11/15/2016	14,900	18,735	19,524
United States Treasury	0.000	3.302	11/15/2016	250	203	214
United States Treasury	3.250	3.209	12/31/2016	31,200	31,273	32,887
United States Treasury	4.630	3.056	02/15/2017	6,500	7,107	7,426
United States Treasury	0.000	3.562	02/15/2017	5,150	4,076	4,369
United States Treasury	3.250	2.910	03/31/2017	16,600	16,943	17,492
United States Treasury	3.130	2.432	04/30/2017	6,715	7,006	7,019
United States Treasury	8.750	3.078	05/15/2017	14,000	18,884	19,703
United States Treasury	4.500	3.079	05/15/2017	3,060	3,327	3,481
United States Treasury	8.880	3.186	08/15/2017	23,000	31,279	32,761
United States Treasury	4.750	3.018	08/15/2017	15,000	16,654	17,343
United States Treasury	0.000	3.491	11/15/2017	7,050	5,461	5,800
United States Treasury	0.000	3.537	02/15/2018	3,950	3,024	3,223
United States Treasury	0.000	3.743	08/15/2018	500	370	399
United States Treasury	9.000	3.655	11/15/2018	1,000	1,382	1,480
United States Treasury	8.880	3.592	02/15/2019	12,800	17,776	18,864
United States Treasury	0.000	4.013	05/15/2019	4,550	3,198	3,473
United States Treasury	8.130	3.467	08/15/2019	5,000	6,808	7,123
United States Treasury	0.000	4.021	08/15/2019	300	209	226
United States Treasury	8.500	3.516	02/15/2020	1,750	2,457	2,567
United States Treasury	0.000	4.006	05/15/2020	4,500	3,042	3,262
United States Treasury	8.750	3.409	05/15/2020	1,400	2,022	2,092
United States Treasury	0.000	4.018	05/15/2020	2,450	1,654	1,768
United States Treasury	8.750	3.625	08/15/2020	6,050	8,658	9,070
United States Treasury	0.000	3.855	08/15/2020	4,500	3,057	3,202
United States Treasury	0.000	4.258	11/15/2020	400	258	281
United States Treasury	0.000	4.230	02/15/2021	200	128	139
United States Treasury	8.130	3.524	05/15/2021	1,000	1,413	1,458
United States Treasury	0.000	4.091	02/15/2022	450	281	296
United States Treasury	0.000	4.526	05/15/2024	1,100	591	645
United States Treasury	0.000	4.459	08/15/2024	700	375	405
United States Treasury	0.000	6.392	11/15/2024	250	128	143
United States Treasury	0.000	6.934	02/15/2025	700	342	395
United States Treasury	6.000	4.435	02/15/2026	400	470	515
United States Treasury	0.000	4.862	05/15/2026	850	397	454

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
United States Treasury	6.750	4.072	08/15/2026	625	821	868
United States Treasury	6.500	4.024	11/15/2026	550	712	747
United States Treasury	6.630	3.883	02/15/2027	800	1,067	1,101
United States Treasury	0.000	4.756	02/15/2027	200	92	103
United States Treasury	6.380	4.079	08/15/2027	400	512	539
United States Treasury	0.000	4.706	08/15/2027	750	338	377
United States Treasury	6.130	4.343	11/15/2027	150	182	197
United States Treasury	0.000	4.587	02/15/2028	1,000	450	491
United States Treasury	0.000	4.851	05/15/2028	100	42	49
United States Treasury	5.500	4.534	08/15/2028	1,050	1,174	1,298
United States Treasury	0.000	4.655	02/15/2029	300	127	141
United States Treasury	0.000	4.554	05/15/2029	150	64	70
United States Treasury	5.380	4.324	02/15/2031	1,100	1,257	1,353
United States Treasury	0.000	4.591	05/15/2036	200	62	67
Total U. S. Treasury Issues - 21.5%					319,722	334,152
<b><u>U. S. Government Agency Issues</u></b>						
<i>U. S. Government Agency MBS (coupon, yield, and maturity date are weighted averages)</i>						
FHLMC Issues	6.108	3.037	11/13/2033	57,431	60,789	61,863
FNMA Issues	6.031	3.177	01/24/2031	67,530	71,751	73,264
GNMA Issues	6.867	4.466	10/25/2034	3,025	3,294	3,360
<i>Total U. S. Government Agency MBS</i>					135,834	138,487
<i>U. S. Government Agency CMO (coupon, yield, and maturity date are weighted averages)</i>						
FHLMC Issues	6.833	5.271	12/26/2032	97,400	74,841	78,526
FNMA Issues	6.426	4.681	07/07/2033	165,743	127,116	133,002
GNMA Issues	8.466	6.098	11/25/2033	100,527	31,698	34,321
<i>Total U. S. Government Agency CMO</i>					233,655	245,849
<i>U. S. Government Agency Bond</i>						
FannieMae STRIPS	0.000	5.737	11/15/2021	1,000	605	623
Federal Farm Credit Bank	5.130	3.384	11/15/2018	1,000	1,126	1,139
Federal Home Loan Bank	4.880	3.198	05/17/2017	3,000	3,308	3,417
Federal Home Loan Mortgage	5.500	3.324	08/23/2017	2,900	3,298	3,398
Federal National Mortgage Assn	0.000	2.342	07/05/2014	2,300	2,102	2,089
Federal National Mortgage Assn	5.380	3.276	06/12/2017	2,000	2,259	2,331
FICO	0.000	5.655	09/26/2019	700	460	497
<i>Total U. S. Government Agency Bond</i>					13,158	13,494
Total U. S. Government Agency Issues - 25.6%					382,647	397,830
<b><u>Corporate Issues</u></b>						
<i>Corporate Bonds</i>						
Ace Ina Hldg Inc	5.880	3.570	06/15/2014	240	260	265
AGL Capital Corporation	4.450	2.753	04/15/2013	260	272	273
AGL Capital Corporation	5.250	5.094	08/15/2019	250	253	264
Allied Waste North America	6.880	6.978	06/17/2015	250	249	273
Allstate Corp	5.000	3.585	08/15/2014	470	495	513
Allstate Life Global Fn Trust	5.380	1.804	04/30/2013	300	329	329
American Express	7.000	5.284	03/19/2018	320	354	369
American Express Credit Co	7.300	4.692	08/20/2013	600	645	679
American Express Credit Co	5.130	4.116	08/25/2014	625	649	672
American Honda Finance	7.630	5.027	10/01/2018	300	352	363
Ameritech Capital Funding	6.450	5.178	01/15/2018	70	75	79
Amgen Inc	5.700	5.035	02/01/2019	210	220	244
Anadarko Petroleum Corp	7.630	3.498	03/15/2014	130	148	124
Anadarko Petroleum Corp	8.700	8.253	03/15/2019	300	308	283
Anadarko Petroleum Corp	6.950	5.870	06/15/2019	285	306	249
Anheuser-Busch	7.200	4.539	01/15/2014	300	326	345
Anheuser-Busch	7.750	5.917	01/15/2019	310	347	376
ANR Pipeline	9.630	5.447	11/01/2021	240	324	328
ANZ National (Intl) LTD	2.380	2.418	12/21/2012	175	175	177
Appalachian Power Company	5.950	6.624	05/15/2033	250	230	256
Arrow Electronics Inc	6.880	6.098	07/01/2013	215	220	237
Arrow Electronics Inc	6.880	5.965	06/01/2018	235	248	260

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Associates Corp NA	6.950	9.361	11/01/2018	350	301	358
AT&T Corp	8.000	6.187	11/15/2031	1,200	1,456	1,545
AT&T Corp Wireless Services	7.880	2.894	03/01/2011	500	516	523
AT&T Inc	4.950	3.716	01/15/2013	175	180	190
AT&T Inc	5.500	4.564	02/01/2018	370	392	409
AT&T Inc	5.600	5.809	05/15/2018	365	360	406
AT&T Inc	6.300	6.619	01/15/2038	600	574	651
Atmos Energy Corp	8.500	8.529	03/15/2019	150	150	189
Bank of America Corp	5.500	5.648	06/14/2012	2,000	1,995	2,139
Bank of America Corp	7.380	7.510	05/15/2014	600	597	672
Bank of America Corp	5.130	8.762	11/15/2014	300	261	313
Bank of America Corp	6.500	6.545	08/01/2016	500	499	541
Bank of America Corp	5.650	5.589	05/01/2018	1,250	1,255	1,281
Bank of America Corp	5.630	5.672	07/01/2020	90	90	91
BNY Mellon	4.500	2.783	04/01/2013	305	319	329
BNY Mellon	5.130	3.868	08/27/2013	350	363	386
BNY Mellon	2.950	2.978	06/18/2015	500	499	506
BNY Mellon	4.600	4.625	01/15/2020	115	115	122
Bank of Nova Scotia	3.400	3.428	01/22/2015	127	127	131
Bank Tokyo - Mitsubishi UFJ	3.850	3.859	01/22/2015	356	356	370
Barclays Bank PLC	5.200	5.227	07/10/2014	400	400	422
Barclays Bank PLC	6.750	5.145	05/22/2019	950	1,058	1,057
Barclays Bank PLC	5.130	5.231	01/08/2020	500	496	497
BB&T Corporation	3.850	3.864	07/27/2012	175	175	182
BB&T Corporation	3.380	3.399	09/25/2013	340	340	351
BB&T Corporation	4.900	5.999	06/30/2017	800	750	825
BB&T Corporation	6.850	7.048	04/30/2019	225	222	264
Bell Tel Co Pennsylvania	8.350	7.266	12/15/2030	400	446	475
BellSouth Corporation	5.200	4.342	09/15/2014	300	310	333
Berkshire Hathaway Fin	4.000	4.082	04/15/2012	600	599	631
Berkshire Hathaway Fin	4.600	4.335	05/15/2013	100	101	109
BHP Billiton Financial USA	5.500	5.577	04/01/2014	200	199	223
BHP Billiton Financial USA	6.500	4.554	04/01/2019	520	592	624
BlackRock Inc	6.250	4.677	09/15/2017	500	548	573
Boeing Company	9.750	2.232	04/01/2012	260	293	298
Boeing Company	5.130	4.019	02/15/2013	100	103	109
Boeing Company	4.880	4.664	02/15/2020	230	234	253
BP Capital Markets PLC	3.130	3.127	03/10/2012	250	250	231
BP Capital Markets PLC	3.630	3.625	05/08/2014	100	100	86
BP Capital Markets PLC	3.880	3.333	03/10/2015	500	512	426
British Telecom PLC	9.130	6.000	12/15/2010	260	264	269
British Telecom PLC	5.950	5.942	01/15/2018	275	275	287
Bunge Limited Finance Co	5.880	6.484	05/15/2013	50	49	54
Bunge Limited Finance Co	8.500	7.209	06/15/2019	373	404	445
Bunge NA Finance LP	5.900	7.617	04/01/2017	54	49	58
Burlington Northern Santa Fe	5.900	4.746	07/01/2012	150	153	162
Burlington Northern Santa Fe	5.650	4.368	05/01/2017	225	242	251
Burlington Northern Santa Fe	4.700	4.722	10/01/2019	350	349	371
Burlington Northern Santa Fe	7.290	6.510	06/01/2036	80	88	98
C & P Telephone	7.150	7.864	05/01/2023	400	377	428
Canadian Natural Resources Ltd	5.900	4.608	02/01/2018	615	665	689
Capital One Bank USA NA	6.500	10.704	06/13/2013	100	90	110
Capital One Financial Corp	7.380	5.321	05/23/2014	295	316	337
Capital One Financial Corp	5.500	10.399	06/01/2015	200	163	215
Capital One Financial Corp	6.750	5.613	09/15/2017	625	667	716
Cargill Inc	6.380	3.633	06/01/2012	100	105	109
Cargill Inc	7.350	5.427	03/06/2019	250	283	308
Carolina Power & Light	5.300	4.589	01/15/2019	200	210	224
Caterpillar Financial Services	5.850	4.754	09/01/2017	820	874	933
Caterpillar Financial Services	5.450	3.907	04/15/2018	280	309	312
Caterpillar Financial Services	7.150	6.136	02/15/2019	395	421	487
CBS Corp	5.750	5.766	04/15/2020	53	53	57
Cenovus Energy Inc	5.700	5.708	10/15/2019	165	165	180
Centerpoint Ener Houston	5.750	5.100	01/15/2014	185	189	207
Centerpoint Ener Houston	7.000	5.151	03/01/2014	185	196	215
Centerpoint Energy Resources	5.950	3.744	01/15/2014	165	177	180

A - Adjustable rate security.

See accompanying notes to financial statements.

## Core Fixed Income Pool

### Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Cisco Systems Inc	5.500	4.491	02/22/2016	210	220	242
Cisco Systems Inc	4.450	4.555	01/15/2020	250	248	264
Cisco Systems Inc	5.900	5.977	02/15/2039	460	455	511
Cisco Systems Inc	5.500	5.644	01/15/2040	300	294	314
Citigroup Inc	5.250	7.887	02/27/2012	200	192	207
Citigroup Inc	5.500	7.166	04/11/2013	600	575	624
Citigroup Inc	6.380	6.536	08/12/2014	295	293	313
Citigroup Inc	5.500	5.615	10/15/2014	300	299	308
Citigroup Inc	4.750	4.876	05/19/2015	87	87	87
Citigroup Inc	6.000	6.082	08/15/2017	1,290	1,282	1,340
Citigroup Inc	6.130	7.023	11/21/2017	555	525	580
Citigroup Inc	8.500	8.765	05/22/2019	265	261	316
Citigroup Inc	8.130	8.310	07/15/2039	350	343	418
Cleveland Electric Illum	7.880	5.053	11/01/2017	300	351	369
Cleveland Electric Illum	8.880	7.005	11/15/2018	225	251	287
Coca-Cola Company	3.630	3.725	03/15/2014	100	100	107
Coca-Cola Company	4.880	4.993	03/15/2019	100	99	111
Columbus Southern Power	6.050	6.649	05/01/2018	205	198	229
Comcast Cable Comm Holdings	9.460	7.124	11/15/2022	775	919	1,069
Comcast Cable Holdings	10.130	5.959	04/15/2022	240	324	338
Comcast Corp	5.850	3.751	11/15/2015	350	385	396
Comcast Corp	5.900	5.728	03/15/2016	350	353	394
Comcast Corp	6.500	5.409	01/15/2017	200	212	229
Comerica Bank	5.200	4.930	08/22/2017	250	254	256
Commonwealth REIT	6.650	9.667	01/15/2018	430	361	444
ConocoPhillips	5.750	5.911	02/01/2019	100	99	114
ConocoPhillips	6.000	4.630	01/15/2020	875	967	1,025
Cons Edison Co of NY	6.300	5.749	08/15/2037	150	161	173
Cons Edison Co of NY	5.500	5.713	12/01/2039	350	339	363
Consumers Energy Company	6.700	5.661	09/15/2049	394	458	471
Countrywide Financial Corp	6.250	5.584	05/15/2016	400	413	417
Cox Communications Inc	5.450	3.845	12/15/2014	225	240	248
Credit Suisse FB USA Inc	5.130	5.058	01/15/2014	155	155	167
Credit Suisse FB USA Inc	4.880	6.376	01/15/2015	250	235	268
Credit Suisse FB USA Inc	5.130	4.005	08/15/2015	525	552	571
Credit Suisse FB USA Inc	7.130	5.535	07/15/2032	275	330	340
Credit Suisse New York	3.450	3.496	07/02/2012	200	200	207
Credit Suisse New York	5.500	5.524	05/01/2014	170	170	186
Credit Suisse USA Inc	5.850	6.720	08/16/2016	200	191	221
CSX Corp	6.300	4.952	03/15/2012	100	102	107
CSX Corp	6.250	5.299	03/15/2018	200	212	230
CSX Corp	7.380	6.722	02/01/2019	200	208	245
CVS Caremark Corp	6.130	6.066	09/15/2039	735	741	786
Daimler Finance NA Holdings	7.300	1.894	01/15/2012	245	265	264
Daimler Finance NA Holdings	6.500	7.740	11/15/2013	275	265	308
Dell Inc	5.650	4.846	04/15/2018	317	333	353
Deutsche Bank AG London	2.380	2.409	01/11/2013	435	435	437
Deutsche Bank AG London	3.880	3.962	08/18/2014	305	304	315
Deutsche Telekom Int Fin	6.750	4.691	08/20/2018	200	228	232
Deutsche Telekom Int Fin	6.000	5.649	07/08/2019	635	650	702
Diageo Capital PLC	4.830	4.387	07/15/2020	402	416	426
Diageo Finance BV	5.500	2.551	04/01/2013	265	286	291
Dominion Resources Inc	6.400	4.717	06/15/2018	465	516	538
Dow Chemical Company	4.850	4.855	08/15/2012	235	235	248
Dow Chemical Company	8.550	5.719	05/15/2019	530	633	649
Duke Energy Carolinas	7.000	4.034	11/15/2018	250	302	311
Duke Energy Carolinas	4.300	4.329	06/15/2020	156	156	165
Duke Energy Ohio Inc	5.450	5.008	04/01/2019	395	407	449
Encana Corp	6.500	5.141	05/15/2019	500	548	575
Enel Finance Intl SA	5.130	5.144	10/07/2019	700	699	703
EOG Resources Inc	5.630	5.356	06/01/2019	200	204	225
Florida Power & Light	5.960	5.307	04/01/2039	335	367	384
Florida Power Corp	6.400	5.331	06/15/2038	280	323	335
FMR LLC	6.450	6.504	11/15/2039	250	248	265
FPL Group Capital Inc	6.000	6.006	03/01/2019	125	125	140
France Telecom	4.380	3.419	07/08/2014	400	414	431

*A - Adjustable rate security.*

*See accompanying notes to financial statements.*



# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
France Telecom	8.500	5.770	03/01/2031	130	173	179
General Electric Capital Corp	5.880	2.016	02/15/2012	162	172	172
General Electric Capital Corp	0.650	3.220	04/10/2012	500	476	492
General Electric Capital Corp	5.250	4.913	10/19/2012	800	806	855
General Electric Capital Corp	5.900	5.926	05/13/2014	1,500	1,499	1,656
General Electric Capital Corp	5.500	3.739	06/04/2014	675	718	738
General Electric Capital Corp	3.500	3.561	06/29/2015	680	678	679
General Electric Capital Corp	5.630	5.779	09/15/2017	400	395	428
General Electric Capital Corp	5.630	8.002	05/01/2018	250	216	266
General Electric Capital Corp	6.000	5.091	08/07/2019	2,435	2,594	2,636
General Electric Capital Corp	5.500	5.614	01/08/2020	1,320	1,309	1,395
General Electric Capital Corp	5.880	8.520	01/14/2038	200	144	196
General Electric Company	5.250	5.983	12/06/2017	305	292	332
General Mills Inc	5.200	4.836	03/17/2015	100	102	112
General Mills Inc	5.650	4.103	02/15/2019	470	522	534
Georgia Power Company	5.250	5.030	12/15/2015	200	202	225
Glaxosmithkline Cap Inc	4.380	3.625	04/15/2014	215	221	235
Glaxosmithkline Cap Inc	6.380	5.354	05/15/2038	275	315	327
Goldman Sachs	3.630	3.652	08/01/2012	300	300	306
Goldman Sachs	7.500	5.634	02/15/2019	2,790	3,140	3,119
Goldman Sachs	5.380	5.493	03/15/2020	450	446	445
Goldman Sachs Group Inc	4.750	7.235	07/15/2013	200	187	209
Goldman Sachs Group Inc	5.150	5.113	01/15/2014	415	415	435
Goldman Sachs Group Inc	5.750	5.226	10/01/2016	50	51	53
Goldman Sachs Group Inc	6.250	7.134	09/01/2017	290	276	307
Goldman Sachs Group Inc	5.950	5.036	01/18/2018	200	211	208
Goldman Sachs Group Inc	6.150	5.843	04/01/2018	535	544	560
Goldman Sachs Group Inc	6.750	6.519	10/01/2037	140	144	137
Goldman Sachs Group LP	8.000	3.407	03/01/2013	210	234	236
GTE Corporation	8.750	5.975	11/01/2021	250	307	328
Halliburton Company	6.150	4.627	09/15/2019	360	401	394
Halliburton Company	7.450	7.646	09/15/2039	100	98	119
Hewlett-Packard Company	2.950	2.956	08/15/2012	225	225	233
Hewlett-Packard Company	6.130	2.327	03/01/2014	375	425	431
Hewlett-Packard Company	5.400	4.620	03/01/2017	280	292	320
Historic Time Warner Inc	9.150	6.368	02/01/2023	945	1,170	1,272
Home Depot Inc	5.400	5.914	03/01/2016	500	488	557
Honeywell International Inc	5.400	3.475	03/15/2016	360	396	411
Household Finance Corporation	4.750	7.304	07/15/2013	17	16	18
HSBC Bank PLC	3.500	3.518	06/28/2015	116	116	117
HSBC Bank USA	4.630	3.425	04/01/2014	320	333	337
HSBC Finance Corp	0.780	7.229	01/15/2014	500	395	469
HSBC Finance Corp	5.000	7.324	06/30/2015	455	409	475
HSBC Finance Corp	5.500	4.032	01/19/2016	300	322	321
Indiana Michigan Power	7.000	4.840	03/15/2019	145	167	170
International Business Machs	7.630	5.057	10/15/2018	330	387	424
International Business Machs	8.380	4.194	11/01/2019	150	198	204
International Business Machs	8.000	5.720	10/15/2038	300	395	423
Intuit Inc	5.750	4.907	03/15/2017	233	244	256
Jackson Natl Life Global	5.380	2.699	05/08/2013	500	536	537
Jefferies Group Inc	7.750	25.463	03/15/2012	340	261	367
Jefferies Group Inc	8.500	7.633	07/15/2019	290	306	326
Jefferies Group Inc	6.450	8.192	06/08/2027	330	278	311
John Deere Capital Corp	5.250	5.329	10/01/2012	225	225	244
John Deere Capital Corp	5.100	1.753	01/15/2013	185	200	201
John Deere Capital Corp	5.750	4.607	09/10/2018	233	251	267
Johnson Controls Inc	5.000	4.342	03/30/2020	500	526	526
Kellogg Company	4.250	3.896	03/06/2013	100	101	107
Key Bank NA	5.800	5.972	07/01/2014	350	348	374
Kimberly Clark Corporation	7.500	4.845	11/01/2018	250	295	319
Kohl's Corporation	6.250	5.839	12/15/2017	90	92	105
Kraft Foods Inc	6.750	4.586	02/19/2014	250	268	287
Kraft Foods Inc	6.500	4.307	08/11/2017	450	510	523
Kraft Foods Inc	6.130	5.169	08/23/2018	435	462	496
Kraft Foods Inc	5.380	5.221	02/10/2020	507	513	543
Kroger Co	7.500	3.796	01/15/2014	278	312	325

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Kroger Co	6.400	6.119	08/15/2017	100	102	116
Kroger Co	6.150	5.095	01/15/2020	475	512	549
Lilly Eli and Company	3.550	3.578	03/06/2013	100	100	104
Lockheed Martin Corp	5.720	5.765	06/01/2040	717	712	777
Lowe's Companies Inc	7.110	5.609	05/15/2037	195	235	245
M & T Bank Corporation	5.380	3.575	05/24/2012	190	196	202
Manitoba Providence CDA	2.130	2.165	04/22/2013	43	43	44
Manuf & Traders Trust Co	6.630	7.668	12/04/2017	465	438	515
Marathon Oil Corp	7.500	5.388	02/15/2019	350	400	420
Marshall & Ilsley Corp	5.350	9.819	04/01/2011	215	208	217
Mass Mutual Global Funding	3.630	2.386	07/16/2012	350	359	365
Mass Mutual Global Funding	2.880	2.960	04/21/2014	122	122	125
Massachusetts Electric	5.900	5.924	11/15/2039	182	181	199
Merrill Lynch & Company Inc	6.150	8.809	04/25/2013	341	319	365
Merrill Lynch & Company Inc	6.400	5.716	08/28/2017	500	520	521
Merrill Lynch & Company Inc	6.880	6.034	04/25/2018	650	684	693
Met Life Global Funding I	2.880	2.975	09/17/2012	500	499	512
Met Life Global Funding I	2.500	2.587	01/11/2013	415	414	420
Met Life Global Funding I	5.130	5.006	04/10/2013	300	301	324
Met Life Global Funding I	5.130	3.070	06/10/2014	200	215	217
Miller Brewing Company	5.500	3.464	08/15/2013	300	318	328
Monsanto Company	5.130	5.008	04/15/2018	160	161	178
Monumental Global Funding	5.500	4.142	04/22/2013	100	104	107
Morgan Stanley	6.000	4.803	05/13/2014	825	859	874
Morgan Stanley	4.200	4.209	11/20/2014	331	331	327
Morgan Stanley	5.950	5.856	12/28/2017	185	186	187
Morgan Stanley	5.630	6.196	09/23/2019	1,310	1,257	1,267
Morgan Stanley Dean Witter Co	6.250	7.609	08/28/2017	430	397	437
Morgan Stanley Dean Witter Co	6.630	5.921	04/01/2018	650	678	681
Morgan Stanley Mortgage Loan	4.750	8.248	04/01/2014	250	222	250
National Australia Bank	2.500	2.500	01/08/2013	500	500	505
National City Bank	5.800	5.680	06/07/2017	850	856	902
National Rural Utilities	2.630	2.677	09/16/2012	60	60	62
National Rural Utilities	10.380	8.107	11/01/2018	100	114	139
Nevada Power Company	7.130	5.401	03/15/2019	300	336	355
New York Global Life Fdg	4.650	3.682	05/09/2013	285	292	306
New York Life Global Fdg	3.000	2.610	05/04/2015	515	524	519
News America Holdings Inc	8.880	7.589	04/26/2023	450	494	584
News America Holdings Inc	7.750	5.876	01/20/2024	150	176	182
News America Inc	7.250	5.514	05/18/2018	64	71	77
News America Inc	7.300	7.225	04/30/2028	250	252	281
Niagara Mohawk Power	4.880	4.881	08/15/2019	100	100	105
NiSource Finance Corp	10.750	7.509	03/15/2016	460	528	590
Nomura Holdings Inc	6.700	6.403	03/04/2020	445	454	471
Norfolk Southern Corp	7.250	5.725	02/15/2031	250	296	307
Northern States Power- Minn	6.250	5.620	06/01/2036	360	391	424
Northern States Power- Minn	5.350	5.363	11/01/2039	64	64	67
Northern Trust Company	6.500	4.266	08/15/2018	250	288	294
Northern Trust Corp	5.500	4.130	08/15/2013	102	106	113
Northrop Grumman Corp	7.750	5.091	03/01/2016	195	220	243
Nova Scotia Province	9.250	4.643	03/01/2020	200	271	282
Nucor Corporation	5.750	4.303	12/01/2017	242	264	276
Oncor Electric Delivery	6.800	4.952	09/01/2018	315	354	370
Ontario Providence Canada	2.950	2.975	02/05/2015	1,000	999	1,028
Ontario Providence Canada	2.700	2.710	06/16/2015	500	500	504
Oracle Corporation	5.750	5.177	04/15/2018	250	259	289
Oracle Corporation	5.000	4.688	07/08/2019	400	409	444
Oracle Corporation	6.500	5.656	04/15/2038	605	676	734
Pacific Gas & Electric Corp	8.250	4.653	10/15/2018	345	430	441
Pacific Life Global Funding	5.150	4.526	04/15/2013	170	173	178
Pacific Life Global Funding	5.000	4.976	05/15/2017	400	401	409
PACIFICORP	5.500	4.874	01/15/2019	350	365	394
PEPCO Holdings	7.900	5.749	12/15/2038	335	435	455
Pepsico Inc	7.900	4.537	11/01/2018	515	634	666
Petro-Canada	6.050	5.382	05/15/2018	447	466	503
Petro-Canada	6.800	6.466	05/15/2038	225	235	258

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
PG&E Corp	5.750	5.875	04/01/2014	150	149	166
Pharmacia Corporation	6.500	4.660	12/01/2018	700	789	848
PNC Bank NA	6.880	4.989	04/01/2018	250	280	282
PNC Funding Corp	5.250	5.074	11/15/2015	600	604	639
PNC Funding Corp	5.130	5.150	02/08/2020	160	160	166
PPG Industries Inc	7.400	4.939	08/15/2019	260	307	312
PPG Industries Inc	9.000	6.096	05/01/2021	625	767	802
Praxair Inc	3.950	3.652	06/01/2013	130	131	138
Praxair Inc	4.380	4.446	03/31/2014	200	200	217
Praxair Inc	5.200	3.733	03/15/2017	510	554	567
Pricoa Global Funding	5.450	5.499	06/11/2014	350	349	381
Principal Life Global	6.250	7.272	02/15/2012	600	591	640
Principal Life Global	5.050	8.354	03/15/2015	500	437	513
Principal Life Inc FDG	5.100	3.519	04/15/2014	400	422	427
Progress Energy Inc	6.050	6.115	03/15/2014	150	150	167
PSEG Power LLC	5.130	5.013	04/15/2020	504	508	522
Public Service Electric & Gas	5.380	5.397	11/01/2039	69	69	74
Public Service Oklahoma	5.150	5.186	12/01/2019	118	118	124
Rabobank Nederland	3.200	3.310	03/11/2015	500	498	506
Rio Tinto Fin USA Ltd	8.950	3.407	05/01/2014	155	186	188
San Diego Gas & Electric	5.350	5.359	05/15/2040	27	27	29
Schwab Charles Corp	4.950	2.869	06/01/2014	200	215	217
Sempra Energy	8.900	6.589	11/15/2013	200	214	239
Sempra Energy	6.500	6.539	06/01/2016	100	100	115
Sempra Energy	9.800	7.451	02/15/2019	150	172	199
Shell International Fin	1.880	1.916	03/25/2013	150	150	151
Shell International Fin	4.000	4.006	03/21/2014	500	500	529
Shell International Fin	3.100	3.115	06/28/2015	73	73	74
Shell International Fin	4.300	4.343	09/22/2019	285	284	294
Shell International Fin	4.380	4.434	03/25/2020	290	289	300
Shell International Fin	6.380	6.026	12/15/2038	140	147	167
Siemens Financieringsmat	6.130	5.126	08/17/2026	470	521	530
Simon Property Group Inc	6.750	6.406	05/15/2014	140	142	157
Simon Property Group Inc	5.630	4.874	08/15/2014	50	51	54
Simon Property Group Inc	6.100	9.051	05/01/2016	325	282	361
Simon Property Group Inc	6.130	5.748	05/30/2018	140	143	155
Simon Property Group Inc	5.650	5.700	02/01/2020	55	55	58
Simon Property Group LP	7.380	6.200	06/15/2018	166	178	191
Southern Cal Edison	4.150	4.153	09/15/2014	100	100	107
Southern Cal Edison	6.050	6.110	03/15/2039	250	248	293
Southern Cal Edison	5.500	5.634	03/15/2040	170	167	185
Southern Company	4.150	3.102	05/15/2014	500	519	527
Southwestern Electric Power	6.450	5.261	01/15/2019	115	124	126
Southwestern Public Service	8.750	5.352	12/01/2018	288	354	368
Spectra Energy Capital	6.200	6.993	04/15/2018	245	233	272
Spectra Energy Capital	6.750	8.473	07/15/2018	160	144	179
Spectra Energy Capital	8.000	5.666	10/01/2019	450	525	541
Staples Inc	9.750	6.042	01/15/2014	325	363	399
State Street Corp	4.300	4.321	05/30/2014	300	300	319
Talisman Energy Inc	7.750	4.896	06/01/2019	280	337	344
TCI Communications Inc	7.880	7.698	02/15/2026	100	102	120
Telecom Italia Capital	4.950	4.108	09/30/2014	625	645	626
Telecom Italia Capital	7.000	8.462	06/04/2018	100	92	107
Telefonica Eisiones SAU	5.860	3.741	02/04/2013	200	210	215
Telefonica Eisiones SAU	6.220	5.133	07/03/2017	300	319	326
Telefonica Eisiones SAU	5.880	5.877	07/15/2019	50	50	53
Tennessee Valley Authority	5.250	5.275	09/15/2039	98	98	108
Thomson Corporation	4.700	4.744	10/15/2019	150	150	159
Time Warner Cable Inc	8.250	4.354	02/14/2014	730	824	863
Time Warner Cable Inc	6.750	4.658	07/01/2018	150	171	172
Time Warner Cable Inc	7.300	6.397	07/01/2038	300	335	348
Time Warner Entertainment Co	8.380	6.560	07/15/2033	325	395	403
TransCanada Pipe	7.630	7.632	01/15/2039	50	50	64
Trans-Canada Pipelines	6.500	6.574	08/15/2018	250	249	293
Travelers PPTY Casualty	7.750	5.838	04/15/2026	310	371	402
Tyco International Group SA	8.500	4.956	01/15/2019	325	404	420

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
UBS AG Stamford CT	3.880	3.970	01/15/2015	500	498	498
UBS AG Stamford CT	5.880	5.576	12/20/2017	300	305	318
Union Pacific Corp	6.500	2.457	04/15/2012	150	161	163
Union Pacific Corp	5.700	4.718	08/15/2018	260	277	291
Union Pacific Corp	7.880	5.458	01/15/2019	310	360	395
United Mexican States	6.380	3.627	01/16/2013	630	672	691
United Technologies Corp	6.130	4.488	02/01/2019	285	318	340
United Technologies Corp	5.400	5.468	05/01/2035	170	168	183
UNP RR CO 2003 PASS TRUST	4.700	7.947	01/02/2024	88	86	91
UPS of America Inc	8.380	4.731	04/01/2020	125	160	172
UPS of America Inc	8.380	5.045	04/01/2030	230	312	312
US Bancorp	2.000	2.043	06/14/2013	456	455	460
US Bancorp	2.880	2.977	11/20/2014	450	448	458
Verizon Communications	5.550	3.794	02/15/2016	165	180	185
Verizon Communications	5.500	4.894	02/15/2018	720	747	790
Verizon Communications	8.750	4.820	11/01/2018	345	437	448
Verizon Communications	7.350	7.564	04/01/2039	400	390	492
Verizon Florida LLC	6.130	5.835	01/15/2013	275	277	300
Verizon Global Funding Corp	7.380	1.469	09/01/2012	200	225	225
Verizon Virginia Inc	4.630	4.968	03/15/2013	375	372	396
Viacom Inc	6.250	4.825	04/30/2016	495	529	561
Viacom Inc	7.880	6.779	07/30/2030	180	201	208
Virginia Electric & Power Co	5.400	4.990	04/30/2018	490	503	546
Vodafone Group	5.750	6.019	03/15/2016	200	197	221
Vodafone Group	5.450	4.869	06/10/2019	369	384	395
Wachovia Bank NA	0.870	3.105	03/15/2016	850	750	792
Wachovia Corp	5.300	3.203	10/15/2011	345	354	361
Wachovia Corp	5.500	4.255	05/01/2013	1,900	1,961	2,062
Wachovia Corp	5.750	5.125	06/15/2017	775	803	846
Wachovia Corp	5.750	5.884	02/01/2018	675	668	739
Wal-Mart Stores	7.550	5.479	02/15/2030	350	436	464
Wal-Mart Stores	5.250	5.736	09/01/2035	425	398	448
Waste Management Inc	7.380	7.011	03/11/2019	60	61	73
Waste Management Inc	4.750	4.596	06/30/2020	622	630	639
WEA Finance/WT Fin Aust	6.750	5.958	09/02/2019	438	462	487
WellPoint Inc	5.880	5.217	06/15/2017	500	518	557
Wells Fargo & Company	3.750	3.786	10/01/2014	390	389	399
Wells Fargo & Company	5.000	7.000	11/15/2014	100	93	106
Wells Fargo & Company	5.630	5.418	12/11/2017	865	875	946
Westpac Banking	4.880	4.884	11/19/2019	406	406	419
Xcel Energy Inc	4.700	4.741	05/15/2020	45	45	47
Xerox Corporation	6.750	4.601	02/01/2017	191	214	215
Xerox Corporation	5.630	5.438	12/15/2019	350	355	372
XTO Energy Inc	4.630	3.416	06/15/2013	100	103	108
XTO Energy Inc	6.250	4.955	08/01/2017	326	351	396
<i>Total Corporate Bonds</i>					145,405	153,804
<i>Corporate Asset Backed Issues</i>						
Ally Auto Receivables	1.450	1.458	05/15/2014	380	380	382
Ally Auto Receivables Trust	2.330	2.347	09/15/2012	500	500	509
Americredit Automobile Rec	0.970	0.972	01/15/2013	130	130	130
Americredit Automobile Rec	1.660	1.669	03/17/2014	95	95	95
Banc of America Auto Trust	0.910	0.921	10/15/2012	360	360	360
Banc of America Auto Trust	1.310	1.315	07/15/2014	310	310	311
Banc of America Auto Trust	1.940	1.954	06/15/2017	510	510	513
Bank of America Auto Trust	2.670	2.691	07/15/2013	600	600	611
Bank of America Auto Trust	2.130	2.140	09/16/2013	650	650	658
Bank of America Auto Trust	1.390	1.396	03/15/2014	430	430	432
Bank of America Auto Trust	3.520	3.555	06/15/2016	200	200	209
Bank of America Auto Trust	2.180	2.198	02/15/2017	310	310	315
Carmax Auto Owner Trust	1.560	1.572	07/15/2014	280	280	282
Chrysler Financial Auto Sec	2.820	2.842	01/15/2016	250	250	255
Citifinancial Auto Issuance	2.590	2.604	10/15/2013	930	930	942
CNH Equipment Trust	5.280	5.342	11/15/2012	238	238	245
CNH Equipment Trust	2.970	2.997	03/15/2013	114	114	115
CNH Equipment Trust	1.850	1.858	12/16/2013	105	105	106

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
CNH Equipment Trust	1.540	1.552	07/15/2014	635	635	639
Ford Credit Auto Owner Trust	2.790	2.811	08/15/2013	400	400	408
Ford Credit Auto Owner Trust	4.500	4.548	07/15/2014	300	300	321
Honda Auto Receivables Trust	2.310	2.329	05/15/2013	200	200	203
Honda Auto Receivables Trust	3.300	3.329	09/15/2015	250	250	260
John Deere Owner Trust	2.590	2.613	10/15/2013	259	259	262
John Deere Owner Trust	1.570	1.577	10/15/2013	715	715	716
Mercedes-Benz Auto Rec Trust	1.420	1.433	07/15/2013	250	250	252
USAA Auto Owner Trust	1.540	1.546	02/18/2014	470	470	474
USAA Auto Owner Trust	2.530	2.544	07/15/2015	295	295	303
World Omni Auto Receivable	3.330	3.366	05/15/2013	365	365	371
<i>Total Corporate Asset Backed Issues</i>					10,531	10,679
<i>Corporate CMO</i>						
American General Mortgage Trst	5.750 A	4.774	09/25/2048	1,000	1,022	1,026
American General Mortgage Trst	5.750	5.311	09/25/2048	1,000	1,011	1,015
Amortizing Residential Coll Tr	3.450	4.660	02/25/2032	396	363	361
ASG Resecuritization Trust	5.710 A	10.312	05/24/2036	1,445	1,347	1,452
ASG Resecuritization Trust	5.490 A	9.630	03/26/2037	2,002	1,857	2,000
ASG Resecuritization Trust	5.540 A	19.421	06/26/2037	1,337	1,085	1,340
ASG Resecuritization Trust	6.000	9.522	06/28/2037	1,674	1,610	1,679
Banc of Amer Altern Loan Trust	5.000	4.827	09/25/2018	770	774	786
Banc of Amer Altern Loan Trust	5.500	6.773	02/25/2019	660	628	660
Banc of Amer Altern Loan Trust	5.500	5.565	09/25/2019	418	417	427
Banc of Amer Altern Loan Trust	5.500	6.800	09/25/2033	403	360	421
Banc of Amer Altern Loan Trust	5.500	5.671	11/25/2033	589	585	598
Banc of Amer Altern Loan Trust	6.000	6.377	01/25/2034	410	397	417
Banc of Amer Altern Loan Trust	6.000	6.453	01/25/2034	682	658	694
Banc of America Commercial Mtg	4.670	5.024	07/10/2043	400	395	414
Banc of America Commercial Mtg	5.890	6.051	07/10/2044	1,000	994	1,016
Banc of America Commercial Mtg	5.370	10.516	09/10/2045	660	528	699
Banc of America Commercial Mtg	5.120	5.057	10/10/2045	230	231	244
Banc of America Commercial Mtg	5.630	6.516	07/10/2046	700	674	719
Banc of America Funding Corp	5.500	5.711	10/25/2034	956	947	965
Banc of America Funding Corp	5.500	4.534	10/25/2034	649	650	646
Banc of America Funding Corp	5.030 A	5.276	12/20/2034	508	503	507
Banc of America Mortgage Sec	0.800	1.736	08/25/2018	585	572	564
Banc of America Mortgage Sec	5.000	3.889	04/25/2019	302	308	305
Banc of America Mortgage Sec	6.500	6.757	09/25/2032	398	394	396
Banc of America Mortgage Sec	3.030 A	3.241	04/25/2033	518	514	536
Banc of America Mortgage Sec	2.870 A	2.849	06/25/2033	423	423	400
Banc of America Mortgage Sec	3.010 A	3.179	04/25/2034	1,312	1,303	1,304
Banc of America Mortgage Sec	4.500	3.681	04/25/2034	710	711	712
Bank of America Auto Trust	1.670	1.679	12/15/2013	280	280	282
Bank of America Corp	5.750	7.239	09/20/2034	665	588	649
BCAP LLC Trust	5.500 A	4.524	07/26/2011	931	933	933
BCAP LLC Trust	5.500	7.242	11/26/2034	1,396	1,297	1,396
BCAP LLC Trust	1.150	3.713	01/26/2036	1,500	1,366	1,366
BCAP LLC Trust	5.250	4.422	05/26/2037	519	519	519
BCAP LLC Trust	5.750	6.008	06/26/2037	1,656	1,636	1,636
BCAP LLC Trust	5.100 A	4.605	07/26/2045	2,580	2,622	2,622
Bear Stearns Adj Rate Mortgage	5.000 A	4.757	07/25/2033	590	591	607
Bear Stearns Adj Rate Mortgage	5.130 A	4.854	05/25/2034	534	538	556
Bear Stearns Adj Rate Mortgage	2.530 A	3.366	08/25/2035	635	614	607
Bear Stearns Commercial Mtg	5.460 A	4.952	03/11/2039	235	241	250
Bear Stearns Commercial Mtg	5.540	9.695	10/12/2041	300	245	315
Chase Funding Mortgage Loan	4.500	6.436	11/25/2034	758	738	734
Chase Funding Mortgage Loan	5.350 A	6.607	11/25/2034	500	453	458
Chase Funding Mortgage Loan	4.280	5.765	11/25/2034	928	815	849
Chase Mortgage Finance Corp.	5.000	2.976	03/25/2018	606	627	619
Chase Mortgage Finance Corp.	2.980 A	3.666	02/25/2037	1,205	1,181	1,201
Chase Mortgage Finance Corp.	4.490 A	4.543	02/25/2037	405	404	411
Chase Mortgage Finance Corp.	2.900 A	4.743	07/25/2037	703	651	684
Citicorp Mortgage Securities	4.500	3.650	05/25/2033	210	211	212
Citicorp Mortgage Securities	5.250	5.188	05/25/2034	244	243	244
Citigroup Mortgage Loan Trust	5.250	7.433	10/25/2033	1,000	827	1,035

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Citigroup Mortgage Loan Trust	5.080 A	4.970	08/25/2034	600	600	610
Citigroup Mortgage Loan Trust	6.000	8.652	06/25/2036	988	903	898
Commercial Mortgage Pass-Thru	4.980	9.224	05/10/2043	1,000	856	1,055
Countrywide Home Loans	4.500	5.565	06/25/2019	896	870	907
Countrywide Home Loans	5.250	5.253	09/25/2033	1,000	997	1,030
Countrywide Home Loans	5.000	6.292	10/25/2033	703	653	684
Countrywide Home Loans	5.250	5.792	04/25/2034	1,412	1,361	1,395
Credit Suisse Mortgage Capital	5.500	5.501	10/27/2035	734	732	732
Credit Suisse Mortgage Capital	5.850	5.905	03/15/2039	500	500	520
Credit Suisse Mortgage Capital	1.350 A	1.134	06/28/2047	1,192	1,189	1,190
CS First Boston Mortgage Sec	2.730 A	3.848	06/25/2033	620	595	605
CS First Boston Mortgage Sec	5.250	5.995	11/25/2033	1,129	1,084	1,152
CS First Boston Mortgage Sec	17.890 A	19.081	06/25/2035	353	345	373
Deutsche ALT- A Sec Mortgage	5.590 A	5.795	02/25/2020	414	410	396
First Horizon Mortgage Ps Thru	4.500	4.457	09/25/2018	1,170	1,169	1,200
GMAC Commercial Mortgage Sec.	5.240	10.611	11/10/2045	1,810	1,451	1,905
GMAC Mortgage Corp Loan Trust	5.000	4.392	01/25/2020	659	668	675
GMAC Mortgage Corp Loan Trust	3.980 A	6.046	10/19/2033	1,145	1,096	1,130
GMAC Mortgage Corp Loan Trust	5.000	6.114	10/25/2033	608	583	595
GMAC Mortgage Corp Loan Trust	5.000	8.088	11/25/2033	1,046	923	966
GMAC Mortgage Corp Loan Trust	3.780 A	4.198	12/19/2033	1,596	1,573	1,564
GMAC Mortgage Corp Loan Trust	6.500	5.660	01/25/2035	867	892	904
GMAC Mortgage Corp Loan Trust	4.250	4.247	07/25/2040	1,352	1,349	1,349
GS Mortgage Securities Corp	5.550	9.281	04/10/2038	1,000	849	1,029
GSR Mortgage Loan Trust	6.000	7.285	09/25/2034	701	672	738
GSR Mortgage Loan Trust	0.700	7.686	03/25/2035	679	427	546
GSR Mortgage Loan Trust	5.500	3.498	06/25/2035	676	691	685
GSR Mortgage Loan Trust	0.850	1.901	06/25/2035	800	724	722
GSR Mortgage Loan Trust	5.500	10.414	01/25/2037	100	79	88
Household Home Equity Loan Tst	0.610	3.719	01/20/2035	271	234	240
Household Home Equity Loan Tst	0.830	4.386	01/20/2035	542	456	471
Household Home Equity Loan Tst	0.500	3.530	01/20/2036	566	483	516
Household Home Equity Loan Tst	0.490	2.615	03/20/2036	493	437	451
Household Home Equity Loan Tst	0.540	1.323	03/20/2036	324	291	296
Household Home Equity Loan Tst	5.600	5.197	03/20/2036	750	755	768
Household Home Equity Loan Tst	1.540	3.403	11/20/2036	754	646	635
IMPAC Secured Assets Corp	5.500	6.245	08/25/2033	939	881	961
IMPAC Secured Assets Corp	0.700	2.578	08/25/2036	791	658	638
JPMorgan Chase Commercial Mtg	5.400	9.292	05/15/2045	950	790	1,000
JPMorgan Mortgage Trust	3.220 A	5.312	08/25/2034	2,262	2,156	2,207
JPMorgan Mortgage Trust	5.010 A	4.960	02/25/2035	1,000	1,003	1,004
JPMorgan Mortgage Trust	4.480 A	3.926	02/25/2035	1,758	1,770	1,771
LB-UBS Commercial Mortgage Tst	5.160	7.515	01/15/2016	300	272	312
Master Adjustable Rate Mtgage	2.960 A	5.625	11/21/2034	862	834	860
Master Repperforming Loan Trust	0.700	6.986	05/25/2035	930	617	751
Master Resecuritization Trust	13.630	11.536	05/28/2035	982	545	592
MASTR Asset Securitization	5.500	10.823	09/25/2033	285	252	294
Merrill Lynch Mortgage Invest	0.690	4.291	04/25/2029	451	369	405
Merrill Lynch Mortgage Invest	0.750 A	2.184	08/25/2029	518	480	470
Merrill Lynch Mortgage Invest	2.880 A	3.716	07/25/2033	241	235	244
Merrill Lynch Mortgage Invest	2.840 A	3.222	08/25/2034	401	393	406
Merrill Lynch Mortgage Trust	5.650 A	5.337	05/12/2039	260	264	278
Morgan Stanley Capital Inc	1.100 A	4.932	01/25/2035	280	237	272
Morgan Stanley Capital Inc	5.650 A	5.619	06/11/2042	250	251	262
Morgan Stanley Mortgage Loan	5.500	5.737	08/25/2034	6,250	756	1,010
Prime Mortgage Trust	6.000	4.916	02/25/2034	425	437	439
Residential Accredit Loans	15.900	16.316	10/25/2017	329	330	329
Residential Accredit Loans	1.000	1.928	07/25/2033	659	589	527
Residential Accredit Loans	5.750	6.543	10/25/2033	697	653	684
Residential Accredit Loans	5.500	10.024	05/25/2034	1,396	974	1,146
Salomon Brothers Mortgage Sec	3.450	7.528	04/25/2032	359	302	302
Salomon Brothers Mortgage Sec	3.690 A	4.609	09/25/2033	971	942	939
Station Place Securitization	1.850	1.982	12/29/2010	1,000	999	998
Structured Asset Investment	0.620	7.935	06/25/2035	300	269	265
Structured Asset Mortgage Inv	0.000	5.951	07/25/2032	265	178	204
Structured Asset Securities	0.850	4.755	06/25/2033	1,264	1,141	1,161

A - Adjustable rate security.

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Coupon	Yield	Maturity	Par Value, Shares or Contracts	Amortized Cost	Fair Value
Structured Asset Securities	5.500	6.076	10/25/2033	986	964	949
Structured Asset Securities	5.150 A	5.463	11/25/2033	326	321	337
Structured Asset Securities	5.000 A	5.098	12/25/2033	451	448	460
Structured Asset Securities	5.540	6.495	12/25/2033	1,400	1,342	1,376
Structured Asset Securities	5.000	15.866	05/25/2035	346	266	338
Structured Asset Securities	13.210	16.305	05/25/2035	178	172	171
Thornburg Mtg Securities Trust	0.670	0.000	09/25/2043	231	231	209
TIAA Seasoned Commercial Mtg	6.070 A	5.533	08/15/2039	2,500	2,533	2,726
Vendee Mortgage Trust	6.750	5.701	06/15/2026	857	905	972
Vendee Mortgage Trust	6.750	4.276	06/15/2028	727	831	866
Wachovia Bank Comm Mtg Trust	5.920 A	8.275	05/15/2043	1,440	1,297	1,553
Washington Mutual Mortgage	5.500	5.566	08/25/2019	771	768	794
Washington Mutual Mortgage	0.000	14.088	07/25/2033	308	214	207
Washington Mutual Mortgage	2.780 A	3.428	08/25/2033	326	316	324
Washington Mutual Mortgage	2.830 A	2.991	08/25/2033	350	347	350
Washington Mutual Mortgage	2.830 A	3.071	09/25/2033	1,239	1,224	1,232
Washington Mutual Mortgage	2.880 A	3.442	09/25/2033	405	395	405
Washington Mutual Mortgage	5.250	7.717	10/25/2033	2,136	1,912	2,014
Washington Mutual Mortgage	16.100	15.592	11/25/2033	971	987	1,040
Washington Mutual Mortgage	0.750	2.754	03/25/2034	792	769	772
Washington Mutual Mortgage	2.710 A	4.615	06/25/2034	340	315	325
Washington Mutual Mortgage	2.710 A	2.801	06/25/2034	850	845	840
Washington Mutual Mortgage	5.500	6.125	06/25/2034	768	732	767
Washington Mutual Mortgage	2.730 A	4.935	01/25/2035	1,934	1,789	1,908
Washington Mutual Mortgage	5.500	29.106	05/25/2035	838	68	131
Wells Fargo Mortgage Backed	4.750	4.628	12/25/2018	2,075	2,078	2,141
Wells Fargo Mortgage Backed	5.000	4.299	11/25/2020	658	669	672
Wells Fargo Mortgage Backed	5.250	4.147	04/25/2033	738	767	750
Wells Fargo Mortgage Backed	4.470 A	4.607	11/25/2033	1,771	1,762	1,812
Wells Fargo Mortgage Backed	4.890 A	4.724	02/25/2034	1,066	1,069	1,092
Wells Fargo Mortgage Backed	3.020 A	4.662	09/25/2034	665	624	649
Wells Fargo Mortgage Backed	2.950 A	3.753	10/25/2034	720	699	706
Wells Fargo Mortgage Backed	2.950 A	5.534	10/25/2034	495	453	492
Wells Fargo Mortgage Backed	2.910 A	4.877	12/25/2034	1,033	970	1,041
Wells Fargo Mortgage Backed	3.150 A	10.814	12/25/2034	492	434	502
Wells Fargo Mortgage Backed	2.910 A	4.665	12/25/2034	688	638	677
Wells Fargo Mortgage Backed	3.150 A	4.515	12/25/2034	492	481	510
<i>Total Corporate CMO</i>					116,636	122,349
Total Corporate Issues - 18.5%					272,572	286,832
<b>Short-term Issues</b>						
Dreyfus Cash Management Institutional Fund				53,413,378	53,413	53,413
Total Short-term Issues - 3.4%					53,413	53,413
<b>Investments in Other Funds</b>						
SSgA - Passive Bond Market Index Non-Lending Fund						
Investment Objective - To match the return of the Lehman Brothers Aggregate Bond Index				20,469,704	463,304	488,243
Redemption Provisions - Daily						
No underlying investments exceed 5% of net assets of the Core Fixed Income Pool.						
Total Investment in Other Funds - 31.4%					463,304	488,243
Total Investment Securities - 100.4%					\$ 1,491,979	\$ 1,560,743

A - Adjustable rate security.

See accompanying notes to financial statements.

## Core Fixed Income Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Investment income**

Interest	\$	44,913
Dividend		88
Net amortization		<u>(11,341)</u>

**Total investment income** 33,660

**Expenses**

Investment advisor fees		(1,224)
Trustee fees		(7)
Custodian bank fees		(56)
Management fees		(384)
Fiduciary bond fees		(6)
Professional service fees		<u>(93)</u>

**Total expenses** (1,770)

**Investment income, net** 31,890

**Realized and unrealized gain from investments**

Net realized gain from investments		12,050
Net increase in the fair value of investments		<u>67,177</u>

**Net gain from investments** 79,227

**Net increase in net assets from operations** \$ 111,117

*See accompanying notes to financial statements.*



## Core Fixed Income Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2010**  
*(Amounts in thousands, except unit data)*

**Operations**

Investment income, net	\$ 31,890
Net realized gain from investments	12,050
Net increase in the fair value of investments	<u>67,177</u>

**Net increase in net assets from operations** 111,117

**Distributions to unitholders**

Investment income, net	(31,890)
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**Unit transactions**

Proceeds from sale of units	1,673,648
Reinvestment of distributions	<u>30,401</u>
	1,704,049
Amount paid for repurchase of units	<u>(623,895)</u>

**Net increase in net assets from unit transactions** 1,080,154

**Increase in net assets** 1,159,381

**Net assets, beginning of period** 394,883

**Net assets, end of period** \$ 1,554,264

**Unit data**

Units sold	162,069,053
Units issued from reinvestment of distributions	<u>2,928,220</u>
	164,997,273
Units repurchased	<u>(59,949,489)</u>

**Net increase in units** 105,047,784

*See accompanying notes to financial statements.*

# Core Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 Core 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 Pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. and State Street Global Advisors manage 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 in debt securities are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Investments in other funds are valued at the reported net asset values of the individual funds, provided by the fund's management, as a practical expedient for measuring fair value. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. 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.

# Core Fixed Income Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### 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 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 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 Pool as of June 30, 2010.

## Core Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands, except share data)

#### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Security Type	Moody's	S&P	Fair Value	Percent of Assets
U. S. Treasury bonds and notes	Aaa	AAA	\$ 334,152	21.4%
Agency collateralized mortgage obligations	Aaa	AAA	245,849	15.7%
Corporate bonds and notes	A	A	153,804	9.9%
Agency mortgage backed securities	Aaa	AAA	138,487	8.9%
Corporate collateralized mortgage obligations	Aa	AAA	122,349	7.9%
Money market funds	Aaa	AAA	53,413	3.4%
Corporate asset backed securities	Aaa	AAA	10,679	.7%
Agency notes	Aaa	AAA	13,494	.9%
Municipal bonds	Aa	A	273	0.0%
Total rated investments			\$ 1,072,500	68.8%

Unrated securities include a commingled investment pool valued at \$488,243. This unrated security represents 31.2 percent of the fair value of the pool's investments.

#### Concentration of Credit Risk

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2010, 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, 2010, the 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. The investment in a commingled investment pool is held in an account in the name of the IMB.

#### Interest Rate Risk

The IMB monitors interest rate risk of the 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 Pool as of June 30, 2010.

Security Type	Fair Value	Modified Duration (years)
Commingled investment pools	\$ 488,243	4.3
U. S. Treasury bonds and notes	334,152	5.8
Agency collateralized mortgage obligations	245,849	3.7
Corporate bonds and notes	153,804	5.9
Agency mortgage backed securities	138,487	3.0
Corporate collateralized mortgage obligations	122,349	3.4
Money market funds	53,413	0.0
Corporate asset backed securities	10,679	1.7
Agency notes	13,494	6.0
Municipal bonds	273	12.0
Total assets	\$ 1,560,743	4.4

The 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

# Core Fixed Income Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2010, the Pool held \$517,363 of these securities. This represents approximately 33 percent of the value of the Pool's securities.

#### Foreign Currency Risk

None of the securities held by the Pool are exposed to foreign currency risk.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

# Core Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

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

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
U.S. Treasury bonds and notes	\$ -	\$ 334,152	\$ -	\$ 334,152
Agency collateralized mortgage obligations	-	245,849	-	245,849
Corporate bonds and notes	-	153,804	-	153,804
Agency mortgage backed securities	-	138,487	-	138,487
Corporate collateralized mortgage obligations	-	122,349	-	122,349
Money market funds	-	53,413	-	53,413
Corporate asset backed securities	-	10,679	-	10,679
Agency notes	-	13,494	-	13,494
Commingled funds	-	488,243	-	488,243
Municipal bonds	-	273	-	273
Total	\$ -	\$ 1,560,743	\$ -	\$ 1,560,743

# Core Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 6. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2009	\$	10.05
Income from investment operations:		
Net investment income		0.27
Net realized and unrealized gain on investment transactions		0.72
Total from investment operations		0.99
Less distributions from net investment income		(0.27)
Net asset value at June 30, 2010	\$	10.77

**Time-weighted Total Return \*** 10.7%

#### Supplemental Data:

Net assets, end of period	\$	1,554,264
Ratio to average net assets:		
Expenses **		0.15%
Net investment income **		2.74%
Portfolio turnover rate		108.31%

\* Return data is net of fees 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 at June 30, 2010. 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>	<u>Account Value</u>
Public Employees' Retirement System	\$ 383,957
Workers' Compensation Old Fund	320,719
Teachers' Retirement System	313,598
Retiree Health Benefit Trust	111,069
Revenue Shortfall Reserve Fund B	84,302
Revenue Shortfall Reserve Fund	78,464
Coal Workers' Pneumoconiosis Fund	70,059
Public Employees' Insurance Agency	44,079
State Police Death, Disability and Retirement Fund	41,998
Board of Risk and Insurance Management	37,468
Prepaid Tuition Trust Fund	36,319
Judges' Retirement System	11,203
Deputy Sheriff's Retirement System	9,822
State Police Retirement System	5,650
Wildlife Endowment Fund	3,793
Emergency Medical Services Retirement System	1,530
AccessWV	234
Total	\$ 1,554,264

# Core Fixed Income Pool

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## **Notes to Financial Statements** *(Amounts in thousands, except share data)*

### **NOTE 8. SUBSEQUENT EVENTS**

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.



# **Audited Financial Statements**

**June 30, 2010**

**TRS Annuity Pool**

# TRS Annuity Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations, changes in net assets and cash flows for the year then ended for the West Virginia Investment Management Board (WVIMB) TRS Annuity Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board TRS Annuity Pool as of June 30, 2010, and the results of its operations, changes in net assets and cash flows for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# TRS Annuity Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at amortized cost	\$	152,429
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### Liabilities

Accrued expenses		<u>10</u>
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<b>Net assets</b>	<b>\$</b>	<b><u>152,419</u></b>
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### Analysis of net assets

Paid-in capital	\$	138,389
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Accumulated undistributed net investment income		<u>14,030</u>
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<b>Net assets</b>	<b>\$</b>	<b><u>152,419</u></b>
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### Unit data

Units outstanding		14,248,500
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Net asset value, unit price	\$	<u>10.70</u>
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See accompanying notes to financial statements.

# TRS Annuity Pool

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## Schedule of Investments in Securities

June 30, 2010

(Amounts in thousands, except share data)

<u>Security Name</u>	<u>Shares</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
<b><u>Annuity Contract</u></b>			
Variable Annuity Life Insurance Company	152,428,645	\$ 152,429	\$ 152,429
Total Annuity Contract - 100.0%		152,429	152,429
Total Investment Securities - 100.0%		\$ 152,429	\$ 152,429

See accompanying notes to financial statements.

# TRS Annuity Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

<b>Investment income</b>	\$	8,571
<b>Expenses</b>		
Trustee fees		(1)
Management fees		(70)
Fiduciary bond fees		(1)
Professional service fees		<u>(74)</u>
	<b>Total expenses</b>	<u>(146)</u>
	<b>Investment income, net</b>	<u>8,425</u>
	<b>Net increase in net assets from operations</b>	<u>\$ 8,425</u>

*See accompanying notes to financial statements.*

## TRS Annuity Pool

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### Statement of Changes in Net Assets

Year Ended June 30, 2010

(Amounts in thousands, except unit data)

#### Operations

Investment income, net	\$	8,425
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#### Unit transactions

Proceeds from sale of units		148
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Amount paid for repurchase of units		<u>(55,058)</u>
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<b>Net decrease in net assets from unit transactions</b>		<u>(54,910)</u>
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<b>Decrease in net assets</b>		(46,485)
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<b>Net assets, beginning of period</b>		<u>198,904</u>
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<b>Net assets, end of period</b>	\$	<u><u>152,419</u></u>
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#### Unit data

Units sold		14,054
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Units repurchased		<u>(5,185,550)</u>
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<b>Net decrease in units</b>		<u><u>(5,171,496)</u></u>
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See accompanying notes to financial statements.

# TRS Annuity Pool

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## Statement of Cash Flows Year Ended June 30, 2010 *(Amounts in thousands)*

### Cash flows from operating activities

Net increase in net assets from operations	\$	8,425
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Purchase of investment securities		(8,572)
Sale of investment securities		55,058
Decrease in accrued expenses		<u>(1)</u>
<b>Net cash provided by operating activities</b>		<b>54,910</b>

### Cash flows from financing activities

Proceeds from units sold		148
Paid for repurchase of units		<u>(55,058)</u>
<b>Net cash used in financing activities</b>		<b><u>(54,910)</u></b>

**Net change in cash** -

### Cash

Beginning balance		-
Ending balance	\$	<u><u>-</u></u>

*See accompanying notes to financial statements.*



# TRS Annuity Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 TRS Annuity 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 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 \$248,293. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058. Payments were received on May 4, 2009 and May 4, 2010. Remaining payments will be received on May 4, 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.

# TRS Annuity Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### 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 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. At June 30, 2010 amortized cost approximated fair value.

**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 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

#### 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%. 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.

# TRS Annuity Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

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In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

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### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

# TRS Annuity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

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

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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Annuity Contract	\$ -	\$ -	\$ 152,429	\$ 152,429

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2010 was as follows:

	Annuity Contract
Balance at June 30, 2009	\$ 198,915
Net realized gain/(loss)	-
Net change in unrealized appreciation/(depreciation)	-
Purchases	8,572
Sales	(55,058)
Net transfers in/(out) of Level 3	-
Balance at June 30, 2010	\$ 152,429

### NOTE 6. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2009	\$ 10.24
Net investment income from investment operations	0.46
Net asset value at June 30, 2010	\$ 10.70

**Time-weighted Total Return \*** 4.4%

#### Supplemental Data:

Net assets, end of period	\$ 152,419
Ratio to average net assets:	
Expenses **	0.07%
Net investment income **	4.32%
Portfolio turnover rate	4.40%

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

\*\* All ratios are for the fiscal year

# TRS Annuity Pool

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## **Notes to Financial Statements** *(Amounts in thousands, except share data)*

### **NOTE 7. SUBSEQUENT EVENTS**

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.



# **Audited Financial Statements**

**June 30, 2010**

**Private Equity Pool**

# Private Equity Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations, changes in net assets and cash flows for the year then ended for the West Virginia Investment Management Board (WVIMB) Private Equity Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board Private Equity Pool as of June 30, 2010, and the results of its operations, changes in net assets and cash flows for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Private Equity Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$	912,453
Dividends receivable		<u>4</u>
<b>Total assets</b>		912,457

### Liabilities

Accrued expenses		<u>146</u>
<b>Net assets</b>	\$	<u><u>912,311</u></u>

### Analysis of net assets

Paid-in capital	\$	985,419
Accumulated undistributed net investment loss		(2,717)
Accumulated undistributed net realized loss from investments		(147,894)
Unrealized net appreciation of investments		<u>77,503</u>
<b>Net assets</b>	\$	<u><u>912,311</u></u>

### Unit data

Units outstanding		104,196,135
Net asset value, unit price	\$	<u><u>8.76</u></u>

See accompanying notes to financial statements.

# Private Equity Pool

## Schedule of Investments in Securities

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Amortized Cost	Fair Value
<b><u>Partnerships</u></b>			
Advent International GPE VI - A. L.P.		\$ 13,100	\$ 13,922
Investment Objective - To provide risk capital for, and 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		16,278	14,227
Investment Objective - To generate superior, long-term 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, L.P.		5,489	5,305
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, L.P.		2,703	2,481
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, L.P.		17,109	18,687
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 L.P.		1,164	152
Investment Objective - To acquire underperforming, operationally challenged, or financially distressed small and middle market businesses and to seek to reorganize operations and strategy 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, L.L.P.		1,300	1,179
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.			

*See accompanying notes to financial statements.*

# Private Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Amortized Cost	Fair Value
<p>KPS Special Situations Fund III (Supplemental), L.P.</p> <p>Investment Objective - Seek to invest alongside KPS Special Situations Fund III, L.P. and KPS Special Situations Fund III (A), L.P., to make controlling equity and equity-related investments in underperforming or distressed companies engaged in manufacturing, transportation, and service industries that need immediate and significant change.</p> <p>Redemption Provisions - Upon termination of the partnership.</p> <p>A detail of the underlying investments is not available.</p>		2,362	2,780
<p>LLR Equity Partners III, L.P.</p> <p>Investment Objective - To provide investors with substantial long-term capital gains by investing in a diversified portfolio of equity securities.</p> <p>Redemption Provisions - Upon termination of the partnership.</p> <p>A detail of the underlying investments is not available.</p>		11,997	9,663
<p>Natural Gas Partners IX, L.P.</p> <p>Investment Objective - To generate long-term capital gains through equity investments in companies engaged in the energy and resource related industries, with an emphasis on privately negotiated equity investments in North America oil and gas companies.</p> <p>Redemption Provisions - Upon termination of the partnership.</p> <p>A detail of the underlying investments is not available.</p>		24,612	21,929
<p>Odyssey Investment Partners Fund IV, L.P.</p> <p>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.</p> <p>Redemption Provisions - Upon termination of the partnership.</p> <p>A detail of the underlying investments is not available.</p>		11,230	9,935
<p>Platinum Equity Capital Partners II, L.P.</p> <p>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.</p> <p>Redemption Provisions - Upon termination of the partnership.</p> <p>A detail of the underlying investments is not available.</p>		16,912	17,462
<p>Riverside Fund IV, L.P.</p> <p>Investment Objective - To pursue and add value to control investments in small, profitable healthcare and technology companies primarily in the United States through financial and operational improvements and to grow the companies both organically and through add-on acquisitions.</p> <p>Redemption Provisions - Upon termination of the partnership.</p> <p>A detail of the underlying investments is not available.</p>		5,451	4,688

*See accompanying notes to financial statements.*

# Private Equity Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

<u>Security Name</u>	<u>Shares</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Welsh, Carson, Anderson & Stowe XI, L.P. 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.		8,119	6,705
Total Partnerships - 14.2%		137,826	129,115
<b><u>Investments in Other Funds</u></b>			
Bridgewater All Weather Portfolio II, LTD Investment Objective - To seek to provide attractive returns with relatively limited risks, with no material bias to perform better or worse in any particular type of economic environment. Redemption Provisions - Monthly on the first business day A detail of the underlying investments is not available.	669,395	669,395	755,609
Total Investments in Other Funds - 82.8%		669,395	755,609
<b><u>Short-term Issues</u></b>			
Dreyfus Cash Management Institutional Fund - 3.0%	27,728,734	27,729	27,729
Total Investment Securities - 100.0%		<u>\$ 834,950</u>	<u>\$ 912,453</u>

*See accompanying notes to financial statements.*

# Private Equity Pool

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## Statement of Operations Year Ended June 30, 2010 *(Amounts in thousands)*

### Investment income

Dividends	\$	39
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### Expenses

Trustee fees	(4)
Custodian bank fees	(3)
Management fees	(266)
Fiduciary bond fees	(4)
Professional service fees	(734)
Fund closing costs	<u>(192)</u>

<b>Total expenses</b>	<u>(1,203)</u>
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<b>Investment loss, net</b>	(1,164)
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### Realized and unrealized gain (loss) from investments

Net realized loss from investments	(77,294)
Net increase in the fair value of investments	<u>210,894</u>

<b>Net gain from investments</b>	<u>133,600</u>
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<b>Net increase in net assets from operations</b>	<u><u>\$ 132,436</u></u>
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*See accompanying notes to financial statements.*

# Private Equity Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2010**  
*(Amounts in thousands, except for unit data)*

**Operations**

Investment loss, net	\$ (1,164)
Net realized loss from investments	(77,294)
Net increase in the fair value of investments	<u>210,894</u>

**Net increase in net assets from operations** 132,436

**Unit transactions**

Proceeds from sale of units	220,638
Amount paid for repurchase of units	<u>(23,653)</u>

**Net increase in net assets from unit transactions** 196,985

**Increase in net assets** 329,421

**Net assets, beginning of period** 582,890

**Net assets, end of period** \$ 912,311

**Unit data**

Units sold	28,294,559
Units repurchased	<u>(3,000,086)</u>

**Net increase in units** 25,294,473

*See accompanying notes to financial statements.*

# Private Equity Pool

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**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Cash flows from operating activities**

Net increase in net assets from operations	\$ 132,436
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:	
Purchase of investment securities	(888,118)
Proceeds from disposition of investment securities	704,119
Net realized loss from investments	77,294
Purchases and sales of short-term investment securities, net	(11,888)
Decrease in receivable for partnership distributions	34
Decrease in dividends receivable	5
Increase in accrued expenses	27
Net increase in the fair value of investments	<u>(210,894)</u>
<b>Net cash used in operating activities</b>	<b>(196,985)</b>

**Cash flows from financing activities**

Proceeds from units sold	220,638
Paid for repurchase of units	<u>(23,653)</u>
<b>Net cash provided by financing activities</b>	<b><u>196,985</u></b>

**Net change in cash** -

**Cash**

Beginning balance	-
Ending balance	<u><u>\$ -</u></u>

*See accompanying notes to financial statements.*



# Private Equity Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 \$884,724 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

# Private Equity Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

reported net asset value. It is therefore reasonably possible that if 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, 2010. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions.

**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, 2010 these investments had holdings in foreign currencies of approximately \$319,086 or approximately 35 percent of the total value of the Pool's investments. At June 30, 2010, 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 June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

# Private Equity Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented as of June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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.

# Private Equity Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

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

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Regulated Investment Companies	\$ -	\$ 27,729	\$ -	\$ 27,729
Investments in Other Funds	-	-	755,609	755,609
Partnerships	-	-	129,115	129,115
Total	\$ -	\$ 27,729	\$ 884,724	\$ 912,453

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2010 was as follows:

	Investment in Other Funds	Partnerships
Balance at June 30, 2009	\$ 504,143	\$ 62,982
Net realized gain/(loss)	(80,005)	2,711
Net change in unrealized appreciation	201,472	9,423
Purchases	819,394	68,724
Sales	(689,395)	(14,725)
Net transfers in/(out) of Level 3	-	-
Balance at June 30, 2010	\$ 755,609	\$ 129,115

### 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, 2010 the IMB had made commitments to eighteen private equity general partnerships totaling \$673,000. The IMB had funded \$141,942 of these commitments at June 30, 2010, leaving unfunded commitments of \$531,058.

# Private Equity Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 7. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2009	\$	7.39
Income from investment operations:		
Net investment loss		(0.01)
Net realized and unrealized gain on investment transactions		1.38
Total from investment operations		1.37
Net asset value at June 30, 2010	\$	8.76

**Time-weighted Total Return \*** 18.6%

#### Supplemental Data:

Net assets, end of period	\$	912,311
Ratio to average net assets:		
Expenses **		0.15%
Net investment income **		-0.15%
Portfolio turnover rate		92.99%

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

\*\* All ratios are for the fiscal year

### NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 437,923
Public Employees' Retirement System	400,159
State Police Death, Disability and Retirement Fund	41,959
Judges' Retirement System	10,900
Deputy Sheriff's Retirement System	9,655
State Police Retirement System	5,498
Wildlife Endowment Fund	3,683
Emergency Medical Services Retirement System	2,534
Total	\$ 912,311

### NOTE 9. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.



# **Audited Financial Statements**

**June 30, 2010**

**Private Real Estate Pool**

# Private Real Estate Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
BNY Mellon Center  
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500 Grant Street  
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, 2010, and the related statements of operations, changes in net assets and cash flows for the year then ended for the West Virginia Investment Management Board (WVIMB) Private Real Estate Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board Private Real Estate Pool as of June 30, 2010, and the results of its operations, changes in net assets and cash flows for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Private Real Estate Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$	491,927
Cash denominated in foreign currencies (cost \$5)		5
Receivables:		
Accrued interest		3,525
Investments sold		3
Dividends		27
Foreign tax withholding		1
		<u>1</u>
<b>Total assets</b>		<b>495,488</b>

### Liabilities

Payable for investments purchased		93
Accrued expenses		128
		<u>128</u>
<b>Total Liabilities</b>		<b>221</b>
		<u>221</u>
<b>Net assets</b>	\$	<b>495,267</b>
		<u><u>495,267</u></u>

### Analysis net assets

Paid-in capital	\$	486,901
Accumulated undistributed net investment income		6,835
Accumulated undistributed net realized gain from investments		59
Accumulated undistributed net realized loss from foreign currency transactions		(29)
Unrealized net appreciation of investments		1,599
Unrealized net depreciation on translation of assets and liabilities in foreign currencies		(98)
		<u>(98)</u>
<b>Net assets</b>	\$	<b>495,267</b>
		<u><u>495,267</u></u>

### Unit data

Units outstanding		62,820,940
Net asset value, unit price	\$	<u>7.88</u>

See accompanying notes to financial statements.

# Private Real Estate Pool

## Schedule of Investments in Securities

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Coupon	Yield	Maturity	Shares	Amortized Cost	Fair Value
<b><u>U.S. Treasury Issues</u></b>						
United States Treasury	3.380 %	(0.008) %	01/15/2012	4,950	\$ 6,394	\$ 6,410
United States Treasury	2.000	0.032	04/15/2012	11,700	13,012	13,035
United States Treasury	3.000	0.089	07/15/2012	17,250	22,156	22,282
United States Treasury	0.630	0.220	04/15/2013	11,700	12,203	12,326
United States Treasury	1.880	0.439	07/15/2013	16,490	20,420	20,720
United States Treasury	2.000	0.634	01/15/2014	16,950	20,953	21,333
United States Treasury	1.250	0.516	04/15/2014	12,530	13,262	13,488
United States Treasury	2.000	0.683	07/15/2014	15,850	19,291	19,678
United States Treasury	1.630	0.830	01/15/2015	15,780	18,653	19,041
United States Treasury	0.500	0.392	04/15/2015	9,200	9,302	9,384
United States Treasury	1.880	0.889	07/15/2015	14,040	16,498	16,882
United States Treasury	2.000	1.018	01/15/2016	13,940	16,119	16,530
United States Treasury	2.500	1.055	07/15/2016	14,170	16,585	17,029
United States Treasury	2.380	1.143	01/15/2017	12,520	14,581	14,943
United States Treasury	2.630	1.178	07/15/2017	11,500	13,275	13,645
United States Treasury	1.630	1.233	01/15/2018	11,710	12,529	12,856
United States Treasury	1.380	1.250	07/15/2018	11,710	11,951	12,283
United States Treasury	2.130	1.317	01/15/2019	11,690	12,642	12,966
United States Treasury	1.880	1.331	07/15/2019	12,530	13,384	13,731
United States Treasury	1.380	1.267	01/15/2020	15,050	15,319	15,559
United States Treasury	2.380	1.838	01/15/2025	20,270	25,043	25,997
United States Treasury	2.000	1.881	01/15/2026	14,220	15,868	16,527
United States Treasury	2.380	1.920	01/15/2027	11,710	13,472	14,042
United States Treasury	1.750	1.937	01/15/2028	11,710	11,847	12,369
United States Treasury	3.630	1.998	04/15/2028	11,660	19,527	20,296
United States Treasury	2.500	1.967	01/15/2029	11,710	12,869	13,447
United States Treasury	3.880	2.007	04/15/2029	13,770	23,576	24,490
United States Treasury	3.380	1.990	04/15/2032	3,970	6,068	6,339
United States Treasury	2.130	2.101	02/15/2040	6,690	6,783	7,379
Total U.S. Treasury Issues - 89.9%					433,582	445,007
<b><u>Investments in Other Funds</u></b>						
Blackstone RE Partners Europe III, L.P.					619	962
Investment Objective - To invest in a broad range of real estate and real estate related investments in Europe.						
Redemption Provisions - Upon termination of partnership.						
A detail of the underlying investments is not available.						
Mesa West Real Estate Income Fund II, L.P.					2,072	1,817
Investment Objective - To originate and service first mortgage and mezzanine loans on middle-market, value-added and traditional commercial real estate assets in the United States.						
Redemption Provisions - Upon termination of partnership.						
A detail of the underlying investments is not available.						
Quadrant Fund I, LLC					15,000	9,809
Investment Objective - To achieve a highly stable dividend yield and attractive total return by investing in real estate assets on a relative basis across private and public, debt and equity investments.						
Redemption Provisions - Quarterly on the last business day						
No underlying investments exceed 5% of net assets of the Private Real Estate Pool.						
RCG Longview Debt Fund IV, L. P.					12,148	8,011
Investment Objective - To generate attractive risk-adjusted returns by capitalizing on inefficiencies in the commercial real estate lending marketplace.						
Redemption Provisions - Upon termination of partnership.						
A detail of the underlying investments is not available.						
Total Investments in Other Funds - 4.2%					29,839	20,599

*See accompanying notes to financial statements.*

# Private Real Estate Pool

## Schedule of Investments in Securities (continued)

June 30, 2010

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
<b>Real Estate Investment Trusts</b>			
<i>Australia</i>			
CFS Retail Property Trust	46,600	81	74
Dexus Property Group	82,700	63	54
Goodman Group	110,800	64	59
GPT Group	59,180	158	140
ING Office Fund	93,800	52	46
Mirvac Group	26,800	37	30
Stockland	31,800	117	100
Westfield Group	21,800	237	224
<i>Total Australia - 0.1%</i>		809	727
<i>Austria</i>			
Atrium European Real Estate - 0.0%	1,220	8	5
<i>Bermuda</i>			
Great Eagle Holdings Ltd	3,000	9	8
Hongkong Land Holdings	44,900	223	224
Kerry Properties Ltd	39,000	199	171
Shangri-La Asia Ltd	50,000	100	93
<i>Total Bermuda - 0.1%</i>		531	496
<i>Canada</i>			
Boardwalk	3,400	136	128
Brookfield Properties Corp	4,700	73	66
Calloway Real Estate Inv Trust	1,200	25	24
Canadian Real Estate Inv Trust	400	11	10
Cominar Real Estate Investment	500	9	9
H&R Real Estate Investment Tst	1,200	20	19
Primaris Retail	600	10	10
RioCan Real Estate Investment	3,300	61	59
<i>Total Canada - 0.1%</i>		345	325
<i>Cayman Islands</i>			
Lifestyle International Hldngs - 0.0%	75,000	135	146
<i>China</i>			
Guangzhou R&F Properties Corp - 0.0%	45,000	77	58
<i>France</i>			
ICADE	500	50	42
Klepierre	2,501	95	70
Mercialys	730	26	21
Societe Immobiliere de Locatio	200	24	20
Unibail-Rodamco	1,550	319	256
<i>Total France - 0.1%</i>		514	409
<i>Hong Kong</i>			
Cheung Kong Holdings Ltd	5,400	72	63
China Overseas Land & Invstmnt	65,000	142	123
Hang Lung Properties Ltd	50,000	205	194
Henderson Land Development Co	1,740	-	-
Hysan Development Company	48,000	136	137
Link REIT	12,600	31	31
Sun Hung Kai Properties Ltd	24,300	364	335
Wharf Hldgs Ltd	17,200	96	84
<i>Total Hong Kong - 0.2%</i>		1,046	967
<i>Japan</i>			
AEON Mall Company Ltd	6,500	127	130
Daiwa House Industry Co Ltd	9,000	103	82
Frontier Real Estate Inv Corp	2	15	14
Japan Logistics Fund Inc	2	16	16
Japan Real Estate Inv Corp	7	59	57
Japan Retail Fund Inv Corp	14	17	17

See accompanying notes to financial statements.

# Private Real Estate Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

(Amounts in thousands, except share data)

Security Name	Shares	Cost	Fair Value
Kenedix Realty Investment Corp	4	11	11
Mitsubishi Estate Co Ltd	18,200	301	256
Mitsui Fudosan Co Ltd	14,600	249	206
Nippon Accommodations Fund	2	10	11
Sumitomo Realty & Development	4,300	80	74
United Urban Investment Corp	4	23	24
<i>Total Japan - 0.2%</i>		1,011	898
<i>Netherlands</i>			
ProLogis European Properties - 0.0%	219	1	1
<i>Norway</i>			
Norwegian Property ASA - 0.0%	24,500	49	32
<i>Singapore</i>			
Ascendas Real Estate Inv Trust	23,800	33	31
CapitaCommercial Trust	30,200	25	26
Capitaland Ltd	57,400	161	148
CapitaMall Trust	30,500	41	40
City Developments Ltd	14,000	107	111
Frasers Centrepont Trust	8,400	8	8
Wing Tai Holdings Ltd	40,000	56	45
<i>Total Singapore - 0.1%</i>		431	409
<i>Spain</i>			
Sol Melia SA - 0.0%	13,500	108	86
<i>Sweden</i>			
Castellum AB	7,300	64	67
Hufvudstaden AB	2,480	21	19
<i>Total Sweden - 0.0%</i>		85	86
<i>Switzerland</i>			
Swiss Prime Site AG - 0.0%	340	20	21
<i>United Kingdom</i>			
Big Yellow Group PLC	14,000	70	62
British Land Company PLC	10,017	72	65
Derwent London PLC	8,720	183	163
Grainger PLC	3,520	7	6
Great Portland Estates PLC	20,370	92	89
Hammerson PLC	3,420	21	18
Helical Bar plc	1,839	9	8
Land Securities Group PLC	19,780	199	165
Safestore Holdings PLC	11,800	26	20
SEGRO	4,200	21	16
Sfaftesbury PLC	8,200	47	44
SL Green Realty Corp	3,300	195	182
<i>Total United Kingdom - 0.2%</i>		942	838
<i>United States</i>			
Acadia Realty Trust	900	16	15
Alexandria Real Estate Equity	800	54	51
AMB Property Corp	4,500	118	107
American Campus Communities	3,000	84	82
Apartment Inv't & Mgmt Co	2,500	52	48
Avalonbay Communities Inc	900	77	84
Boston Properties	3,400	251	243
BRE Properties	1,200	44	44
Camden Property Trust	1,000	42	41
Developers Diversified Realty	4,200	53	42
Digital Realty Trust Inc	3,000	170	173
Douglas Emmett Inc	5,000	77	71
Duke Realty Corp	2,900	34	33
Equity Residential	3,400	135	142

See accompanying notes to financial statements.

# Private Real Estate Pool

## Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

<u>Security Name</u>	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Essex Property Trust Inc	1,300	132	127
Extra Space Storage Inc	1,400	19	19
Federal Realty Investment Tst	2,500	179	176
HCP Inc	4,000	126	129
Highwoods Properties Inc	1,500	46	42
Host Hotels & Resorts Inc	17,900	245	241
Hyatt Hotels Corp	900	33	33
Liberty Property Trust	2,200	71	63
Macerich Co	3,500	136	131
Nationwide Health PPTYs Inc	4,000	137	143
Pebblebrook Hotel Trust	200	4	4
Prologis	3,700	50	37
Public Storage	1,800	159	158
Regency Centers Corp	1,700	62	58
Simon Property Group	5,200	426	420
Starwood Hotels & Resorts	1,700	79	70
Tanger Factory Outlet Centers	1,900	82	79
Taubman Centers Inc	1,600	65	60
UDR Inc	2,600	45	50
Ventas Inc	3,900	179	185
Vornado Realty Trust	4,500	323	328
<i>Total United States - 0.8%</i>		<u>3,805</u>	<u>3,729</u>
Total Real Estate Investment Trusts - 1.9%		9,917	9,233
<b><u>Short-term Issues</u></b>			
Dreyfus Cash Management Institutional Fund - 3.5%	17,088,310	<u>17,088</u>	<u>17,088</u>
Total Investment Securities - 99.5%		<u>\$ 490,426</u>	<u>\$ 491,927</u>

*See accompanying notes to financial statements.*

# Private Real Estate Pool

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## Statement of Operations Year Ended June 30, 2010 *(Amounts in thousands)*

### Investment income

Interest	\$	5,835
Operating		589
Dividends, net of foreign withholding taxes		156
Net accretion		<u>1,553</u>

**Total investment income** 8,133

### Expenses

Investment advisor fees		(84)
Trustee fees		(2)
Custodian bank fees		(58)
Management fees		(100)
Fiduciary bond fees		(2)
Professional service fees		(409)
Management fees - external		(300)
Fund closing costs		<u>17</u>

**Total expenses** (938)

**Investment income, net** 7,195

### Realized and unrealized gain (loss) from investments and foreign currency

Net realized gain (loss) from:		
Investments		59
Foreign currency transactions		(29)
Net increase (decrease) in the fair value of:		
Investments		10,355
Translation of assets and liabilities in foreign currencies		<u>(98)</u>

**Net gain from investments and foreign currency** 10,287

**Net increase in net assets from operations** \$ 17,482

*See accompanying notes to financial statements.*

# Private Real Estate Pool

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## Statement of Changes in Net Assets Year Ended June 30, 2010 *(Amounts in thousands, except unit data)*

### Operations

Investment income, net	\$	7,195
Net realized gain from investments		59
Net realized loss from foreign currency transactions		(29)
Net increase in the fair value of investments		10,355
Net decrease in the translation of assets and liabilities in foreign currencies		<u>(98)</u>
<b>Net increase in net assets from operations</b>		17,482

### Unit transactions

Proceeds from sale of units		475,816
Amount paid for repurchase of units		<u>(35,423)</u>
<b>Net increase in net assets from unit transactions</b>		<u>440,393</u>

**Increase in net assets** 457,875

**Net assets, beginning of period** 37,392

**Net assets, end of period** \$ 495,267

### Unit data

Units sold		62,485,503
Units repurchased		<u>(4,649,939)</u>
<b>Net increase in units</b>		<u><u>57,835,564</u></u>

*See accompanying notes to financial statements.*



# Private Real Estate Pool

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**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Cash flows from operating activities**

Net increase in net assets from operations	\$ 17,482
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:	
Purchase of investment securities	(526,421)
Proceeds from disposition of investment securities	79,725
Purchases and sales of short-term investment securities, net	4,056
Increase in accrued interest receivable	(3,525)
Increase in receivable for investments sold	(3)
Increase in dividends receivable	(18)
Increase in foreign tax withholding receivable	(1)
Increase in accrued expenses	64
Increase in payable for investments purchased	93
Net accretion	(1,553)
Net realized gain from investments	(59)
Net realized loss from foreign currency transactions	29
Net increase in the fair value of investments	(10,355)
Net decrease in the translation of assets and liabilities in foreign currencies	98
	<u>98</u>
<b>Net cash used in operating activities</b>	<b>(440,388)</b>

**Cash flows from financing activities**

Proceeds from units sold	475,816
Paid for repurchase of units	(35,423)
	<u>(35,423)</u>
<b>Net cash provided by financing activities</b>	<b>440,393</b>

**Net change in cash** 5

**Cash**

Beginning balance	-
Ending balance	<u>\$ 5</u>

*See accompanying notes to financial statements.*

# Private Real Estate Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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. United States Treasury Inflation-Protected Securities (TIPS) were added to the Pool in November 2009, and are managed by State Street Global Advisors. Real Estate Investment Trusts were added to the Pool in February 2010, and are managed by European Investors, Inc. and ING Clarion Real Estate Securities.

### 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, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$20,599 of such 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

# Private Real Estate Pool

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## Notes to Financial Statements

*(Amounts in thousands, except share data)*

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

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 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, 2010. Foreign currency forward contracts are valued at either spot or forward month-end exchange rates. Investments in equity securities are carried at fair value, which is determined by a third party pricing service based on quoted market prices. Investments in debt securities are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. 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:

- 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.

**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 amount valued at month end and the 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 investments in other funds are recognized at the time of sale by the average cost method.

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

# Private Real Estate Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

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

**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

#### Credit Risk

The IMB limits the exposure to credit risk in the 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 Pool as of June 30, 2010.

Security Type	Moody's	S&P	Fair Value	Percent of Assets
U.S. Treasury Inflation Protection Securities	Aaa	AAA	\$ 445,007	90.5%
Money market funds	Aaa	AAA	17,088	3.5%
Total rated investments			<u>\$ 462,095</u>	<u>94.0%</u>

Unrated securities include real estate investment trusts valued at \$9,233, investments in limited partnerships valued at \$19,637, and an investment in an institutional commingled fund valued at \$962. These unrated securities represent 6.0 percent of the fair value of the pool's investments.

#### Concentration of Credit Risk

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2010, 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, 2010, the 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. The investment in the institutional commingled fund is held in an account in the name of the IMB.

#### Interest Rate Risk

The IMB monitors interest rate risk of the 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 Pool as of June 30, 2010.

Security Type	Fair Value	Modified Duration (years)
U.S. Treasury Inflation Protection Securities	\$ 445,007	7.7
Money market fund	17,088	0.0
Total assets	<u>\$ 462,095</u>	<u>7.4</u>

# Private Real Estate Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

#### Foreign Currency Risk

The Pool has real estate investment trusts, shares of an institutional commingled fund, 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, 2010 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, 2010 are as follows:

Currency	Investments	Cash	Total
Australian Dollar	\$ 728	\$ -	\$ 728
British Pound	656	-	656
Canadian Dollar	259	-	259
Euro	1,464	5	1,469
Hong Kong Dollar	1,442	-	1,442
Japanese Yen	899	-	899
Norwegian Krone	32	-	32
Singapore Dollar	410	-	410
Swedish Krona	86	-	86
Swiss Franc	21	-	21
Total	<u>\$ 5,997</u>	<u>\$ 5</u>	<u>\$ 6,002</u>

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 \$485,930.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

# Private Real Estate Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

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

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Real Estate Investment Trusts	\$ 9,233	\$ -	\$ -	\$ 9,233
Regulated Investment Companies	-	17,088	-	17,088
U.S. Treasury Issues	-	445,007	-	445,007
Investments in Other Funds	-	-	20,599	20,599
Total	\$ 9,233	\$ 462,095	\$ 20,599	\$ 491,927

# Private Real Estate Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

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

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2010 was as follows:

	Investment in Other Funds
Balance at June 30, 2009	\$ 16,302
Net realized gain/(loss)	-
Net change in unrealized depreciation	(484)
Purchases	4,781
Sales	-
Net transfers in/(out) of Level 3	-
Balance at June 30, 2010	\$ 20,599

### 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 \$160,000 to five real estate investment funds/partnerships. The IMB had funded \$29,838 of these commitments at June 30, 2010, leaving unfunded commitments of \$130,162.

### NOTE 7. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2010, open foreign currency forward contracts are as follows:

Position	Foreign Currency	Inception Date	Expiration Date	Receivable		Payable		Unrealized appreciation (depreciation)
				(in foreign currency)	(in U. S. dollars)	(in foreign currency)	(in U. S. dollars)	
Long	Singapore Dollar	6/29/2010	7/2/2010	2	1		1	-
Long	Canadian Dollar	6/29/2010	7/6/2010	4	4		4	-
Long	Canadian Dollar	6/29/2010	7/6/2010	12	11		11	-
				\$ 16			\$ 16	\$ -

The contracts listed above were initiated to correspond to transactions in securities trading in foreign currencies. The fair value, gains and losses, and risks are not material the Pool.

# Private Real Estate Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 8. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2009	\$	7.50
Income from investment operations:		
Net investment income		0.17
Net realized and unrealized gain on investment transactions		0.21
Total from investment operations		0.38
Net asset value at June 30, 2010	\$	7.88

**Time-weighted Total Return \*** 5.2%

#### Supplemental Data:

Net assets, end of period	\$	495,267
Ratio to average net assets:		
Expenses **		0.31%
Net investment income **		2.34%
Portfolio turnover rate		27.89%

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

\*\* All ratios are for the fiscal year

### NOTE 9. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 236,319
Public Employees' Retirement System	217,927
State Police Death, Disability and Retirement Fund	23,194
Judges' Retirement System	6,023
Deputy Sheriff's Retirement System	5,334
State Police Retirement System	3,035
Wildlife Endowment Fund	2,036
Emergency Medical Services Retirement System	1,399
Total	\$ 495,267

### NOTE 10. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.



# **Audited Financial Statements**

**June 30, 2010**

**Hedge Fund Pool**

# Hedge Fund Pool

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## Audited Financial Statements June 30, 2010

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**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, and the related statements of operations, changes in net assets and cash flows for the year then ended for the West Virginia Investment Management Board (WVIMB) Hedge Fund Pool. These financial statements are the responsibility of WVIMB 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 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 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 financial position of the West Virginia Investment Management Board Hedge Fund Pool as of June 30, 2010, and the results of its operations, changes in net assets and cash flows for the year then ended on the comprehensive basis of accounting described in the preceding paragraph and in note 1.

**KPMG LLP**

September 9, 2010

# Hedge Fund Pool

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## Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

### Assets

Investment securities at fair value	\$ 1,112,798
Receivable for investments sold	<u>11,359</u>
<b>Total assets</b>	1,124,157

### Liabilities

Accrued expenses	<u>127</u>
<b>Net assets</b>	<u><u>\$ 1,124,030</u></u>

### Analysis of net assets

Paid-in capital	\$ 1,099,718
Accumulated undistributed net investment loss	(1,730)
Accumulated undistributed net realized loss from investments	(7,078)
Unrealized net appreciation of investments	<u>33,120</u>
<b>Net assets</b>	<u><u>\$ 1,124,030</u></u>

### Unit data

Units outstanding	110,180,730
Net asset value, unit price	<u><u>\$ 10.20</u></u>

See accompanying notes to financial statements.

# Hedge Fund Pool

## Schedule of Investments in Securities

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Amortized Cost	Fair Value
<b><u>Investments in Other Funds</u></b>			
AllBlue Limited		\$ 60,060	\$ 79,431
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	45,836
Investment Objective - To earn superior risk-adjusted returns while emphasizing preservation of capital.			
Redemption Provisions - Semi-annually with 185 days' prior written notice.			
A detail of the underlying investments is not available.			
Bennelong Asia Pacific		3,619	2,490
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 - Redemption has been requested and proceeds will be paid upon liquidation of the investments.			
A detail of the underlying investments is not available.			
Brevan Howard Fund Limited		39,386	48,747
Investment Objective - To generate consistent long-term appreciation through active leveraged trading and investment on a global basis.			
Redemption Provisions - Monthly with 90 days' prior written notice.			
A detail of the underlying investments is not available.			
Bridgewater Pure Alpha Fund		49,243	53,274
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 & Quantitative Strategies		60,000	52,177
Investment Objective - To achieve attractive risk-adjusted returns over the medium to long term.			
Redemption Provisions - Annually with 365 days' prior notice for 50% and Quarterly with 90 days' prior notice for 50%.			
A detail of the underlying investments is not available.			
Davidson Kempner International, Ltd.		74,645	85,522
Investment Objective - To achieve capital appreciation.			
Redemption Provisions - Quarterly with 65 days' prior notice.			
A detail of the underlying investments is not available.			

*See accompanying notes to financial statements.*

## Hedge Fund Pool

### Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Amortized Cost	Fair Value
Golden Tree Offshore Fund, Ltd. Investment Objective - To achieve superior risk-adjusted total returns through investments in public and private non-investment grade and nonrated debt securities. Redemption Provisions - Quarterly with 90 days' prior notice. A detail of the underlying investments is not available.		60,000	73,557
Highbridge Capital Investment Objective - To attain consistent capital appreciation with low volatility through arbitrage and absolute return investment strategies in the global equity and corporate debt securities markets. Redemption Provisions - Quarterly with 45 days' prior notice for 24% and Quarterly with 65 days' prior notice for 76%. A detail of the underlying investments is not available.		78,157	74,037
Ionic Capital International Ltd. Investment Objective - To generate superior risk-adjusted returns in both rising and falling markets. Redemption Provisions - Quarterly with 60 days' prior notice. A detail of the underlying investments is not available.		40,000	37,374
Ivory Offshore Investment Objective - To take long and short positions primarily in equity securities of publicly traded companies. Redemption Provisions - Quarterly with 45 days' prior written notice. A detail of the underlying investments is not available.		48,000	50,220
Level Global Overseas Ltd. Investment Objective - To achieve above average capital appreciation primarily through investments in equity securities and other equity-related instruments. Redemption Provisions - Quarterly with 60 days' prior written notice. A detail of the underlying investments is not available.		50,217	51,410
Magnetar Capital Fund Investment Objective - To achieve superior risk-adjusted returns. Redemption Provisions - Quarterly with 90 days' prior written notice. A detail of the underlying investments is not available.		85,334	74,841
M&G Episode Investment Objective - To deliver attractive returns with appropriate volatility by seeking to exploit the mis-pricing of asset class and intra-asset class risk. Redemption Provisions - Monthly with 30 days' prior written notice. A detail of the underlying investments is not available.		42,814	42,060

*See accompanying notes to financial statements.*

## Hedge Fund Pool

### Schedule of Investments in Securities (continued)

**June 30, 2010**

*(Amounts in thousands, except share data)*

Security Name	Shares	Amortized Cost	Fair Value
O'Connor Global		72,281	84,648
Investment Objective - To realize consistently high risk-adjusted appreciation in the value of its assets.			
Redemption Provisions - Quarterly with 60 days' prior written notice.			
A detail of the underlying investments is not available.			
Perry Partners		60,000	64,609
Investment Objective - To achieve positive annual returns accompanied by a low level of beta and volatility in correlation relative to equity markets.			
Redemption Provisions - Annually with 90 days' prior written notice.			
A detail of the underlying investments is not available.			
PMA Asian Opportunities		36,000	34,660
Investment Objective - To achieve an absolute target return with strict adherence to stop-loss limits on the portfolio.			
Redemption Provisions - Quarterly with 90 days' prior written notice.			
A detail of the underlying investments is not available.			
Shepherd Investments		90,000	81,749
Investment Objective - To achieve an attractive rate of return, relative to the level of risk assumed.			
Redemption Provisions - Quarterly with 90 days' prior written notice.			
A detail of the underlying investments is not available.			
Taconic Opportunity		60,000	62,283
Investment Objective - To provide solid risk-adjusted, absolute returns by focusing on bottom-up, research-driven, probabilistic investing.			
Redemption Provisions - Quarterly with 60 days' prior written notice.			
A detail of the underlying investments is not available.			
VICIS Capital		21,914	13,865
Investment Objective - To achieve attractive risk-adjusted returns through investment in a diversified portfolio of assets.			
Redemption Provisions - Redemption has been requested and proceeds will be paid upon liquidation of the investments.			
A detail of the underlying investments is not available.			
Total Investment in Other Funds - 99.0%		1,079,670	1,112,790
<b><u>Short-term Issues</u></b>			
Dreyfus Cash Management Institutional Fund - 0.0%	7,686	8	8
Total Investment Securities 99.0%		\$ 1,079,678	\$ 1,112,798

*See accompanying notes to financial statements.*

# Hedge Fund Pool

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**Statement of Operations**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Investment income**

Dividend income \$ 23

**Expenses**

Trustee fees (7)  
Custodian bank fees (2)  
Management fees (404)  
Fiduciary bond fees (6)  
Professional service fees (504)

**Total expenses** (923)

**Investment loss, net** (900)

**Realized and unrealized gain (loss) from investments**

Net realized loss from investments (7,078)  
Net increase in the fair value of investments 120,544

**Net gain from investments** 113,466

**Net increase in net assets from operations** \$ 112,566

*See accompanying notes to financial statements.*



# Hedge Fund Pool

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## Statement of Changes in Net Assets

Year Ended June 30, 2010

(Amounts in thousands, except unit data)

### Operations

Investment loss, net	\$ (900)
Net realized loss from investments	(7,078)
Net increase in the fair value of investments	<u>120,544</u>

**Net increase in net assets from operations** 112,566

### Unit transactions

Proceeds from sale of units	68,233
Amount paid for repurchase of units	<u>(169,213)</u>

**Net decrease in net assets from unit transactions** (100,980)

**Increase in net assets** 11,586

**Net assets, beginning of period** 1,112,444

**Net assets, end of period** \$ 1,124,030

### Unit data

Units sold	7,176,313
Units repurchased	<u>(17,073,682)</u>

**Net decrease in units** (9,897,369)

See accompanying notes to financial statements.

# Hedge Fund Pool

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**Statement of Cash Flows**  
**Year Ended June 30, 2010**  
*(Amounts in thousands)*

**Cash flows from operating activities**

Net increase in net assets from operations	\$	112,566
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Purchase of investment securities		(40,000)
Proceeds from disposition of investment securities		153,250
Purchases and sales of short-term investment securities, net		(6)
Increase in receivable for investments sold		(11,359)
Decrease in accrued expenses		(5)
Net realized loss from investments		7,078
Net increase in the fair value of investments		<u>(120,544)</u>
<b>Net cash provided by operating activities</b>		<b>100,980</b>

**Cash flows from financing activities**

Proceeds from units sold		68,233
Paid for repurchase of units		<u>(169,213)</u>
<b>Net cash used in financing activities</b>		<b><u>(100,980)</u></b>

**Net change in cash** -

**Cash**

Beginning balance		-
Ending balance	\$	<u><u>-</u></u>

*See accompanying notes to financial statements.*

# Hedge Fund Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (IMB) was organized on April 25, 1997, as a public body corporate 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 in other funds, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$1,112,790 of investments in such 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

# Hedge Fund Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

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 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, 2010. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions.

**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, 2010, approximately \$393,329 or 35 percent, of the market value of the funds were held in foreign currencies.

### NOTE 4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168 (Accountings Standards Codification (ASC) 105-10), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, (ASC 105-10). ASC 105-10 replaces SFAS 162 and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. The Codification became the exclusive authoritative reference on September 30, 2009.

# Hedge Fund Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No.109*, (ASC 740-10). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation was implemented as of July 1, 2009 and did not have an impact on the Pool's financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities (an amendment to FASB Statement No. 133)*, (ASC 815-10). ASC 815-10 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under ASC 815-10 and related interpretations, and how derivative instruments and related hedged items affect a company'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, information about credit-risk-related contingent features in derivative agreements, counterparty credit risk and a company's strategies and objectives for using derivative financial instruments. ASC 815-10 also requires entities to disclose information that would enable users of its financial statements to understand the volume of its derivative activity. This ASC was implemented as of July 1, 2009. The adoption of this standard did not have a material impact on the financial condition or operations of the Pool.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures about Fair Value Measurements*. This amends ASC 820 to clarify existing requirements regarding disclosures of inputs and calculation techniques and levels of disaggregation. This ASU also requires the following new disclosures; (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity, including information on a gross basis for purchases, sales, issuances and settlements. This ASU is required in annual reporting periods beginning after December 15, 2009, except for the disclosures about Level 3 purchases, sales, issuances, and settlements in the roll forward activity for fair value measurements, which will be effective for fiscal years beginning after December 15, 2010. This ASU was implemented for fiscal year ended June 30, 2010, and did not have a material impact on the Pool's financial statements.

### NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. 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).

ASC 820 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 ASC 820 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.

# Hedge Fund Pool

## Notes to Financial Statements (Amounts in thousands, except share data)

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

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Regulated Investment Companies	\$ -	\$ 8	\$ -	\$ 8
Investments in Other Funds	-	-	1,112,790	1,112,790
Total	\$ -	\$ 8	\$ 1,112,790	\$ 1,112,798

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2010 was as follows:

	Investment in Other Funds
Balance at June 30, 2009	\$ 1,112,576
Net realized loss	(6,595)
Net change in unrealized appreciation	120,060
Purchases	40,000
Sales	(153,251)
Net transfers in/(out) of Level 3	-
Balance at June 30, 2010	\$ 1,112,790

### NOTE 6. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2009	\$ 9.26
Income from investment operations:	
Net investment loss	(0.01)
Net realized and unrealized gain on investment transactions	0.95
Total from investment operations	0.94
Net asset value at June 30, 2010	\$ 10.20

**Time-weighted Total Return \*** 10.1%

#### Supplemental Data:

Net assets, end of period	\$ 1,124,030
Ratio to average net assets:	
Expenses **	0.08%
Net investment income **	-0.08%
Portfolio turnover rate	3.50%

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

\*\* All ratios are for the fiscal year

# Hedge Fund Pool

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## Notes to Financial Statements (Amounts in thousands, except share data)

### NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2010.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 414,434
Public Employees' Retirement System	377,752
Workers' Compensation Old Fund	105,546
Coal Workers' Pneumoconiosis Fund	48,895
State Police Death, Disability and Retirement Fund	40,632
Revenue Shortfall Reserve Fund B	34,160
Public Employees' Insurance Agency	26,031
Board of Risk and Insurance Management	24,003
Revenue Shortfall Reserve Fund	21,323
Judges' Retirement System	10,556
Deputy Sheriff's Retirement System	9,351
State Police Retirement System	5,326
Wildlife Endowment Fund	3,567
Emergency Medical Services Retirement System	2,454
Total	<u>\$ 1,124,030</u>

### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of subsequent events through September 9, 2010, the date of the Pool's financial statements. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.





# Audited Financial Statements

## Administrative Fund



# Audited Financial Statements

**June 30, 2010**

Administrative Fund

# Administrative Fund

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## Audited Financial Statements June 30, 2010

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# Administrative Fund

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## 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, 2010. Please read it in conjunction with the IMB Administrative Fund basic financial statements, which follow this discussion. The IMB operates investment pools and issues separate audited financial statements on the 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 \$28 million as compared to \$24 million for the previous fiscal year. The change primarily results from an increase in fees charged to cover investment advisor fees. This increase can be attributed to higher assets under management. Net assets of the investment pools managed by the IMB increased by \$1.5 billion from the previous year.
- Fees paid to outside investment advisors increased by \$3.2 million over the previous year as a result of an increase in assets under management. The average expense ratio for investment advisor fees across all pools was 19.8 basis points for the year as compared to 20.2 basis points for the previous year.
- Custodian bank fees increased by \$261,000 from the previous year largely as a result of the increase in assets and the addition of public REITS held in international markets in the Private Real Estate pool.
- Fees for professional services increased by \$225,000. This increase is attributable to higher consulting fees and legal fees related to shareholder litigation actions.
- Administrative expenses increased by \$424,000, or 13.7 percent from the previous year. The expense ratio for administrative expenses was 3.3 basis points of average net assets as compared to 3.6 basis points for the previous year. Increased personnel costs accounted for the majority of the increase. Total salary expense for the fiscal year ended June 30, 2010 was \$1,839,000 as compared to \$1,641,000 for the prior fiscal year. In total, administrative fees were \$752,000 lower than the expenses included in the fiscal year budget approved by the Board of Trustees.
- Dividend income for the year decreased by \$27,000. This decrease is primarily a result of the decrease in market interest rates.

### THE FINANCIAL REPORTS

This financial report consists 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 describe 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 provided by the IMB Administrative Fund's operating activities during the year.

# Administrative Fund

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS

The IMB Administrative Fund's total assets as of June 30, 2010, were \$9.8 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. This was \$0.8 million higher than the previous year.

Total liabilities as of June 30, 2010, were \$5.5 million, consisting of invoices payable and accrued liabilities for investment management and consulting fees, custodial fees, and administrative expenses. This was \$0.8 million higher than the previous year.

The increases in assets and liabilities can be attributed to higher fees payable to investment advisors. This in turn results in higher receivables from the investment portfolios.

<b>Table 1</b> <b>Net Assets and Assets Under Management</b> <b>(In thousands)</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 5,320	\$ 5,048
Receivables	4,312	3,850
Other assets	<u>169</u>	<u>124</u>
Total assets	9,801	9,022
Total liabilities	<u>(5,464)</u>	<u>(4,715)</u>
Net assets	<u>\$ 4,337</u>	<u>\$ 4,307</u>
Composition of net assets:		
Invested in capital assets	\$ 23	\$ 36
Unrestricted	4,314	4,271
Net assets under management at June 30	\$ 10,622,518	\$ 9,165,867

<b>Table 2</b> <b>Changes in Net Assets</b> <b>(In thousands)</b>	<b>2010</b>	<b>2009</b>	<b>Percentage Change</b>
Investment service fees	\$ 28,021	\$ 24,014	16.7%
Expenses			
Advisor fees	(20,758)	(17,593)	-18.0%
Custodian fees	(1,275)	(1,014)	-25.7%
Trustee fees	(59)	(56)	-5.4%
Fiduciary bond expense	(52)	(53)	1.9%
Professional service fees	(2,340)	(2,115)	-10.6%
Administrative expenses	<u>(3,508)</u>	<u>(3,084)</u>	<u>-13.7%</u>
Operating profit (loss)	29	99	-70.7%
Nonoperating revenues	<u>1</u>	<u>30</u>	<u>-96.7%</u>
Increase in net assets	30	129	-76.7%
Net assets – beginning of year	<u>4,307</u>	<u>4,178</u>	<u>3.1%</u>
Net assets – end of year	<u>\$ 4,337</u>	<u>\$ 4,307</u>	<u>0.7%</u>

### CAPITAL ASSETS

The IMB Administrative Fund made no acquisitions of capital assets during the current fiscal year. Also, there were no disposals of capital assets.

# Administrative Fund

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## 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 [www.wvimb.org](http://www.wvimb.org).



**KPMG LLP**  
BNY Mellon Center  
Suite 2500  
500 Grant Street  
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, 2010, 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, 2010, 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, 2010, 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 through iii 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 7, 2010

# Administrative Fund

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## Statement of Net Assets June 30, 2010

### Assets

#### Current assets:

Cash and cash equivalents	\$ 5,320,355
Accounts receivable	4,311,629
Prepaid expenses	118,260
Dividend receivable	47

**Total current assets** 9,750,291

#### Noncurrent assets:

Prepaid expenses - noncurrent	27,687
Capital assets:	
Equipment	586,849
Office furniture	115,231
Leasehold improvements	45,492
Less accumulated depreciation	(724,200)

**Total capital assets (net of accumulated depreciation)** 23,372

**Total noncurrent assets** 51,059

**Total assets** 9,801,350

### Liabilities

#### Current liabilities:

Accounts payable and accrued expenses	5,464,252
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**Total current liabilities** 5,464,252

**Total liabilities** 5,464,252

### Net assets

Invested in capital assets	23,372
Unrestricted	4,313,726

**Total net assets** \$ 4,337,098

*See accompanying notes to financial statements.*

## Administrative Fund

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### Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2010

#### Operating revenues

Investment service fees	<u>\$ 28,021,322</u>
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<b>Total operating revenues</b>	28,021,322
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#### Operating expenses

Advisor fees	20,758,248
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Custodian fees	1,274,573
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Trustee fees	58,750
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Fiduciary bond expenses	52,582
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Professional service fees	2,340,363
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Administrative expenses	<u>3,507,578</u>
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<b>Total operating expenses</b>	<u>27,992,094</u>
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<b>Operating income</b>	29,228
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#### Nonoperating revenues

Dividend income	<u>630</u>
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<b>Total nonoperating revenues</b>	<u>630</u>
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<b>Increase in net assets</b>	29,858
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Net assets, beginning of year	<u>4,307,240</u>
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<b>Net assets, end of year</b>	<u><u>\$ 4,337,098</u></u>
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*See accompanying notes to financial statements.*

## Administrative Fund

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### Statement of Cash Flows Year Ended June 30, 2010

#### Cash flows from operating activities

Cash received from customers	\$ 27,560,064
Cash paid to suppliers	(24,650,797)
Cash paid to employees	<u>(2,637,453)</u>

**Net cash provided by operating activities** 271,814

#### Cash flows from investing activities

Dividends on investments	<u>629</u>
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**Net cash provided by investing activities** 629

**Net decrease in cash and cash equivalents** 272,443

**Cash and cash equivalents, beginning of year** 5,047,912

**Cash and cash equivalents, end of year** \$ 5,320,355

#### Reconciliation of operating income to net cash used in operating activities:

Operating income	\$ 29,228
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	12,360
Change in assets and liabilities:	
Increase in accounts receivable	(461,259)
Increase in prepaid expenses	(57,745)
Increase in accounts payable and accrued expenses	<u>749,230</u>

**Total adjustments** 242,586

**Net cash used in operating activities** \$ 271,814

*See accompanying notes to financial statements.*

# Administrative Fund

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## 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 Pneumoconiosis funds, and certain other State government funds. The IMB has established distinct investment pools to efficiently invest the entrusted funds. Separate 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 90 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.

# Administrative Fund

## Notes to Financial Statements

### NOTE 3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Office equipment	\$ 586,849	\$ -	\$ -	\$ 586,849
Office furniture	115,231	-	-	115,231
Leasehold improvements	45,492	-	-	45,492
Total capital assets, being depreciated	747,572	-	-	747,572
Less accumulated depreciation for:				
Office equipment	(551,117)	(12,360)	-	(563,477)
Office furniture	(115,231)	-	-	(115,231)
Leasehold improvements	(45,492)	-	-	(45,492)
Total accumulated depreciation	(711,840)	(12,360)	-	(724,200)
Capital assets, net	<u>\$ 35,732</u>	<u>\$ (12,360)</u>	<u>\$ -</u>	<u>\$ 23,372</u>

Depreciation expense of \$12,360 was charged to the investment management activity and is included in the administrative expenses.

### 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. 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. Under the original and amended lease, 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, 2009 to June 30, 2010 totaled \$192,359. 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:

2011-2012	\$ 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 date. The IMB contributes 10 percent of each covered employee's salary. Contributions for the period from July 1, 2009 to June 30, 2010 totaled \$179,726. The plan provides for a five-year vesting schedule with vesting increasing 20 percent per year.

# Administrative Fund

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## Notes to Financial Statements

### **NOTE 6. CASH AND INVESTMENT RISK**

At June 30, 2010, all of the IMB Administrative Fund's cash equivalents are 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.