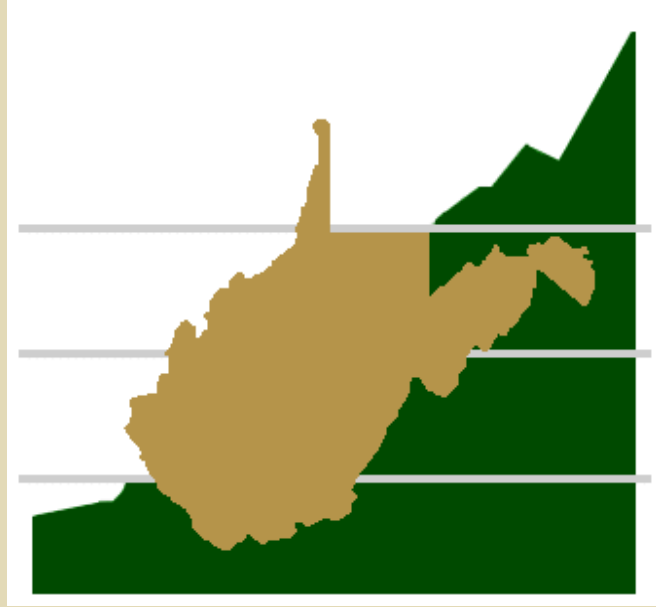


**2013 Annual Report**

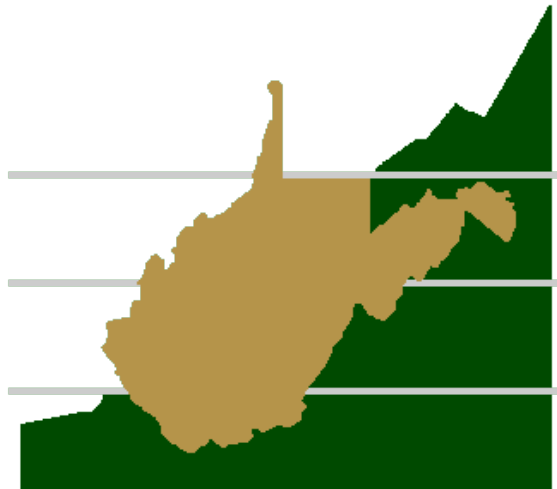


**West Virginia  
Investment Management Board**



# Annual Report

**Year Ended June 30, 2013**



*Our mission is to exercise our best independent judgment  
in providing prudent and professional investment  
management for the exclusive benefit of the beneficiaries.*

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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 12, 2013

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, 2013. Please note that additional information about the Investment Management Board may be accessed electronically on its website, [www.wvimb.org](http://www.wvimb.org).

The fiscal year ending June 30, 2013, was, like most years, challenging for the capital markets as the world continues to struggle with the aftermath of the credit crisis of 2008. While markets turned down as the fiscal year came to a close, the Investment Management Board was still able to return 13.1 percent (using the Public Employees' Retirement System as a proxy for all long-term assets). "More importantly, however, is the 7.6 percent return the Investment Management Board has generated over the last ten years ending June 30, 2013. This exceeds the target rate of return assumed by the actuary for the defined benefit pension plans. As for the future, although it appears that the United States is beginning to work its way out of the recession, globally it will likely take many years to recover from the credit crisis of 2008, creating significant challenges for the Investment Management Board in achieving its performance targets. It is important to remind ourselves, however, that the time horizon for the majority of assets entrusted to the Investment Management Board is long-term.

I wish to thank fellow trustees and the staff of the Investment Management Board for their dedicated service. I commend the Board on its professionalism, commitment to the mission, and customer service.

Sincerely,



Earl Ray Tomblin  
Governor of the State of West Virginia  
Chairman of the Board of Trustees



## Message from Executive Director

---

September 12, 2013

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 the 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:

- **Organization** – Contains general information regarding trustees and staff, history of the IMB, statutory mandate, administrative mandate, and investment philosophy.
- **Investment Objectives and Financial Highlights** – Outlines the more specific objectives and performance of each of the investment pools.
- **Participant Plans** – Contains a brief description of each of the participant plans whose assets are entrusted to the IMB.
- **Audited Financial Statements** – 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 participant plans entrusted to it. To a large extent, each participant plan's performance is a function of the assets in which it invests. As such, a review of asset class performance for the year may be helpful.

The pattern of returns in the US was reflective of fiscal and monetary issues. As the first half of the fiscal year came to a close, fear of the consequences of the fiscal cliff and sequestration stalled US equity returns. The second half of the fiscal year saw investors throw off their fears on stronger than expected economic data only to panic once again as the year came to a close over fear that the Federal Reserve would discontinue quantitative easing sooner than expected. The US stock market lost 1.3 percent (Russell 3000) in the last month of the fiscal year although it was still up 21.5 percent for the whole year. US fixed income followed suit losing 1.8 percent (Barclays Capital US Universal) the last month of the fiscal year, but was up only 0.2 percent for the whole year. Quantitative easing in Europe supported equity markets in the first half of the year, but political uncertainty bred doubts about the sustainability of any recovery in the second half of the fiscal year undercutting those markets. Meanwhile, with the election of Shinzo Abe as prime minister, Japan embarked on an aggressive course of quantitative easing driving its currency down against the dollar and stimulating growth, which served to raise Japanese equities. A corollary affect, however, was to force emerging market countries to devalue their currencies to remain competitive. That devaluation combined with developing cracks in the Chinese "story" (corruption, scandals and overbuilding) saw capital flee, pushing emerging markets down over 8 percent (MSCI Emerging Markets) for the last quarter of the fiscal year although it remained in positive territory for the whole fiscal year at 2.9 percent. The worst performing asset class for the fiscal year was treasury inflation-protected securities which were down 4.8 percent (Barclays Capital US TIPS).

The IMB's relative performance in each asset class was generally very good in fiscal year 2013. The best relative performance came from the international equity and fixed income portfolios which outperformed their benchmarks by 3.6 percent and 2.5 percent, respectively. The US equity portfolio was pedestrian by comparison, outperforming by only 0.4 percent. The private equity and real estate portfolios are still immature, so comparisons are problematic, but they

## Message from Executive Director

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certainly helped diversify risk in the portfolio, an important goal. Hedge funds have been a component of many of the plans for five years. Comparisons to hedge fund benchmarks are not altogether relevant as hedge fund portfolios are a collection of unique strategies constructed to achieve very specific goals. For the IMB, the goal is primarily diversification. Hedge funds have been an effective tool for that purpose in the IMB portfolio.

The majority of assets managed by the IMB are for participants with longer time horizons. These include the defined benefit pension plans, some employment security plans and other trust assets. Still others, like Revenue Shortfall Reserve Funds A and B, have shorter time horizons of varying degree. Defined benefit pension plans make up approximately 80 percent of the IMB's total assets. For general comparison purposes, the IMB uses the Public Employees' Retirement System (PERS) as a proxy for the other pension plans because of its similarity to other statewide public pension plans throughout the nation. As of June 30, 2013, the return for PERS was up 13.1 percent net of expenses for the fiscal year. Of greater significance is the longer-term performance. In that regard, over the ten-year period ending June 30, 2013, the IMB's return was 7.6 percent versus the policy benchmark of 6.7 percent. This represents millions of dollars in value added by trustees and staff. Specifically, for the mature defined benefit pension plans, the returns for the fiscal year ending June 30, 2013, ranged from 13.1 percent for the Public Employees' Retirement System to 11.9 percent for the Municipal Police Officers' and Firefighters' 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's asset allocation is a minor 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. This annuity product was finally fully liquidated in May of 2013. Other trust assets, including the Wildlife Endowment Fund and WVDEP Trust Fund, have similar asset allocations to the defined benefit pension plans and returned 13.0 and 12.9 percent respectively.

With regard to employment security assets, the reader will note a significant difference in returns from defined benefit plans. This is, primarily, a function of differences in the time horizon and liquidity needs, which vary quite significantly by plan. This leads to a wide divergence in the respective plans' allocations to various asset classes. As a result, the returns for employment security assets for the fiscal year ending June 30, 2013, range from 11.9 percent for the West Virginia Retiree Health Benefit Trust Fund to -0.7 percent for the Access West Virginia Fund. The Revenue Shortfall Reserve Fund A suffered the lowest return of all participant plans at -1.1 percent. This was a direct result of its significant allocation to inflation protected securities issued by the US Treasury.

Specific data on the returns and objectives of each Participant Plan may be found in the pages that follow. Before one peruses the data, it may be useful to make a few points about return and volatility, especially with regard to Participant Plans with long time horizons, like defined benefit pension plans.

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. But for the last quarter of that year, however, the stress would have been much greater. In addition, the great performance in fiscal years 2010, 2011 and 2013 improved the funded position and helped relieve the stress on the State's budget. The return for fiscal year 2012 fell short of the 7.5 percent hurdle rate and, as a result, put stress on the State's budget. Long-term investors have the opportunity and ability to generate higher returns, but that opportunity does not come without cost. That cost is volatility in return. To generate greater long-term returns, an investor must be willing to accept shorter periods of lesser returns. The portfolio that suffered through the market turmoil of 2008 and early 2009 is essentially the same portfolio that produced great relative returns in fiscal year 2009, great relative and absolute returns in fiscal year 2010, great absolute returns in fiscal year 2011, only modest returns in fiscal year 2012, and great relative and absolute returns in fiscal year 2013. The Investment Management Board's patience has served it well over time.

## Message from Executive Director

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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. Three years ago I stated that the road ahead was foggy and treacherous, that credit, employment, and income growth in the developed world would face many challenges, and that emerging markets of the world are better positioned for growth but will likely experience more volatility. The US now seems to be gaining strength with prospects of a full recovery on the horizon. The rest of the developed world appears to be languishing, struggling to work through the excesses that precipitated the global crisis. While the emerging markets of the world have excellent prospects for long-term growth, recent developments indicate that there will be a pause in that trajectory as capital flows have reversed, going back to developed markets in a global economy subject to multiple forces. 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 2014 unfolds.

Sincerely,

A handwritten signature in black ink, appearing to read 'CS', with a long horizontal flourish extending to the right.

Craig Slaughter, JD, CFA  
Executive Director



# Organization



## Board of Trustees – Fiscal Year 2013

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**Earl Ray Tomblin**, Chairman

Governor of the State of West Virginia

**Steve Antoline**

Businessman

**Guy Bucci**

Bucci Bailey & Javins, LC *July 1, 2012 to February 26, 2013*

**G. Kurt Dettinger**

Member in Steptoe & Johnson, PLLC *Appointed April 3, 2013*

**Glen B. Gainer III**

Auditor of the State of West Virginia

**Judy Hale**

American Federation of Teachers, AFL-CIO *Appointed January 4, 2013*

**David A. Haney**

Executive Director of the West Virginia Education Association

**Roger D. Hunter**

General Counsel, James C. Justice Companies, Inc.

**David H. McKinley**

President and Managing Director of McKinley | Carter Wealth Services

**John D. Perdue**

Treasurer of the State of West Virginia

**Marie L. Prezioso**

Senior Vice President, Manager WV Public Finance, Piper Jaffray & Co.

**Jack Rossi**

Member in Arnett Foster Toothman, PLLC

**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 2013

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### *Deputy Sheriff's Retirement System*

**David D. Gentry**, Representative  
**Terry L. Miller**, Committee Member  
**J. Scott Gittings**, Committee Member

### *Judges' Retirement System*

*Vacant*

### *Public Employees' Retirement System*

**Patricia Hamilton**, Representative  
**Denise Gould**, Committee Member  
**Melissa G. Smith**, Committee Member

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

**William J. Scott**, Representative

### *State Police Retirement System*

**Michael D. Lynch**, Representative

### *Teachers' Retirement System*

**Tony Lautar, Jr.**, Representative  
**Robert L. Brown**, Committee Member  
**Dale Lee**, Committee Member

### *Emergency Medical Services Retirement System*

**Harold Wayne Harmon**, Representative

### *Coal Workers' Pneumoconiosis Fund*

**Melinda Kiss**, Representative  
**Cheri Harpold**, Committee Member

### *Workers' Compensation Old Fund*

**Melinda Kiss**, Representative  
**Cheri Harpold**, Committee Member

*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 2013

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### *Executive Staff*

**Craig Slaughter, J.D., CFA**, Executive Director

**Matthew Jones, CPA, CCM**, Chief Financial Officer / Chief Operating Officer

**Kristy Watson, CFA**, Chief Investment Officer

### *Investments Division*

**Rod Livingston, CFA, CAIA, CCM, MBA**, Senior Investment Officer

**Tom Sauvageot, CAIA, MBA**, Fixed Income and Real Estate Investment Officer

**Jim Herrington, CFA, CAIA, MBA/MSM**, Private and Public Equity Investment Officer

### *Operations Division*

**Roger Summerfield, CPA**, Director of Operations

**Steve Frenchik, CPA, MBA**, Financial Reporting Manager

**Brian DuBois**, Senior Investment Accountant

**Linda Davis**, Trade Analyst

**Crystal Hunt**, Investment Accountant

**David McCormick**, Investment Accountant

**Aaron Souza**, Investment Accountant

**James Atkins, CPA**, Senior Alternative Investment Analyst

**Kristen Lanham-Meadows, CPA, MBA**, Alternative Investment Analyst

**Annie Kerns, MBA**, Investment Accountant

### *Support Staff*

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

**Jane Heitz**, Secretary / Receptionist

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

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

### *Technology Division*

**John Cole**, Director of Technology

**Darius Walker, MSCE**, Senior Network Engineer

**Rick Greathouse, CompTIA A+**, Network Administrator

**Rebecca King, CPA-Inactive**, Enterprise Information Architect

### *Internal Audit*

**Melissa Petit, CPA, CIA, CIDA, CISA, MBA**, Director of Internal Audit

**Tabitha Crist, CPA**, 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 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 long-term 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 the 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 Board of Investments was staffed by the State Treasury and the board itself was made up of the State's Governor, Treasurer, and Auditor.

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

In the fall of 1990, the Legislature took a huge leap forward by creating a staff for the West Virginia State Board of Investments separate from the staff of the Treasury. This provided clear accountability to the 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 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 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 board and staff of the West Virginia Trust Fund, Inc. Of no less importance was the creation of representative roles for members of the retirement systems and employment security systems.

With the failure of the West Virginia Trust Fund, Inc., it and the West Virginia State Board of Investments were replaced in 1997 by a new entity, the present day West Virginia Investment Management Board. The basic modernization process was complete. All of the improvements made in the Board of Investments and the West Virginia Trust Fund, Inc. were incorporated into the new entity.

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 "alternative investments," loosely defined as hedge fund 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.

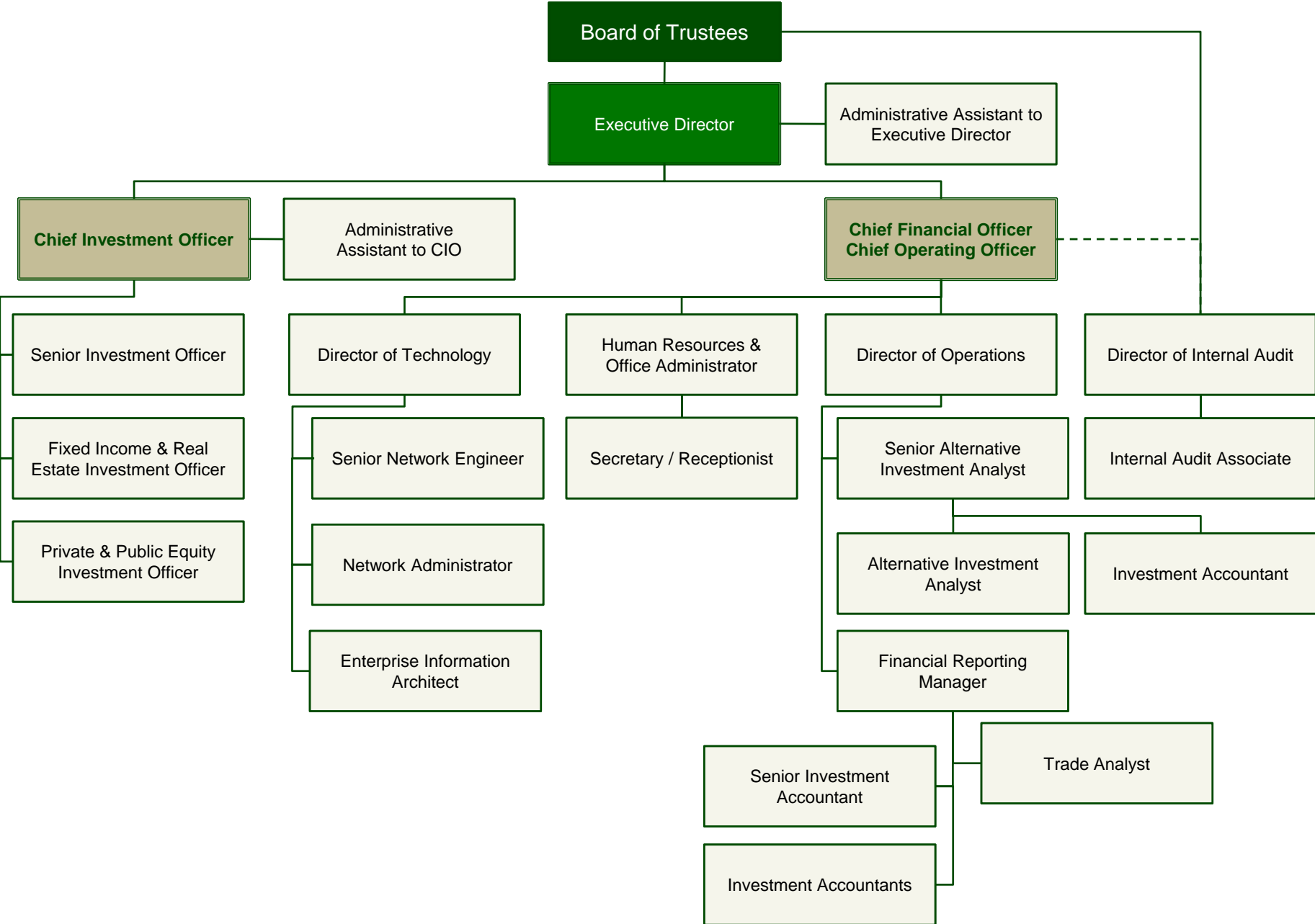
A member of each defined benefit retirement plan is designated by the Consolidated Public Retirement Board to represent the Participant Plans' interests. Likewise, the West Virginia Insurance Commission designates a representative for the Coal Workers' Pneumoconiosis Fund and the Workers' Compensation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

# Equity Pool

## OBJECTIVES

The main objective for the Equity Pool is to provide for long-term growth for all participants. The Equity Pool is comprised of separate strategic asset classes which, when taken in aggregate, enable adequate diversification. Separate investment pools have been established for each investment style or to comply with specific legal and accounting requirements. The strategic asset classes, 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%)

*Note: Each Participant Plan has its own unique Strategic Allocation. The above example is for clarification purposes only.*

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 style.

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
AJO	Relative Value
<b>International</b>	
<i>Developed Markets</i>	
Silchester International Investors	All Country, Value
LSV Asset Management	All Country, Relative Value
<i>Small Capitalization</i>	
Pictet Asset Management Limited	All Country, Growth at a Reasonable Price
<i>Emerging Markets</i>	
Brandes Investment Partners, L.P.	Emerging Market, Value
Axiom International Investors, LLC	Emerging Market, Growth at a Reasonable Price



## Equity Pool

### FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the equity pools and are included in Section II of this report. Financial Highlights for each pool are presented below.

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

#### Condensed Statement of Assets and Liabilities

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity
Investments	\$ 2,365,857	\$ 893,077
Payable upon return of securities loaned	(15,061)	(61,999)
Cash	1,488	-
Receivable for investments sold	56,230	21,400
Payable for investments purchased	(7,712)	(8,390)
Other assets and liabilities	2,478	14
Net assets - June 30, 2013	\$ 2,403,280	\$ 844,102

#### Condensed Statement of Assets and Liabilities

	International Qualified	International Nonqualified	International Equity
Investments	\$ 1,036,753	\$ 122,099	\$ 2,215,282
Payable upon return of securities loaned	-	-	(111,135)
Cash	-	-	17,100
Receivable for investments sold	-	-	3,032
Payable for investments purchased	-	-	(3,617)
Foreign currency contracts	-	-	(4)
Other assets and liabilities	(67)	(8)	8,556
Net assets - June 30, 2013	\$ 1,036,686	\$ 122,091	\$ 2,129,214

## Equity Pool

### FINANCIAL HIGHLIGHTS (continued in \$000s)

Investments	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	\$ 91,583	3.9%	\$ 57,600	6.4%
Capital Goods	211,879	9.0	119,170	13.3
Communications Services	86,743	3.7	5,557	0.6
Consumer Discretionary	320,652	13.5	129,665	14.5
Consumer Staples	257,635	10.9	12,625	1.4
Energy	267,068	11.3	61,222	6.9
Financial Services	406,316	17.2	213,337	24.0
Health Care	272,197	11.5	64,359	7.2
Technology	326,346	13.7	112,603	12.6
Utilities	93,914	4.0	36,714	4.1
Total domestic equities	2,334,333	98.7	812,852	91.0
Futures	(143)	0.0	-	0.0
Short-term issues	16,609	0.7	18,236	2.0
Investments made with cash collateral for securities loaned	15,058	0.6	61,989	7.0
<b>Total</b>	<b>\$ 2,365,857</b>	<b>100.0%</b>	<b>\$ 893,077</b>	<b>100.0%</b>

Investments	International Qualified		International Nonqualified	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Investments in other funds	\$ 1,036,753	100.0%	\$ 122,099	100.0%

Investments	International Equity	
	Fair Value	Percent of Securities
International equities country exposure:		
Australia	\$ 58,914	2.7%
Brazil	143,984	6.5
Canada	91,289	4.1
Cayman Islands	42,815	1.9
China	68,337	3.1
France	78,818	3.6
Germany	99,931	4.5
Hong Kong	49,089	2.2
India	72,164	3.3
Japan	250,440	11.3
Korea	158,921	7.2
Mexico	59,453	2.7
Russia	75,915	3.4
South Africa	47,500	2.1
Switzerland	62,012	2.8
Taiwan	49,384	2.2
United Kingdom	233,690	10.5
All others (none greater than 2%)	432,158	19.6
Total international equities	2,074,814	93.7
Short-term issues	29,351	1.3
Investments made with cash collateral for securities loaned	111,117	5.0
<b>Total</b>	<b>\$ 2,215,282</b>	<b>100.0%</b>

## Equity Pool

### FINANCIAL HIGHLIGHTS (continued in \$000s)

#### Progression of Net Assets

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity
Net assets - June 30, 2012	\$ 2,069,747	\$ 698,195
Net increase from operations	418,001	191,288
Net decrease from unit transactions	(84,468)	(45,381)
Net assets - June 30, 2013	<u>\$ 2,403,280</u>	<u>\$ 844,102</u>

#### Progression of Net Assets

	International Qualified	International Nonqualified	International Equity
Net assets - June 30, 2012	\$ 801,685	\$ 87,448	\$ 1,926,513
Net increase from operations	219,681	24,607	276,513
Net increase (decrease) from unit transactions	15,320	10,036	(73,812)
Net assets - June 30, 2013	<u>\$ 1,036,686</u>	<u>\$ 122,091</u>	<u>\$ 2,129,214</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. Actual rates of return are net of investment advisor fees.

Period	Large Cap Domestic Equity		Non-Large Cap Domestic Equity	
	Actual	S&P 500	Actual	Russell 2500
One-year	20.1%	20.6%	27.0%	25.6%
Three-year	18.7%	18.5%	21.6%	19.6%
Five-year	6.9%	7.0%	9.0%	9.2%
Ten-year	7.5%	7.3%	10.8%	10.3%

Period	International Qualified		International Nonqualified		International Equity	
	Actual	MSCI EAFE	Actual	MSCI EAFE	Actual	MSCI ACWI ex U.S.
One-year	27.4%	19.1%	27.1%	19.1%	13.2%	14.1%
Three-year	13.6%	10.6%	13.4%	10.6%	8.1%	8.5%
Five-year	8.1%	-0.2%	7.7%	-0.2%	1.4%	-0.3%
Ten-year	12.0%	8.2%	11.5%	8.2%	8.8%	9.1%

## Equity Pool

### EXPENSES

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

<b>Expense Ratios (in basis points)</b>	<b>Large Cap Domestic Equity</b>	<b>Non-Large Cap Domestic Equity</b>	<b>International Qualified</b>	<b>International Nonqualified</b>	<b>International Equity</b>
Investment advisor fees	8.4	40.6	52.4	65.8	60.5
Trustee fees	0.0*	0.0*	0.0*	0.0*	0.0*
Custodian bank fees	0.3	0.4	0.0*	0.0*	4.3
Management fees	2.9	2.9	2.9	2.9	2.9
Fiduciary bond fees	0.0*	0.0*	0.0*	0.0*	0.0*
Professional service fees	0.7	0.7	0.7	0.7	0.7
<b>Total</b>	<b>12.3</b>	<b>44.6</b>	<b>56.0</b>	<b>69.4</b>	<b>68.4</b>

\* Expense Ratio rounds to less than 0.1 basis points.

<b>Trading Costs</b>	<b>Large Cap Domestic Equity</b>	<b>Non-Large Cap Domestic Equity</b>	<b>International Equity</b>	<b>Total</b>
Net commission costs (in \$000s)	\$ 942	\$ 1,059	\$ 2,167	\$ 4,168
Domestic equity commission rate (cents per share)	1.7	1.5		
International equity commission rate (basis points per dollar volume)			12.4	

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# 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 Short-Term Fixed Income 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 (in \$000s)

Audited financial statements for the Short-Term Fixed Income Pool are included in Section II of this report. Financial Highlights are presented below.

### Condensed Statement of Assets and Liabilities

Investments	\$ 319,214
Other assets and liabilities, net	(9)
Net assets - June 30, 2013	<u>\$ 319,205</u>

### Investments

	Fair Value	Percent of Securities
U.S. Treasury issues	\$ 55,014	17.2%
U.S. government agency issues	138,003	43.3
Commercial paper	47,991	15.0
Repurchase agreement	78,206	24.5
Total	<u>\$ 319,214</u>	<u>100.0%</u>

### Progression of Net Assets

Net assets - June 30, 2012	\$ 365,012
Net increase from operations	269
Income distributions to unitholders	(267)
Net decrease from unit transactions	(45,809)
Net assets - June 30, 2013	<u>\$ 319,205</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. Actual rates of return are net of investment advisor fees.

Period	Actual	Citigroup 90 Day Treasury Bill plus 15 bps
One-year	0.2%	0.2%
Three-year	0.1%	0.3%
Five-year	0.3%	0.4%
Ten-year	1.8%	1.9%

### EXPENSES

The IMB charges each investment pool for its direct investment-related expenses, such as investment advisor fees, custodian bank fees, and some professional service fees, 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)

Investment advisor fees	4.9
Trustee fees	0.0*
Custodian bank fees	0.4
Management fees	3.3
Fiduciary bond fees	0.0*
Professional service fees	0.8
Total	9.4

\* Expense Ratio rounds to less than 0.1 basis points.

## Fixed Income Pool

### OBJECTIVES

The main objectives for the Fixed Income Pool are to generate investment income, provide stability, and enhance diversification, but not at the expense of total return. Separate investment pools have been established for particular investment styles. Individually, these pools are the Total Return Fixed Income Pool and the Core Fixed Income Pool. The Strategic Allocation for the total Fixed Income Pool, 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% (15% to 25%)

*Note: Each Participant Plan has its own unique Strategic Allocation. The above example is for clarification purposes only.*

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	Core Plus Fixed Income
Dodge & Cox	Core Plus Fixed Income
JPMorgan Investment Advisors, Inc.	Core Fixed Income

### FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the fixed income pools and are included in Section II of this report. Financial Highlights for each pool are presented below.

Condensed Statement of Assets and Liabilities	Total Return Fixed Income	Core Fixed Income
Investments	\$ 2,392,337	\$ 1,300,573
Payable upon return of securities loaned	(13,884)	(26,855)
Cash	(6,075)	-
Receivable for investments sold	4,037	367
Payable for investments purchased	(73,956)	(988)
Other assets and liabilities	10,373	4,670
Net assets - June 30, 2013	\$ 2,312,832	\$ 1,277,767



## Fixed Income Pool

### FINANCIAL HIGHLIGHTS (continued in \$000s)

Investments	Total Return Fixed Income		Core Fixed Income	
	Fair Value	Percentage of Securities	Fair Value	Percentage of Securities
Corporate issues	\$ 802,723	33.5%	\$ 454,010	34.9%
Foreign currency forward contracts	(709)	0.0	-	0.0
Foreign government bonds	6,879	0.3	12,467	1.0
Futures contracts	13,712	0.6	-	0.0
Investment in other funds	474,821	19.8	-	0.0
Investments made with cash collateral for securities loaned	13,882	0.6	26,850	2.1
Municipal bonds	80,320	3.4	7,311	0.6
Option contracts purchased	176	0.0	-	0.0
Option contracts written	(477)	0.0	-	0.0
Short-term issues	171,036	7.1	10,892	0.8
U.S. government agency issues	467,493	19.5	506,383	38.9
U.S. Treasury issues	362,481	15.2	282,660	21.7
<b>Total</b>	<b>\$ 2,392,337</b>	<b>100.0%</b>	<b>\$ 1,300,573</b>	<b>100.0%</b>

Progression of Net Assets	Total Return Fixed Income	Core Fixed Income
Net assets - June 30, 2012	\$ 2,309,525	\$ 1,203,206
Net increase from operations	87,727	4,530
Income distributions to unitholders	(49,304)	(41,042)
Net increase (decrease) from unit transactions	(35,116)	111,073
<b>Net assets - June 30, 2013</b>	<b>\$ 2,312,832</b>	<b>\$ 1,277,767</b>

### 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. Actual rates of return are net of investment advisor fees.

Period	Total Return Fixed Income		Core Fixed Income	
	Actual	Barclays Capital Universal*	Actual	Barclays Capital U.S. Aggregate
One-year	4.0%	0.2%	0.5%	-0.7%
Three-year	5.1%	4.1%	4.6%	3.5%
Five-year	6.3%	5.5%	N/A	N/A
Ten-year	5.5%	5.1%	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 Pool

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### EXPENSES

The IMB charges each investment pool for its direct investment-related expenses, such as investment advisor fees, custodian bank fees, and some professional service fees, 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	13.1	15.1
Trustee fees	0.0*	0.0*
Custodian bank fees	0.3	0.6
Management fees	2.9	2.9
Fiduciary bond fees	0.0*	0.0*
Professional service fees	0.7	0.7
<b>Total</b>	<b>17.0</b>	<b>19.3</b>

\* Expense Ratio rounds to less than 0.1 basis points.

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# TIPS Pool

## OBJECTIVES

The objectives for the TIPS Pool are to enhance diversification, mitigate the risk of inflation, generate investment income, and to provide a relatively stable investment.

## MANAGEMENT STRUCTURE

The TIPS Pool is managed by State Street Global Advisors.

## FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the TIPS Pool are included in Section II of this report. Financial Highlights are presented below.

### Condensed Statement of Assets and Liabilities

Investments	\$ 653,972
Receivable for investments sold	4,537
Payable for investments purchased	(4,576)
Other assets and liabilities	3,161
Net assets - June 30, 2013	<u>\$ 657,094</u>

### Investments

	Fair Value	Percent of Securities
U.S. Treasury inflation protected issues	\$ 653,371	99.9%
Short-term issues	601	0.1
Total	<u>\$ 653,972</u>	<u>100.0%</u>

### Progression of Net Assets

Net assets – June 30, 2012	\$ 741,375
Net decrease from operations	(31,723)
Net decrease from unit transactions	(52,558)
Net assets - June 30, 2013	<u>\$ 657,094</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. Actual rates of return are net of investment advisor fees.

Period	Actual	Barclays Capital U.S. TIPS
One-year	-4.8%	-4.8%
Three-year	4.6%	4.6%

## TIPS Pool

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### EXPENSES

The IMB charges each investment pool for its direct investment-related expenses, such as investment advisor fees, custodian bank fees, and some professional service fees, and an allocated share of other expenses. The TIPS Pool's expenses for the operating period, divided by the average net assets, are as follows:

#### Expense Ratios (in basis points)

Investment advisor fees	2.3
Trustee fees	0.0*
Custodian bank fees	0.3
Management fees	2.9
Fiduciary bond fees	0.0*
Professional service fees	0.7
Total	<u>6.2</u>

\* Expense Ratio rounds to less than 0.1 basis points.

## Special Purpose Pool

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The Board operates one special purpose pool: **TRS ANNUITY POOL**

### OBJECTIVE (in \$000s)

The Pool held an investment contract issued by the Variable Annuity Life Insurance Company (VALIC) strictly for the benefit of the Teachers Retirement System (TRS). On December 10, 2008, the IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate retirement plan administered solely by the Consolidated Public Retirement System, 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 final amount transferred under the contract was \$248,293.

The IMB initially requested the immediate redemption of the entire balance but VALIC denied the request, claiming the amounts were subject to withdrawal restrictions. Effective April 23, 2009, the IMB, while reserving its rights under the contract, executed the appropriate forms with VALIC to elect to withdraw funds under the Five Year Equal Annual Installment method. By making this election the guaranteed minimum annual yield of 4.5 percent became the fixed rate for this contract. The first four withdrawals of \$55,058 each occurred on May 4, 2009, 2010, 2011 and 2012. The final withdraw of a \$55,191 occurred on May 8, 2013.

In response to VALIC's denial to allow the IMB to liquidate the contract in its entirety, the IMB sued VALIC and the litigation is ongoing. The outcome of the litigation is unknown and accordingly the IMB has not accrued any potential revenues from the case. There are ongoing legal fees associated with this litigation and these expenses are accrued to the pool. The funding for the payment of these expenses results from contributions by the TRS into the TRS Annuity Pool. Amounts recovered pursuant to the litigation, if any, will be recorded in the TRS Annuity Pool and distributed to the TRS. Once the case is resolved the TRS Annuity Pool will be closed.

### FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the TRSA are included in Section II of this report. Financial Highlights are presented below.

#### Condensed Statement of Assets and Liabilities

Assets	\$	-
Accrued expenses		(94)
Net assets - June 30, 2013	\$	(94)

#### Progression of Net Assets

Net assets - June 30, 2012	\$	53,023
Net increase from operations		1,596
Income distributions to unitholders		(26,276)
Net decrease from unit transactions		(28,437)
Net assets - June 30, 2013	\$	(94)

### 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
One year (a)	4.5%
Three years	4.5%

(a) For the period July 1, 2012, through April 30, 2013

## Special Purpose Pool

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### EXPENSES

The IMB charges each investment pool for its direct investment-related expenses, such as investment advisor fees, custodian bank fees, and some professional service fees, 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)

Investment advisor fees	N/A
Trustee fees	0.0*
Custodian bank fees	N/A
Management fees	2.8
Fiduciary bond fees	0.0*
Professional service fees	89.6
Total	<u>92.4</u>

\* Expense Ratio rounds to less than 0.1 basis points.

## Alternatives Pool

### OBJECTIVES

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

The Alternatives Pool is 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. Separate investment pools have been established for private equity and hedge funds.

The Private Equity Pool is comprised of the following categories and target range allocations as of June 30, 2013:

Category	Target Range
Corporate Finance	90-100%
Venture Capital	0-10%
U.S.	80-100%
Non-U.S.	0-20%

The Hedge Fund Pool's strategies are comprised of the following strategic categories and target range allocations as of June 30, 2013:

Category	Target Range	Allocation Range
<b>Core</b>		
Relative Value	30-40%	25-55%
Event Driven	15-25%	10-40%
Long-Short Equity	20-30%	15-45%
Directional	10-20%	5-25%
<b>Supplemental</b>		
Long Biased	0-10%	0-15%
Private Equity	0-3%	0-5%
Private Credit	0-3%	0-5%
Real Assets	0-3%	0-5%

### FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the alternative pools and are included in Section II of this report. Financial Highlights for each pool are presented below.

Condensed Statement of Assets and Liabilities	Private Equity	Hedge Fund
Investments	\$ 1,155,369	\$ 1,291,654
Investment funds redeemed	-	48,575
Other assets and liabilities	(205)	(132)
Net assets - June 30, 2013	<u>\$ 1,155,164</u>	<u>\$ 1,340,097</u>



## Alternatives Pool

### FINANCIAL HIGHLIGHTS (continued in \$000s)

Investments	Private Equity		Hedge Fund	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Hedge funds	\$ 472,217	40.8%	\$ 1,291,057	100.0%
Private equity partnerships	622,779	53.9	-	0.0
Short-term issue	60,373	5.3	597	0.0
<b>Total</b>	<b>\$ 1,155,369</b>	<b>100.0%</b>	<b>\$ 1,291,654</b>	<b>100.0%</b>

### Progression of Net Assets

	Private Equity	Hedge Fund
Net assets - June 30, 2012	\$ 1,027,938	\$ 1,232,673
Net increase from operations	84,517	128,526
Net increase (decrease) from unit transactions	42,709	(21,102)
<b>Net assets - June 30, 2013</b>	<b>\$ 1,155,164</b>	<b>\$ 1,340,097</b>

### 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. Actual rates of return are net of external investment management and/or partnership fees and expenses. For the Private Equity Pool, a benchmark is not reported for the first five years of the program, as a meaningful comparison cannot be made between the actual return and the benchmark (until July 1, 2013).

Period	Private Equity	Hedge Fund	
	Actual	Actual	LIBOR + 400 basis points
One-year	8.6%	10.7%	4.3%
Three-year	13.6%	6.0%	4.4%
Five-year	6.3%	4.0%	4.7%

### EXPENSES

The IMB charges each investment pool for its direct investment-related expenses, such as investment advisor fees, custodian bank fees, and some professional service fees, 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	0.0*	0.0*
Custodian bank fees	0.0*	0.0*
Management fees	2.9	2.9
Fiduciary bond fees	0.0*	0.0*
External fees/Fund closing costs	3.6	N/A
Professional service fees	8.3	4.2
<b>Total</b>	<b>14.8</b>	<b>7.1</b>

\* Expense Ratio rounds to less than 0.1 basis points.

# 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 Real Estate Pool should provide for long-term growth of its participants' assets.

The Real Estate Pool is comprised of three categories. The target range allocations as of June 30, 2013, are as follows:

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

## FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the Real Estate Pool are included in Section II of this report. Financial Highlights are presented below.

### Condensed Statement of Assets and Liabilities

Investments	\$ 981,670
Payable upon return of securities loaned	(2,350)
Receivable for investments sold	149
Payable for investments purchased	(2,846)
Other assets and liabilities	1,788
Net assets - June 30, 2013	<u>\$ 978,411</u>

### Investments

	Fair Value	Percent of Securities
Private real estate partnerships and funds	\$ 607,299	61.9%
Equity securities	202,827	20.7
Corporate bonds	131,837	13.4
Short-term issues	37,358	3.8
Investments made with cash collateral for securities loaned	2,349	0.2
Total	<u>\$ 981,670</u>	<u>100.0%</u>

### Progression of Net Assets

Net assets - June 30, 2012	\$ 640,193
Net increase from operations	83,111
Net increase from unit transactions	255,107
Net assets - June 30, 2013	<u>\$ 978,411</u>

## Real Estate 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. Actual rates of return are net of external investment management and/or partnership fees and expenses. For the Real Estate Pool, a benchmark is not reported for the first five years of the program, as a meaningful comparison cannot be made between the actual return and the benchmark (until July 1, 2013).

Period	Actual
One-year	10.6%
Three-year	10.7%
Five-year	2.8%

### EXPENSES

The IMB charges each investment pool for its direct investment-related expenses, such as investment advisor fees, custodian bank fees, and some professional service fees, 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:

#### Expense Ratio (in basis points)

Investment advisor fees	29.1
Trustee fees	0.0*
Custodian bank fees	1.1
Management fees	2.9
Fiduciary bond fees	0.0*
External fees/Fund closing costs	28.7
Professional service fees	6.3
Total	<u>68.1</u>

\* Expense Ratio rounds to less than 0.1 basis points.



# Participant Plans



## Participant Plans Overview

### FINANCIAL HIGHLIGHTS (in \$000s)

#### Plan Balances as of June 30, 2013

	Assets	Percent of Total	Page Reference
<b>Pension Assets</b>			
Deputy Sheriff's Retirement System	\$ 134,410	0.9%	32
Emergency Medical Services Retirement System	42,603	0.3	34
Judges' Retirement System	141,476	1.0	36
Municipal Police Officers' and Firefighters' Retirement System	504	0.0	38
Public Employees' Retirement System	4,848,377	33.3	40
State Police Death, Disability and Retirement Fund	520,323	3.6	42
State Police Retirement System	96,092	0.7	44
Teachers' Retirement System	5,717,583	39.0	46
Teachers' Employers Contribution Collection Account	-	0.0	46
<b>Insurance Assets</b>			
AccessWV	2,434	0.0	48
Board of Risk and Insurance Management	139,875	1.0	50
Coal Workers' Pneumoconiosis Fund	261,636	1.8	52
Public Employees Insurance Agency	194,215	1.3	54
West Virginia Retiree Health Benefit Trust Fund	495,926	3.4	56
Workers' Compensation Old Fund	1,036,241	7.1	58
Workers' Compensation Self-Insured Guaranty Risk Pool	14,487	0.1	60
Workers' Compensation Uninsured Employers' Fund	9,749	0.1	62
<b>Endowment Assets</b>			
Revenue Shortfall Reserve Fund	446,073	3.1	64
Revenue Shortfall Reserve Fund - Part B	348,811	2.4	66
West Virginia Department of Environmental Protection Trust	7,383	0.1	68
West Virginia Prepaid Tuition Trust Fund	76,701	0.5	70
Wildlife Endowment Fund	45,838	0.3	72
<b>Total</b>	<b>\$ 14,580,737</b>	<b>100.0%</b>	

# Deputy Sheriff's Retirement System

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## HISTORY

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

## LIQUIDITY NEEDS

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 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 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 DSRS.*



## Deputy Sheriff's Retirement System

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### FINANCIAL HIGHLIGHTS (in \$000s)

#### Progression of Plan Balance

June 30, 2012	\$ 116,281
Contributions	9,421
Withdrawals	(6,584)
Net	2,837
Investment income	662
Net unrealized appreciation	14,630
June 30, 2013	\$ 134,410

#### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 25,011	18.7%
Non-Large Cap Domestic	8,791	6.5
International Qualified	12,161	9.0
International Equity	22,205	16.6
Short-Term Fixed Income	526	0.4
Total Return Fixed Income	16,692	12.5
Core Fixed Income	8,933	6.6
TIPS	2,594	1.9
Private Equity	12,933	9.6
Real Estate	10,952	8.1
Hedge Fund	13,612	10.1
Total	\$ 134,410	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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	13.0%	7.5%
Three-year	11.3%	7.5%
Five-year	6.2%	7.5%
Ten-year	7.5%	7.5%

# 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) transferred their full membership and benefits under PERS to EMSRS on the effective date.

## LIQUIDITY NEEDS

EMSRS 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.
- Maintain adequate liquidity to satisfy benefit payments while not subjecting 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 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 (included in Fixed Income above)	\$25,000	

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

# Emergency Medical Services Retirement System

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$	35,153
Contributions		3,837
Withdrawals		(1,068)
Net		<u>2,769</u>
Investment income		206
Net unrealized appreciation		4,475
June 30, 2013	\$	<u><u>42,603</u></u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 7,891	18.6%
Non-Large Cap Domestic	2,761	6.5
International Qualified	3,817	9.0
International Equity	7,007	16.4
Short-Term Fixed Income	297	0.7
Total Return Fixed Income	5,371	12.6
Core Fixed Income	2,873	6.7
TIPS	815	1.9
Private Equity	4,049	9.5
Real Estate	3,441	8.1
Hedge Fund	4,281	10.0
Total	<u>\$ 42,603</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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	13.0%	7.5%
Three-year	11.2%	7.5%
Five-year	6.2%	7.5%

# Judges' Retirement System

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## HISTORY

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

## LIQUIDITY NEEDS

JRS currently has slightly negative 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 and not subjecting 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 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 JRS.*

## Judges' Retirement System

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### FINANCIAL HIGHLIGHTS (in \$000s)

#### Progression of Plan Balance

June 30, 2012	\$ 126,266
Contributions	3,391
Withdrawals	(4,562)
Net	(1,171)
Investment income	700
Net unrealized appreciation	15,681
June 30, 2013	\$ 141,476

#### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 26,420	18.7%
Non-Large Cap Domestic	9,331	6.6
International Qualified	12,903	9.1
International Equity	23,483	16.6
Short-Term Fixed Income	233	0.2
Total Return Fixed Income	17,239	12.2
Core Fixed Income	9,234	6.5
TIPS	2,750	1.9
Private Equity	13,828	9.8
Real Estate	11,622	8.2
Hedge Fund	14,433	10.2
Total	\$ 141,476	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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	13.0%	7.5%
Three-year	11.3%	7.5%
Five-year	6.2%	7.5%
Ten-year	7.5%	7.5%

# 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 participating municipalities on or after January 1, 2010.

## LIQUIDITY NEEDS

There are no anticipated liquidity needs at this time.

## 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 while not subjecting MPFRS to an undue level of risk.

## ASSET ALLOCATION

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	

# Municipal Police Officers' and Firefighters' Retirement System

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$	189
Contributions		288
Withdrawals		(5)
Net		283
Investment income		1
Net unrealized appreciation		31
June 30, 2013	\$	504

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 89	17.7%
Non-Large Cap Domestic	31	6.2
International Qualified	41	8.1
International Equity	81	16.1
Short-Term Fixed Income	35	7.0
Total Return Fixed Income	59	11.7
Core Fixed Income	32	6.3
TIPS	9	1.8
Private Equity	45	8.9
Real Estate	36	7.1
Hedge Fund	46	9.1
Total	\$ 504	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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	11.9%	7.5%
Three-year	5.1%	7.5%

# Public Employees' Retirement System

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## HISTORY

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

## LIQUIDITY NEEDS

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 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 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 PERS.*



# Public Employees' Retirement System

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$ 4,352,142
Contributions	260,973
Withdrawals	(330,093)
Net	<u>(69,120)</u>
Investment income	24,025
Net unrealized appreciation	541,330
June 30, 2013	<u>\$ 4,848,377</u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 904,359	18.8%
Non-Large Cap Domestic	319,921	6.6
International Qualified	442,640	9.1
International Equity	803,747	16.6
Short-Term Fixed Income	15,496	0.3
Total Return Fixed Income	588,503	12.1
Core Fixed Income	315,250	6.5
TIPS	94,193	1.9
Private Equity	471,951	9.7
Real Estate	398,384	8.2
Hedge Fund	493,933	10.2
Total	<u>\$ 4,848,377</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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	13.1%	7.5%
Three-year	11.3%	7.5%
Five-year	6.2%	7.5%
Ten-year	7.6%	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

SPDDRF is now a closed plan and 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 and not subjecting 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)	\$3,200,000*	

*\* 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 (in \$000s)

#### Progression of Plan Balance

June 30, 2012	\$ 477,386
Contributions	18,303
Withdrawals	(36,109)
Net	<u>(17,806)</u>
Investment income	2,562
Net unrealized appreciation	58,181
June 30, 2013	<u><u>\$ 520,323</u></u>

#### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 99,298	19.1%
Non-Large Cap Domestic	33,901	6.5
International Qualified	46,721	9.0
International Equity	85,986	16.5
Short-Term Fixed Income	1,297	0.2
Total Return Fixed Income	63,935	12.3
Core Fixed Income	34,213	6.6
TIPS	9,988	1.9
Private Equity	51,009	9.8
Real Estate	41,932	8.1
Hedge Fund	52,043	10.0
Total	<u><u>\$ 520,323</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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	13.1%	7.5%
Three-year	11.4%	7.5%
Five-year	6.2%	7.5%
Ten-year	7.6%	7.5%

# State Police Retirement System

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## HISTORY

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

## LIQUIDITY NEEDS

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 and not subjecting 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 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)	\$75,000*	

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

# State Police Retirement System

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$ 78,735
Contributions	7,513
Withdrawals	(652)
Net	6,861
Investment income	460
Net unrealized appreciation	10,036
June 30, 2013	\$ 96,092

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 17,753	18.5%
Non-Large Cap Domestic	6,206	6.5
International Qualified	8,576	8.9
International Equity	15,716	16.4
Short-Term Fixed Income	980	1.0
Total Return Fixed Income	12,210	12.7
Core Fixed Income	6,525	6.8
TIPS	1,834	1.9
Private Equity	8,957	9.3
Real Estate	7,718	8.0
Hedge Fund	9,617	10.0
Total	\$ 96,092	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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	13.0%	7.5%
Three-year	11.2%	7.5%
Five-year	6.2%	7.5%
Ten-year	7.5%	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 TRS and become participants in 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.

## TRS LIQUIDITY NEEDS

TRS has a net negative cash flow position, and will likely continue to have substantial liquidity needs of at least 10 percent per year beginning in plan year 2014.

## TRS 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 TRS to an undue level of risk.

## TRS 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 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)	\$35,000,000*	

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

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

## FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance	TRS		TECCA	
June 30, 2012	\$	4,968,564	\$	142,994
Contributions		765,918		410,370
Withdrawals		(670,935)		(553,395)
Net		94,983		(143,025)
Investment income		52,392		32
Net unrealized appreciation (depreciation)		601,644		(1)
June 30, 2013	\$	5,717,583	\$	-

## Asset Allocation

	TRS	
	Amount	Percent of Total
Large Cap Domestic	\$ 1,050,238	18.4%
Non-Large Cap Domestic	368,809	6.5
International Qualified	509,827	8.9
International Equity	934,106	16.3
Short-Term Fixed Income	169,739	3.0
Total Return Fixed Income	654,399	11.4
Core Fixed Income	350,612	6.1
TIPS	108,903	1.9
TRS Annuity	(94)	0.0
Private Equity	541,454	9.5
Real Estate	459,886	8.0
Hedge Fund	569,704	10.0
Total	\$ 5,717,583	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. Actual rates of return are net of fees. A target rate of return has not been set for the TECCA plan.

Period	TRS		TECCA
	Actual	Target	Actual
One-year	13.0%	7.5%	0.1%
Three-year	11.2%	7.5%	0.1%
Five-year	5.9%	7.5%	0.3%
Ten-year	7.2%	7.5%	N/A

**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. As a result of the passage of the *Federal Patient Protection and Affordable Care Act* in March 2010, this organization is expected to cease operations on January 1, 2014.

**LIQUIDITY NEEDS**

AWV is expected to have no liquidity needs from the IMB portion of their reserve funds at any time until December 31, 2013.

**INVESTMENT OBJECTIVES**

To provide for preservation of principal until December 31, 2013, with some regard for growth of assets to exceed expected inflation.

**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	0.0%	0.0%
International Equity	0.0%	0.0%
Private Equity	0.0%	0.0%
Fixed Income	100.0%	55.0%
TIPS	0.0%	45.0%
Hedge Funds	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash	\$0	



**FINANCIAL HIGHLIGHTS (in \$000s)**

**Progression of Plan Balance**

June 30, 2012	\$	2,451
Contributions		-
Withdrawals		-
Net		-
Investment income		40
Net unrealized depreciation		(57)
June 30, 2013	\$	2,434

**Asset Allocation**

	Amount	Percent of Total
Short-Term Fixed Income	\$ 2	0.1%
Total Return Fixed Income	892	36.7
Core Fixed Income	478	19.6
TIPS	1,062	43.6
Total	\$ 2,434	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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	-0.7%
Three-year	7.4%

# 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

According to representatives of the Plan, there may be some current liquidity needs in the next few fiscal years, not to exceed 10 percent in any given year. BRIM requires a cash reserve account for collateral purposes amounting to approximately 15 percent of the funds for investment. This amount is held in the Consolidated Fund, which is administered by the West Virginia Board of Treasury Investments and utilized at BRIM's discretion.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet the cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

## 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 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%	45.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$0	5.0%

# Board of Risk and Insurance Management Fund

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$	138,164
Contributions		5,750
Withdrawals		(13,000)
Net		<u>(7,250)</u>
Investment income		1,702
Net unrealized appreciation		7,259
June 30, 2013	\$	<u><u>139,875</u></u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 10,461	7.4%
Non-Large Cap Domestic	3,727	2.7
International Nonqualified	5,130	3.7
International Equity	9,381	6.7
Short-Term Fixed Income	7,187	5.1
Total Return Fixed Income	40,444	28.9
Core Fixed Income	21,674	15.5
TIPS	13,229	9.5
Hedge Fund	28,642	20.5
Total	<u><u>\$ 139,875</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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	6.8%
Three-year	7.1%
Five-year	6.1%

# 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 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

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 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	80.0%	45.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	0.0%	5.0%

# Coal Workers' Pneumoconiosis Fund

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$	257,121
Contributions		323
Withdrawals		(12,928)
Net		<u>(12,605)</u>
Investment income		3,222
Net unrealized appreciation		13,898
June 30, 2013	\$	<u><u>261,636</u></u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 19,540	7.5%
Non-Large Cap Domestic	7,036	2.7
International Nonqualified	9,683	3.7
International Equity	17,717	6.8
Short-Term Fixed Income	12,061	4.6
Total Return Fixed Income	76,177	29.1
Core Fixed Income	40,672	15.5
TIPS	24,879	9.5
Hedge Fund	53,871	20.6
Total	<u><u>\$ 261,636</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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	6.7%	5.0%
Three-year	6.9%	5.0%
Five-year	5.1%	5.0%
Ten-year	5.4%	5.0%

# 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 eligible public employees.

## LIQUIDITY NEEDS

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 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 objectives are as follows:

- Provide adequate liquidity to meet the cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

## 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 PEIA. 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%	50.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	\$0*	0.0%

# Public Employees Insurance Agency

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$ 183,322
Contributions	-
Withdrawals	-
Net	-
Investment income	2,877
Net unrealized appreciation	8,016
June 30, 2013	<u>\$ 194,215</u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 14,550	7.4%
Non-Large Cap Domestic	5,178	2.7
International Nonqualified	5,595	2.9
International Equity	13,878	7.1
Short-Term Fixed Income	24	0.0
Total Return Fixed Income	63,027	32.5
Core Fixed Income	33,756	17.4
TIPS	18,391	9.5
Hedge Fund	39,816	20.5
Total	<u>\$ 194,215</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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	5.9%
Three-year	6.6%
Five-year	5.4%

# West Virginia 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

RHBTF assets managed by the IMB are expected to be long-term in nature and have no liquidity needs as deemed by PEIA, which administers these assets. Short-term projected cash needs for RHBTF are calculated by PEIA and held in reserve in PEIA cash accounts.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the investment return assumption of 7.5 percent per annum, net of fees.
- To provide stable, long term growth of assets, while seeking to minimize the risk of loss.

## 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 RHBTF. 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%
TIPS	0.0%	0.0%
Hedge Funds	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash	\$0*	

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



# West Virginia Retiree Health Benefit Trust Fund

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$ 443,144
Contributions	-
Withdrawals	-
Net	-
Investment income	3,566
Net unrealized appreciation	49,216
June 30, 2013	<u>\$ 495,926</u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 92,470	18.6%
Non-Large Cap Domestic	32,620	6.6
International Nonqualified	41,316	8.3
International Equity	85,005	17.1
Short-Term Fixed Income	26	0.0
Total Return Fixed Income	63,350	12.8
Core Fixed Income	33,756	6.8
TIPS	9,704	2.0
Private Equity	46,496	9.4
Real Estate	40,700	8.2
Hedge Fund	50,483	10.2
Total	<u>\$ 495,926</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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	11.9%
Three-year	8.3%
Five-year	7.9%

# 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

Statutorily pledged personal income tax, policy surcharges, and severance transfers appear to be sufficient to pay expected claims and claim-related expenses. 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 (amount necessary for approximately 12 months' worth of anticipated claims) will continue to be reviewed annually with the West Virginia Offices of the Insurance Commissioner. Currently, a cash balance is held in the Old Fund in an amount equal to: 10 percent 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	10.0%	10.0%
International Equity	10.0%	10.0%
Private Equity	0.0%	0.0%
Fixed Income	80.0%	60.0%
TIPS	0.0%	10.0%
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 (in \$000s)

#### Progression of Plan Balance

June 30, 2012	\$ 946,853
Contributions	174,773
Withdrawals	(132,301)
Net	<u>42,472</u>
Investment income	16,134
Net unrealized appreciation	30,782
June 30, 2013	<u><u>\$ 1,036,241</u></u>

#### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 77,600	7.4%
Non-Large Cap Domestic	27,465	2.7
International Nonqualified	37,574	3.6
International Equity	69,137	6.7
Short-Term Fixed Income	108,396	10.5
Total Return Fixed Income	402,308	38.8
Core Fixed Income	215,574	20.8
TIPS	98,187	9.5
Total	<u><u>\$ 1,036,241</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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	5.0%
Three-year	5.9%
Five-year	4.3%

# 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, as provided by law.

## 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. A small cash reserve will be held in the event of an unforeseen emergency, as is possible with an insurance program of this kind.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

## 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 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%	45.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	0.0%	5.0%

# Workers' Compensation Self-Insured Guaranty Risk Pool

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$	10,878
Contributions		3,140
Withdrawals		(328)
Net		<u>2,812</u>
Investment income		156
Net unrealized appreciation		641
June 30, 2013	\$	<u><u>14,487</u></u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 1,088	7.5%
Non-Large Cap Domestic	387	2.7
International Nonqualified	506	3.5
International Equity	990	6.8
Short-Term Fixed Income	703	4.9
Total Return Fixed Income	4,208	29.0
Core Fixed Income	2,255	15.6
TIPS	1,374	9.5
Hedge Fund	2,976	20.5
Total	<u>\$ 14,487</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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	6.6%
Three-year	5.2%
Five-year	3.3%

# Workers' Compensation Uninsured Employers' Fund

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## HISTORY

The Workers' Compensation Uninsured Employers' Fund (Uninsured Fund) was established January 1, 2006, 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

There are minimal liquidity needs projected at this time as cash inflows (premiums) are expected to be sufficiently above cash outflows (claims) for the near future. A small cash reserve will be held in the event of an unforeseen emergency, as is possible with an insurance program of this kind.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

## 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 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%	40.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Real Estate	0.0%	0.0%
Cash	0.0%	10.0%

# Workers' Compensation Uninsured Employers' Fund

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$	9,148
Contributions		-
Withdrawals		-
Net		-
Investment income		104
Net unrealized appreciation		497
June 30, 2013	\$	<u>9,749</u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 728	7.5%
Non-Large Cap Domestic	254	2.6
International Nonqualified	358	3.7
International Equity	654	6.7
Short-Term Fixed Income	999	10.2
Total Return Fixed Income	2,502	25.7
Core Fixed Income	1,339	13.7
TIPS	921	9.4
Hedge Fund	1,994	20.5
Total	\$ 9,749	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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	6.6%
Three-year	4.6%
Five-year	3.0%

# Revenue Shortfall Reserve Fund

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## HISTORY

The Revenue Shortfall Reserve Fund (Reserve Fund), created under *West Virginia Code §11B-2-20*, is funded from state surplus revenues accrued, if any, during the most recent fiscal year. The first 50 percent of all such surplus revenues are deposited into the Reserve Fund within 60 days of the end of each fiscal year. The deposit of surplus revenue into the Reserve Fund becomes discretionary when the balance in the Reserve Fund meets or exceeds 13 percent of the state's General Revenue Fund Budget for the expiring fiscal year. The West Virginia Legislature is authorized to 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.

## 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 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%	50.0%
TIPS	0.0%	50.0%
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 (in \$000s)

#### Progression of Plan Balance

June 30, 2012	\$ 423,261
Contributions	28,178
Withdrawals	-
Net	28,178
Investment income	6,710
Net unrealized depreciation	(12,076)
June 30, 2013	\$ 446,073

#### Asset Allocation

	Amount	Percent of Total
Total Return Fixed Income	\$ 149,323	33.5%
Core Fixed Income	79,999	17.9
TIPS	216,751	48.6
Total	\$ 446,073	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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	-1.1%
Three-year	4.5%
Five-year	2.2%

## Revenue Shortfall Reserve Fund – Part B

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### HISTORY

The Revenue Shortfall Reserve Fund - Part B (Reserve Fund - Part B), created 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	10.0%	10.0%
International Equity	10.0%	10.0%
Private Equity	0.0%	0.0%
Fixed Income	80.0%	65.0%
TIPS	0.0%	15.0%
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 (in \$000s)

#### Progression of Plan Balance

June 30, 2012	\$ 331,325
Contributions	1,432
Withdrawals	-
Net	1,432
Investment income	6,081
Net unrealized appreciation	9,973
June 30, 2013	\$ 348,811

#### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 26,285	7.5%
Non-Large Cap Domestic	9,265	2.7
International Nonqualified	12,859	3.7
International Equity	23,441	6.7
Short-Term Fixed Income	11	0.0
Total Return Fixed Income	147,821	42.4
Core Fixed Income	79,207	22.7
TIPS	49,922	14.3
Total	\$ 348,811	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. Actual rates of return are net of fees. A target rate of return has not been set for this plan.

Period	Actual
One-year	4.9%
Three-year	7.3%
Five-year	3.4%

# West Virginia Department of Environmental Protection Trust

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## HISTORY

The West Virginia Department of Environmental Protection Trust (DEP Trust) was established on January 29, 2010, for the primary purpose of protecting the environment and the health and welfare of the public, including providing for the long-term maintenance of certain water control facilities. The DEP Trust seeks to provide an economical way by which funds contributed for that purpose may be invested and managed. The sole trustee of the DEP Trust is the Treasurer of the State of West Virginia. The beneficiary of the DEP Trust is the West Virginia Department of Environmental Protection. The DEP Trust began investing funds with the IMB on May 27, 2011.

## LIQUIDITY NEEDS

There are limited liquidity needs for the DEP Trust starting in fiscal year ended 2013 and going forward, based on historical actual needs incurred by the DEP Trust, adjusted for inflation.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Meet or exceed 7.0 percent per annum. This is the discount rate by the DEP Trust and the Federal Office of Surface Mining in determining the amount of assets invested in the DEP Trust.
- Achieve long-term growth by investing the DEP Trust in a well-diversified portfolio.
- Achieve a real rate of return that is high enough to protect the purchasing power of the DEP Trust.

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	35.0%	35.0%
International Equity	30.0%	30.0%
Private Equity	0.0%	0.0%
Fixed Income	35.0%	25.0%
TIPS	0.0%	10.0%
Hedge Funds	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash	0.0%	0.0%
	\$0	

# West Virginia Department of Environmental Protection Trust

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## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$	6,538
Contributions		-
Withdrawals		-
Net		-
Investment income		48
Net unrealized appreciation		797
June 30, 2013	\$	<u>7,383</u>

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 2,025	27.4%
Non-Large Cap Domestic	709	9.6
International Nonqualified	742	10.1
International Equity	1,358	18.4
Short-Term Fixed Income	1	0.0
Total Return Fixed Income	1,202	16.3
Core Fixed Income	644	8.7
TIPS	702	9.5
Total	\$ 7,383	100.0%

## INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The actual rate of return is net of fees. Investment performance for the one-year period ended June 30, 2013 was 12.9 percent. The DEP Trust has a target rate of return of 7.0 percent.

# West Virginia Prepaid Tuition Trust Fund

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## 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.

## 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. Under normal economic conditions and funding scenarios the Tuition Trust's assets are expected to be depleted by 2017.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Meet or exceed actuarial interest rate assumption of 5.9 percent per annum, net of fees.
- Generate long-term, net of fee, returns that exceed liquidity needs.
- Build and maintain an actuarial surplus at a level recommended by the actuaries.

## ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	30.0%
International Equity	16.0%	16.0%
Private Equity	0.0%	0.0%
Fixed Income	54.0%	54.0%
Hedge Fund	0.0%	0.0%
Real Estate	0.0%	0.0%
Cash (included in Fixed Income above)	\$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.*

## West Virginia Prepaid Tuition Trust Fund

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### FINANCIAL HIGHLIGHTS (in \$000s)

#### Progression of Plan Balance

June 30, 2012	\$ 77,821
Contributions	-
Withdrawals	(7,900)
Net	<u>(7,900)</u>
Investment income	1,341
Net unrealized appreciation	5,439
June 30, 2013	<u><u>\$ 76,701</u></u>

#### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 18,942	24.7%
Non-Large Cap Domestic	4,708	6.1
International Nonqualified	4,208	5.5
International Equity	7,733	10.1
Short-Term Fixed Income	1,006	1.3
Core Fixed Income	40,104	52.3
Total	<u><u>\$ 76,701</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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	9.3%	5.9%
Three-year	10.2%	5.9%
Five-year	6.4%	5.9%
Ten-year	7.7%	5.9%

# Wildlife Endowment Fund

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## HISTORY

The Wildlife Endowment Fund (WEF) 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 WEF will be set on an annual basis and determined by a separate Wildlife Endowment Board as established by West Virginia State Code.

## 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 WEF. 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 (in \$000s)

### Progression of Plan Balance

June 30, 2012	\$ 40,048
Contributions	559
Withdrawals	-
Net	559
Investment income	228
Net unrealized appreciation	5,003
June 30, 2013	\$ 45,838

### Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 8,532	18.6%
Non-Large Cap Domestic	3,002	6.5
International Nonqualified	4,120	9.0
International Equity	7,589	16.6
Short-Term Fixed Income	134	0.3
Total Return Fixed Income	5,697	12.4
Core Fixed Income	3,050	6.7
TIPS	886	1.9
Private Equity	4,442	9.7
Real Estate	3,740	8.2
Hedge Fund	4,646	10.1
Total	\$ 45,838	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. Actual rates of return are net of fees.

Period	Actual	Target
One-year	13.0%	6.0%
Three-year	11.2%	6.0%
Five-year	6.2%	6.0%
Ten-year	7.6%	6.0%



# Audited Financial Statements

## Investment Pools



**Audited Financial Statements**

**June 30, 2013**

**Large Cap Domestic Equity Pool**

# Large Cap Domestic Equity Pool

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## **Audited Financial Statements June 30, 2013**

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Large Cap Domestic Equity Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# Large Cap Domestic Equity Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$1,827,203), including securities on loan of \$20,803 (Note 7)	\$	2,366,000
Cash pledged as collateral for futures contracts		1,488
Receivables:		
Investments sold		56,230
Dividends		2,916
Securities lending income		10
Foreign tax withholding		9
		<hr/>
<b>Total assets</b>		2,426,653

### Liabilities

Accrued expenses		457
Payable for investments purchased		7,712
Payable upon return of securities loaned (Note 7)		15,061
Unrealized depreciation on futures contracts (Note 8)		143
		<hr/>
<b>Total liabilities</b>		23,373
		<hr/>
<b>Net assets</b>	\$	<u><u>2,403,280</u></u>

### Analysis of net assets

Paid-in capital	\$	1,138,244
Accumulated undistributed net investment income		396,973
Accumulated undistributed net realized gain from investments		329,409
Unrealized net appreciation of investments		538,654
		<hr/>
<b>Net assets</b>	\$	<u><u>2,403,280</u></u>

### Unit data

Units outstanding		144,468,065
Net asset value, unit price	\$	<u><u>16.64</u></u>

See accompanying notes to financial statements.



# Large Cap Domestic Equity Pool

## Schedule of Investments

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
<b>Equity Securities</b>			
<i>Basic Materials</i>			
Air Products and Chemicals Inc	26,100	\$ 2,134	\$ 2,390
Airgas Inc	7,800	449	745
Alcoa Inc	86,400	1,058	676
Allegheny Technologies Inc	8,800	236	232
Ball Corporation	31,200	941	1,296
Bemis Company Inc	70,300	2,660	2,752
CF Industries Holdings Inc	11,800	1,613	2,024
Cliffs Natural Resources Inc	11,700	567	190
Dow Chemical Company	100,300	2,617	3,227
Eastman Chemical Company	73,300	4,023	5,132
Ecolab Inc	113,200	6,690	9,644
EI DuPont de Nemours Co	75,700	2,307	3,974
FMC Corporation	22,100	885	1,349
Freeport-McMoRan Copper & Gold	86,200	2,860	2,380
International Paper Company	98,200	3,349	4,351
Intl Flavors & Fragrances Inc	41,900	2,922	3,149
LyondellBasell Industries NV	164,900	8,698	10,926
MeadWestvaco Corp	30,100	765	1,027
Monsanto Company	87,900	6,908	8,685
Newmont Mining Corp	57,200	2,692	1,713
Nucor Corporation	48,400	2,115	2,097
Owens-Illinois Inc	20,900	543	581
PPG Industries Inc	47,700	3,907	6,984
Praxair Inc	24,300	2,050	2,798
Sealed Air Corporation	36,800	823	881
Sherwin-Williams Co	46,400	6,129	8,194
Sigma-Aldrich Corporation	14,500	866	1,166
The Mosiac Company	27,200	1,522	1,464
United States Steel Corp	12,000	543	210
Vulcan Materials Company	27,800	1,418	1,346
<i>Total Basic Materials - 3.8%</i>		74,290	91,583
<i>Capital Goods</i>			
3M Co	59,200	4,608	6,474
Avery Dennison Corp	14,500	418	620
Boeing Company	55,400	3,265	5,675
C. H. Robinson Worldwide Inc	95,200	5,532	5,361
Caterpillar Inc	53,300	3,382	4,397
Cintas Corp	34,800	1,248	1,585
CSX Corp	83,600	1,271	1,939
Cummins Inc	18,800	1,196	2,039
Danaher Corp	47,600	1,851	3,013
Deere & Company	51,800	3,415	4,209
Dover Corp	31,300	1,846	2,431
Eaton Corp PLC	98,869	5,793	6,507
Emerson Electric Co	88,900	4,219	4,849
Expeditors Intl of Washington	55,000	2,042	2,092
Fastenal Company	28,800	823	1,319
FedEx Corp	27,100	2,102	2,672
Flowserve Corp	114,300	4,603	6,173
Fluor Corporation	67,800	4,020	4,021
General Dynamics Corp	27,500	1,605	2,154
General Electric Company	1,451,075	30,471	33,650
Honeywell International Inc	73,900	3,252	5,863
Illinois Tool Works Inc	99,200	5,284	6,862
Ingersoll-Rand PLC	134,600	5,816	7,473
Iron Mountain Inc	149,655	4,817	3,982
Jacobs Engineering Group Inc	22,300	1,128	1,229
Joy Global Inc	22,600	1,590	1,097
Kansas City Southern	19,800	2,226	2,098
L-3 Communications Hldgs Inc	60,100	4,574	5,153

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Lockheed Martin Corp	44,400	3,502	4,816
Masco Corporation	141,100	1,853	2,750
Norfolk Southern Corp	26,000	1,239	1,889
Northrop Grumman Corp	55,800	3,410	4,620
PACCAR Inc	39,800	1,643	2,136
Pall Corporation	19,400	952	1,289
Parker-Hannifin Corporation	12,100	660	1,154
Pentair LTD	20,909	849	1,206
Pitney Bowes Inc	17,600	395	258
Precision Castparts Corp	16,000	2,179	3,616
Quanta Services Inc	18,500	406	490
Raytheon Company	77,100	4,011	5,098
Republic Services Inc	116,600	3,742	3,957
Robert Half International Inc	31,500	940	1,047
Rockwell Automation Inc	23,200	1,553	1,929
Rockwell Collins Inc	43,300	2,627	2,746
Roper Industries Inc	37,900	3,096	4,708
Ryder System Inc	33,500	1,896	2,036
Snap-On Inc	35,500	2,417	3,173
Stanley Black & Decker Inc	13,877	632	1,073
Stericycle Inc	6,900	391	762
Textron Inc	23,900	451	623
Tyco International Ltd	38,800	755	1,278
Union Pacific Corp	60,300	4,699	9,303
United Parcel Service Inc	57,700	3,453	4,990
United Technologies Corp	72,000	4,803	6,692
W.W. Grainger Inc	4,800	533	1,210
Waste Management Inc	41,600	1,350	1,678
Xylem Inc	15,400	424	415
<i>Total Capital Goods - 8.8%</i>		167,258	211,879
<i>Communication Services</i>			
AT&T Inc	1,132,229	34,227	40,081
CenturyLink Inc	85,266	2,949	3,014
Crown Castle Intl Corporation	165,400	10,024	11,973
Frontier Communications Corp	621,786	3,016	2,518
Sprint Nextel Corporation	1,760,400	9,545	12,358
Verizon Communications Inc	326,149	11,490	16,418
Windstream Corp	49,400	489	381
<i>Total Communication Services - 3.6%</i>		71,740	86,743
<i>Consumer Discretionary</i>			
Abercrombie & Fitch Co	6,100	201	276
ADT Corp	61,000	2,414	2,431
Amazon.com Inc	34,000	5,232	9,441
AutoNation Inc	14,500	539	629
AutoZone Inc	3,000	747	1,271
Bed Bath & Beyond Inc	18,400	741	1,305
Best Buy Co Inc	23,100	897	631
Borg-Warner Inc	9,300	584	801
Cablevision Systems Corp	52,000	928	875
CarMax Inc	61,100	2,274	2,820
Carnival Corp	216,600	7,703	7,427
CBS Corp	165,200	3,714	8,073
Chipotle Mexican Grill Inc	2,600	707	947
Coach Inc	22,900	841	1,307
Comcast Corp	556,650	14,506	23,240
Darden Restaurants Inc	10,300	311	520
Delphi Automotive PLC	45,200	1,870	2,291
DIRECTV	61,100	2,255	3,766
Discovery Communications Inc	146,400	8,868	11,308
Dollar General Corp	25,400	1,272	1,281
Dollar Tree Inc	17,700	733	900

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
DR Horton Inc	66,100	913	1,407
Expedia Inc	47,350	1,803	2,848
Family Dollar Stores Inc	7,600	233	474
Ford Motor Company	518,200	5,826	8,017
Fossil Group Inc	7,300	898	754
GameStop Corp	58,900	1,640	2,476
Gannett Co Inc	137,400	2,066	3,361
Gap Inc	41,100	991	1,715
Garmin Ltd	9,200	390	333
General Motors Co	143,500	4,906	4,780
Genuine Parts Company	12,600	532	984
Goodyear Tire & Rubber Co	93,700	1,253	1,434
Harley-Davidson Inc	19,000	485	1,042
Harman Intl Industries Inc	5,500	187	298
Hasbro Inc	25,100	933	1,125
Home Depot Inc	316,900	14,216	24,550
International Game Technology	119,400	2,122	1,995
Interpublic Group of Co Inc	34,900	291	508
JC Penney Company Inc	13,400	418	229
Johnson Controls Inc	64,300	1,793	2,301
Kohl's Corporation	16,100	867	813
L Brands Inc	40,800	1,083	2,009
Leggett & Platt Inc	112,100	3,034	3,485
Lennar Corporation	81,200	2,024	2,926
Lowe's Companies Inc	373,600	9,626	15,280
Macy's Inc	37,600	748	1,805
Marriott International Inc	34,980	1,108	1,412
Mattel Inc	50,800	1,297	2,302
McDonald's Corporation	114,900	8,408	11,375
McGraw-Hill Financial Inc	127,300	5,316	6,771
Netflix Inc	14,000	2,749	2,955
Newell Rubbermaid Inc	181,100	3,712	4,754
News Corp	281,900	5,152	9,184
Nike Inc	65,500	2,419	4,171
Nordstrom Inc	12,900	451	773
Omicom Group Inc	41,000	1,758	2,578
O'Reilly Automotive Inc	14,100	824	1,588
PetSmart Inc	9,200	622	616
Priceline.com Inc	4,210	1,266	3,480
PulteGroup Inc	214,900	2,414	4,077
PVH Corp	15,100	1,778	1,888
Ralph Lauren Corp	4,900	449	851
Ross Stores Inc	17,500	431	1,134
Scripps Networks Interactive	12,900	562	861
Southwest Airlines Co	187,800	2,314	2,421
Staples Inc	52,400	1,100	832
Starbucks Corp	61,700	1,580	4,042
Starwood Hotels & Resorts Inc	15,700	560	992
Target Corp	114,500	6,201	7,884
Tiffany & Co	10,200	436	743
Time Warner Cable Inc	102,200	8,409	11,495
Time Warner Inc	236,000	10,595	13,646
TJX Companies Inc	153,200	4,564	7,669
TripAdvisor Inc	15,650	628	953
Urban Outfitters Inc	81,400	3,021	3,274
VF Corp	8,900	858	1,718
Viacom Inc	66,900	2,539	4,551
Walt Disney Company	282,700	11,398	17,853
Washington Post Company	400	184	194
Whirlpool Corporation	56,400	5,968	6,450
Wyndham Worldwide Corporation	27,100	949	1,551
Wynn Resorts Limited	14,200	1,459	1,817

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Yum Brands Inc	47,700	2,095	3,308
<i>Total Consumer Discretionary - 13.3%</i>		222,189	320,652
<i>Consumer Staples</i>			
Altria Group Inc	360,820	8,566	12,625
Archer-Daniels-Midland Co	52,900	1,403	1,794
Avon Products Inc	34,800	1,045	732
Beam Inc	13,700	492	865
Brown Forman Corp	78,100	4,028	5,276
Campbell Soup Co	108,100	4,573	4,842
Clorox Company	32,700	2,518	2,719
Coca-Cola Company	412,300	11,678	16,537
Coca-Cola Enterprises Inc	134,500	4,541	4,729
Colgate-Palmolive Co	120,700	5,369	6,915
ConAgra Foods Inc	134,000	4,314	4,681
Constellation Brands Inc	104,900	3,583	5,467
Costco Wholesale Corp	64,100	5,103	7,088
CVS Caremark Corp	161,476	5,587	9,233
Dr Pepper Snapple Group Inc	93,000	3,775	4,271
Estee Lauder Companies Inc	19,700	542	1,296
General Mills Inc	81,300	3,209	3,945
Hershey Company	59,400	4,237	5,303
Hormel Foods Corp	75,700	2,818	2,921
JM Smucker Company	48,700	4,390	5,023
Kellogg Company	84,200	5,062	5,408
Kimberly Clark Corporation	108,700	8,366	10,559
Kraft Foods Group Inc	172,566	7,457	9,641
Kroger Co	121,700	3,681	4,204
Lorillard Inc	30,900	782	1,350
McCormick & Company Inc	75,300	4,502	5,298
Mead Johnson Nutrition Co	16,509	502	1,308
Molson Coors Brewing Co	78,200	3,733	3,743
Mondelez International Inc-A	231,500	4,903	6,605
Monster Beverage Corporation	11,500	789	700
Pepsico Inc	167,464	10,349	13,697
Philip Morris Intl Inc	272,320	15,113	23,588
Proctor & Gamble Company	370,232	22,950	28,504
Reynolds American Inc	26,200	685	1,267
Safeway Inc	19,000	374	450
Sysco Corp	159,500	4,933	5,449
Tyson Foods Inc	99,500	2,192	2,555
Walgreen Co	81,200	3,033	3,589
Wal-Mart Stores Inc	281,100	15,860	20,939
Whole Foods Market Inc	28,000	713	1,441
Zoetis Inc-W/I	34,900	1,101	1,078
<i>Total Consumer Staples - 10.7%</i>		198,851	257,635
<i>Energy</i>			
Anadarko Petroleum Corp	46,500	2,665	3,996
Apache Corporation	32,500	3,007	2,724
Baker Hughes Inc	36,609	1,658	1,689
Cabot Oil & Gas Corporation	111,200	5,391	7,897
Cameron International Corp	28,700	1,264	1,755
Chesapeake Energy Corp	41,900	1,100	854
Chevron Corporation	320,255	26,810	37,899
ConocoPhillips	133,580	6,087	8,082
CONSOL Energy Inc	20,200	838	547
Denbury Resources Inc	29,600	459	513
Devon Energy Corporation	31,400	2,017	1,629
Diamond Offshore Drilling Inc	6,100	588	420
EnSCO PLC	89,100	5,212	5,178
EOG Resources Inc	27,100	2,530	3,569
EQT Corp	86,000	4,987	6,826

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Exxon Mobil Corporation	822,394	59,174	74,303
FMC Technologies Inc	24,300	798	1,353
Halliburton Company	122,600	3,914	5,115
Helmerich & Payne Inc	47,600	2,740	2,973
Hess Corp	46,500	2,739	3,092
Kinder Morgan Inc	115,696	3,871	4,414
Marathon Oil Corp	141,400	3,667	4,890
Marathon Petroleum Corporation	213,250	12,921	15,154
Murphy Oil Corporation	87,200	5,294	5,310
Nabors Industries Ltd	24,300	501	372
National-Oilwell Varco Inc	35,800	1,615	2,467
Newfield Exploration Company	11,400	720	272
Noble Corp	20,300	726	763
Noble Energy Inc	76,400	3,707	4,587
Occidental Petroleum Corp	65,400	4,999	5,836
ONEOK Inc	57,700	1,701	2,384
Peabody Energy Corp	24,200	900	354
Phillips 66	235,740	11,503	13,887
Pioneer Natural Resources Co	18,700	1,384	2,707
QEP Resources Inc	15,700	380	436
Range Resources Corporation	13,400	689	1,036
Rowan Companies PLC	11,000	273	375
Schlumberger Ltd	113,011	7,145	8,098
Southwestern Energy Company	85,500	3,137	3,123
Spectra Energy Corp	54,600	1,033	1,882
Tesoro Corporation	92,500	3,341	4,840
Valero Energy Corporation	237,700	7,426	8,265
Williams Companies Inc	150,000	3,777	4,871
WPX Energy Inc	17,500	186	331
<i>Total Energy - 11.1%</i>		214,874	267,068
<i>Financial Services</i>			
Ace Ltd	44,200	3,066	3,955
AFLAC Inc	139,600	6,723	8,114
Allstate Corp	168,700	6,121	8,118
American Express Co	79,900	2,910	5,973
American International Group	156,400	5,046	6,991
American Tower Corporation	70,000	3,846	5,122
Ameriprise Financial Inc	60,700	2,885	4,909
Aon PLC	55,700	2,769	3,584
Apartment Investment & Mgmt Co	11,700	163	351
Assurant Inc	18,800	818	957
Avalonbay Communities Inc	9,700	946	1,309
Bank of America Corporation	1,833,277	24,165	23,576
Bank of New York Mellon Corp	149,300	4,463	4,188
BB&T Corporation	76,400	2,050	2,588
Berkshire Hathaway Inc	198,196	15,714	22,182
BlackRock Inc	18,588	4,075	4,774
Boston Properties Inc	12,700	885	1,339
Capital One Financial Corp	54,400	2,314	3,417
CBRE Group Inc	34,200	560	799
Charles Schwab Corp	93,500	1,474	1,985
Chubb Corp	30,700	1,829	2,599
Cincinnati Financial Corp	97,500	3,479	4,477
Citigroup Inc	488,860	22,518	23,451
CME Group Inc	25,000	1,477	1,899
Comerica Inc	14,900	478	593
Discover Financial Services	153,400	4,025	7,308
Dun & Bradstreet Corp	10,900	838	1,062
E*Trade Financial Corporation	21,820	368	276
Equifax Inc	79,000	3,317	4,655
Equity Residential	25,700	1,052	1,492
Fifth Third Bancorp	114,800	1,300	2,072

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Franklin Resources Inc	28,500	3,357	3,877
Genworth Financial Inc	356,300	3,770	4,065
Goldman Sachs Group Inc	82,400	11,682	12,463
H&R Block Inc	180,500	2,887	5,009
Hartford Financial Services Gp	213,600	5,383	6,605
HCP Inc	67,600	2,592	3,072
Health Care REIT Inc	28,500	1,459	1,910
Host Hotels & Resorts Inc	58,862	694	993
Hudson City Bancorp Inc	285,300	2,346	2,618
Huntington Bancshares Inc	109,000	572	858
Intercontinental Exchange Inc	5,900	594	1,049
Invesco Limited	110,300	2,263	3,508
JP Morgan Chase & Co	491,553	18,635	25,949
KeyCorp	77,900	561	860
Kimco Realty Corporation	43,200	593	926
Legg Mason Inc	8,700	270	270
Leucadia National Corporation	59,000	1,581	1,547
Lincoln National Corp	55,200	1,417	2,013
Loews Corp	29,300	1,026	1,301
M & T Bank Corporation	44,600	4,268	4,984
Macerich Company	16,300	1,141	994
Marsh & McLennan Cos Inc	153,500	4,404	6,128
MasterCard Inc	13,900	4,064	7,986
MetLife Inc	90,000	3,238	4,118
Moody's Corp	60,800	2,488	3,705
Morgan Stanley	387,300	9,482	9,462
Nasdaq OMX Group Inc	51,400	1,525	1,685
Northern Trust Corp	36,600	1,800	2,119
NYSE Euronext	27,700	870	1,147
People's United Financial Inc	30,900	438	460
Plum Creek Timber Co Inc	63,900	2,694	2,982
PNC Financial Services Group	42,800	2,173	3,121
Principal Financial Group Inc	22,200	544	831
Progressive Corp	57,200	1,051	1,454
Prologis Inc	69,974	2,185	2,639
Prudential Financial Inc	38,500	1,845	2,812
Public Storage	14,100	1,369	2,162
Regions Financial Corp	123,000	701	1,172
Simon Property Group Inc	26,902	2,520	4,248
SLM Corp	66,700	801	1,525
State Street Corp	50,200	2,478	3,274
SunTrust Banks Inc	217,900	5,711	6,879
T Rowe Price Group Inc	31,100	1,582	2,277
Torchmark Corporation	28,000	1,089	1,824
Travelers Cos Inc	71,600	4,336	5,722
Unum Group	63,300	1,559	1,859
US Bancorp	267,700	7,210	9,677
Ventas Inc	49,000	2,799	3,404
Visa Inc	116,300	12,435	21,254
Vornado Realty Trust	13,740	954	1,138
Wells Fargo & Company	538,900	15,042	22,240
Western Union Company	45,500	678	779
Weyerhaeuser Company	422,067	11,360	12,025
XL Group PLC	158,100	4,333	4,794
Zions Bancorporation	14,800	289	428
<i>Total Financial Services - 16.9%</i>		314,812	406,316
 <i>Health Care</i>			
Abbott Laboratories	203,100	5,667	7,084
Abbvie Inc	173,500	5,039	7,172
Actavis Inc.	70,100	5,660	8,848
Aetna Inc	61,029	2,810	3,878
Agilent Technologies Inc	29,100	835	1,244

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Alexion Pharmaceuticals Inc	15,900	1,497	1,467
Allergan Inc	33,200	2,412	2,797
AmerisourceBergen Corp	35,300	1,323	1,971
Amgen Inc	148,177	10,542	14,619
Baxter International Inc	129,300	8,154	8,957
Becton Dickinson & Company	18,600	1,371	1,838
Biogen Idec Inc	37,700	3,357	8,113
Boston Scientific Corp	275,100	2,369	2,550
Bristol-Myers Squibb Company	143,842	3,478	6,428
Cardinal Health Inc	33,400	1,099	1,576
CareFusion Corporation	27,200	723	1,002
Celgene Corporation	71,000	5,754	8,306
Cerner Corporation	12,000	618	1,153
CIGNA Corporation	56,200	2,855	4,074
Covidien PLC	44,100	2,251	2,771
CR Bard Inc	7,700	653	837
DaVita HealthCare Partners Inc	57,700	5,846	6,970
DENTSPLY International Inc	12,200	392	500
Edwards Lifesciences Corp	43,800	3,883	2,943
Eli Lilly and Company	291,000	14,286	14,294
Express Scripts Holding Co	75,368	3,695	4,653
Forest Laboratories Inc	19,000	565	779
Gilead Sciences Inc	261,900	6,565	13,428
Hospira Inc	13,000	476	498
Humana Inc	13,400	578	1,131
Intuitive Surgical Inc	3,200	934	1,620
Johnson & Johnson	404,300	26,262	34,713
Laboratory Corp of Amer Hldgs	8,000	553	801
Life Technologies Corp	38,500	2,259	2,849
McKesson Corp	18,200	1,134	2,084
Medtronic Inc	116,000	4,551	5,971
Merck & Co Inc	433,580	15,656	20,140
Mylan Inc	152,300	3,923	4,726
Patterson Companies Inc	7,600	207	286
PerkinElmer Inc	45,000	1,111	1,463
Perrigo Company	7,000	687	847
Pfizer Inc	1,117,937	23,368	31,313
Quest Diagnostics Inc	12,700	655	770
Regeneron Pharmaceuticals Inc	8,400	1,910	1,889
St Jude Medical Inc	24,900	942	1,136
Stryker Corporation	25,600	1,199	1,656
Tenet Healthcare Corporation	75,575	3,134	3,484
Thermo Fisher Scientific Inc	49,500	2,918	4,189
UnitedHealth Group Inc	82,800	2,793	5,422
Varian Medical Systems Inc	9,100	407	614
Waters Corporation	10,200	715	1,021
WellPoint Inc	24,200	1,304	1,981
Zimmer Holdings Inc	17,900	1,002	1,341
<i>Total Health Care - 11.3%</i>		202,377	272,197
<i>Technology</i>			
Accenture PLC	96,400	5,702	6,937
Adobe Systems Inc	43,700	1,336	1,991
Advanced Micro Devices Inc	47,500	270	194
Akamai Technologies Inc	14,200	377	604
Altera Corporation	26,800	673	884
Amphenol Corp	12,900	496	1,005
Analog Devices Inc	24,800	746	1,117
Apple Inc	153,500	43,839	60,867
Applied Materials Inc	118,400	1,526	1,767
Autodesk Inc	19,300	509	655
Automatic Data Processing Inc	110,500	5,359	7,609
BMC Software Inc	10,400	335	469

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Broadcom Corp	42,700	1,337	1,443
CA Inc	28,000	498	801
Cisco Systems Inc	701,700	13,274	17,076
Citrix Systems Inc	15,500	641	936
Cognizant Tech Solutions Corp	59,200	3,324	3,708
Computer Sciences Corp	107,800	4,925	4,718
Coming Inc	121,400	2,022	1,728
Dell Inc	185,100	2,620	2,466
eBay Inc	204,100	7,811	10,556
Electronic Arts Inc	179,700	3,488	4,131
EMC Corporation	170,300	2,850	4,022
F5 Networks Inc	6,600	898	454
Fidelity Ntl Information Svcs	31,700	905	1,358
First Solar Inc	42,500	1,954	1,904
Fiserv Inc	39,700	2,411	3,470
FLIR Systems Inc	12,700	355	343
Google Inc	40,500	23,047	35,655
Harris Corporation	49,500	2,185	2,438
Hewlett-Packard Company	185,700	6,628	4,605
IBM	178,500	22,084	34,113
Intel Corporation	404,500	8,348	9,801
Intuit Inc	22,900	769	1,398
Jabil Circuit Inc	15,400	195	314
JDS Uniphase Corporation	17,800	89	256
Juniper Networks Inc	91,600	1,913	1,769
KLA-Tencor Corporation	13,700	485	764
Lam Research Corporation	12,950	363	574
Linear Technology Corp	48,400	1,602	1,783
LSI Corporation	47,800	246	341
Microchip Technology Inc	15,300	419	570
Micron Technology Inc	118,300	1,077	1,695
Microsoft Corporation	883,402	22,701	30,517
Molex Inc	11,000	215	323
Motorola Solutions Inc	35,327	1,945	2,039
NetApp Inc	30,000	926	1,133
NVIDIA Corporation	45,100	463	633
Oracle Corporation	503,644	13,345	15,467
Paychex Inc	53,300	1,620	1,946
Qualcomm Inc	150,100	6,910	9,170
Red Hat Inc	15,500	508	741
SAIC Inc	23,400	441	326
Salesforce.com Inc	45,600	1,027	1,741
SanDisk Corporation	42,200	1,734	2,578
Seagate Technology PLC	27,100	674	1,215
Symantec Corporation	122,500	2,320	2,754
TE Connectivity Ltd	45,500	1,669	2,072
Teradata Corporation	13,900	513	698
Teradyne Inc	18,400	201	323
Texas Instruments Inc	111,900	3,068	3,900
Total System Services Inc	14,800	238	362
VeriSign Inc	12,200	227	545
Western Digital Corp	22,000	752	1,366
Xerox Corporation	99,395	846	902
Xilinx Inc	21,400	547	848
Yahoo! Inc	217,200	4,781	5,458
<i>Total Technology - 13.6%</i>		247,602	326,346
<i>Utilities</i>			
AES Corporation	51,600	683	619
AGL Resources Inc	74,900	3,081	3,210
Ameren Corporation	19,500	513	672
American Electric Power Co Inc	251,200	11,180	11,249
CenterPoint Energy Inc	46,900	718	1,102

See accompanying notes to financial statements.



# Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
CMS Energy Corporation	64,400	1,230	1,750
Consolidated Edison Inc	24,400	1,109	1,423
Dominion Resources Inc	59,900	2,538	3,404
DTE Energy Company	66,000	3,733	4,423
Duke Energy Corp	77,907	4,266	5,259
Edison International	56,200	2,210	2,707
Entergy Corporation	21,800	1,578	1,519
Exelon Corp	68,947	3,031	2,129
FirstEnergy Corp	34,838	1,515	1,301
Integrus Energy Group Inc	6,600	237	386
NextEra Energy Inc	150,600	9,446	12,271
NiSource Inc	24,800	338	710
Northeast Utilities	26,896	797	1,130
NRG Energy Inc	242,700	5,534	6,480
PG&E Corp	35,800	1,500	1,637
Pinnacle West Capital Corp	33,600	1,528	1,864
Potomac Electric Power	83,300	1,675	1,679
PPL Corporation	148,600	4,491	4,498
Public Service Enterprise Grp	149,300	5,002	4,876
SCANA Corporation	29,500	1,240	1,448
Sempra Energy	116,200	7,321	9,501
Southern Company	70,400	2,527	3,107
TECO Energy Inc	17,200	242	296
Wisconsin Energy Corporation	50,100	1,355	2,054
Xcel Energy Inc	43,000	922	1,210
<i>Total Utilities - 4.0%</i>		81,540	93,914
Total Equity Securities - 97.1%		1,795,533	2,334,333
<b><u>Short-term Issues</u></b>			
Dreyfus Cash Management Institutional Fund - 0.7%	16,608,884	16,609	16,609
<b><u>Investments Made with Cash Collateral for Securities Loaned</u></b>			
BNY Mellon Securities Lending Overnight Fund		14,960	14,960
Mellon SL DBT II Liquidating Fund		101	98
Total Investments Made with Cash Collateral for Securities Loaned - 0.6%		15,061	15,058
Total Investments - 98.4%		\$ 1,827,203	\$ 2,366,000

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Dividends	\$ 52,454
Net securities lending loss (Note 7)	(2,019)
Net shareholder litigation proceeds	93
Commission recapture	<u>3</u>

**Total investment income** 50,531

**Expenses**

Investment advisor fees	(1,909)
Trustee fees	(8)
Custodian bank fees	(70)
Management fees	(660)
Fiduciary bond fees	(5)
Professional service fees	(152)
Futures commission expense	<u>(10)</u>

**Total expenses** (2,814)

**Investment income, net** 47,717

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

Net realized gain from:	
Investments	153,265
Futures contracts	<u>2,305</u>
	155,570

Net change in unrealized appreciation (depreciation) on:	
Investments	215,062
Futures contracts	<u>(348)</u>
	<u>214,714</u>

**Net gain from investments** 370,284

**Net increase in net assets from operations** \$ 418,001

*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, 2013

(Amounts in thousands, except unit data)

### Operations

Investment income, net	\$ 47,717
Net realized gain from investments	155,570
Net change in unrealized appreciation (depreciation) on investments	<u>214,714</u>

**Net increase in net assets from operations** 418,001

### Unit transactions

Proceeds from sale of units	121,894
Amount paid for repurchase of units	<u>(206,362)</u>

**Net decrease in net assets from unit transactions** (84,468)

**Increase in net assets** 333,533

**Net assets, beginning of period** 2,069,747

**Net assets, end of period** \$ 2,403,280

### Unit data

Units sold	8,358,414
Units repurchased	<u>(13,233,992)</u>

**Net decrease in units** (4,875,578)

See accompanying notes to financial statements.

# 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 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	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 (INTECH) and State Street Global Advisors (SSgA).

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 6 for further discussion and presentation of the reporting requirements under ASC 820.

Fair value of the Pool's portfolio securities is determined as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded. If no sales have been recorded within the five days preceding the date of the financial statement date, the fair value of the securities is determined in accordance with approved procedures.

# 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)

- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures contracts are valued at the last settlement price established each day by the exchange on which they are traded.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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 BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically the Mellon SL DBT II Liquidating Fund. Such investments are made at the risk of the Pool and, as such, the Pool is liable for investment losses. Investments made with cash are reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments. 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 net securities lending income. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation 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 a change in unrealized appreciation or depreciation on 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.

# 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)

**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 net realized 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 U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, FASB issued Accounting Standard Update No. 2011-11 (ASU 2011-11), "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 is intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a portfolio's financial position. They are also intended to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the financial position; and disclose instruments and transactions subject to an agreement similar to a master netting agreement.

In January 2013, FASB issued Accounting Standard Update No. 2013-01 (ASU 2013-01), "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Management is currently evaluating the implications of ASU 2011-11 and ASU 2013-01 and their impact on financial statement disclosures.

### NOTE 4. 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 exposed to no or minimal credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2013, 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.

# 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 underlying risk exposure managed by using these derivative financial instruments is market risk. See Note 2 for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value of the derivative financial instruments recorded in the Statement of Assets and Liabilities as of June 30, 2013:

Derivative Type	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Equity contracts		\$ -	Unrealized depreciation on futures contracts	\$ (143)

The table below presents the impact of the derivative financial instruments recorded in the Statement of Operations for the year ended June 30, 2013:

Derivative Type	Statement of Operations Location	Realized Gain (Loss)	Statement of Operations Location	Change in Unrealized Appreciation (Depreciation)
Equity contracts	Net realized gain from futures contracts	\$ 2,305	Change in unrealized appreciation (depreciation) on futures contracts	\$ (348)

The Pool's open futures contracts outstanding at June 30, 2013, as disclosed in Note 8, is indicative of the volume of futures activity for the year ended June 30, 2013.

### 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:

# Large Cap Domestic Equity Pool

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

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

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

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
Equity securities	\$ 2,334,333	\$ -	\$ -	\$ 2,334,333
Investments made with cash collateral for securities loaned	-	15,058	-	15,058
Short-term issues	16,609	-	-	16,609
Total	<u>\$ 2,350,942</u>	<u>\$ 15,058</u>	<u>\$ -</u>	<u>\$ 2,366,000</u>
Liabilities	Level 1	Level 2	Level 3	Total
Futures contracts	\$ (143)	\$ -	\$ -	\$ (143)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

### NOTE 7. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2013.

Fair value of securities on loan	\$ 20,803		
Initial collateral received:	Cost	Fair Value	Unrealized Depreciation
Cash	<u>\$ 15,061</u>	<u>\$ 15,058</u>	<u>\$ (3)</u>
Non-cash		<u>6,792</u>	
Total		<u>\$ 21,850</u>	

The Mellon GSL DBT II Liquidating Trust (Liquidating Trust) was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$3,248 was assigned to the Large Cap Domestic Equity Pool. A loss reserve was established for the entire amount. Through June 30, 2013, the loss reserve was adjusted to \$2,192 as a result of settlement proceeds received in the Liquidating Trust. No additional proceeds are expected; therefore the reserve of \$2,192 has been recognized as a loss and included in net securities lending loss.



# Large Cap Domestic Equity Pool

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

### NOTE 8. FUTURES CONTRACTS

At June 30, 2013, open positions in futures contracts were as follows:

<u>Expiration</u>	<u>Open Contracts</u>	<u>Position</u>	<u>Notional Value at June 30, 2013</u>	<u>Notional Value Upon Entering Contract</u>	<u>Unrealized Appreciation (Depreciation)</u>
Sept 2013	429 S&P 500	Long	<u>\$ 34,305</u>	<u>\$ 34,448</u>	<u>\$ (143)</u>

At June 30, 2013, the Pool had pledged cash of \$1,488 to cover margin requirements on open futures contracts.

### NOTE 9. INVESTMENT ADVISORY FEES

The IMB has approved investment advisory agreements with INTECH and SSgA to manage the investments of the Pool. These agreements provide for quarterly payments, based on average end of month assets under management, to the investment advisors. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to INTECH consist of a base fee of 0.05 percent annually of the net assets under management and a performance incentive fee that is earned when the actual investment return exceeds the return of the S&P 500 over rolling three-year periods. The maximum fee allowable under the agreement is 0.70 percent annually of the net assets under management. The effective fee rate earned by INTECH for the year ended June 30, 2013, was 0.16 percent.

The fees paid to SSgA include a base fee of 0.02 percent annually on the first \$50 million of net assets under management and a base fee of 0.01 percent annually on the assets over \$50 million. The effective fee rate earned by SSgA for the year ended June 30, 2013, was 0.01 percent.

### NOTE 10. FINANCIAL HIGHLIGHTS

<b>Per Unit Operating Performance:</b>	
Net asset value at June 30, 2012	\$ 13.86
Income from investment operations:	
Net investment income	0.32
Net realized and unrealized gain on investment transactions	2.46
Total from investment operations	<u>2.78</u>
Net asset value at June 30, 2013	<u>\$ 16.64</u>
<b>Total Return *</b>	20.0%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 2,403,280
Ratio to average net assets:	
Expenses **	0.12%
Net investment income **	2.10%
Portfolio turnover rate	49.43%

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

\*\* All ratios are for the fiscal year

# Large Cap Domestic Equity Pool

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

### NOTE 11. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,050,238
Public Employees' Retirement System	904,359
State Police Death, Disability and Retirement Fund	99,298
West Virginia Retiree Health Benefit Trust Fund	92,470
Workers' Compensation Old Fund	77,600
Judges' Retirement System	26,420
Revenue Shortfall Reserve Fund - Part B	26,285
Deputy Sheriff's Retirement System	25,011
Coal Workers' Pneumoconiosis Fund	19,540
West Virginia Prepaid Tuition Trust Fund	18,942
State Police Retirement System	17,753
Public Employees Insurance Agency	14,550
Board of Risk and Insurance Management	10,461
Wildlife Endowment Fund	8,532
Emergency Medical Services Retirement System	7,891
West Virginia Department of Environmental Protection Trust	2,025
Workers' Compensation Self-Insured Guaranty Risk Pool	1,088
Workers' Compensation Uninsured Employers' Fund	728
Municipal Police Officers' and Firefighters' Retirement System	89
Total	<u>\$ 2,403,280</u>

### NOTE 12. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**Non-Large Cap Domestic Equity Pool**

**B**

# Non-Large Cap Domestic Equity Pool

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## Audited Financial Statements June 30, 2013

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Non-Large Cap Domestic Equity Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# Non-Large Cap Domestic Equity Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$771,885), including securities on loan of \$65,123 (Note 6)	\$	893,077
Receivables:		
Investments sold		21,400
Dividends		822
Securities lending income		34
Foreign tax withholding		1
		<u>1</u>
<b>Total assets</b>		<b>915,334</b>

### Liabilities

Accrued expenses		843
Payable for investments purchased		8,390
Payable upon return of securities loaned (Note 6)		61,999
		<u>61,999</u>
<b>Total liabilities</b>		<b>71,232</b>
<b>Net assets</b>	<b>\$</b>	<b><u>844,102</u></b>

### Analysis of net assets

Paid-in capital	\$	445,291
Accumulated undistributed net investment income		49,135
Accumulated undistributed net realized gain from investments		228,990
Accumulated undistributed net realized loss from foreign currency transactions		(506)
Unrealized net appreciation of investments		121,192
		<u>121,192</u>
<b>Net assets</b>	<b>\$</b>	<b><u>844,102</u></b>

### Unit data

Units outstanding		37,773,895
Net asset value, unit price	\$	<u>22.35</u>

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

## Schedule of Investments

**June 30, 2013**

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
<b>Equity Securities</b>			
<i>Basic Materials</i>			
Boise Inc	174,100	\$ 1,340	\$ 1,487
Celanese Corp	35,280	1,002	1,581
Cliffs Natural Resources Inc	118,100	2,384	1,919
Crown Holdings Inc	157,220	4,702	6,466
Cytec Industries Inc	65,870	4,500	4,825
Domtar Corporation	40,700	3,153	2,707
Ferro Corporation	398,800	2,737	2,772
Huntsman Corp	134,090	2,559	2,221
Louisiana-Pacific Corporation	140,800	2,934	2,082
Martin Marietta Materials Inc	27,885	2,396	2,744
Packaging Corp of America	207,930	7,440	10,180
PH Glatfelter Company	113,300	1,766	2,844
Resolute Forest Products	248,300	3,823	3,270
Rock-Tenn Co	26,900	2,394	2,687
Rockwood Holdings Inc	63,820	3,488	4,086
Scotts Miracle-Gro Co	118,580	5,332	5,729
<i>Total Basic Materials - 6.8%</i>		51,950	57,600
<i>Capital Goods</i>			
AAR Corp	89,100	1,734	1,958
AECOM Technology Corporation	190,600	5,521	6,059
AerCap Holdings NV	316,500	5,023	5,526
AGCO Corporation	66,700	2,815	3,348
Aircastle Ltd	141,300	1,673	2,259
Alliant Techsystems Inc	80,500	4,553	6,628
BE Aerospace Inc	87,245	2,395	5,503
Beacon Roofing Supply Inc	112,580	3,311	4,265
Consolidated Graphics Inc	59,700	2,251	2,806
EMCOR Group Inc	142,000	4,431	5,772
Exelis Inc	468,600	5,386	6,462
Harsco Corporation	80,000	2,157	1,855
Heartland Express Inc	121,500	1,747	1,686
Hubbell Inc	77,730	4,508	7,695
Huntington Ingalls Industries	59,800	2,660	3,378
Hyster-Yale Materials Handling	20,100	1,343	1,262
IHS Inc	51,090	4,245	5,333
Landstar System Inc	80,510	3,335	4,146
Monster Worldwide Inc	360,700	1,949	1,771
Oshkosh Corporation	84,500	2,133	3,208
Owens Corning Inc	89,000	3,102	3,478
Robert Half International Inc	56,500	1,873	1,877
Ryder System Inc	32,700	1,822	1,988
Timken Company	82,560	3,379	4,646
TransDigm Group Inc	41,575	3,874	6,518
Tutor Perini Corporation	109,800	1,835	1,986
United Rentals Inc	54,310	1,474	2,711
URS Corp	73,300	2,870	3,461
Waste Connections Inc	154,290	4,123	6,347
WESCO International Inc	77,070	3,398	5,238
<i>Total Capital Goods - 14.1%</i>		90,920	119,170
<i>Communication Services</i>			
Cheyond Inc	197,300	1,544	1,547
Leap Wireless International	312,200	1,781	2,101
SBA Communications Corporation	25,760	1,810	1,909
<i>Total Communication Services - 0.7%</i>		5,135	5,557
<i>Consumer Discretionary</i>			
Aaron's Inc	156,600	4,280	4,386
Alaska Air Group Inc	23,400	694	1,217
Arcos Dorados Holdings Inc	126,190	1,565	1,474
Best Buy Co Inc	220,310	3,744	6,021

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Brinker International Inc	117,410	4,682	4,629
Capella Education Company	50,600	1,421	2,107
Coleman Cable Inc	71,900	1,441	1,299
CTC Media Inc	165,500	1,956	1,840
Deckers Outdoor Corporation	26,900	1,471	1,359
Dillard's Inc	52,900	4,718	4,336
Foot Locker Inc	174,640	3,524	6,135
GameStop Corp	174,100	4,917	7,317
Gildan Activewear Inc	23,300	853	944
GNC Holdings Inc	56,940	2,152	2,517
Harman Intl Industries Inc	82,460	3,986	4,469
Hertz Global Holdings Inc	104,230	1,267	2,585
Jarden Corporation	201,460	8,065	8,814
Kirkland's Inc	181,800	2,982	3,136
Lear Corporation	52,400	2,464	3,168
LKQ Corporation	113,450	2,639	2,921
Manchester United Plc	156,780	2,149	2,496
Newell Rubbermaid Inc	102,300	2,471	2,685
NVR Inc	2,974	2,311	2,742
PetMed Express Inc	265,100	3,498	3,340
Providence Service Corporation	61,100	1,760	1,777
PulteGroup Inc	49,500	994	939
Service Corp	350,300	5,515	6,316
Signet Jewelers Ltd	83,880	3,195	5,656
Smith & Wesson Holding Corp	117,300	1,161	1,171
Sturm Ruger & Company Inc	106,900	5,847	5,135
Taylor Morrison Home Corp	178,010	4,635	4,340
Tenneco Inc	32,300	1,311	1,463
Tractor Supply Company	32,790	2,817	3,854
Tupperware Corporation	32,900	2,538	2,556
Urban Outfitters Inc	173,270	6,832	6,969
Williams Sonoma Inc	135,120	5,246	7,552
<i>Total Consumer Discretionary - 15.4%</i>		111,101	129,665
<i>Consumer Staples</i>			
Alliance One International Inc	311,000	943	1,182
Ingredion Inc	35,400	2,391	2,323
Medifast Inc	44,600	1,245	1,149
Nu Skin Enterprises Inc	28,700	1,677	1,754
Nutrisystem Inc	184,300	2,012	2,171
Sanderson Farms Inc	30,400	1,881	2,019
USANA Health Sciences Inc	28,000	1,219	2,027
<i>Total Consumer Staples - 1.5%</i>		11,368	12,625
<i>Energy</i>			
CONSOL Energy Inc	133,950	4,590	3,630
CVR Energy Inc	62,700	3,432	2,972
Delek US Holdings Inc	38,400	1,124	1,105
Denbury Resources Inc	262,030	4,029	4,538
EPL Oil & Gas Inc	91,000	1,570	2,672
Helmerich & Payne Inc	48,900	3,082	3,054
McDermott International Inc	341,810	4,186	2,796
Newpark Resources Inc	377,600	3,735	4,150
Patterson-UTI Energy Inc	144,200	3,397	2,791
Rowan Companies PLC	217,050	7,583	7,395
Superior Energy Services, Inc	189,000	5,242	4,903
Tesoro Corporation	286,890	6,811	15,010
Tidewater Inc	46,700	2,625	2,660
VAALCO Energy Inc	619,900	4,545	3,546
<i>Total Energy - 7.3%</i>		55,951	61,222
<i>Financial Services</i>			
Allied World Assurance Co Hold	58,600	4,321	5,362
American Financial Group Inc	134,500	6,045	6,578

See accompanying notes to financial statements.



# Non-Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Apartment Investment & Mgmt Co	57,100	1,584	1,715
Ashford Hospitality Trust	262,400	2,973	3,004
Assurant Inc	128,400	4,229	6,537
Axis Capital Hldgs Ltd	143,400	5,668	6,565
Banner Corp	100,300	3,141	3,389
BioMed Realty Trust Inc	238,900	5,029	4,833
Brandywine Realty Trust	294,600	3,887	3,983
CapitalSource Inc	216,700	1,475	2,033
CBL & Associates Properties	192,400	4,132	4,121
CBOE Holdings Inc	74,700	2,241	3,484
Central Pacific Financial Corp	69,600	1,303	1,253
Comerica Inc	132,630	3,484	5,283
CoreLogic Inc	91,900	1,928	2,129
Coresite Realty Corporation	121,700	3,231	3,871
Corporate Office Properties	54,900	1,358	1,400
DuPont Fabros Technology Inc	100,300	2,478	2,422
East West Bancorp Inc	97,200	1,812	2,673
Equity Lifestyle Properties	68,600	5,235	5,391
Everest Re Group Ltd	105,975	9,711	13,592
First Merchants Corporation	92,700	1,581	1,590
First Republic Bank	138,630	4,298	5,334
Genworth Financial Inc	500,390	3,250	5,709
Hanmi Financial Corporation	98,500	1,620	1,740
HCC Insurance Holdings Inc	24,600	1,043	1,061
HomeStreet Inc	104,800	2,144	2,248
Huntington Bancshares Inc	916,200	5,413	7,210
Investment Technology Grp Inc	102,600	1,131	1,434
Jones Lang LaSalle Inc	115,920	9,051	10,565
Lazard Ltd	190,740	5,064	6,132
Manning & Napier Inc	287,900	5,653	5,113
Mercadolibre Inc	33,230	3,789	3,581
PartnerRe Ltd	69,900	5,687	6,330
Popular Inc	57,600	943	1,749
ProAssurance Corporation	31,800	1,630	1,659
Raymond James Financial Inc	144,490	4,983	6,210
Realogy Holdings Corp	72,200	3,805	3,468
Reinsurance Group of America I	32,700	2,023	2,260
RenaissanceRe Holdings Ltd	61,000	4,786	5,294
RLJ Lodging Trust	113,500	2,381	2,553
Sabra Health Care REIT Inc	49,500	1,568	1,292
SEI Investments Company	123,200	2,850	3,503
SVB Financial Group	43,800	2,908	3,649
Taubman Centers Inc	68,000	5,233	5,110
TCP Capital Corp	173,700	2,844	2,913
Umpqua Holdings Corporation	271,800	3,493	4,080
Unum Group	138,200	3,661	4,059
Waddell & Reed Financial Inc	114,700	4,868	4,989
Wilshire Bancorp Inc	720,700	4,060	4,771
Wintrust Financial Corp	92,700	3,465	3,549
World Acceptance Corporation	52,500	4,840	4,564
<i>Total Financial Services - 25.3%</i>		185,330	213,337
<i>Health Care</i>			
Alkermes PLC	232,020	4,624	6,654
ArthroCare Corporation	74,650	2,600	2,578
Community Health Systems Inc	81,390	3,795	3,816
Covance Inc	53,140	3,606	4,046
Cubist Pharmaceuticals Inc	118,430	5,259	5,719
DENTSPLY International Inc	103,060	3,569	4,221
Health Net Inc	75,300	2,345	2,396
IDEXX Laboratories Inc	54,150	4,867	4,857
Mettler-Toledo International I	33,670	4,687	6,774
Myriad Genetics Inc	91,900	1,986	2,469

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Omnicare Inc	43,900	1,805	2,094
PDL BioPharma Inc	670,800	4,074	5,179
PharMerica Corporation	286,800	3,978	3,975
United Therapeutics Corp	61,800	3,195	4,068
Volcano Corporation	184,300	4,549	3,341
Warner Chilcott PLC	109,100	1,318	2,172
<i>Total Health Care - 7.6%</i>		56,257	64,359
<i>Technology</i>			
Advanced Energy Industries Inc	66,200	1,177	1,153
Alliance Data Systems Corp	59,720	4,282	10,811
Amdocs Ltd	140,100	4,273	5,196
Autodesk Inc	141,700	4,923	4,809
Avago Technologies LTD	101,010	3,446	3,776
Avnet Inc	71,900	2,422	2,416
Concur Technologies	54,450	3,701	4,431
First Solar Inc	44,000	1,021	1,972
FleetCor Technologies Inc	77,000	2,117	6,260
Fortinet Inc	248,120	5,629	4,342
Genpact Limited	206,840	3,235	3,980
Informatica Corporation	108,180	3,563	3,784
Ingram Micro Inc	277,900	5,150	5,277
Kulicke & Soffa Industries Inc	176,600	1,551	1,953
Lam Research Corporation	62,210	2,567	2,758
Lexmark International Inc	124,700	3,877	3,812
Manhattan Associates Inc	43,700	3,010	3,372
NetScout Systems Inc	57,200	1,476	1,335
Neutral Tandem Inc	221,200	1,214	1,272
Nuance Communications Inc	340,790	6,533	6,271
NXP Semiconductor NV	165,130	3,746	5,122
PMC-Sierra Inc	135,600	815	862
QLIK Technologies Inc	163,080	3,277	4,610
Riverbed Technology	170,100	2,699	2,647
Skyworks Solutions Inc	227,190	4,944	4,973
Tech Data Corporation	22,600	1,002	1,064
Total System Services Inc	148,580	3,634	3,637
United Online Inc	361,100	2,062	2,737
ValueClick Inc	89,300	2,697	2,207
Vishay Intertechnology Inc	415,000	5,681	5,764
<i>Total Technology - 13.3%</i>		95,724	112,603
<i>Utilities</i>			
Alliant Energy Corp	71,600	2,486	3,610
American Water Works Co Inc	91,400	2,186	3,768
El Paso Electric Company	169,000	5,160	5,967
Great Plains Energy Inc	83,800	1,737	1,889
NV Energy Inc	294,500	5,119	6,909
Pinnacle West Capital Corp	130,600	5,812	7,244
PNM Resources Inc	54,000	679	1,198
Portland General Electric Co	200,000	4,735	6,129
<i>Total Utilities - 4.3%</i>		27,914	36,714
Total Equity Securities - 96.3%		691,650	812,852
<b>Short-term Issue</b>			
Dreyfus Cash Management Institutional Fund - 2.2%	18,235,701	18,236	18,236
<b>Investments Made with Cash Collateral for Securities Loaned</b>			
BNY Mellon Securities Lending Overnight Fund		61,583	61,583
Mellon SL DBT II Liquidating Fund		416	406
Total Investments Made with Cash Collateral for Securities Loaned - 7.3%		61,999	61,989
Total Investments - 105.8%		\$ 771,885	\$ 893,077

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Dividends	\$	15,316
Net securities lending loss (Note 6)		(853)
Net shareholder litigation proceeds		635
Commission recapture		<u>38</u>

**Total investment income** 15,136

**Expenses**

Investment advisor fees		(3,246)
Trustee fees		(3)
Custodian bank fees		(35)
Management fees		(232)
Fiduciary bond fees		(2)
Professional service fees		<u>(53)</u>

**Total expenses** (3,571)

**Investment income, net** 11,565

**Realized and unrealized gain from investments**

Net realized gain from investments		114,223
Net change in unrealized appreciation (depreciation) on investments		<u>65,500</u>

**Net gain from investments** 179,723

**Net increase in net assets from operations** \$ 191,288

*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, 2013**  
*(Amounts in thousands, except unit data)*

**Operations**

Investment income, net	\$ 11,565
Net realized gain from investments	114,223
Net change in unrealized appreciation (depreciation) on investments	<u>65,500</u>

**Net increase in net assets from operations** 191,288

**Unit transactions**

Proceeds from sale of units	36,197
Amount paid for repurchase of units	<u>(81,578)</u>

**Net decrease in net assets from unit transactions** (45,381)

**Increase in net assets** 145,907

**Net assets, beginning of period** 698,195

**Net assets, end of period** \$ 844,102

**Unit data**

Units sold	1,982,621
Units repurchased	<u>(3,867,103)</u>

**Net decrease in units** (1,884,482)

*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	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 AJO and Westfield Capital Management (Westfield).

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 5 for further discussion and presentation of the reporting requirements under ASC 820.

# 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)

Fair value of the Pool's portfolio securities is determined as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded. If no sales have been recorded within the five days preceding the date of the financial statement date, the fair value of the securities is determined in accordance with approved procedures.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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 BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically the Mellon SL DBT II Liquidating Fund. Such investments are made at the risk of the Pool and, as such, the Pool is liable for investment losses. Investments made with cash are reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments. 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 net securities lending income. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation 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 a change in unrealized appreciation or depreciation on 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 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 net realized 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.

# 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)

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, FASB issued Accounting Standard Update No. 2011-11 (ASU 2011-11), "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 is intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a portfolio's financial position. They are also intended to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the financial position; and disclose instruments and transactions subject to an agreement similar to a master netting agreement.

In January 2013, FASB issued Accounting Standard Update No. 2013-01 (ASU 2013-01), "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Management is currently evaluating the implications of ASU 2011-11 and ASU 2013-01 and their impact on financial statement disclosures.

### NOTE 4. 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 exposed to no or minimal credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2013, 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 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:

# Non-Large Cap Domestic Equity Pool

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

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

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

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
Equity securities	\$ 812,852	\$ -	\$ -	\$ 812,852
Investments made with cash collateral for securities loaned	-	61,989	-	61,989
Short-term issue	18,236	-	-	18,236
Total	<u>\$ 831,088</u>	<u>\$ 61,989</u>	<u>\$ -</u>	<u>\$ 893,077</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

### NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2013.

Fair value of securities on loan	\$ 65,123		
Initial collateral received:	Cost	Fair Value	Unrealized Depreciation
Cash	<u>\$ 61,999</u>	\$ 61,989	<u>\$ (10)</u>
Non-cash		4,797	
Total		<u>\$ 66,786</u>	

The Mellon GSL DBT II Liquidating Trust (Liquidating Trust) was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$2,247 was assigned to the Non-Large Cap Domestic Equity Pool. A loss reserve was established for the entire amount. Through June 30, 2013, the loss reserve was adjusted to \$1,517 as a result of settlement proceeds received in the Liquidating Trust. No additional proceeds are expected; therefore the reserve of \$1,517 has been recognized as a loss and included in net securities lending loss.



# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 7. INVESTMENT ADVISORY FEES

The IMB has approved investment advisory agreements with AJO and Westfield to manage the investments of the Pool. These agreements provide for quarterly payments, based on average end of month assets under management, to the investment advisors. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to AJO consist of a base fee of 0.05 percent annually of the net assets under management and a performance incentive fee that is earned when the actual investment return exceeds the return of the Russell 2500 Value index over rolling three-year periods. The maximum fee allowable under the agreement is 1.25 percent annually of the net assets under management. The effective fee rate earned by AJO for the year ended June 30, 2013, was 0.29 percent.

The fees paid to Westfield include a base fee of 0.10 percent annually of net assets under management and a performance incentive fee that is earned when the actual investment return exceeds the return of the Russell 2500 Growth index over rolling three-year periods. The maximum fee allowable under the agreement is 1.00 percent annually of the net assets under management. The effective fee rate earned by Westfield for the year ended June 30, 2013, was 0.54 percent.

### NOTE 8. FINANCIAL HIGHLIGHTS

<b>Per Unit Operating Performance:</b>	
Net asset value at June 30, 2012	\$ 17.61
Income from investment operations:	
Net investment income	0.29
Net realized and unrealized gain on investment transactions	4.45
Total from investment operations	<u>4.74</u>
Net asset value at June 30, 2013	<u>\$ 22.35</u>
<b>Total Return *</b>	27.0%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 844,102
Ratio to average net assets:	
Expenses **	0.45%
Net investment income **	1.45%
Portfolio turnover rate	98.46%

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

\*\* All ratios are for the fiscal year

# Non-Large Cap Domestic 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, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 368,809
Public Employees' Retirement System	319,921
State Police Death, Disability and Retirement Fund	33,901
West Virginia Retiree Health Benefit Trust Fund	32,620
Workers' Compensation Old Fund	27,465
Judges' Retirement System	9,331
Revenue Shortfall Reserve Fund - Part B	9,265
Deputy Sheriff's Retirement System	8,791
Coal Workers' Pneumoconiosis Fund	7,036
State Police Retirement System	6,206
Public Employees Insurance Agency	5,178
West Virginia Prepaid Tuition Trust Fund	4,708
Board of Risk and Insurance Management	3,727
Wildlife Endowment Fund	3,002
Emergency Medical Services Retirement System	2,761
West Virginia Department of Environmental Protection Trust	709
Workers' Compensation Self-Insured Guaranty Risk Pool	387
Workers' Compensation Uninsured Employers' Fund	254
Municipal Police Officers' and Firefighters' Retirement System	31
Total	<u>\$ 844,102</u>

### NOTE 10. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**International Qualified Pool**

# International Qualified Pool

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## **Audited Financial Statements June 30, 2013**

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board International Qualified Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# International Qualified Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investment at fair value (cost \$387,300) \$ 1,036,753

### Liabilities

Accrued expenses 67

**Net assets** \$ 1,036,686

### Analysis of net assets

Paid-in capital \$ 395,087

Accumulated undistributed net investment loss (37,028)

Accumulated undistributed net realized gain from investments 29,174

Unrealized net appreciation of investments 649,453

**Net assets** \$ 1,036,686

### Unit data

Units outstanding 20,947,399

Net asset value, unit price \$ 49.49

See accompanying notes to financial statements.

# International Qualified Pool

## Schedule of Investments

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
<b><u>Investment in Other Fund</u></b>			
Silchester International Investors' Value Equity Group Trust - 100.0%	12,273,637	\$ 387,300	\$ 1,036,753
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.			

The Silchester International Investors' Value Equity Group Trust had investments in the following countries at June 30, 2013.

	Percent of Market Value
Japan	25.9 %
Great Britain	16.8
Switzerland	14.4
France	10.6
Netherlands	5.2
South Korea	4.9
Singapore	3.3
Hong Kong	3.3
Germany	3.1
Belgium	2.0
Greece	1.6
Taiwan	1.3
Thailand	1.1
Norway	1.1
Finland	0.9
Sweden	0.8
Italy	0.8
Denmark	0.7
Portugal	0.6
Spain	0.5
Mexico	0.5
Austria	0.4
Malaysia	0.2
Total	100.0 %

*See accompanying notes to financial statements.*

# International Qualified Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

<b>Investment income</b>	\$	-
<b>Expenses</b>		
Investment advisor fees		(4,918)
Trustee fees		(3)
Management fees		(273)
Fiduciary bond fees		(2)
Professional service fees		<u>(63)</u>
	<b>Total expenses</b>	<u>(5,259)</u>
	<b>Investment loss, net</b>	(5,259)
<b>Realized and unrealized gain from investment</b>		
Net realized gain from investment		2,958
Net change in unrealized appreciation (depreciation) on investment		<u>221,982</u>
	<b>Net gain from investment</b>	<u>224,940</u>
	<b>Net increase in net assets from operations</b>	<u>\$ 219,681</u>

*See accompanying notes to financial statements.*



## International Qualified Pool

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### Statement of Changes in Net Assets

Year Ended June 30, 2013

(Amounts in thousands, except unit data)

#### Operations

Investment loss, net	\$ (5,259)
Net realized gain from investment	2,958
Net change in unrealized appreciation (depreciation) on investment	<u>221,982</u>

**Net increase in net assets from operations** 219,681

#### Unit transactions

Proceeds from sale of units	17,221
Amount paid for repurchase of units	<u>(1,901)</u>

**Net increase in net assets from unit transactions** 15,320

**Increase in net assets** 235,001

**Net assets, beginning of period** 801,685

**Net assets, end of period** \$ 1,036,686

#### Unit data

Units sold	360,394
Units repurchased	<u>(38,476)</u>

**Net increase in units** 321,918

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	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' (Silchester) Value Equity Group Trust. The Pool's objective is 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

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 4 for further discussion and presentation of the reporting requirements under ASC 820.

# International Qualified Pool

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## Notes to Financial Statements

(Amounts in thousands, except share data)

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

Fair value of the Pool's portfolio investment is determined as follows:

- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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.

**Distributions to Participants** - The Pool does not routinely distribute dividends of net investment income or net realized 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. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of the investment fund in which the Pool invests that are reflected in the reported net asset value of such fund.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### 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, 2013, was \$1,036,753. 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, 2013, 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.

# International Qualified Pool

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

### NOTE 4. 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, 2013:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in other fund	\$ -	\$ 1,036,753	\$ -	\$ 1,036,753

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

### NOTE 5. INVESTMENT ADVISORY FEES

The IMB has approved an investment advisory agreement with Silchester to manage the investments of the Pool. The Pool pays these advisory fees, based on end of month assets under management, by redeeming shares from the commingled fund managed by Silchester.

The fees paid to Silchester are based on a descending scale of fee rates ranging from 1.0 percent annually on the first \$10 million of assets under management to 0.55 percent annually on assets between \$50 million and \$75 million. For assets greater than \$75 million the fee rate is 0.50 percent. The effective fee rate earned by Silchester for the year ended June 30, 2013, was 0.52 percent.

# 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, 2012	\$ 38.87
Income from investment operations:	
Net investment loss	(0.25)
Net realized and unrealized gain on investment transactions	10.87
Total from investment operations	10.62
Net asset value at June 30, 2013	\$ 49.49
<b>Total Return *</b>	27.3%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 1,036,686
Ratio to average net assets:	
Expenses **	0.56%
Net investment loss **	-0.56%
Portfolio turnover rate	0.52%

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

\*\* All ratios are for the fiscal year and do not reflect the Pool's proportionate share of income and expenses of the underlying investee fund.

### NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 509,827
Public Employees' Retirement System	442,640
State Police Death, Disability and Retirement Fund	46,721
Judges' Retirement System	12,903
Deputy Sheriff's Retirement System	12,161
State Police Retirement System	8,576
Emergency Medical Services Retirement System	3,817
Municipal Police Officers' and Firefighters' Retirement System	41
Total	\$ 1,036,686

### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**International Nonqualified Pool**

**D**

# International Nonqualified Pool

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## **Audited Financial Statements June 30, 2013**

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board International Nonqualified Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# International Nonqualified Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investment at fair value (cost \$75,575)	\$	122,099
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### Liabilities

Accrued expenses		<u>8</u>
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<b>Net assets</b>	<b>\$</b>	<b><u>122,091</u></b>
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### Net assets

Paid-in capital	\$	52,222
Accumulated undistributed net investment loss		(4,876)
Accumulated undistributed net realized gain from investments		28,221
Unrealized net appreciation of investments		<u>46,524</u>

<b>Net assets</b>	<b>\$</b>	<b><u>122,091</u></b>
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### Unit data

Units outstanding		2,665,233
Net asset value, unit price	\$	<u>45.81</u>

See accompanying notes to financial statements.

## International Nonqualified Pool

### Schedule of Investments

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
<b><u>Investment in Other Fund</u></b>			
Silchester International Investors' Value Equity Trust - 100.0%	1,376,649	\$ 75,575	\$ 122,099
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.			

The Silchester International Investors' Value Equity Trust had investments in the following countries at June 30, 2013.

	<u>Percent of Market Value</u>
Japan	25.9 %
Great Britain	16.8
Switzerland	14.4
France	10.7
Netherlands	5.2
South Korea	4.9
Singapore	3.4
Hong Kong	3.3
Germany	3.0
Belgium	2.0
Greece	1.7
Taiwan	1.3
Thailand	1.1
Norway	1.0
Finland	0.9
Sweden	0.8
Italy	0.7
Denmark	0.7
Portugal	0.6
Spain	0.5
Mexico	0.5
Austria	0.4
Malaysia	0.2
Total	<u>100.0 %</u>

*See accompanying notes to financial statements.*

# International Nonqualified Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

<b>Investment income</b>	\$ -
<b>Expenses</b>	
Investment advisor fees	(702)
Management fees	(31)
Professional service fees	<u>(8)</u>
<b>Total expenses</b>	<u>(741)</u>
<b>Investment loss, net</b>	(741)
<b>Realized and unrealized gain from investment</b>	
Net realized gain from investment	241
Net change in unrealized appreciation (depreciation) on investment	<u>25,107</u>
<b>Net gain from investment</b>	<u>25,348</u>
<b>Net increase in net assets from operations</b>	<u><u>\$ 24,607</u></u>

*See accompanying notes to financial statements.*

## International Nonqualified Pool

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### Statement of Changes in Net Assets

Year Ended June 30, 2013

(Amounts in thousands, except unit data)

#### Operations

Investment loss, net	\$	(741)
Net realized gain from investment		241
Net change in unrealized appreciation (depreciation) on investment		<u>25,107</u>

**Net increase in net assets from operations** 24,607

#### Unit transactions

Proceeds from sale of units		14,205
Amount paid for repurchase of units		<u>(4,169)</u>

**Net increase in net assets from unit transactions** 10,036

**Increase in net assets** 34,643

**Net assets, beginning of period** 87,448

**Net assets, end of period** \$ 122,091

#### Unit data

Units sold		337,111
Units repurchased		<u>(96,584)</u>

**Net increase in units** 240,527

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	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' (Silchester) Value Equity Trust. The Pool's objective is 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

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 4 for further discussion and presentation of the reporting requirements under ASC 820.

# International Nonqualified Pool

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

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

Fair value of the Pool's portfolio investment is determined as follows:

- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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.

**Distributions to Participants** - The Pool does not routinely distribute dividends of net investment income or net realized 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. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of the investment fund in which the Pool invests that are reflected in the reported net asset value of such fund.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### 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, 2013, was \$122,099. 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, 2013, 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.

# International Nonqualified Pool

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

### NOTE 4. 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, 2013:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in other fund	\$ -	\$ 122,099	\$ -	\$ 122,099

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

### NOTE 5. INVESTMENT ADVISORY FEES

The IMB has approved an investment advisory agreement with Silchester to manage the investments of the Pool. The Pool pays these advisory fees, based on end of month assets under management, by redeeming shares from the commingled fund managed by Silchester.

The fees paid to Silchester are based on a descending scale of fee rates ranging from 1.0 percent annually on the first \$10 million of assets under management to 0.55 percent annually on assets between \$50 million and \$75 million. For assets greater than \$75 million the fee rate is 0.50 percent. The effective fee rate earned by Silchester for the year ended June 30, 2013 was 0.65 percent.



# International Nonqualified 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, 2012	\$ 36.07
Income from investment operations:	
Net investment loss	(0.29)
Net realized and unrealized gain on investment transactions	10.03
Total from investment operations	9.74
Net asset value at June 30, 2013	\$ 45.81
<b>Total Return *</b>	27.0%
<b>Supplemental Data:</b>	
Net assets, end of period	\$ 122,091
Ratio to average net assets:	
Expenses **	0.69%
Net investment loss **	-0.69%
Portfolio turnover rate	0.66%

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

\*\* All ratios are for the fiscal year and do not reflect the Pool's proportionate share of income and expenses of the underlying investee fund.

### NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2013.

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 41,316
Workers' Compensation Old Fund	37,574
Revenue Shortfall Reserve Fund - Part B	12,859
Coal Workers' Pneumoconiosis Fund	9,683
Public Employees Insurance Agency	5,595
Board of Risk and Insurance Management	5,130
West Virginia Prepaid Tuition Trust Fund	4,208
Wildlife Endowment Fund	4,120
West Virginia Department of Environmental Protection Trust	742
Workers' Compensation Self-Insured Guaranty Risk Pool	506
Workers' Compensation Uninsured Employers' Fund	358
Total	\$ 122,091

### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**International Equity Pool**

**E**

# International Equity Pool

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## **Audited Financial Statements June 30, 2013**

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board International Equity Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# International Equity Pool

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## Statement of Assets and Liabilities June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$2,229,365), including securities on loan of \$104,586 (Note 6)	\$ 2,215,282
Cash denominated in foreign currencies (cost \$17,277)	17,103
Receivables:	
Investments sold	3,032
Dividends	9,542
Foreign tax withholding	2,565
Securities lending income	112
Unrealized appreciation on foreign currency contracts (Note 7)	<u>3</u>
<b>Total assets</b>	<b>2,247,639</b>

### Liabilities

Cash overdraft	3
Accrued expenses	3,663
Payable for investments purchased	3,617
Payable upon return of securities loaned (Note 6)	111,135
Unrealized depreciation on foreign currency contracts (Note 7)	<u>7</u>
<b>Total liabilities</b>	<b><u>118,425</u></b>
<b>Net assets</b>	<b><u>\$ 2,129,214</u></b>

### Analysis of net assets

Paid-in capital	\$ 1,214,190
Accumulated undistributed net investment income	380,204
Accumulated undistributed net realized gain from investments	469,996
Accumulated undistributed net realized gain from foreign currency transactions	79,269
Unrealized net appreciation of investments	79,328
Unrealized net depreciation on translation of assets and liabilities in foreign currencies	<u>(93,773)</u>
<b>Net assets</b>	<b><u>\$ 2,129,214</u></b>

### Unit data

Units outstanding	95,446,250
Net asset value, unit price	<u>\$ 22.31</u>

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
<b>Equity Securities</b>			
<i>Argentina</i>			
Grupo Clarin-GDR CL B Reg S	282,899	\$ 1,534	\$ 848
Nortel Inversora SA	123,040	2,538	1,785
<i>Total Argentina - 0.1%</i>		4,072	2,633
<i>Australia</i>			
ALS Limited	245,133	2,778	2,150
Arrium Ltd	2,545,600	6,194	1,817
Ausdrill Ltd	615,106	1,674	484
Boart Longyear Group	934,400	2,866	577
Carsales.com	273,958	2,265	2,365
Challenger Limited	1,380,200	5,258	5,066
Downer EDI Ltd	720,314	2,422	2,367
DUET Group	897,407	1,324	1,651
Flight Centre Ltd	52,473	1,226	1,889
ISelect Ltd	1,066,285	1,879	1,659
Leighton Holdings Limited	209,500	3,679	2,963
Lend Lease Corporation Ltd	929,700	8,805	7,106
Macquarie Group Ltd	141,200	3,129	5,412
Metcash Ltd	1,190,600	4,610	3,836
Monadelphous Group Ltd	131,031	2,510	1,936
National Australia Bank Ltd	302,600	8,063	8,221
SAI Global Limited	418,884	2,096	1,392
Seven Group Holdings Ltd	374,000	2,637	2,362
Southern Cross Media Group	285,367	940	372
Treasury Wine Estates	427,884	2,221	2,279
Virtus Health Pty Ltd	509,900	2,991	3,010
<i>Total Australia - 2.8%</i>		69,567	58,914
<i>Austria</i>			
Erste Group Bank AG	508,587	15,100	13,556
OMV AG	257,400	9,837	11,610
Voestalpine AG	139,000	4,807	4,902
<i>Total Austria - 1.4%</i>		29,744	30,068
<i>Belgium</i>			
Barco NV	35,900	2,343	2,901
Delhaize Le Lion SA	146,000	8,784	9,013
KBC Groep NV	82,500	3,628	3,068
Tessenderlo Chemie NV	55,227	2,529	1,393
ThromboGenics NV	33,800	1,639	1,294
<i>Total Belgium - 0.8%</i>		18,923	17,669
<i>Bermuda</i>			
China Yuchai International Ltd	226,207	3,831	3,988
Cosan Ltd	221,600	4,456	3,581
Credicorp Ltd	23,090	2,588	2,955
Dickson Concepts Ltd	1,628,500	1,191	890
First Pacific Company Ltd	10,890,314	4,430	11,668
Nine Dragons Paper Holdings	3,415,000	2,916	2,219
Skyworth Digital Holdings Ltd	5,046,000	2,429	2,550
Varitronix International Ltd	783,000	784	554
Yue Yuen Industrial Holdings	1,682,000	3,440	4,359
<i>Total Bermuda - 1.5%</i>		26,065	32,764
<i>Brazil</i>			
Arezzo & Company	45,200	783	695
Banco Bradesco SA	219,010	2,567	3,034
Banco do Brasil SA	716,601	8,369	7,179
Banco do Estado do Rio Grande - Preferred Stock	650,700	4,660	4,457
Banco Santander Brasil SA	1,162,160	13,891	7,229
BR Malls Participacoes	297,900	3,623	2,694
Centrais Elect de Sata Catarin - Preferred Stock	155,600	4,108	1,478
Centrais Eletricas Brasileiras	1,096,430	10,839	2,324

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Centrais Eletricas Brasileiras - Preferred Stock	347,700	3,661	1,374
CETIP	303,010	4,104	3,133
CIA Paranaense De Energia	198,080	2,402	1,879
CIA Paranaense De Energia - Preferred Stock	355,000	7,061	4,448
Companhia de Bebidas das Amer	40,200	1,449	1,501
Companhia de Saneamento	622,800	3,496	6,515
Companhia Energetica de Minas - Preferred Stock	266,675	3,045	2,404
Companhia Paranaense	217,420	3,705	2,700
Ecorodovias Infra E Log	274,200	2,353	1,944
Embraer SA	331,468	7,730	12,228
Itau Unibanco Holding SA	372,210	5,675	4,809
JBS SA	1,010,300	3,525	2,959
Kroton Educacional SA	311,700	2,995	4,360
Light S/A	381,900	3,485	2,688
Localiza Rent A Car	202,755	3,299	2,900
Marcopolo SA - Preferred Stock	508,500	2,374	2,930
Marfrig Frigorificos e Comerci	1,476,385	9,366	5,013
Petroleo Brasileiro SA	776,292	21,733	11,380
Petroleo Brasileiro SA - Preferred Stock	602,800	8,052	4,415
Telefonica Brasil	316,589	2,915	7,225
Tim Participacoes SA	926,011	17,238	17,224
Vale SA	329,600	7,099	4,334
Vale SA - Preferred Stock	503,000	11,332	6,159
Viver Incorporadora e Construr	3,047,346	4,813	372
<i>Total Brazil - 6.8%</i>		191,747	143,984
<i>Canada</i>			
Agrium Inc	74,400	5,713	6,430
Canadian Imperial Bank	103,400	6,667	7,316
Canadian Tire Corporation Ltd	119,100	8,374	8,939
Celestica Inc	597,200	3,867	5,610
Cogeco Cable Inc	55,900	2,514	2,380
Ensign Energy Services Inc	227,500	3,421	3,511
Genworth MI Canada Inc	89,100	2,443	2,073
Laurentian Bank of Canada	83,174	2,496	3,464
Magna International Inc	166,000	8,418	11,779
Metro Inc	111,900	4,980	7,476
National Bank of Canada	91,800	4,727	6,530
Pacific Rubiales Energy Corp	181,500	4,271	3,178
Precision Drilling Corporation	410,600	4,276	3,483
Rogers Communications Inc	88,000	3,393	3,437
Sherritt International Company	604,400	3,606	2,234
Teck Corporation	213,300	7,011	4,543
Transcontinental Inc	239,200	3,637	2,900
Westjet Airlines LTD	275,500	3,515	6,006
<i>Total Canada - 4.3%</i>		83,329	91,289
<i>Cayman Islands</i>			
Belle International Holdings	958,500	1,771	1,317
Bosideng International Holding	37,168,200	10,119	7,763
Chailease Holding	545,000	1,415	1,287
Chaoda Modern Agriculture Ltd	19,491,636	12,313	780
China Shanshui Cement Group	3,932,000	2,724	1,769
China ZhengTong Auto Services	4,290,300	3,380	2,013
Daphne International Holdings	1,678,000	1,623	1,436
Eurasia Drilling Company Ltd	83,929	3,154	3,133
Ginko International Company	88,000	1,433	1,486
Hengan International Group	316,000	3,181	3,443
Kingboard Laminates Holding	3,250,500	2,844	1,287
Longking Holdings Ltd	10,369,000	3,897	2,059
Minth Group Ltd	1,240,000	1,994	1,928
Xinyi Glass Holdings Co Ltd	2,862,000	1,540	2,225
Yingde Gases	11,795,500	11,016	10,889
<i>Total Cayman Islands - 2.0%</i>		62,404	42,815

See accompanying notes to financial statements.



# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
<i>China</i>			
Bank of China Ltd	17,159,000	5,669	7,057
China Bluechemical Ltd	5,766,000	3,338	3,524
China Coal Energy Co	4,320,000	3,855	2,261
China Construction Bank Corp	7,578,100	6,044	5,364
China Minsheng Banking Corp	2,723,000	3,560	2,665
China Pet & Chem Cor (Sinopec)	15,522,000	10,409	10,927
China Railway Construction Ltd	3,392,500	3,545	2,948
China South Locomotive	4,440,000	3,275	2,610
Chongqing Machinery & Electric	7,926,000	1,644	971
Dongfeng Motor Group Company	2,208,000	3,171	2,949
Great Wall Motor Company Ltd	485,000	359	2,092
Harbin Power Equipment Company	3,886,000	4,295	2,570
PetroChina Company Ltd	17,360	2,422	1,921
Ping An Insurance Co	640,500	5,044	4,311
Shanghai Electric Group Co	13,088,000	5,453	4,387
Sichuan Xinhua Winshare	6,391,000	1,553	3,040
Sinotrans Ltd	23,396,000	4,186	4,374
Weiqiao Textile Company Ltd	7,266,208	9,289	4,366
<i>Total China - 3.2%</i>		77,111	68,337
<i>Czech Republic</i>			
CEZ	162,300	5,652	3,890
Telefonica O2 Czech Republic	659,500	11,382	9,076
<i>Total Czech Republic - 0.6%</i>		17,034	12,966
<i>Denmark</i>			
D/S Norden A/S	89,747	3,075	3,044
FLSmidth & Co A/S	61,779	3,767	2,809
Pandora A/S	77,644	1,941	2,628
SimCorp A/S	89,130	1,165	2,641
<i>Total Denmark - 0.5%</i>		9,948	11,122
<i>Egypt</i>			
Eastern Tobacco - 0.2%	343,975	5,163	4,704
<i>Finland</i>			
OKO Bank PLC	255,900	2,962	3,755
TietoEnator Oyj	171,000	4,238	3,247
<i>Total Finland - 0.3%</i>		7,200	7,002
<i>France</i>			
Altran Technologies SA	384,697	2,732	2,660
Axa	343,200	8,663	6,734
BNP Paribas	93,300	6,860	5,091
Credit Agricole SA	510,196	3,980	4,379
Ingenico SA	61,941	2,844	4,122
Sanofi-Synthelabo SA	120,900	8,393	12,512
SCOR SE	152,600	3,648	4,676
Teleperformance	112,127	3,971	5,390
Total SA	232,600	14,724	11,339
Ubisoft Entertainment SA	333,013	3,537	4,355
Valeo SA	146,592	6,467	9,201
Vivendi Universal	442,000	12,038	8,359
<i>Total France - 3.7%</i>		77,857	78,818
<i>Germany</i>			
Aareal Bank AG	80,475	2,023	1,872
Aixtron AG	161,175	2,185	2,706
Allianz AG	67,400	9,038	9,834
BASF AG	87,100	4,051	7,770
Bayer AG	55,900	2,981	5,953
Deutsche Bank AG	143,100	10,083	5,981
Deutsche Post AG	316,500	4,693	7,856
Dialog Semiconductor PLC	220,068	4,246	2,751

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Draegerwerk AG - Preferred Stock	27,030	2,681	3,700
E.On AG	252,600	7,276	4,140
Freenet AG	340,600	5,358	7,429
Krones AG	53,098	2,841	3,775
MorphoSys AG	46,808	1,986	2,631
Muenchener Rueckversicherungs	41,500	7,059	7,628
MUT Aero Engines Holding AG	42,534	3,137	4,097
Pfeiffer Vacuum Technology AG	33,924	2,709	3,510
RWE AG	138,800	8,663	4,424
TUI AG	262,001	2,305	3,110
Volkswagen AG	55,300	7,067	10,764
<i>Total Germany - 4.7%</i>		<u>90,382</u>	<u>99,931</u>
<i>Greece</i>			
Alapis Holding Ind & Commer	46,477	1,132	2
Titan Cement Co	144,070	2,344	2,502
<i>Total Greece - 0.1%</i>		<u>3,476</u>	<u>2,504</u>
<i>Hong Kong</i>			
AAC Technologies Holdings Inc.	407,000	1,317	2,298
AIA Group Ltd	347,600	1,426	1,472
Beijing Enterprises Holdings	667,500	4,056	4,806
Cheung Kong Holdings Ltd	361,000	4,559	4,896
China Mobile (Hong Kong) Ltd	1,500,000	14,378	15,665
Citic Pacific Ltd	2,143,000	4,154	2,299
CNOOC Ltd	2,274,000	4,821	3,858
Emperor Watch & Jewellery Ltd	27,870,000	2,662	2,300
Esprit Holding Ltd	1,306,263	1,696	1,947
Fushan Intl Energy Group Ltd	5,912,000	1,964	2,294
Galaxy Entertainment Group	1,050,000	2,897	5,144
Global Bio-Chem Technology	1,824,000	429	162
SmarTone Telecommunications	1,172,960	2,206	1,948
<i>Total Hong Kong - 2.3%</i>		<u>46,565</u>	<u>49,089</u>
<i>Hungary</i>			
Magyar Telekom - 0.3%	3,864,270	15,829	5,798
<i>India</i>			
Ashok Leyland Ltd	6,220,600	3,134	2,104
Grasim Industries Limited	76,500	4,139	3,546
HDFC Bank Ltd	115,100	3,885	4,171
ICICI Bank Ltd	236,346	5,724	5,533
Indiabulls Housing Finance Ltd	954,400	3,479	4,365
Indian Oil Corporation Ltd	2,280,626	11,316	9,009
ITC Limited	623,555	2,930	3,403
Maruti Suzuki India Ltd	131,566	3,376	3,405
McLeod Russel India Ltd	346,493	2,094	1,684
Reliance Infrastructure Ltd	1,558,635	15,812	9,159
Rural Electrification Corp	1,522,000	5,776	5,142
Tata Chemicals Ltd	1,351,048	7,624	6,401
Tata Motors Ltd	147,000	3,641	3,446
Ultra Tech Cement Ltd	79,472	2,819	2,510
United Phosphorus Ltd	2,791,077	6,993	6,376
Zee Entertainment Enterprises	480,717	2,034	1,910
<i>Total India - 3.4%</i>		<u>84,776</u>	<u>72,164</u>
<i>Indonesia</i>			
Bank Rakyat Indonesia	3,816,500	2,751	2,980
Indofood Sukses Mak TBK	4,585,500	2,584	3,396
Semen Gresik (Persero) TBK	1,707,400	2,065	2,942
Timah Tbk PT	13,770,000	2,881	1,429
<i>Total Indonesia - 0.5%</i>		<u>10,281</u>	<u>10,747</u>
<i>Ireland</i>			
Irish Life & Permanent Group	398,100	6,377	14

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Smurfit Kappa Group PLC	196,335	3,048	3,274
Total Produce PLC	82,700	92	74
<i>Total Ireland - 0.2%</i>		9,517	3,362
<i>Israel</i>			
Bezeq Israeli Telecommunicatio	795,078	1,063	1,061
Israel Discount Bank	1,644,552	3,628	2,760
Partner Communications Company	472,472	8,118	2,981
Syneron Medical Ltd	259,721	2,711	2,260
Teva Pharmaceutical Ltd	171,700	6,922	6,632
<i>Total Israel - 0.7%</i>		22,442	15,694
<i>Italy</i>			
De'Longhi SPA	115,309	1,283	1,800
DiaSorin	38,568	1,616	1,538
Enel SpA	1,147,900	5,994	3,596
ENI SpA	424,300	11,514	8,703
Finmeccanica SpA	276,900	4,130	1,385
Fondiaria - Sai SpA	2,254,757	4,087	4,144
Mediolanum SPA	419,001	1,956	2,592
Parmalat SpA	1,080,700	2,144	3,371
Prysmian SpA	165,881	2,670	3,094
Safilo Group SPA	191,685	3,289	3,670
Sorin SPA	853,247	1,719	2,163
<i>Total Italy - 1.7%</i>		40,402	36,056
<i>Japan</i>			
77 Bank Ltd	709,000	3,091	3,362
Anritsu Corporation	157,800	2,112	1,867
Asahi Kasei Corp	1,215,000	7,239	8,024
Brother Industries Ltd	266,300	3,655	2,994
Century Leasing System Inc	214,200	2,725	5,568
Coca-Cola West Company	97,700	1,747	1,731
Cocokara Fine Holdings Inc	80,100	2,067	2,540
CyberAgent Inc	1,214	2,482	2,322
Daiseki Company Ltd	141,860	2,472	2,479
Disco Corp	38,400	1,995	2,648
Don Quijote Co Ltd	55,100	2,090	2,676
Eizo Nannao Corporation	51,700	1,645	1,110
Foster Electric Company Ltd	122,500	1,897	2,009
GEO Corporation	1,800	1,846	1,622
Hanwa Company Ltd	600,000	3,094	2,277
Heiwa Corporation	127,000	2,154	2,223
Hitachi Capital Corporation	183,100	3,261	3,618
Hoshizaki Electric Company Ltd	91,396	1,603	2,926
Itochu Corp	425,300	3,006	4,902
Japan Hotel REIT Investment	6,051	2,446	2,284
Japan Petroleum Exploration Co	57,000	2,261	2,310
JSR Corporation	199,786	3,627	4,035
JTEKT Corporation	342,100	3,139	3,843
JX Holdings Inc	778,200	4,990	3,768
KDDI Corporation	260,000	6,942	13,506
Keihin Corporation	160,500	1,387	2,446
Konica Corporation	430,000	3,048	3,242
Kyorin Co Ltd	110,800	2,116	2,543
Kyowa Exeo Corporation	239,500	2,147	2,691
Marubeni Corporation	544,000	2,695	3,631
Matsumotokiyoshi Holdings Co	167,400	3,080	4,830
Megmilk Snow Brand Co Ltd	110,800	2,142	1,649
Miraca Holdings Inc	124,500	4,356	5,715
Mitsubishi Tokyo Finl Grp Inc	1,043,900	4,687	6,431
Mitsui & Company Ltd	300,600	5,139	3,771
Mizuho Financial Grp Inc	3,823,500	8,077	7,929
Musashi Seimitsu Industry Co	98,731	2,238	2,376
Nabtesco Corp	129,100	2,599	2,681

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Nichirei Corporation	668,000	3,135	3,457
Nippon Electric Glass Co Ltd	451,000	2,257	2,193
Nippon Prologis REIT Inc	349	2,545	3,032
Nippon Telegraph & Telephone	212,800	9,540	11,011
Nomura Real Estate Master Fund	2,685	2,697	2,660
North Pacific Bank Ltd	705,600	3,211	2,593
NTT DoCoMo	4,400	6,738	6,826
Otsuka Holdings Co Ltd	275,700	8,339	9,090
Pola Orbis Holdings Inc	194,100	5,375	6,556
Sapporo Holdings Ltd	619,341	2,353	2,269
SBI Holdings Inc	139,600	1,301	1,539
Seino Holdings Corporation Ltd	330,000	1,730	2,890
Shimadzu Corporation	281,000	2,162	2,257
Shionogi & Co Ltd	178,300	2,519	3,716
Sumitomo Corporation	783,000	10,541	9,751
Sumitomo Mitsui Financial Grp	287,100	9,001	13,151
Sundrug Co Ltd	88,900	3,053	3,768
TDK Corporation	54,700	2,088	1,886
Toagosei Company Ltd	602,000	2,621	2,418
Tokyo Steel Manufacturing	525,300	2,613	1,740
Tokyo Tatemono Company Ltd	243,700	899	2,026
Toshiba Plant Sys & Ser Corp	183,695	2,180	2,748
United Urban Investment Corp	1,414	1,584	1,909
West Japan Railway Company	90,500	4,075	3,836
Yodogawa Steel Works Ltd	512,000	2,194	2,036
Yokogawa Electric Corp	288,200	2,713	3,444
Yokohama Rubber Company Ltd	504,000	2,710	5,059
<i>Total Japan - 11.8%</i>		217,471	250,440
<i>Korea</i>			
BS Financial Group Inc	651,380	3,596	8,242
Halla Climate Control Corp	142,260	3,148	4,515
Hana Financial Group	337,010	15,347	9,812
Hynix Semiconductor Inc	97,390	2,742	2,661
Hyundai Mobis	21,140	5,251	5,053
Hyundai Motor Co Ltd	27,046	5,321	5,340
Hyundai Motor Company	226,742	10,871	19,258
Hyundai Securities Co Ltd	100,730	871	564
Industrial Bank of Korea (IBK)	473,400	6,897	4,539
KB Financial Group Inc	326,096	13,674	9,748
Kia Motors Corporation	104,650	5,688	5,690
KT Corporation	231,500	7,692	7,257
LG Chemical Ltd	14,372	4,091	3,184
Lotte Chilsung Beverage Co	3,784	3,348	4,572
Lotte Confectionery Co Ltd	3,207	4,137	4,513
Partron Co Ltd	86,397	1,255	1,407
Posco	75,287	19,201	13,102
Samsung Electronics Co Ltd	16,419	14,790	19,294
Samsung Heavy Industries	122,040	4,270	3,826
Shinhan Financial Group	343,080	12,516	11,295
SK Holdings Co Ltd	31,400	2,829	4,660
SK Telecom Company Ltd	56,500	7,643	10,389
<i>Total Korea - 7.5%</i>		155,178	158,921
<i>Luxembourg</i>			
Adecoagro SA	637,000	5,181	3,981
Ternium	229,640	4,617	5,197
<i>Total Luxembourg - 0.4%</i>		9,798	9,178
<i>Malaysia</i>			
Axiata Group Berhad	819,500	1,410	1,720
Commerce Asset Hldg Berhad	1,055,700	2,518	2,767
Genting Malaysia Berhad	1,266,600	1,470	1,559
Malaysia Bldg Society Berhad	3,458,700	2,715	3,361
<i>Total Malaysia - 0.4%</i>		8,113	9,407

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

**June 30, 2013**

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
<i>Mexico</i>			
America Movil	370,463	8,256	8,058
Cemex SAB de CV	1,325,645	10,445	14,025
Desarrolladora Homex SA	6,208,785	9,069	3,889
Fibra Uno Administracion SA	1,504,894	2,461	5,001
Fomento Economico Mexicano SAB	17,990	1,408	1,856
Grupo Financiero Banorte	598,700	2,809	3,526
Grupo Mexico SAB de CV	1,041,100	3,093	2,996
Grupo Sanborns SA de CV	1,843,000	4,090	4,102
Grupo Televisa MM	872,753	3,300	4,338
Grupo Televisa SA	150,600	3,319	3,741
Macquarie Mexico Real Estate	2,108,370	4,129	4,516
Urbi Desarrollos Urbanos SA	18,713,415	8,415	3,405
<i>Total Mexico - 2.8%</i>		60,794	59,453
<i>Netherlands</i>			
Aegon NV	1,187,300	8,873	7,931
ASM International NV	70,238	2,082	2,367
Delta Lloyd NV	150,800	3,505	3,018
Koninklijke (Royal) KPN NV	447,500	3,917	929
Koninklijke Ahold NV	619,000	8,113	9,201
Nutreco Holding NV	158,176	4,816	6,713
USG People NV	211,348	1,796	1,374
<i>Total Netherlands - 1.5%</i>		33,102	31,533
<i>New Zealand</i>			
Chorus Ltd	402,320	943	743
Telecom Corp of New Zealand	2,897,878	4,986	5,036
<i>Total New Zealand - 0.3%</i>		5,929	5,779
<i>Norway</i>			
DNB Holding ASA	560,200	6,488	8,069
Marine Harvest	3,107,075	2,384	3,135
StatoilHydro ASA	272,900	7,018	5,600
TGS Nopec Geophysical Company	103,194	1,369	2,983
Veidekke ASA	272,143	2,467	2,072
<i>Total Norway - 1.0%</i>		19,726	21,859
<i>Pakistan</i>			
Nishat Mills Ltd - 0.1%	1,831,640	2,114	1,734
<i>Panama</i>			
Banco Latinoamericano de Exp	457,361	7,236	10,240
Copa Holdings	29,060	2,387	3,810
<i>Total Panama - 0.7%</i>		9,623	14,050
<i>Philippines</i>			
Metropolitan Bank & Trust Co	1,892,329	3,465	4,862
SM Investments Corporation	112,155	2,164	2,778
<i>Total Philippines - 0.4%</i>		5,629	7,640
<i>Poland</i>			
Eurocash SA	91,528	1,565	1,613
KGHM Polska Miedz	108,800	3,622	3,952
<i>Total Poland - 0.3%</i>		5,187	5,565
<i>Qatar</i>			
Qatar National Bank - 0.1%	35,730	1,509	1,561
<i>Russia</i>			
Gazprom	1,692,450	17,000	11,173
Lukoil	486,792	29,228	28,038
Magnit	79,372	3,202	5,532
MMC Norilsk Nickel	351,300	5,797	5,062
Mobile TeleSystems	300,000	4,559	5,682

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Rostelecom	169,000	3,939	2,711
RusHydro	3,255,643	9,881	4,885
Sberbank	2,058,737	6,522	5,744
Sberbank of Russia	618,510	7,283	7,088
<i>Total Russia - 3.6%</i>		87,411	75,915
<i>Singapore</i>			
ComfortDelGro Corporation	1,379,000	1,547	1,995
DBS Group Holdings Ltd	498,000	4,545	6,086
Flextronics International Ltd	1,720,190	8,699	13,314
Haw Par Corporation Ltd	585,200	2,330	3,336
Hong Leong Asia Ltd	1,164,000	2,220	1,423
Mapletree Greater China	2,426,000	1,992	1,808
Suntec REIT	2,399,000	2,606	2,979
<i>Total Singapore - 1.5%</i>		23,939	30,941
<i>South Africa</i>			
Aspen Pharmacare Holdings	181,100	2,993	4,142
Astral Foods Ltd	161,900	2,256	1,465
Imperial Holdings Ltd	245,700	1,165	5,194
Metropolitan Holdings Ltd	1,806,100	2,975	4,033
MTN Group Ltd	931,034	15,619	17,257
Nampak Ltd	632,400	1,304	2,093
Naspers Ltd	99,141	6,471	7,290
Omnia Holdings Ltd	133,800	2,285	2,472
Shoprite Holdings Ltd	190,209	4,116	3,554
<i>Total South Africa - 2.2%</i>		39,184	47,500
<i>Spain</i>			
Banco Santander Ctrl Hisp SA	704,700	7,801	4,490
Repsol SA	282,500	7,856	5,952
Viscofan SA	45,570	1,684	2,280
<i>Total Spain - 0.6%</i>		17,341	12,722
<i>Sweden</i>			
Boliden AB	223,900	3,137	2,758
Modern Times Group	88,853	3,449	3,762
Nordea AB	467,600	5,450	5,196
Skandinaviska Enskilda Banken	567,300	4,626	5,388
<i>Total Sweden - 0.8%</i>		16,662	17,104
<i>Switzerland</i>			
Aryzta AG	44,837	2,163	2,516
Baloise Holding Ltd	73,300	4,946	7,116
BKW SA	62,673	3,017	1,894
Credit Suisse Group	440,400	13,588	11,660
Kudelski SA - BR	252,621	2,006	3,137
Kuoni Reisen Holding AG	11,434	3,697	3,598
Novartis AG	196,500	8,026	13,936
Swiss Life Holding	46,108	5,826	7,485
Swiss Re Ltd	143,600	9,350	10,670
<i>Total Switzerland - 2.9%</i>		52,619	62,012
<i>Taiwan</i>			
Advanced Semiconductor Engr	4,821,000	4,162	4,046
Chinatrust Financial Holding	7,610,640	4,921	4,710
Chipbond Technology Corp	1,188,000	2,295	2,913
Compal Electronics Inc	13,611,938	12,336	7,653
Gigabyte Technology Company	2,968,000	2,206	2,773
Hermes Microvision Inc	90,000	2,630	2,582
King Yuan Electronics Co Ltd	1,160,000	862	855
MediaTek Inc	359,000	3,920	4,174
Novatek Microelectronics Corp	602,000	2,865	2,923
Powertech Technology Inc	1,594,000	2,928	2,994
Taiwan Semiconductor	543,800	7,674	9,962

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Wistron Corporation	3,764,250	4,282	3,799
<i>Total Taiwan - 2.3%</i>		51,081	49,384
<i>Thailand</i>			
Bangchak Petroleum Public Co	4,887,800	3,436	5,437
Kasikornbank Public Co Ltd	846,400	3,696	5,212
Krung Thai Bank Public Co Ltd	8,788,600	2,776	5,752
PTT PLC	271,700	2,933	2,935
<i>Total Thailand - 0.9%</i>		12,841	19,336
<i>Turkey</i>			
AYGAZ AS	706,784	3,038	3,246
Enka Insaat ve Sanayi AS	1,198,590	3,264	3,013
Ford Otomotiv Sanayi AS	284,700	2,689	3,925
Selcuk Exza Deposu Ticaret AS	4,320,804	5,325	4,076
Turkiye Garanti Bankasi AS	2,267,773	9,331	9,896
Turkiye Halk Bankasi	505,800	3,236	4,286
Turkiye Vakiflar Bankasi T-D	1,788,900	3,438	4,460
<i>Total Turkey - 1.5%</i>		30,321	32,902
<i>United Arab Emirates</i>			
Air Arabia	4,864,428	978	1,404
Emaar Properties PJSC	2,442,070	2,669	3,457
<i>Total United Arab Emirates - 0.2%</i>		3,647	4,861
<i>United Kingdom</i>			
Afren PLC	1,747,956	3,644	3,433
Alent PLC	365,100	1,727	1,816
AstraZeneca Group PLC	371,500	16,402	17,552
Aveva Group PLC	81,159	2,215	2,775
Aviva PLC	814,200	6,345	4,194
Barclays PLC	2,096,100	10,977	8,852
Barratt Developments PLC	957,545	1,855	4,496
BBA Aviation PLC	750,531	2,243	3,188
BP Amoco PLC	2,259,600	18,947	15,602
British Aerospace PLC	1,680,000	8,271	9,759
BT Group PLC	2,267,800	6,546	10,635
Cable & Wireless Communication	5,872,900	3,440	3,648
Computacenter PLC	1,711,520	2,477	5,496
Daily Mail & General Trust PLC	266,476	1,569	3,110
Debenhams PLC	2,434,400	2,503	3,522
Derwent London PLC	96,768	2,450	3,376
Domino Printing Sciences	213,904	2,201	2,024
Enquest PLC	1,106,429	2,114	1,984
GlaxoSmithKline PLC	192,200	3,909	4,804
HSBC Bank Plc	81,070	1,243	1,704
Hunting PLC	230,700	2,084	2,561
IG Group Holdings PLC	427,369	2,153	3,760
Inchcape PLC	433,300	1,908	3,293
Informa PLC	604,096	2,829	4,490
International Personal Finance	537,797	2,019	4,070
J Sainsbury PLC	1,464,800	7,455	7,894
Jazztel PLC	257,688	1,617	2,000
Legal & General Group PLC	2,319,500	4,876	6,030
Mail.ru Group Ltd	127,433	4,435	3,629
Marston's PLC	893,188	2,333	1,903
Melrose Industries PLC	1,126,912	3,371	4,261
Mitchells & Butlers PLC	640,229	3,168	3,602
Mondi PLC	327,200	2,403	4,059
Moneysupermarket.com Group PLC	1,204,274	2,773	3,500
Old Mutual PLC	2,232,400	5,255	6,118
Premier Farnell PLC	739,853	2,308	2,267
Premier Oil PLC	410,350	1,928	2,073
Royal & Sun Alliance Insurance	1,524,400	2,770	2,751
Royal Dutch Shell B Shares	742,500	21,524	24,511

See accompanying notes to financial statements.

# International Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
RPS Group PLC	680,809	1,684	2,086
Spirax-Sarco Engineering	74,521	1,744	3,037
St. James Place PLC	489,842	1,774	4,012
Tesco PLC	1,502,700	7,332	7,553
Vesuvius PLC	365,100	1,727	2,036
Vodafone Group PLC	1,538,500	3,118	4,383
William Morrison Supermarkets	1,471,000	6,997	5,841
<i>Total United Kingdom - 10.9%</i>		202,663	233,690
<i>United States</i>			
AsiaInfo-Linkage Inc	645,677	6,992	7,451
Cognizant Tech Solutions A	55,060	3,769	3,449
Southern Copper Corporation	72,300	2,402	1,997
<i>Total United States - 0.6%</i>		13,163	12,897
Total Equity Securities - 97.4%		2,088,879	2,074,814
<b><u>Short-term Issue</u></b>			
Dreyfus Cash Management Institutional Fund - 1.4%	29,350,590	29,351	29,351
<b><u>Investments Made with Cash Collateral for Securities Loaned</u></b>			
BNY Mellon Securities Lending Overnight Fund		110,389	110,389
Mellon SL DBT II Liquidating Fund		746	728
Total Investments Made with Cash Collateral for Securities Loaned - 5.2%		111,135	111,117
Total Investments - 104.0%		\$ 2,229,365	\$ 2,215,282

See accompanying notes to financial statements.



# International Equity Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Dividends, net of foreign withholding taxes (\$6,578)	\$ 71,811
Net securities lending loss (Note 6)	(1,015)
Interest	1
Net shareholder litigation proceeds	413
Commission recapture	<u>14</u>

**Total investment income** 71,224

**Expenses**

Investment advisor fees	(13,397)
Trustee fees	(8)
Custodian bank fees	(945)
Management fees	(649)
Fiduciary bond fees	(4)
Professional service fees	<u>(148)</u>

**Total expenses** (15,151)

**Investment income, net** 56,073

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

Net realized gain (loss) from:	
Investments	113,281
Foreign currency transactions	<u>(14,382)</u>
	98,899

Net change in unrealized appreciation (depreciation) on:	
Investments	185,012
Translation of assets and liabilities in foreign currencies	<u>(63,471)</u>
	<u>121,541</u>

**Net gain from investments and foreign currency** 220,440

**Net increase in net assets from operations** \$ 276,513

*See accompanying notes to financial statements.*

# International Equity Pool

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## Statement of Changes in Net Assets

Year Ended June 30, 2013

(Amounts in thousands, except unit data)

### Operations

Investment income, net	\$	56,073
Net realized gain from investments and foreign currency transactions		98,899
Net change in unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies		<u>121,541</u>
<b>Net increase in net assets from operations</b>		276,513

### Unit transactions

Proceeds from sale of units		246,823
Amount paid for repurchase of units		<u>(320,635)</u>
<b>Net decrease in net assets from unit transactions</b>		<u>(73,812)</u>
<b>Increase in net assets</b>		202,701

**Net assets, beginning of period** 1,926,513

**Net assets, end of period** \$ 2,129,214

### Unit data

Units sold		12,116,535
Units repurchased		<u>(14,307,887)</u>
<b>Net decrease in units</b>		<u><u>(2,191,352)</u></u>

See accompanying notes to financial statements.

# International 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 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	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 Axiom International Investors, LLC (Axiom), Brandes Investment Partners, L.P. (Brandes), LSV Asset Management (LSV), and Pictet Asset Management Limited (Pictet). 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

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 5 for further discussion and presentation of the reporting requirements under ASC 820.

# International Equity Pool

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

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

Fair value of the Pool's portfolio securities is determined as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded. If no sales have been recorded within the five days preceding the date of the financial statement date, the fair value of the securities is determined in accordance with approved procedures.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period end spot market exchange rates as supplied by the Pool's custodian.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

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

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.
- 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 BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically the Mellon SL DBT II Liquidating Fund. Such investments are made at the risk of the Pool and, as such, the Pool is liable for investment losses. Investments made with cash are reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments. 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 net securities lending income. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation 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 a change in unrealized appreciation or depreciation on investments.

# 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 Contracts** - A foreign currency 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 correspond to investment transactions trading in foreign currencies. 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 settlement date. The unrealized gain or loss is reclassified to realized gain or loss when the contract settles.

**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 net realized 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 U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

In certain foreign countries the Pool's dividend income and capital gains may be taxable. Such taxes are generally withheld from the payments of these types of income and as a result there is no provision recorded for these taxes. In certain cases there may be a full or partial reclaim available for the withheld taxes. The outstanding reclaims are reported on the Statement of Assets and Liabilities. Dividend income is reported net of withheld taxes on the Statement of Operations.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

# International Equity Pool

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## Notes to Financial Statements

*(Amounts in thousands, except share data)*

### NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, FASB issued Accounting Standard Update No. 2011-11 (ASU 2011-11), “Disclosures about Offsetting Assets and Liabilities.” ASU 2011-11 is intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a portfolio’s financial position. They are also intended to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the financial position; and disclose instruments and transactions subject to an agreement similar to a master netting agreement.

In January 2013, FASB issued Accounting Standard Update No. 2013-01 (ASU 2013-01), “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.” ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Management is currently evaluating the implications of ASU 2011-11 and ASU 2013-01 and their impact on financial statement disclosures.

## International Equity Pool

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

#### NOTE 4. INVESTMENT RISK DISCLOSURES

The Pool is exposed to no or minimal credit risk, interest rate risk, or custodial credit risk. At June 30, 2013, 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, 2013, the IMB was in compliance with this limitation. The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2013 are as follows:

Currency	Investments	Cash	Total	Percent
Australian Dollar	\$ 58,914	\$ 1	\$ 58,915	2.6%
Brazil Real	73,031	483	73,514	3.3
British Pound	226,351	1,732	228,083	10.2
Canadian Dollar	91,289	321	91,610	4.1
Czech Koruna	12,966	-	12,966	0.6
Danish Krone	11,122	-	11,122	0.5
Egyptian Pound	4,704	-	4,704	0.2
Emirati Dirham	4,861	505	5,366	0.2
Euro Currency Unit	321,667	1,921	323,588	14.5
Hong Kong Dollar	174,653	1,533	176,186	7.9
Hungarian Forint	5,798	1	5,799	0.3
Indian Rupee	58,591	162	58,753	2.6
Indonesian Rupiah	10,747	123	10,870	0.5
Israeli Shekel	13,434	92	13,526	0.6
Japanese Yen	250,440	2,065	252,505	11.3
Malaysian Ringgit	9,405	337	9,742	0.4
Mexican Peso	31,774	272	32,046	1.4
New Taiwan Dollar	42,197	2,288	44,485	2.0
New Zealand Dollar	5,779	135	5,914	0.3
Norwegian Krone	21,859	1,120	22,979	1.0
Pakistan Rupee	1,734	-	1,734	0.1
Philippine Peso	7,640	21	7,661	0.3
Polish Zloty	5,565	43	5,608	0.3
Qatari Riyal	1,561	-	1,561	0.1
Singapore Dollar	17,626	37	17,663	0.8
South African Rand	47,500	2,432	49,932	2.2
South Korean Won	155,163	1,070	156,233	7.0
Swedish Krona	17,104	364	17,468	0.8
Swiss Franc	62,012	-	62,012	2.8
Thailand Baht	19,336	-	19,336	0.9
Turkish Lira	32,902	45	32,947	1.5
Total	<u>\$ 1,797,725</u>	<u>\$ 17,103</u>	<u>\$ 1,814,828</u>	<u>81.3%</u>

This table excludes cash and investments held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and investments is \$417,554 or 18.7 percent.

# International Equity Pool

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

### 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, 2013:

Assets	Level 1	Level 2	Level 3	Total
Equity securities	\$ 2,074,814	\$ -	\$ -	\$ 2,074,814
Foreign currency contracts	-	3	-	3
Short-term issue	29,351	-	-	29,351
Investments made with cash collateral for securities loaned	-	111,117	-	111,117
Total	\$ 2,104,165	\$ 111,120	\$ -	\$ 2,215,285
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency contracts	\$ -	\$ (7)	\$ -	\$ (7)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

### NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2013.

Fair value of securities on loan	\$ 104,586		
Initial collateral received:	Cost	Fair Value	Unrealized Depreciation
Cash	\$ 111,135	\$ 111,117	\$ (18)
Non-cash		210	
Total		\$ 111,327	



## International Equity Pool

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

#### NOTE 6. SECURITIES LENDING (continued)

The Mellon GSL DBT II Liquidating Trust (Liquidating Trust) was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$3,486 was assigned to the International Equity Pool. A loss reserve was established for the entire amount. Through June 30, 2013, the loss reserve was adjusted to \$2,353 as a result of settlement proceeds received in the Liquidating Trust. No additional proceeds are expected; therefore the reserve of \$2,353 has been recognized as a loss and included in net securities lending loss.

#### NOTE 7. FOREIGN CURRENCY CONTRACTS

At June 30, 2013, open foreign currency contracts are as follows:

Position	Foreign Currency	Trade Date	Settlement Date	Receivable		Payable		Unrealized Appreciation (Depreciation)
				(in foreign currency)	(in U.S. dollars)	(in foreign currency)	(in U.S. dollars)	
Long	Australian Dollar	06/28/2013	07/03/2013	239	\$ 219	\$ 219		\$ -
Long	Euro Currency Unit	06/27/2013	07/02/2013	1,803	2,343	2,350		(7)
Short	Emirati Dirham	06/26/2013	07/01/2013		122	448	122	-
Short	Hong Kong Dollar	06/28/2013	07/03/2013		61	474	61	-
Short	Japanese Yen	06/26/2013	07/01/2013		27	2,588	26	1
Short	Japanese Yen	06/27/2013	07/02/2013		149	14,702	148	1
Short	Japanese Yen	06/28/2013	07/03/2013		928	92,110	927	1
Short	Russian Ruble	06/28/2013	06/28/2013(a)		8	260	8	-
					<u>\$ 3,857</u>	<u>\$ 3,861</u>	<u>\$</u>	<u>(4)</u>

(a) Actual settlement occurred on July 2, 2013.

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

#### NOTE 8. INVESTMENT ADVISORY FEES

The IMB has approved investment advisory agreements with Axiom, Brandes, LSV, and Pictet to manage the investments of the Pool. These agreements provide for quarterly payments, based on average end of month assets under management, to the investment advisors. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to Axiom are based on a descending scale of fee rates ranging from 1.0 percent annually on the first \$25 million of assets under management to 0.90 percent annually on assets between \$25 million and \$100 million. For assets greater than \$100 million the fee rate is 0.80 percent annually. The effective fee rate earned by Axiom for the year ended June 30, 2013, was 0.84 percent.

The fees paid to Brandes are based on a descending scale of fee rates ranging from 1.15 percent annually on the first \$10 million of assets under management to 0.80 percent annually on assets between \$50 million and \$150 million. For assets greater than \$150 million the fee rate is 0.70 percent annually. The effective fee rate earned by Brandes for the year ended June 30, 2013, was 0.75 percent.

The fees paid to LSV are based on a descending scale of fee rates ranging from 0.75 percent annually on the first \$25 million of assets under management to 0.55 percent annually on assets between \$50 million and \$100 million. For assets greater than \$100 million the fee rate is 0.45 percent annually. The effective fee rate earned by LSV for the year ended June 30, 2013, was 0.47 percent.

# International Equity Pool

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

### NOTE 8. INVESTMENT ADVISORY FEES (continued)

The fees paid to Pictet are based on a two-tier scale of fee rates that are 0.70 percent annually on the first \$100 million of assets under management and 0.60 percent annually for assets greater than \$100 million. The effective fee rate earned by Pictet for the year ended June 30, 2013, was 0.63 percent.

### NOTE 9. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$	19.73
Income from investment operations:		
Net investment income		0.56
Net realized and unrealized gain on investment transactions		2.79
Net realized loss from foreign currency transactions		(0.14)
Net decrease in the translation of assets and liabilities in foreign currencies		(0.63)
Total from investment operations		<u>2.58</u>
Net asset value at June 30, 2013	\$	<u><u>22.31</u></u>

**Total Return \*** 13.1%

#### Supplemental Data:

Net assets, end of period	\$	2,129,214
Ratio to average net assets:		
Expenses **		0.68%
Net investment income **		2.53%
Portfolio turnover rate		42.24%

\* 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 10. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 934,106
Public Employees' Retirement System	803,747
State Police Death, Disability and Retirement Fund	85,986
West Virginia Retiree Health Benefit Trust Fund	85,005
Workers' Compensation Old Fund	69,137
Judges' Retirement System	23,483
Revenue Shortfall Reserve Fund - Part B	23,441
Deputy Sheriff's Retirement System	22,205
Coal Workers' Pneumoconiosis Fund	17,717
State Police Retirement System	15,716
Public Employees Insurance Agency	13,878
Board of Risk and Insurance Management	9,381
West Virginia Prepaid Tuition Trust Fund	7,733
Wildlife Endowment Fund	7,589
Emergency Medical Services Retirement System	7,007
West Virginia Department of Environmental Protection Trust	1,358
Workers' Compensation Self-Insured Guaranty Risk Pool	990
Workers' Compensation Uninsured Employers' Fund	654
Municipal Police Officers' and Firefighters' Retirement System	81
Total	<u>\$ 2,129,214</u>

### NOTE 11. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**Short-Term Fixed Income Pool**

# Short-Term Fixed Income Pool

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## Audited Financial Statements June 30, 2013

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Short-Term Fixed Income Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

## Short-Term Fixed Income Pool

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### Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

#### Assets

Investments at fair value (cost \$319,214)	\$	319,214
Accrued interest receivable		<u>45</u>
<b>Total assets</b>		319,259

#### Liabilities

Accrued expenses		<u>54</u>
<b>Net assets</b>	\$	<u><u>319,205</u></u>

#### Analysis of net assets

Paid-in capital	\$	319,153
Accumulated undistributed net investment loss		(2)
Accumulated undistributed net realized gain from investments		<u>54</u>
<b>Net assets</b>	\$	<u><u>319,205</u></u>

#### Unit data

Units outstanding		319,152,890
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

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Par Value	Cost	Fair Value
<b><u>U. S. Treasury Issues</u></b>			
United States Treasury, Zero Coupon, Due 7/5/2013	\$ 9,000	\$ 9,000	\$ 9,000
United States Treasury, Zero Coupon, Due 7/11/2013	12,000	12,000	12,000
United States Treasury, Zero Coupon, Due 7/18/2013	5,000	5,000	5,000
United States Treasury, 3.38% Due 7/31/2013	2,000	2,005	2,005
United States Treasury, Zero Coupon, Due 8/15/2013	15,000	14,999	14,999
United States Treasury, Zero Coupon, Due 10/17/2013	1,000	999	999
United States Treasury, Zero Coupon, Due 10/31/2013	5,000	4,999	4,999
United States Treasury, Zero Coupon, Due 11/7/2013	5,000	4,998	4,998
United States Treasury, 1.88% Due 4/30/2014	1,000	1,014	1,014
Total U. S. Treasury Issues - 17.2%		55,014	55,014
<b><u>U. S. Government Agency Issues</u></b>			
Federal Farm Credit Bank, Zero Coupon, Due 10/11/2013	2,000	1,999	1,999
Federal Home Loan Bank, Zero Coupon, Due 7/3/2013	9,000	9,000	9,000
Federal Home Loan Bank, Zero Coupon, Due 7/5/2013	14,000	14,000	14,000
Federal Home Loan Bank, Zero Coupon, Due 7/10/2013	3,000	3,000	3,000
Federal Home Loan Bank, 0.13% Due 7/15/2013	2,000	2,000	2,000
Federal Home Loan Bank, Zero Coupon, Due 7/26/2013	25,000	24,999	24,999
Federal Home Loan Bank, Zero Coupon, Due 7/31/2013	6,000	6,000	6,000
Federal Home Loan Bank, Zero Coupon, Due 8/14/2013	9,000	8,999	8,999
Federal Home Loan Bank, Zero Coupon, Due 8/30/2013	25,000	24,997	24,997
Federal Home Loan Bank, 0.28% Due 9/5/2013	2,000	2,000	2,000
Federal Home Loan Bank, Zero Coupon, Due 10/11/2013	8,000	7,997	7,997
Federal Home Loan Bank, Zero Coupon, Due 10/25/2013	3,000	2,999	2,999
Federal Home Loan Bank, 0.1% Due 11/12/2013	1,000	1,000	1,000
Federal Home Loan Bank, 0.16% Due 12/5/2013	1,000	1,000	1,000
Federal Home Loan Bank, 0.17% Due 12/18/2013	1,000	1,000	1,000
Federal Home Loan Mort Corp, Zero Coupon, Due 7/30/2013	15,000	15,000	15,000
Federal Home Loan Mort Corp, Zero Coupon, Due 9/6/2013	1,000	1,000	1,000
Federal Home Loan Mort Corp, Zero Coupon, Due 9/10/2013	1,000	1,000	1,000
Federal Home Loan Mort Corp, Zero Coupon, Due 10/4/2013	7,000	6,998	6,998
Federal National Mortgage Assn, Zero Coupon, Due 7/31/2013	2,000	2,000	2,000
Federal National Mortgage Assn, 2.75% Due 2/5/2014	1,000	1,015	1,015
Total U. S. Government Agency Issues - 43.2%		138,003	138,003
<b><u>Commercial Paper</u></b>			
Bank of Nova Scotia, Zero Coupon, Due 9/23/2013	5,000	4,998	4,998
Credit Agricole North America, Zero Coupon, Due 7/8/2013	5,000	5,000	5,000
Deutsche Bank Finl LLC, Zero Coupon, Due 7/9/2013	4,000	4,000	4,000
Fairway Finance Corp, Zero Coupon, Due 7/17/2013	4,000	4,000	4,000
ING Funding LLC, Zero Coupon, Due 9/13/2013	4,000	3,998	3,998
National Australian Funding, Zero Coupon, Due 7/8/2013	4,000	4,000	4,000
Natixis US Finance Company, Zero Coupon, Due 7/10/2013	4,000	4,000	4,000
Nordea NA Inc, Zero Coupon, Due 9/3/2013	6,000	5,998	5,998
Sheffield Receivables, Zero Coupon, Due 8/9/2013	5,000	4,999	4,999
Societe Generale NA, Zero Coupon, Due 8/2/2013	4,000	3,999	3,999
Toyota Motor Credit Corp, Zero Coupon, Due 8/19/2013	3,000	2,999	2,999
Total Commercial Paper - 15.0%		47,991	47,991
<b><u>Repurchase Agreements</u></b>			
Repurchase Agreement, 0.1% Due 7/1/2013 - 24.5%	78,206	78,206	78,206
Total Investments - 99.9%		\$ 319,214	\$ 319,214

See accompanying notes to financial statements.

## Short-Term Fixed Income Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Interest	\$	319
Shareholder litigation proceeds		99
Securities lending income		<u>77</u>

**Total investment income** 495

**Expenses**

Investment advisor fees		(120)
Trustee fees		(1)
Custodian bank fees		(9)
Management fees		(80)
Fiduciary bond fees		(1)
Professional service fees		<u>(19)</u>

**Total expenses** (230)

**Investment income, net** 265

**Net realized gain from investments** 4

**Net increase in net assets from operations** \$ 269

*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, 2013

(Amounts in thousands, except unit data)

#### Operations

Investment income, net	\$	265
Net realized gain from investments		<u>4</u>
<b>Net increase in net assets from operations</b>		269

#### Distributions to unitholders

Investment income, net		(267)
------------------------	--	-------

#### Unit transactions

Proceeds from sale of units		1,995,849
Reinvestment of distributions		267
Amount paid for repurchase of units		<u>(2,041,925)</u>
<b>Net decrease in net assets from unit transactions</b>		<u>(45,809)</u>

**Decrease in net assets** (45,807)

**Net assets, beginning of period** 365,012

**Net assets, end of period** \$ 319,205

#### Unit data

Units sold		1,995,848,756
Units issued from reinvestment of distributions		266,953
Units repurchased		<u>(2,041,924,451)</u>
<b>Net decrease in units</b>		<u><u>(45,808,742)</u></u>

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	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. (JPM) manages the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Citigroup ninety-day T-bill Index plus fifteen basis points.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 4 for further discussion and presentation of the reporting requirements under ASC 820.

# Short-Term Fixed Income Pool

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

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

Fair value of the Pool's portfolio securities is determined as follows:

- All securities are valued at amortized cost which approximates fair value. The basic premise underlying the use of the amortized cost method of valuation is that high-quality, short-term debt securities held until maturity will eventually return to their amortized cost value, regardless of any current disparity between the amortized cost value and market value, and would not ordinarily be expected to fluctuate significantly in value. The Pool values its securities at amortized cost so long as the deviation between the amortized cost and current market value remains minimal and results in the computation of a share price that represents fairly the current net asset value per share of the fund.

**Repurchase Agreements** - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party 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.

**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. 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.

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

**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. The Pool does not routinely distribute dividends of net realized 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 U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

# Short-Term Fixed Income Pool

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

### 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 A-1 by Standard & Poor's and P-1 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, 2013.

Investment Type	Moody's	S&P	Carrying Value	Percent
Commercial paper	P-1	A-1	\$ 47,991	15.0%
U.S. government agency discount notes	Aaa	AA	129,988	40.5
U.S. government agency notes	Aaa	AA	8,015	2.5
U.S. Treasury bills	P-1	AA	51,995	16.2
U.S. Treasury notes	Aaa	AA	82,550	25.8
Total rated investments			<u>\$ 320,539</u>	<u>100.0%</u>

This table includes U.S. Treasury notes received as collateral for a repurchase agreement with a fair value of \$79,531 as compared to the amortized cost of the repurchase agreement of \$78,206.

#### 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, 2013, 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, 2013, the Pool held no investments 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 investments 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 60 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 Pool as of June 30, 2013.

Investment Type	Carrying Value	WAM (days)
Commercial paper	\$ 47,991	38
Repurchase agreement	78,206	1
U.S. government agency discount notes	129,988	43
U.S. government agency notes	8,015	106
U.S. Treasury bills	51,995	45
U.S. Treasury notes	3,019	123
Total investments	<u>\$ 319,214</u>	<u>35</u>

#### Foreign Currency Risk

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

# Short-Term Fixed Income Pool

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

### NOTE 4. 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 investments in accordance with ASC 820 fair value hierarchy levels as of June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 47,991	\$ -	\$ 47,991
Repurchase agreement	-	78,206	-	78,206
U.S. government agency discount notes	-	129,988	-	129,988
U.S. government agency notes	-	8,015	-	8,015
U.S. Treasury bills	-	51,995	-	51,995
U.S. Treasury notes	-	3,019	-	3,019
Total	\$ -	\$ 319,214	\$ -	\$ 319,214

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

### NOTE 5. INVESTMENT ADVISORY FEES

The IMB has approved an investment advisory agreement with JPM to manage the investments of the Pool. This agreement provides for quarterly payments, based on average daily assets under management, to the investment advisor. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to JPM are based on a two-tier scale of fee rates that are 0.05 percent annually on the first \$300 million of assets under management and 0.04 percent annually for assets greater than \$300 million. The effective fee rate earned by JPM for the year ended June 30, 2013, was 0.05 percent.

## Short-Term Fixed Income Pool

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

#### NOTE 6. FINANCIAL HIGHLIGHTS

##### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$	1.00
Income from investment operations:		
Net investment income*		-
Net realized gain (loss) on investment transactions*		-
Total from investment operations		-
Less distributions from net investment income*		-
Net asset value at June 30, 2013	\$	1.00

**Total Return \*\*** 0.1%

##### Supplemental Data:

Net assets, end of period	\$	319,205
Ratio to average net assets:		
Expenses ***		0.09%
Net investment income ***		0.11%
Weighted average days to maturity		35
Maximum weighted average investment maturity per Board guidelines		60 days
Money market yield ****		0.00%

\* Per share amount is less than \$0.01, amount is rounded for reporting purposes

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

\*\*\* All ratios are for the fiscal year

\*\*\*\* The money market yield represents the rate of income, net of expenses, earned over the past month divided by average shares outstanding and is not intended to indicate future performance. The return is annualized over a 365-day year, assuming no reinvestment of earnings.



## Short-Term Fixed Income 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, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 169,739
Workers' Compensation Old Fund	108,396
Public Employees' Retirement System	15,496
Coal Workers' Pneumoconiosis Fund	12,061
Board of Risk and Insurance Management	7,187
State Police Death, Disability and Retirement Fund	1,297
West Virginia Prepaid Tuition Trust Fund	1,006
Workers' Compensation Uninsured Employers' Fund	999
State Police Retirement System	980
Workers' Compensation Self-Insured Guaranty Risk Pool	703
Deputy Sheriff's Retirement System	526
Emergency Medical Services Retirement System	297
Judges' Retirement System	233
Wildlife Endowment Fund	134
Municipal Police Officers' and Firefighters' Retirement System	35
West Virginia Retiree Health Benefit Trust Fund	26
Public Employees Insurance Agency	24
Revenue Shortfall Reserve Fund - Part B	11
AccessWV	2
West Virginia Department of Environmental Protection Trust	1
Total	<u>\$ 319,153</u>

#### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**Total Return Fixed Income Pool**

# Total Return Fixed Income Pool

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## Audited Financial Statements June 30, 2013

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Total Return Fixed Income Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# Total Return Fixed Income Pool

## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$2,235,193), including securities on loan of \$170,202 (Note 7)	\$ 2,379,811
Cash denominated in foreign currencies (cost \$2,205)	2,216
Cash pledged as collateral for derivative contracts denominated in foreign currencies (cost \$506)	508
Unrealized appreciation on futures contracts (Note 8)	13,712
Unrealized appreciation on foreign currency forward contracts (Note 10)	113
Receivables:	
Accrued interest	14,054
Investments sold	4,037
Dividends	7
Securities lending income	11
Other	250
	<hr/>
<b>Total assets</b>	<b>2,414,719</b>

### Liabilities

Due to broker for derivative contracts	8,799
Accrued expenses	1,421
Dividends payable	2,528
Payable for investments purchased	73,956
Payable upon return of securities loaned (Note 7)	13,884
Unrealized depreciation on foreign currency forward contracts (Note 10)	822
Option contracts written at fair value (premiums received \$427)	477
	<hr/>
<b>Total liabilities</b>	<b>101,887</b>
	<hr/>
<b>Net assets</b>	<b>\$ 2,312,832</b>

### Analysis of net assets

Paid-in capital	\$ 1,780,186
Accumulated undistributed net realized gain from investments	359,749
Accumulated undistributed net realized gain from foreign currency transactions	15,313
Unrealized net appreciation of investments	158,374
Unrealized net depreciation on translation of assets and liabilities in foreign currencies	(790)
	<hr/>
<b>Net assets</b>	<b>\$ 2,312,832</b>

### Unit data

Units outstanding	160,113,002
Net asset value, unit price	<hr/> <hr/> <b>\$ 14.45</b>

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value, Shares or Contracts	Cost	Fair Value
<b><u>Municipal Bonds</u></b>			
California, 7.5% Due 4/1/2034	18,900	\$ 19,993	\$ 24,500
California, 7.55% Due 4/1/2039	2,350	2,538	3,147
California, 7.63% Due 3/1/2040	1,600	1,681	2,149
California, 7.6% Due 11/1/2040	1,600	2,165	2,167
Illinois State, 4.96% Due 3/1/2016	7,550	7,801	8,078
Illinois State, 5.37% Due 3/1/2017	6,600	6,600	7,183
Illinois State, 5.67% Due 3/1/2018	4,275	4,381	4,685
Los Angeles Unified Sch Dist, 6.76% Due 7/1/2034	6,625	7,185	8,123
New Jersey Turnpike Authority, 7.1% Due 1/1/2041	7,790	8,860	10,029
Pennsylvania St Higher Ed Assn, 0.23% Adj, Due 5/1/2046	7,925	7,076	7,652
Pennsylvania St Higher Ed Assn, 0.19% Adj, Due 5/1/2046	2,700	2,442	2,607
Total Municipal Bonds - 3.5%		70,722	80,320
<b><u>U. S. Treasury Issues</u></b>			
United States Treasury, 0.75% Due 8/15/2013	500	500	500
United States Treasury, 0.25% Due 10/31/2013	8,000	8,001	8,004
United States Treasury, 0.25% Due 1/31/2014	1,960	1,960	1,961
United States Treasury, 0.25% Due 2/28/2015	20,000	20,005	19,985
United States Treasury, 0.25% Due 9/15/2015	220	220	219
United States Treasury, 0.25% Due 10/15/2015	530	528	528
United States Treasury, 0.25% Due 12/15/2015	28,000	27,883	27,831
United States Treasury, 0.38% Due 1/15/2016	38,000	37,998	37,864
United States Treasury, 0.38% Due 2/15/2016	25,000	25,023	24,889
United States Treasury, 1.5% Due 6/30/2016	580	580	594
United States Treasury, 1.0% Due 8/31/2016	4,140	4,147	4,172
United States Treasury, 0.75% Due 6/30/2017	100	101	99
United States Treasury, 0.5% Due 7/31/2017	3,460	3,435	3,377
United States Treasury, 0.63% Due 4/30/2018	740	738	715
United States Treasury, 1.25% Due 4/30/2019	47,740	48,340	46,744
United States Treasury, 1.0% Due 9/30/2019	56,340	56,133	53,875
United States Treasury, 1.25% Due 10/31/2019	9,940	10,066	9,641
United States Treasury, 1.13% Due 12/31/2019	16,170	16,061	15,493
United States Treasury, 1.63% Due 8/15/2022	24,070	24,034	22,582
United States Treasury, 1.75% Due 5/15/2023	6,820	6,495	6,387
United States Treasury Inflation-Protected Security, 2.13% Due 2/15/2040	3,460	5,189	4,531
United States Treasury, 4.38% Due 5/15/2041	1,540	1,568	1,806
United States Treasury, 3.13% Due 11/15/2041	13,440	13,445	12,600
United States Treasury, 3.13% Due 2/15/2042	10,530	11,187	9,859
United States Treasury Inflation Protected Security, 0.75% Due 2/15/2042	4,300	4,590	3,908
United States Treasury, 2.75% Due 11/15/2042	12,000	10,913	10,345
United States Treasury, 3.13% Due 2/15/2043	22,260	22,829	20,777
United States Treasury, 2.88% Due 5/15/2043	14,910	14,066	13,195
Total U. S. Treasury Issues - 15.7%		376,035	362,481
<b><u>U. S. Government Agency Issues</u></b>			
<i>U. S. Government Agency MBS (coupon, yield, and maturity date are weighted averages)</i>			
Federal Home Loan Mortgage Corp Issues, 5.227% Due 4/16/2035	89,071	96,139	95,751
Federal National Mortgage Assn Issues, 5.734% Due 11/16/2033	227,008	245,758	246,449
<i>Total U. S. Government Agency MBS - 14.8%</i>		341,897	342,200
<i>U.S. Government Agency TBAs</i>			
Federal National Mortgage Assn, 3.5% Due 7/1/2043 - 2.5%	58,000	60,130	58,879
<i>U.S. Government Agency Discount Note</i>			
Federal Home Loan Mort Corp, Zero Coupon, Due 12/9/2013 0.2%(a)	4,720	4,718	4,718
<i>U. S. Government Agency CMO</i>			
Federal Home Loan Mortgage Corp, Interest-only, 1.39% Adj, Due 4/25/2020	4,057	244	250
Federal Home Loan Mortgage Corp, Interest-only, 1.83% Adj, Due 6/25/2020	4,267	351	370
Federal Home Loan Mortgage Corp, Interest-only, 1.67% Adj, Due 8/25/2020	37,607	2,596	2,857
Federal Home Loan Mortgage Corp, 1.0% Due 3/15/2034	39	-	39

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value, Shares or Contracts	Cost	Fair Value
Federal Home Loan Mortgage Corp, 6.0% Due 5/15/2036	764	836	830
Federal Home Loan Mortgage Corp, 5.5% Due 11/15/2037	1,955	2,065	2,064
Federal National Mortgage Assn, 5.75% Due 3/25/2037	493	529	527
Federal National Mortgage Assn, 6.0% Due 4/25/2037	7,603	8,366	8,344
Federal National Mortgage Assn, 6.5% Due 4/25/2039	5,652	6,110	6,129
Federal National Mortgage Assn, 7.0% Due 11/25/2040	10,670	11,795	11,922
Federal National Mortgage Assn, 5.5% Due 4/25/2042	1,800	2,074	1,973
Federal National Mortgage Assn, 6.5% Due 9/25/2042	42	45	47
Federal National Mortgage Assn, 6.5% Due 12/25/2042	2,028	2,217	2,329
Federal National Mortgage Assn, 0.54% Due 3/25/2043	7,168	7,170	7,199
Federal National Mortgage Assn, 0.54% Due 4/25/2043	14,403	14,410	14,371
Federal National Mortgage Assn, 7.5% Due 12/25/2045	2,092	2,352	2,445
<i>Total U.S. Government Agency CMO - 2.7%</i>		61,160	61,696
Total U.S. Government Agency Issues - 20.2%		467,905	467,493
<b>Corporate Issues</b>			
<i>Corporate Bonds</i>			
Abbvie Inc, 2.9% Due 11/6/2022	1,660	1,650	1,552
AES Corporation, 8.0% Due 6/1/2020	6,400	6,400	7,296
Ally Financial Inc, 4.5% Due 2/11/2014	17,420	17,312	17,568
American Express Co, 6.15% Due 8/28/2017	1,250	1,254	1,449
American Express Co, 6.8% Due 9/1/2066	1,366	1,410	1,452
American International Group, 4.25% Due 9/15/2014	3,200	3,193	3,319
American International Group, 5.85% Due 1/16/2018	910	907	1,023
American International Group, 8.25% Due 8/15/2018	3,950	4,561	4,899
Amgen Inc, 4.5% Due 3/15/2020	1,290	1,290	1,405
Anadarko Finance Co, 7.5% Due 5/1/2031	1,240	1,362	1,546
ANZ National (Intl) LTD, 1.85% Due 10/15/2015	800	800	811
AOL Time Warner Inc, 7.63% Due 4/15/2031	4,500	5,212	5,672
AOL Time Warner Inc, 7.7% Due 5/1/2032	9,474	11,383	12,045
ArcelorMittal, 5.0% Adj, Due 2/25/2017	465	452	471
Asciano Finance, 3.13% Due 9/23/2015	4,890	4,887	4,997
AT&T Corp, 8.0% Due 11/15/2031	2,750	3,339	3,830
AT&T Inc, 5.5% Due 2/1/2018	5,076	5,061	5,806
AT&T Inc, 6.55% Due 2/15/2039	925	1,054	1,062
AT&T Inc, 5.35% Due 9/1/2040	5,000	5,574	5,059
BAC Capital Trust XI, 6.63% Due 5/23/2036	15,130	14,026	16,794
Bank of America Corp, 6.5% Due 8/1/2016	410	410	462
Bank of America Corp, 5.42% Due 3/15/2017	600	639	643
Bank of America Corp, 7.63% Due 6/1/2019	9,560	10,849	11,489
Bank of America Corp, 5.0% Due 5/13/2021	150	149	160
Barrick Gold Corporation, 4.1% Due 5/1/2023	1,620	1,617	1,353
BBVA US Senior SA Uniper, 4.66% Due 10/9/2015	4,600	4,637	4,739
BNP Paribas, 2.38% Due 9/14/2017	1,260	1,259	1,247
BNSF Railway Co 2007-1 P, 6.0% Due 4/1/2024	838	926	966
Boston Properties LP, 5.88% Due 10/15/2019	4,950	5,094	5,709
Boston Properties LP, 5.63% Due 11/15/2020	4,600	4,960	5,221
Boston Properties LP, 3.8% Due 2/1/2024	1,525	1,520	1,498
Boston Scientific Corp, 6.4% Due 6/15/2016	9,415	9,827	10,589
Boston Scientific Corp, 6.0% Due 1/15/2020	500	488	566
BP Capital Markets PLC, 3.13% Due 10/1/2015	3,010	3,006	3,146
Burlington NO SF 00-1 TR, 8.25% Due 1/15/2021	271	314	322
Burlington NO SF 06-2 TR, 5.63% Due 4/1/2024	395	432	451
Burlington North Santa Fe, 4.7% Due 10/1/2019	850	847	944
Burlington North Santa Fe, 4.1% Due 6/1/2021	7,075	7,050	7,462
Burlington North Santa Fe, 3.05% Due 9/1/2022	6,600	6,574	6,370
Calpine Corp, 7.88% Due 1/15/2023	2,250	2,250	2,419
Canadian Pacific Railroad Co, 5.75% Due 1/15/2042	1,950	1,904	2,153
Capital One Financial Corp, 4.75% Due 7/15/2021	3,250	3,231	3,428
Capital One Financial Corp, 3.5% Due 6/15/2023	7,570	7,434	7,126
CIGNA Corporation, 8.5% Due 5/1/2019	3,399	4,125	4,314
CIGNA Corporation, 7.65% Due 3/1/2023	1,925	2,036	2,374
CIGNA Corporation, 7.88% Due 5/15/2027	1,545	1,683	1,962

See accompanying notes to financial statements.



# Total Return Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value, Shares or Contracts	Cost	Fair Value
CIGNA Corporation, 6.15% Due 11/15/2036	3,488	3,623	3,970
CIGNA Corporation, 5.88% Due 3/15/2041	1,135	1,128	1,267
Citigroup Inc, 5.0% Due 9/15/2014	6,750	6,758	7,015
Citigroup Inc, 3.95% Due 6/15/2016	2,160	2,187	2,277
Citigroup Inc, 6.13% Due 11/21/2017	10,260	10,756	11,660
Citigroup Inc, 4.05% Due 7/30/2022	2,700	2,744	2,595
Citigroup Inc, 6.88% Due 3/5/2038	3,460	3,438	4,196
Cliffs Natural Resources Inc, 3.95% Due 1/15/2018	630	628	602
Cliffs Natural Resources Inc, 5.9% Due 3/15/2020	990	1,007	954
Cliffs Natural Resources Inc, 4.8% Due 10/1/2020	420	409	379
Comcast Cable Communication, 8.88% Due 5/1/2017	2,615	2,998	3,275
Comcast Corp, 6.5% Due 1/15/2017	4,500	4,780	5,227
Comcast Corp, 6.3% Due 11/15/2017	2,700	3,018	3,190
Comcast Corp, 5.88% Due 2/15/2018	2,000	2,202	2,335
Comcast Corp, 6.4% Due 5/15/2038	2,600	2,912	3,103
Continental Airlines Inc, 9.25% Due 5/10/2017	915	915	1,020
Continental Airlines Inc, 7.25% Due 11/10/2019	4,963	4,963	5,807
Corp Bond Backed CTF-CCE, 0.0% Adj, Due 5/15/2098	5,000	3,576	4,300
Countrywide Financial Corp, 6.25% Due 5/15/2016	2,550	2,441	2,781
Cox Communications Inc, 9.38% Due 1/15/2019	11,495	14,065	15,182
Credit Agricole SA, 8.38% Due 12/13/2049	3,340	3,340	3,536
CVS Caremark Corp, 6.94% Due 1/10/2030	1,860	1,860	2,190
Daimler Finance NA LLC, 1.3% Due 7/31/2015	2,340	2,337	2,345
Delta Air Lines, 6.82% Due 8/10/2022	1,927	1,927	2,177
Deutsche Telekom Int Fin, 5.75% Due 3/23/2016	1,635	1,629	1,818
Dow Chemical Company, 8.55% Due 5/15/2019	6,709	7,754	8,560
Dow Chemical Company, 9.4% Due 5/15/2039	7,240	10,463	10,595
El Paso Corporation, 7.8% Due 8/1/2031	469	340	495
El Paso Corporation, 7.75% Due 1/15/2032	222	221	236
Enel Finance International NV, 6.8% Due 9/15/2037	1,500	1,582	1,502
Enel Finance International NV, 6.0% Due 10/7/2039	4,252	4,049	3,927
ERP Operating-LP, 4.63% Due 12/15/2021	4,400	4,436	4,661
ERP Operating-LP, 3.0% Due 4/15/2023	1,350	1,286	1,241
Export-Import Bank Korea, 4.0% Due 1/11/2017	6,675	6,666	6,985
Ford Motor Company, 4.75% Due 1/15/2043	1,480	1,441	1,302
Ford Motor Credit Company, 5.63% Due 9/15/2015	9,200	9,259	9,885
Ford Motor Credit Company, 8.13% Due 1/15/2020	4,590	5,649	5,529
Ford Motor Credit Company, 5.75% Due 2/1/2021	10,300	10,300	11,153
General Electric Capital Corp, 1.63% Due 7/2/2015	570	576	577
General Electric Capital Corp, 5.5% Due 1/8/2020	4,030	4,247	4,544
General Electric Capital Corp, 4.38% Due 9/16/2020	3,550	3,592	3,758
General Electric Capital Corp, 4.63% Due 1/7/2021	2,550	2,633	2,724
General Electric Capital Corp, 4.65% Due 10/17/2021	2,000	2,168	2,122
General Electric Capital Corp, 6.38% Due 11/15/2067	4,910	4,822	5,106
Glitnir Bank I HF, 6.693% Due 6/15/2016 (b)	5,000	6	63
Glitnir Bank I HF, 7.451% Due 9/14/2049 (b)	600	1	8
Goldman Sachs Capital II, 4.0% Due 12/29/2049	3,960	3,033	3,148
Goldman Sachs Group Inc, 6.15% Due 4/1/2018	3,680	3,681	4,147
Goldman Sachs Group Inc, 6.25% Due 2/1/2041	2,810	2,813	3,178
Greenpoint Manufacture Housing, 3.69% Adj, Due 3/18/2029	1,075	878	949
Greenpoint Manufacture Housing, 3.69% Adj, Due 6/19/2029	575	461	533
Greenpoint Manufacture Housing, 3.69% Adj, Due 2/20/2030	450	360	387
Greenpoint Manufacture Housing, 3.69% Adj, Due 2/20/2032	675	566	600
Greenpoint Manufacture Housing, 3.69% Adj, Due 3/13/2032	1,000	838	871
Groupe BPCE, 12.5% Perpetual	3,317	4,329	4,022
HCA Inc, 6.75% Due 7/15/2013	1,400	1,401	1,400
HCA Inc, 5.75% Due 3/15/2014	3,300	3,302	3,366
HCA Inc, 6.38% Due 1/15/2015	5,295	5,512	5,547
HCA Inc, 6.5% Due 2/15/2016	9,425	9,869	10,154
Health Net Inc, 6.38% Due 6/1/2017	2,850	2,770	2,960
Hewlett-Packard Company, 3.3% Due 12/9/2016	4,300	4,294	4,464
Hewlett-Packard Company, 5.5% Due 3/1/2018	726	817	805
HSBC Finance Corp, 6.68% Due 1/15/2021	350	342	387
HSBC Holdings PLC, 5.1% Due 4/5/2021	1,125	1,123	1,236

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value, Shares or Contracts	Cost	Fair Value
HSBC Holdings PLC, 6.5% Due 5/2/2036	10,725	11,192	11,889
HSBC Holdings PLC, 6.5% Due 9/15/2037	490	484	545
Humana Inc, 7.2% Due 6/15/2018	2,030	2,075	2,418
Humana Inc, 3.15% Due 12/1/2022	460	458	427
Humana Inc, 8.15% Due 6/15/2038	730	734	974
Hyundai Capital America, 2.13% Due 10/2/2017	460	459	445
ILFC E-Capital Trust II, 6.25% Due 12/21/2065	4,520	3,845	4,113
John Deere Capital Corp, 5.35% Due 4/3/2018	1,550	1,557	1,779
JP Morgan Chase & Co, 5.13% Due 9/15/2014	40	40	42
JP Morgan Chase & Co, 5.15% Due 10/1/2015	790	787	854
JP Morgan Chase & Co, 3.38% Due 5/1/2023	7,435	7,398	6,923
Kerr-McGee Corporation, 6.95% Due 7/1/2024	490	530	586
Kerr-McGee Corporation, 7.88% Due 9/15/2031	1,665	1,889	2,079
Kinder Morgan Energy Partners, 5.0% Due 12/15/2013	940	935	958
Kinder Morgan Energy Partners, 6.0% Due 2/1/2017	1,610	1,599	1,813
Kingdom of Spain, 4.0% Due 3/6/2018	5,500	5,484	5,414
KLA-Tencor Corporation, 6.9% Due 5/1/2018	4,900	5,718	5,704
Kroger Co, 6.4% Due 8/15/2017	220	226	254
Kroger Co, 3.4% Due 4/15/2022	1,240	1,234	1,211
Lafarge SA, 6.2% Due 7/9/2015	6,175	6,376	6,576
Lafarge SA, 6.5% Due 7/15/2016	7,250	7,487	7,866
Legg Mason Inc, 5.5% Adj, Due 5/21/2019	5,900	5,847	6,080
Lehman Bros CAP TR VII, 6.5% Due 7/19/2017 (b)	110	-	-
Lehman Bros CAP TR VII, 6.5% Due 12/28/2017 (b)	8,860	-	-
Lehman Bros CAP TR VII, 5.857% Due 11/29/2049 (b)	4,430	-	-
Lorillard Tobacco Company, 8.13% Due 6/23/2019	2,680	2,867	3,284
Macy's Inc, 6.9% Due 4/1/2029	3,000	3,044	3,505
Macys Retail Holdings Inc, 6.65% Due 7/15/2024	6,415	6,104	7,581
Macys Retail Holdings Inc, 6.7% Due 7/15/2034	1,990	2,035	2,265
Macys Retail Holdings Inc, 6.38% Due 3/15/2037	4,100	3,880	4,609
Mallinckrodt Intl Financial, 3.5% Due 4/15/2018	1,360	1,381	1,344
Mallinckrodt Intl Financial, 4.75% Due 4/15/2023	590	559	562
Merrill Lynch & Company Inc, 6.88% Due 4/25/2018	8,890	8,886	10,231
MetLife Inc, 6.4% Due 12/15/2036	2,790	2,572	2,853
MMC Corporation Berhad, 6.25% Due 1/15/2018	4,775	5,170	5,551
Morgan Stanley, 6.63% Due 4/1/2018	360	366	408
National Australia Bank Ltd, 1.6% Due 8/7/2015	750	750	760
National Semiconductor, 6.6% Due 6/15/2017	2,580	2,643	3,032
News America Inc, 6.4% Due 12/15/2035	2,260	2,652	2,524
News America Inc, 6.65% Due 11/15/2037	2,785	3,017	3,205
Nordea Bank AB, 4.88% Due 5/13/2021	2,980	2,968	3,058
NVR Inc, 3.95% Due 9/15/2022	100	100	97
Pacific Gas & Electric Corp, 6.05% Due 3/1/2034	870	884	1,014
Pernod Ricard SA, 2.95% Due 1/15/2017	650	651	665
Pernod Ricard SA, 4.45% Due 1/15/2022	1,730	1,759	1,762
Petrobras Global Finance, 4.38% Due 5/20/2023	9,165	9,059	8,407
Petrobras Intl Fin Co, 3.88% Due 1/27/2016	1,050	1,071	1,080
Petrobras Intl Fin Co, 5.38% Due 1/27/2021	13,150	14,288	13,211
Rabobank Nederland, 11.0% Perpetual	544	593	698
Reed Elsevier Capital, 8.63% Due 1/15/2019	1,428	1,739	1,778
Reed Elsevier Capital, 3.13% Due 10/15/2022	6,451	6,219	5,946
Reynolds American Inc, 6.75% Due 6/15/2017	2,330	2,340	2,700
Reynolds American Inc, 3.25% Due 11/1/2022	690	689	641
Reynolds Group Holdings, 7.13% Adj, Due 4/15/2019	400	407	423
Reynolds Group Holdings, 6.88% Adj, Due 2/15/2021	1,360	1,360	1,428
Rock-Tenn Co, 3.5% Due 3/1/2020	540	537	528
Rock-Tenn Co, 4.0% Due 3/1/2023	280	278	270
Royal Bank of Scotland Grp PLC, 5.0% Due 10/1/2014	880	852	900
Royal Bank of Scotland Grp PLC, 2.55% Due 9/18/2015	360	360	366
Royal Bank of Scotland Grp PLC, 6.13% Due 12/15/2022	9,690	9,391	9,221
Royal Bank of Scotland Grp PLC, 6.1% Due 6/10/2023	1,060	1,051	1,006
Royal Bank of Scotland Grp PLC, 7.64% Perpetual	600	600	537
Royal Bank of Scotland PLC, 4.38% Due 3/16/2016	3,225	3,221	3,414
Royal Bank of Scotland PLC, 5.63% Due 8/24/2020	1,775	1,752	1,925

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value, Shares or Contracts	Cost	Fair Value
Southern Natural Gas Co, 5.9% Due 4/1/2017	570	570	650
Sprint Capital Corp, 8.75% Due 3/15/2032	680	802	748
Sprint Nextel Corporation, 6.0% Due 12/1/2016	5,350	5,229	5,644
Sprint Nextel Corporation, 7.0% Due 8/15/2020	150	152	158
State Street Corp, 4.96% Due 3/15/2018	1,980	1,999	2,181
State Street Corp, 3.1% Due 5/15/2023	810	809	759
Student Loan Marketing Assn, 3.88% Due 9/10/2015	4,810	4,906	4,858
Student Loan Marketing Assn, 6.0% Due 1/25/2017	5,775	5,716	6,035
Student Loan Marketing Assn, 4.63% Due 9/25/2017	1,100	1,138	1,084
Student Loan Marketing Assn, 8.45% Due 6/15/2018	3,350	3,367	3,719
Teachers Insurance & Annuity, 6.85% Due 12/16/2039	1,230	1,229	1,502
Telecom Italia Capital, 5.25% Due 11/15/2013	2,825	2,827	2,860
Telecom Italia Capital, 6.18% Due 6/18/2014	2,843	2,846	2,943
Telecom Italia Capital, 7.0% Due 6/4/2018	3,880	4,111	4,265
Telecom Italia Capital, 7.18% Due 6/18/2019	6,050	6,500	6,733
Telefonica Emisiones SAU, 6.22% Due 7/3/2017	250	242	273
Telefonica Emisiones SAU, 5.13% Due 4/27/2020	670	591	687
Time Warner Cable Inc, 8.75% Due 2/14/2019	9,990	11,907	12,262
Time Warner Cable Inc, 8.25% Due 4/1/2019	975	1,138	1,174
Time Warner Cable Inc, 4.0% Due 9/1/2021	4,065	4,038	3,893
Time Warner Cable Inc, 5.5% Due 9/1/2041	230	228	202
Time Warner Entertainment, 8.38% Due 7/15/2033	3,050	3,142	3,595
TNK-BP Finance SA, 7.88% Due 3/13/2018	2,820	2,733	3,208
Transocean Inc, 2.5% Due 10/15/2017	990	996	978
Turlock Corp, 1.5% Due 11/2/2017	1,050	1,049	1,019
Turlock Corp, 2.75% Due 11/2/2022	2,750	2,741	2,573
Turlock Corp, 4.15% Due 11/2/2042	2,730	2,751	2,449
Union Pacific Corp, 4.16% Due 7/15/2022	4,812	4,867	5,120
Union Pacific RR Co 07-3, 6.18% Due 1/2/2031	767	828	912
United Business Media LT, 5.75% Due 11/3/2020	3,330	3,285	3,376
UNP RR Co 1999 Pass Trust, 7.6% Due 1/2/2020	519	588	606
UNP RR Co 2005 Pass Trust, 5.08% Due 1/2/2029	3,949	4,107	4,427
Vale Overseas Ltd, 6.88% Due 11/21/2036	2,812	2,799	2,847
Vedanta Resources PLC, 8.75% Due 1/15/2014	952	952	973
Vulcan Materials Company, 6.5% Due 12/1/2016	2,850	2,848	3,085
Vulcan Materials Company, 7.5% Due 6/15/2021	2,925	2,925	3,276
Wachovia Capital Trust, 5.57% Due 12/29/2049	2,290	2,285	2,247
Wachovia Corp, 5.63% Due 10/15/2016	1,050	1,037	1,180
Wal-Mart Stores Inc, 5.8% Due 2/15/2018	610	626	715
WellPoint Inc, 1.25% Due 9/10/2015	400	400	401
WellPoint Inc, 5.88% Due 6/15/2017	260	259	295
WellPoint Inc, 7.0% Due 2/15/2019	6,250	7,139	7,504
Wells Fargo Capital X, 5.95% Due 12/15/2036	1,040	991	1,024
Xerox Corporation, 6.4% Due 3/15/2016	8,525	8,937	9,491
Xerox Corporation, 6.35% Due 5/15/2018	7,452	8,234	8,541
XStrata Finance Canada, 2.05% Due 10/23/2015	1,420	1,423	1,420
XStrata Finance Canada, 5.8% Due 11/15/2016	310	349	338
XStrata Finance Canada, 2.7% Due 10/25/2017	1,340	1,341	1,300
<i>Total Corporate Bonds - 31.5%</i>		692,335	728,766
<i>Corporate Asset Backed Issues</i>			
Chase Issuance Trust, 0.54% Adj, Due 10/16/2017	11,600	11,600	11,515
Lehman XZ Trust, 0.41% Due 4/25/2046	3,936	2,503	2,774
NC State Education Authority, 1.18% Due 7/25/2030	11,400	10,805	11,179
Nelnet Student Loan Trust, 0.54% Adj, Due 3/22/2032	10,700	9,677	9,690
Pegasus Aviation Lease Sec, 8.37% Due 3/25/2030	500	331	180
SLM Student Loan Trust, 3.31% Adj, Due 5/15/2017	8,790	8,789	9,095
<i>Total Corporate Asset Backed Issues - 1.9%</i>		43,705	44,433
<i>Corporate CMO</i>			
Banc of America Mortgage Sec, 5.29% Adj, Due 12/1/2034	2,242	2,147	2,179
Banc of America Mortgage Sec, 2.93% Adj, Due 4/25/2035	613	600	497
Bear Stearns Adj Rate Mortgage, 2.43% Due 12/25/2046	1,150	1,063	895
Countrywide Alternative Loan T, 2.87% Adj, Due 12/25/2035	1,478	1,469	1,170

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value, Shares or Contracts	Cost	Fair Value
Countrywide Home Loans, 2.68% Adj, Due 6/20/2036	826	826	662
Indymac Inda Mtg Loan Trust, 3.21% Adj, Due 9/25/2037	1,348	1,347	1,191
IndyMac Residential Asset Sec, 4.75% Due 2/25/2019	1,254	1,259	1,286
JP Morgan Mortgage Trust, 3.01% Adj, Due 8/25/2035	1,182	1,164	1,085
MASTR ARM Trust, 2.97% Adj, Due 1/25/2036	804	789	758
MASTR Performing Loan Trust, 7.0% Due 8/25/2034	67	67	69
MLCC Mortgage Investors Inc, 2.71% Adj, Due 12/25/2034	25	25	25
Morgan Stanley Mortgage Loan, 2.64% Adj, Due 10/25/2034	1,131	1,125	1,086
Morgan Stanley Mortgage Loan, 2.58% Adj, Due 6/25/2037	3,288	3,295	1,823
WAMU Mortgage Pass-Through Cer, 2.45% Adj, Due 8/25/2035	1,127	1,109	1,082
WAMU Mortgage Pass-Through Cer, 2.44% Adj, Due 10/25/2035	39	38	39
WAMU Mortgage Pass-Through Cer, 2.51% Adj, Due 12/25/2035	1,432	1,411	1,293
Washington Mutual Mortgage, 2.38% Adj, Due 11/25/2036	152	151	124
Washington Mutual Mortgage, 2.39% Adj, Due 12/25/2036	576	575	477
Washington Mutual Mortgage, 2.55% Adj, Due 2/25/2037	3,255	2,653	2,681
Washington Mutual Mortgage, 2.29% Adj, Due 3/1/2037	159	158	119
Wells Fargo Mortgage Backed, 2.62% Adj, Due 12/25/2034	2,069	1,704	2,057
Wells Fargo Mortgage Backed, 2.72% Adj, Due 4/25/2036	181	181	169
<i>Total Corporate CMO - 0.9%</i>		23,156	20,767
<i>Corporate Preferred Security</i>			
Citigroup Capital XIII - 0.4%	314	8,345	8,757
Total Corporate Issues - 34.7%		767,541	802,723
<b><u>Foreign Government Bond</u></b>			
Mex Bonos Desarr Fix Rt (Mexican Peso) - 0.3%	85,250	7,035	6,879
<b><u>Investments in Other Funds</u></b>			
Western Asset High Yield Fund	800,393	7,517	7,003
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 investment exceeds 5% of net assets of the Pool			
Western Asset Opportunistic US Dollar High Yield Securities Portfolio, LLC	642,508	14,021	17,352
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 investment exceeds 5% of net assets of the Pool			
Western Asset Opportunistic International Investment Grade Securities Portfolio, LLC	1,942,089	41,976	51,079
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 investment exceeds 5% of net assets of the Pool			
Western Asset Floating Rate High Income Fund, LLC	4,404,573	54,294	79,397
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 investment exceeds 5% of net assets of the Pool			

See accompanying notes to financial statements.

## Total Return Fixed Income Pool

### Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value, Shares or Contracts	Cost	Fair Value
Western Asset US Enhanced Cash, LLC Investment Objective - To maximize total return by investing in investment grade fixed income securities. Redemption Provisions - Daily No underlying investment exceeds 5% of net assets of the Pool	3,961,453	38,085	43,909
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 investment exceeds 5% of net assets of the Pool	4,987,845	54,501	65,919
Western Asset Mortgage Backed Securities Portfolio, LLC Investment Objective - To maximize total return by investing in debt securities issued or guaranteed by the U.S. government. Redemption Provisions - Daily No underlying investment exceeds 5% of net assets of the Pool	3,125,195	50,000	52,044
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 investment exceeds 5% of net assets of the Pool	310,885	4,909	4,921
Western Asset Emerging Markets Local Debt 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 investment exceeds 5% of net assets of the Pool	1,790,116	23,724	33,432
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 investment exceeds 5% of net assets of the Pool	5,555,363	49,543	83,869
Western Asset Emerging Markets Corporate Credit 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 investment exceeds 5% of net assets of the Pool	2,383,703	22,282	35,896
Total Investments in Other Funds - 20.5%		360,852	474,821
<b>Short-term Issue</b>			
Dreyfus Cash Management Institutional Fund - 7.4%	171,035,971	171,036	171,036
<b>Option Contracts Purchased</b>			
<i>Put, strike price, expiration</i>			
US Treasury Bond Option, 135.00, Due 7/5/2013 - 0.0%	239	183	176
<b>Investments Made with Cash Collateral for Securities Loaned</b>			
BNY Mellon Securities Lending Overnight Fund		13,791	13,791
Mellon SL DBT II Liquidating Fund		93	91
Total Investments Made with Cash Collateral for Securities Loaned - 0.6%		13,884	13,882
Total Investments - 102.9%		\$ 2,235,193	\$ 2,379,811

See accompanying notes to financial statements.

## Total Return Fixed Income Pool

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### Schedule of Investments (continued)

**June 30, 2013**

*(Amounts in thousands)*

<u>Type</u>	<u>Description</u>	<u>Maturity</u>	<u>Strike Price</u>	<u>Contracts</u>	<u>Premiums Received</u>	<u>Fair Value</u>
<b><u>Option Contracts Written</u></b>						
Call	US Treasury Bond Option	7/26/2013	143.00	(322)	\$ (225)	\$ (30)
Put	US Treasury Bond Option	7/5/2013	133.00	(239)	(55)	(60)
Put	US Treasury Bond Option	7/26/2013	135.00	(322)	(147)	(387)
Total Option Contracts Written - (0.0%)					<u>\$ (427)</u>	<u>\$ (477)</u>

(a) A portion of this securities is pledged as collateral for derivative contracts.

(b) Pending bankruptcy

*See accompanying notes to financial statements.*

# Total Return Fixed Income Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Interest	\$ 50,512
Dividends	1,863
Net securities lending loss (Note 7)	(971)
Net shareholder litigation proceeds	<u>1,111</u>

**Total investment income** 52,515

**Expenses**

Investment advisor fees	(3,005)
Trustee fees	(8)
Custodian bank fees	(69)
Management fees	(674)
Fiduciary bond fees	(5)
Professional service fees	(158)
Futures commission expense	<u>(135)</u>

**Total expenses** (4,054)

**Investment income, net** 48,461

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

Net realized gain (loss) from:	
Investments	29,943
Futures contracts	2,241
Options written	425
Swap contracts	(24)
Foreign currency transactions	<u>1,329</u>
	33,914

Net change in unrealized appreciation (depreciation) on:	
Investments	(8,758)
Futures contracts	15,111
Options written	(106)
Translation of assets and liabilities in foreign currencies	<u>(895)</u>
	<u>5,352</u>

**Net gain from investments and foreign currency** 39,266

**Net increase in net assets from operations** \$ 87,727

*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, 2013

(Amounts in thousands, except unit data)

#### Operations

Investment income, net	\$	48,461
Net realized gain from investments and foreign currency transactions		33,914
Net change in unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies		<u>5,352</u>
<b>Net increase in net assets from operations</b>		<b>87,727</b>

#### Distributions to unitholders

Investment income, net		(49,304)
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#### Unit transactions

Proceeds from sale of units		225,952
Reinvestment of distributions		52,720
Amount paid for repurchase of units		<u>(313,788)</u>
<b>Net decrease in net assets from unit transactions</b>		<b><u>(35,116)</u></b>

**Increase in net assets** 3,307

**Net assets, beginning of period** 2,309,525

**Net assets, end of period** \$ 2,312,832

#### Unit data

Units sold		15,430,498
Units issued from reinvestment of distributions		3,612,944
Units repurchased		<u>(21,526,711)</u>
<b>Net decrease in units</b>		<b><u>(2,483,269)</u></b>

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	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 (DAC) and Western Asset Management Company (Western) manage the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Barclays Capital Universal Index.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 6 for further discussion and presentation of the reporting requirements under ASC 820.

# 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)

Fair value of the Pool's portfolio securities is determined as follows:

- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Credit default swap values are based on market values received from third parties or are determined by valuation models.
- Foreign currency forward contracts are valued at the difference between the forward contract amount and the month-end forward exchange rate.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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:

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.
- 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 or loss 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 gain or 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.

# 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)

Written option contracts are used to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

When writing put options, there is risk that a loss may be incurred if the market price of the underlying instrument decreases and the option is exercised. This loss is determined by market conditions and cannot be specifically limited. The risk associated with writing call options is the loss of potential profit if the market price of the security increases and the option is exercised. Purchased put or call options bear the risk of loss of the premium paid if market conditions are not favorable to exercise the option. There may also be risk that the value of the option contract does not correlate perfectly with movements of the underlying instrument due to certain market distortions.

The IMB limits its exposure to credit risk by only buying or selling options traded on major exchanges, or executed with major dealers. There is a risk of the inability to enter into a closing transaction if a liquid secondary market does not exist. The IMB maintains sufficient levels of cash or cash equivalents to meet cash flow obligations.

**Security Loans** - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value 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 BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically of the Mellon SL DBT II Liquidating Fund. Such investments are made at the risk of the Pool and, as such, the Pool is liable for investment losses. Investments made with cash are reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments. 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 net securities lending income. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation 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 a change in unrealized appreciation or depreciation on 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 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, manage portfolio duration, 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.

# 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)

**Foreign Currency Forward Contracts** - A foreign currency 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.

**Credit Default Swaps** – Credit default swaps are agreements between counterparties to transfer the credit risk of referenced debt securities. The buyer of the credit default swap gains protection against a negative credit event such as a default or credit rating downgrade and the seller assumes the credit risk and is obligated to pay upon the occurrence of such an event. Fair values are based on market values received from third parties or are determined by valuation models.

**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 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. 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 reflected in the Statement of Operations in the year of the change.

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

**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. The Pool does not routinely distribute dividends of net realized 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. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

# Total Return Fixed Income Pool

## 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 U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, FASB issued Accounting Standard Update No. 2011-11 (ASU 2011-11), "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 is intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a portfolio's financial position. They are also intended to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the financial position; and disclose instruments and transactions subject to an agreement similar to a master netting agreement.

In January 2013, FASB issued Accounting Standard Update No. 2013-01 (ASU 2013-01), "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Management is currently evaluating the implications of ASU 2011-11 and ASU 2013-01 and their impact on financial statement disclosures.

### NOTE 4. 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, 2013.

Investment Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate asset backed issues	Ba1	AA	\$ 44,433	1.9%
Corporate bonds	Baa2	BBB	728,766	31.7
Corporate CMO	Caa	CCC	20,767	0.9
Corporate preferred security	Ba2	BB	8,757	0.4
Foreign government bond	Baa1	A	6,879	0.3
Municipal bonds	A2	BBB	80,320	3.4
Short-term issue	Aaa	AAA	171,036	7.2
U.S. Government agency CMO	Aaa	AA	61,696	2.6
U.S. Government agency discount note	Aaa	AA	4,718	0.2
U.S. Government agency MBS	Aaa	AA	342,200	14.4
U.S. Government agency TBAs	Aaa	AA	58,879	2.5
U.S. Treasury issues	Aaa	AA	362,481	13.9
Total rated investments			\$ 1,890,932	79.4%

# Total Return Fixed Income Pool

## Notes to Financial Statements

(Amounts in thousands, except share data)

### NOTE 4. INVESTMENT RISK DISCLOSURES (continued)

Unrated investments include investments in other funds valued at \$474,821, investments made with cash collateral for securities loaned valued at \$13,882, and option contracts purchased valued at \$176. These unrated investments represent 20.6 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, 2013, 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, 2013, 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.

#### Interest Rate Risk

The IMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. The following table provides the weighted average effective duration for the various asset types in the Pool as of June 30, 2013.

Investment Type	Fair Value	Effective Duration (years)
Corporate asset backed issues	\$ 44,433	1.9
Corporate bonds	728,766	6.5
Corporate CMO	20,767	1.4
Foreign government bond	6,879	7.0
Investments in other funds	474,821	3.7
Investments made with cash collateral for securities loaned	13,882	0.0
Municipal bonds	80,320	8.4
Short-term issues	171,036	0.0
U.S. Government agency CMO	61,696	2.2
U.S. Government agency discount notes	4,718	0.4
U.S. Government agency MBS	342,200	2.3
U.S. Government agency TBAs	58,879	6.5
U.S. Treasury issues	362,481	6.7
Total investments	<u>\$ 2,370,878</u>	<u>4.7</u>

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 effective 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, 2013, the Pool held \$527,975 of these securities. This represents approximately 22 percent of the value of the Pool's securities.



## Total Return Fixed Income Pool

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

#### NOTE 4. INVESTMENT RISK DISCLOSURES (continued)

##### Foreign Currency Risk

Of the notes, bonds, asset backed securities, mortgage backed securities, collateralized mortgage obligations and money market fund held by the Pool, only the foreign government bond denominated in Mexican Peso is exposed to foreign currency risk. The market value of this bond is \$6,879, which represents less than 1 percent of the value of the Pool's securities. The Pool also has foreign exchange forward contracts. Refer to Note 10 for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$153,875, or 32 percent, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 6 percent of the value of the Pool's securities. 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, 2013 the IMB was in compliance with this limitation.

#### NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool may 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 and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value of the derivative financial instruments recorded in the Statement of Assets and Liabilities as of June 30, 2013:

Derivative Type	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	\$ 176	Option contracts written	\$ (477)
Fixed Income / Interest rate contracts	Unrealized appreciation on futures contracts	13,712		
Foreign exchange contracts	Unrealized appreciation on foreign currency forward contracts	113	Unrealized depreciation on foreign currency forward contracts	(822)
Total		<u>\$ 14,001</u>		<u>\$ (1,299)</u>

At June 30, 2013, the Pool had an overdraft of (\$8,291) in the broker cash collateral account and securities of \$830 to cover margin requirements on open futures contracts and option contracts written.

## Total Return Fixed Income Pool

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

#### NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below presents the impact of the derivative financial instruments recorded in the Statement of Operations for the year ended June 30, 2013:

Derivative Type	Statement of Operations Location	Realized Gain (Loss)	Statement of Operations Location	Change in Unrealized Appreciation (Depreciation)
Fixed income / Interest rate contracts	Net realized gain from investments	\$ (1,311)	Net change in the unrealized appreciation (depreciation) on investments	\$ (552)
Fixed income / Interest rate contracts	Net realized gain from futures contracts	2,241	Net change in the unrealized appreciation (depreciation) on futures contracts	15,111
Fixed income / Interest rate contracts	Net realized gain from options written	425	Net change in the unrealized appreciation (depreciation) on options written	(106)
Credit contracts	Net realized loss from swap contracts	(24)		
Foreign exchange contracts	Net realized gain from foreign currency transactions	1,067	Net change in unrealized appreciation (depreciation) on translation of assets and liabilities in foreign currencies	(649)
Total		<u>\$ 2,398</u>		<u>\$ 13,804</u>

The Pools' derivative financial instruments outstanding as of June 30, 2013, as disclosed in the financial statements and notes thereto, is indicative of the volume of activity during the year ended June 30, 2013.

#### 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:



## Total Return Fixed Income Pool

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

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

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

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2013:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 44,433	\$ -	\$ 44,433
Corporate bonds	-	728,766	-	759,888
Corporate CMO	-	20,767	-	20,767
Corporate preferred security	8,757	-	-	8,757
Foreign currency forward contracts	-	113	-	113
Foreign government bond	-	6,879	-	6,879
Futures contracts	13,712	-	-	13,712
Investments in other funds	-	474,821	-	474,821
Investments made with cash collateral for securities loaned	-	13,882	-	13,882
Municipal bonds	-	80,320	-	80,320
Options contracts purchased	176	-	-	176
Short-term issue	171,036	-	-	171,036
U.S. Government agency CMO	-	61,696	-	61,696
U.S. Government agency discount note	-	4,718	-	4,718
U.S. Government agency MBS	-	342,200	-	342,200
U.S. Government agency TBAs	-	58,879	-	58,879
U.S. Treasury issues	-	362,481	-	331,359
Total	<u>\$ 193,681</u>	<u>\$ 2,199,955</u>	<u>\$ -</u>	<u>\$ 2,393,636</u>
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	\$ -	\$ (822)	\$ -	\$ (822)
Options contracts written	(477)	-	-	(477)
Total	<u>\$ (477)</u>	<u>\$ (822)</u>	<u>\$ -</u>	<u>\$ (1,299)</u>

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

## Total Return Fixed Income Pool

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

#### NOTE 7. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2013.

Fair value of securities on loan	\$	170,202			
Initial collateral received:		Cost	Fair Value	Unrealized Depreciation	
Cash	\$	13,884	\$ 13,882	\$ (2)	
Non-cash			160,588		
Total			\$ 174,470		

The Liquidating Trust, referenced in Note 2, was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$1,703 was assigned to the Total Return Fixed Income Pool. A loss reserve was established for the entire amount. Through June 30, 2013, the loss reserve was adjusted to \$1,149 as a result of settlement proceeds received in the Liquidating Trust. No additional proceeds are expected; therefore the reserve of \$1,149 has been recognized as a loss and included in net securities lending loss.

#### NOTE 8. FUTURES CONTRACTS

At June 30, 2013, open positions in futures contracts denominated in U.S. dollars were as follows:

Expiration	Open Contracts	Position	Notional Value at June 30, 2013	Notional Value Upon Entering Contract	Unrealized Appreciation (Depreciation)
Mar 2015	478	Euro 90 Day Future	\$ 118,514	\$ 118,230	\$ 284
Sep 2013	(328)	US Long Bond Future	(44,557)	(45,995)	1,438
Sep 2013	(169)	US Treasury 2 Yr Note Future	(37,180)	(37,211)	31
Sep 2013	(974)	US Treasury 5 Yr Note Future	(117,900)	(119,387)	1,487
Sep 2013	(2,696)	US Treasury 10 Yr Note Future	(341,213)	(351,282)	10,069
Sep 2013	(20)	US Ultra Bond Future	(2,946)	(3,059)	113
			\$ (425,282)	\$ (438,704)	\$ 13,422

At June 30, 2013, open positions in futures contracts denominated in foreign currencies were as follows:

Expiration	Open Contracts	Currency	Position	Notional Value at June 30, 2013 Local Currency	Initial Notional Value in Local Currency	June 30, 2013 Exchange Rate	Unrealized Appreciation (Depreciation)
Sep 2013	(114)	Euro Bond Future	EUR	(16,133)	(16,357)	1.2999	\$ 290

## Total Return Fixed Income Pool

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

#### NOTE 9. OPTION CONTRACTS WRITTEN

A summary of the activity in short (written) option positions for the period ended June 30, 2013, is as follows:

	Puts		Calls	
	Number of Contracts	Premiums Received	Number of Contracts	Premiums Received
Options outstanding at June 30, 2012	-	\$ -	(181)	\$ (90)
Options written	(2,200)	(548)	(1,216)	(534)
Options closed	1,042	221	597	282
Options expired	597	125	478	117
Options outstanding at June 30, 2013	(561)	\$ (202)	(322)	\$ (225)

#### NOTE 10. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2013, open foreign currency forward contracts were as follows:

Position	Foreign Currency	Trade Date	Settlement Date	Receivable		Payable		Unrealized Appreciation (Depreciation)
				(in foreign currency)	(in U. S. dollars)	(in foreign currency)	(in U. S. dollars)	
Long	Mexican Peso <sup>a</sup>	05/08/2013	08/16/2013	133,952	\$ 10,237		\$ 11,059	\$ (822)
Short	Euro Currency <sup>b</sup>	05/07/2013	08/16/2013		5,458	4,160	5,408	50
Short	Euro Currency <sup>c</sup>	05/08/2013	08/16/2013		6,342	4,829	6,279	63
					<u>\$ 22,037</u>		<u>\$ 22,746</u>	<u>\$ (709)</u>

*Counterparty, Moody's Rating, S&P Rating*

a - Morgan Stanley, Baa1, A-

b - Citigroup Inc, Baa2, A-

c - BNY Mellon, Aa3, A+

#### NOTE 11. INVESTMENT ADVISORY FEES

The IMB has approved investment advisory agreements with DAC and Western to manage the investments of the Pool. These agreements provide for quarterly payments, based on average end of month assets under management, to the investment advisors. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to DAC are based on a descending scale of fee rates ranging from 0.40 percent annually on the first \$10 million of assets under management to 0.12 percent annually on assets between \$125 million and \$700 million. For assets greater than \$700 million the fee rate is 0.10 percent annually. The effective fee rate earned by DAC for the year ended June 30, 2013, was 0.12 percent.

The fees paid to Western are based on a descending scale of fee rates ranging from 0.40 percent annually on the first \$500 million of assets under management to 0.10 percent annually on assets between \$1.5 billion and \$2 billion. For assets greater than \$2 billion the fee rate is 0.05 percent annually. The effective fee rate earned by Western for the year ended June 30, 2013, was 0.24 percent.

## Total Return Fixed Income Pool

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

#### NOTE 12. FINANCIAL HIGHLIGHTS

##### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$	14.20
Income from investment operations:		
Net investment income		0.31
Net realized and unrealized gain on investment transactions		0.26
Net decrease in the translation of assets and liabilities in foreign currencies		(0.01)
Total from investment operations		<u>0.56</u>
Less distributions from net investment income		<u>(0.31)</u>
Net asset value at June 30, 2013	\$	<u><u>14.45</u></u>

**Total Return \*** 3.9%

##### Supplemental Data:

Net assets, end of period	\$	2,312,832
Ratio to average net assets:		
Expenses **		0.17%
Net investment income **		2.10%
Portfolio turnover rate		52.06%

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

\*\* All ratios are for the fiscal year and do not reflect the Pool's proportionate share of income and expenses of the underlying investee funds.

## Total Return Fixed Income Pool

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### Notes to Financial Statements

(Amounts in thousands, except share data)

#### NOTE 13. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2013. 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>
Teachers' Retirement System	\$ 653,686
Public Employees' Retirement System	587,862
Workers' Compensation Old Fund	401,868
Revenue Shortfall Reserve Fund	149,159
Revenue Shortfall Reserve Fund - Part B	147,660
Coal Workers' Pneumoconiosis Fund	76,094
State Police Death, Disability and Retirement Fund	63,865
West Virginia Retiree Health Benefit Trust Fund	63,281
Public Employees Insurance Agency	62,958
Board of Risk and Insurance Management	40,400
Judges' Retirement System	17,220
Deputy Sheriff's Retirement System	16,674
State Police Retirement System	12,197
Wildlife Endowment Fund	5,690
Emergency Medical Services Retirement System	5,365
Workers' Compensation Self-Insured Guaranty Risk Pool	4,203
Workers' Compensation Uninsured Employers' Fund	2,499
West Virginia Department of Environmental Protection Trust	1,201
AccessWV	891
Municipal Police Officers' and Firefighters' Retirement System	59
Total	<u>\$ 2,312,832</u>

#### NOTE 14. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**Core Fixed Income Pool**

# Core Fixed Income Pool

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## **Audited Financial Statements June 30, 2013**

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Core Fixed Income Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# Core Fixed Income Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$1,252,167), including securities on loan of \$124,997 (Note 5)	\$ 1,300,573
Receivables:	
Accrued interest	7,391
Investments sold	367
Dividends	1
Securities lending income	6
	<hr/>
<b>Total assets</b>	1,308,338

### Liabilities

Accrued expenses	314
Dividends payable	2,414
Payable for investments purchased	988
Payable upon return of securities loaned (Note 5)	26,855
	<hr/>
<b>Total liabilities</b>	30,571

**Net assets** \$ 1,277,767

### Analysis of net assets

Paid-in capital	\$ 1,160,454
Accumulated undistributed net realized gain from investments	68,907
Unrealized net appreciation of investments	48,406
	<hr/>
<b>Net assets</b>	<u><u>\$ 1,277,767</u></u>

### Unit data

Units outstanding	115,819,555
Net asset value, unit price	<u><u>\$ 11.03</u></u>

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
<b><u>Municipal Bonds</u></b>			
American Municipal Power-Ohio, 7.5% Due 2/15/2050	580	\$ 594	\$ 718
California, 7.3% Due 10/1/2039	195	251	252
Illinois, 5.1% Due 6/1/2033	350	323	325
Los Angeles Dept of Airports, 6.58% Due 5/15/2039	255	333	304
New York St Dorm Authority, 5.6% Due 3/15/2040	260	253	288
Ohio State University, 4.8% Due 6/1/2111	761	753	655
Port Authority NY and NJ, 5.65% Due 11/1/2040	600	600	668
Port Authority NY and NJ, 4.46% Due 10/1/2062	405	405	362
Tennessee Valley Authority, Zero Coupon, Due 11/1/2025	2,500	1,707	1,573
Tennessee Valley Authority, 5.88% Due 4/1/2036	350	461	434
Tennessee Valley Authority, 5.25% Due 9/15/2039	1,198	1,519	1,348
Tennessee Valley Authority, 4.63% Due 9/15/2060	400	395	384
Total Municipal Bonds - 0.6%		7,594	7,311
<b><u>U. S. Treasury Issues</u></b>			
United States Treasury, 1.75% Due 1/31/2014	500	504	505
United States Treasury Inflation-Protected Security, 1.25% Due 4/15/2014	500	561	557
United States Treasury, 11.25% Due 2/15/2015	900	1,056	1,059
United States Treasury, 4.0% Due 2/15/2015	600	634	636
United States Treasury, Zero Coupon, Due 2/15/2015	150	144	149
United States Treasury, Zero Coupon, Due 5/15/2016	500	491	491
United States Treasury, Zero Coupon, Due 8/15/2016	5,300	4,815	5,179
United States Treasury, 3.13% Due 10/31/2016	8,700	8,668	9,359
United States Treasury, Zero Coupon, Due 11/15/2016	3,120	2,892	3,033
United States Treasury, 3.25% Due 12/31/2016	10,560	10,600	11,427
United States Treasury, 4.63% Due 2/15/2017	6,500	6,847	7,359
United States Treasury, Zero Coupon, Due 2/15/2017	6,122	5,440	5,919
United States Treasury, 3.25% Due 3/31/2017	11,600	11,739	12,575
United States Treasury, 3.13% Due 4/30/2017	6,715	6,884	7,251
United States Treasury, 2.75% Due 5/31/2017	2,280	2,311	2,431
United States Treasury, 8.88% Due 8/15/2017	9,360	11,402	12,316
United States Treasury, 4.75% Due 8/15/2017	18,645	20,119	21,401
United States Treasury, Zero Coupon, Due 8/15/2017	500	458	477
United States Treasury, 4.25% Due 11/15/2017	600	678	679
United States Treasury, Zero Coupon, Due 11/15/2017	7,050	6,059	6,684
United States Treasury, 2.75% Due 12/31/2017	15,000	15,012	15,997
United States Treasury, 2.63% Due 1/31/2018	6,000	5,943	6,368
United States Treasury, 0.88% Due 1/31/2018	593	593	582
United States Treasury, 3.5% Due 2/15/2018	1,500	1,601	1,651
United States Treasury, Zero Coupon, Due 2/15/2018	3,950	3,359	3,716
United States Treasury, Zero Coupon, Due 8/15/2018	500	414	464
United States Treasury, 1.75% Due 10/31/2018	11,000	11,130	11,155
United States Treasury, 1.38% Due 11/30/2018	9,895	9,941	9,827
United States Treasury, 3.13% Due 5/15/2019	2,090	2,089	2,268
United States Treasury, Zero Coupon, Due 5/15/2019	4,550	3,603	4,118
United States Treasury, Zero Coupon, Due 8/15/2019	300	235	269
United States Treasury, 3.38% Due 11/15/2019	400	443	440
United States Treasury, 8.5% Due 2/15/2020	1,750	2,261	2,490
United States Treasury, Zero Coupon, Due 5/15/2020	4,500	3,426	3,938
United States Treasury, 8.75% Due 5/15/2020	1,400	1,930	2,029
United States Treasury, 3.5% Due 5/15/2020	300	342	332
United States Treasury, Zero Coupon, Due 5/15/2020	18,037	14,695	15,755
United States Treasury, 8.75% Due 8/15/2020	8,550	11,647	12,478
United States Treasury, 2.63% Due 8/15/2020	1,300	1,375	1,359
United States Treasury, Zero Coupon, Due 8/15/2020	8,550	6,713	7,400
United States Treasury, Zero Coupon, Due 11/15/2020	460	349	395
United States Treasury, 3.63% Due 2/15/2021	1,400	1,605	1,556
United States Treasury, Zero Coupon, Due 2/15/2021	440	361	373
United States Treasury, 8.13% Due 5/15/2021	1,000	1,314	1,444
United States Treasury, 3.13% Due 5/15/2021	4,700	5,215	5,047
United States Treasury, Zero Coupon, Due 5/15/2021	2,900	2,522	2,435
United States Treasury, Zero Coupon, Due 11/15/2021	8,000	6,300	6,573
United States Treasury, 2.0% Due 2/15/2022	4,000	4,145	3,912
United States Treasury, Zero Coupon, Due 2/15/2022	1,250	900	1,017

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
United States Treasury, 7.13% Due 2/15/2023	1,000	1,286	1,412
United States Treasury, Zero Coupon, Due 5/15/2024	1,100	676	810
United States Treasury, Zero Coupon, Due 8/15/2024	1,100	689	801
United States Treasury, Zero Coupon, Due 11/15/2024	250	143	180
United States Treasury, Zero Coupon, Due 2/15/2025	700	382	498
United States Treasury, 6.0% Due 2/15/2026	400	460	537
United States Treasury, Zero Coupon, Due 2/15/2026	300	212	204
United States Treasury, Zero Coupon, Due 5/15/2026	850	458	571
United States Treasury, 6.75% Due 8/15/2026	625	794	895
United States Treasury, Zero Coupon, Due 8/15/2026	164	114	109
United States Treasury, 6.5% Due 11/15/2026	550	690	774
United States Treasury, Zero Coupon, Due 11/15/2026	5,500	3,179	3,604
United States Treasury, 6.63% Due 2/15/2027	1,000	1,333	1,424
United States Treasury, Zero Coupon, Due 2/15/2027	16,825	10,894	10,903
United States Treasury, 6.38% Due 8/15/2027	400	498	560
United States Treasury, Zero Coupon, Due 8/15/2027	950	492	601
United States Treasury, 6.13% Due 11/15/2027	150	178	206
United States Treasury, Zero Coupon, Due 11/15/2027	4,000	2,543	2,504
United States Treasury, Zero Coupon, Due 2/15/2028	2,736	1,525	1,692
United States Treasury, Zero Coupon, Due 5/15/2028	500	319	306
United States Treasury, 5.5% Due 8/15/2028	1,050	1,160	1,366
United States Treasury, Zero Coupon, Due 11/15/2028	2,400	1,226	1,436
United States Treasury, Zero Coupon, Due 2/15/2029	800	472	473
United States Treasury, Zero Coupon, Due 5/15/2029	150	73	88
United States Treasury, 6.13% Due 8/15/2029	100	147	139
United States Treasury, Zero Coupon, Due 8/15/2029	2,150	1,371	1,245
United States Treasury, Zero Coupon, Due 11/15/2029	700	343	401
United States Treasury, Zero Coupon, Due 2/15/2030	1,100	517	624
United States Treasury, 6.25% Due 5/15/2030	600	762	850
United States Treasury, Zero Coupon, Due 5/15/2030	400	213	224
United States Treasury, Zero Coupon, Due 8/15/2030	900	412	500
United States Treasury, Zero Coupon, Due 11/15/2030	950	442	522
United States Treasury, 5.38% Due 2/15/2031	1,300	1,516	1,693
United States Treasury, Zero Coupon, Due 2/15/2032	800	475	417
United States Treasury, Zero Coupon, Due 11/15/2032	1,450	742	732
United States Treasury, Zero Coupon, Due 5/15/2033	2,200	1,061	1,089
United States Treasury, Zero Coupon, Due 8/15/2033	700	280	343
United States Treasury, Zero Coupon, Due 11/15/2033	1,150	474	558
United States Treasury, Zero Coupon, Due 2/15/2034	1,250	574	600
United States Treasury, Zero Coupon, Due 5/15/2034	500	188	237
United States Treasury, Zero Coupon, Due 8/15/2034	450	224	212
United States Treasury, Zero Coupon, Due 11/15/2034	850	459	396
United States Treasury, Zero Coupon, Due 2/15/2035	900	467	415
United States Treasury, Zero Coupon, Due 5/15/2035	500	268	228
United States Treasury, 4.5% Due 2/15/2036	1,700	2,069	2,024
United States Treasury, Zero Coupon, Due 5/15/2036	200	71	88
United States Treasury, 4.75% Due 2/15/2037	500	669	617
United States Treasury, 5.0% Due 5/15/2037	850	1,170	1,085
United States Treasury, 4.38% Due 2/15/2038	200	243	234
United States Treasury, 4.5% Due 5/15/2038	300	409	358
<b>Total U. S. Treasury Issues - 22.1%</b>		<b>267,127</b>	<b>282,660</b>
<b><u>U. S. Government Agency Issues</u></b>			
<i>U. S. Government Agency MBS (coupon, yield, and maturity date are weighted averages)</i>			
Federal Home Loan Mortgage Corp Issues, 4.329% Due 2/27/2035	43,229	45,733	46,382
Federal National Mortgage Assn Issues, 3.737% Due 9/11/2026	155,954	161,252	162,393
Government National Mortgage Assn Issues, 4.89% Due 8/4/2057	10,279	11,589	11,744
<i>Total U. S. Government Agency MBS - 17.3%</i>		<b>218,574</b>	<b>220,519</b>
<i>U. S. Government Agency CMO (coupon, yield, and maturity date are weighted averages)</i>			
Federal Deposit Insurance Corp Issues, 2.98% Due 12/6/2020	808	808	834
Federal Home Loan Mortgage Corp Issues, Interest-only, 5.432% Due 2/18/2037	31,026	2,953	3,879
Federal Home Loan Mortgage Corp Issues, Principal-only, Due 5/11/2036	6,388	5,474	5,956
Federal Home Loan Mortgage Corp Issues, 5.975% Due 7/14/2034	75,745	79,720	83,259
Federal National Mortgage Assn Issues, Interest-only, 6.023% Due 12/28/2036	23,604	2,441	3,410

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Federal National Mortgage Assn Issues, Principal-only, Due 3/4/2036	5,235	4,476	4,902
Federal National Mortgage Assn Issues, 5.534% Due 8/11/2033	88,091	91,799	96,062
Government National Mortgage Assn Issues, Interest-only, 6.227% Due 12/3/2037	35,706	3,041	5,146
Government National Mortgage Assn Issues, Principal-only, Due 10/18/2038	2,239	1,792	1,893
Government National Mortgage Assn Issues, 4.216% Due 9/12/2050	50,832	52,398	54,036
<i>Total U. S. Government Agency CMO - 20.3%</i>		244,902	259,377
<i>U. S. Government Agency Bonds</i>			
FannieMae STRIPS, Zero Coupon, Due 11/15/2021	1,000	676	783
Federal Farm Credit Bank, 5.13% Due 11/15/2018	646	701	751
Federal Home Loan Bank, 5.5% Due 7/15/2036	400	514	492
Federal Home Loan Mortgage, 5.5% Due 8/23/2017	1,100	1,192	1,283
Federal National Mortgage Assn, Zero Coupon, Due 7/5/2014	2,300	2,247	2,287
Federal National Mortgage Assn, 5.0% Due 5/11/2017	2,000	2,207	2,283
Federal National Mortgage Assn, 5.38% Due 6/12/2017	2,000	2,154	2,315
FICO Strip Principal, Zero Coupon, Due 5/11/2018	2,900	2,725	2,667
FICO Strip Principal, Zero Coupon, Due 9/26/2019	700	517	610
RFCO Strip Principal, Zero Coupon, Due 10/15/2019	4,900	4,435	4,300
RFCO Strip Principal, Zero Coupon, Due 7/15/2020	10,200	8,975	8,716
<i>Total U. S. Government Agency Bonds - 2.1%</i>		26,343	26,487
Total U. S. Government Agency Issues - 39.7%		489,819	506,383
<b>Corporate Issues</b>			
<i>Corporate Bonds</i>			
ABB Finance USA Inc, 1.63% Due 5/8/2017	81	81	80
ABB Finance USA Inc, 2.88% Due 5/8/2022	117	115	112
ABB Finance USA Inc, 4.38% Due 5/8/2042	278	292	267
Abbvie Inc, 1.75% Due 11/6/2017	283	282	277
Abbvie Inc, 2.9% Due 11/6/2022	196	195	183
Ace Ina Hldg Inc, 5.88% Due 6/15/2014	240	245	251
Ace Ina Hldg Inc, 5.6% Due 5/15/2015	430	453	466
Actavis Inc., 3.25% Due 10/1/2022	164	163	153
ADT Corp, 3.5% Due 7/15/2022	105	105	97
ADT Corp, 4.13% Due 6/15/2023	535	550	504
Aetna Inc, 6.75% Due 12/15/2037	490	641	599
Aetna Inc, 4.5% Due 5/15/2042	71	68	66
AFLAC Inc, 8.5% Due 5/15/2019	100	117	128
AFLAC Inc, 3.63% Due 6/15/2023	250	250	243
AFLAC Inc, 6.45% Due 8/15/2040	108	107	127
African Development Bank, 8.8% Due 9/1/2019	1,000	1,318	1,320
AGL Capital Corporation, 5.25% Due 8/15/2019	400	419	454
AGL Capital Corporation, 3.5% Due 9/15/2021	353	348	360
AGL Capital Corporation, 5.88% Due 3/15/2041	120	120	137
AIG Sunamer Global Fin X, 6.9% Due 3/15/2032	110	116	134
Air Canada 2013-1A PTC, 4.13% Due 5/15/2025	265	265	264
Alabama Power Co, 6.13% Due 5/15/2038	303	381	362
Alberta Energy Company Ltd, 8.13% Due 9/15/2030	200	253	253
Allstate Corp, 5.0% Due 8/15/2014	470	477	492
Allstate Corp, 3.15% Due 6/15/2023	140	140	136
America Movil SAB DE CV, 5.0% Due 3/30/2020	300	337	322
America Movil SAB DE CV, 3.13% Due 7/16/2022	426	431	393
American Airlines PT TRS 11-1, 5.25% Due 1/31/2021	106	106	113
American Airlines PT TRS 11-2, 8.63% Due 10/15/2021	115	115	122
American Express Co, 7.0% Due 3/19/2018	595	651	716
American Express Credit Co, 7.3% Due 8/20/2013	600	602	605
American Express Credit Co, 5.13% Due 8/25/2014	845	860	886
American Express Credit Co, 2.8% Due 9/19/2016	340	340	353
American Honda Finance, 2.6% Due 9/20/2016	410	410	424
American Honda Finance, 7.63% Due 10/1/2018	500	571	627
American Water Cap Corp, 6.09% Due 10/15/2017	300	331	346
American Water Cap Corp, 6.59% Due 10/15/2037	300	351	373
Ameritech Capital Funding, 6.45% Due 1/15/2018	70	74	80
Amgen Inc, 6.15% Due 6/1/2018	285	320	336
Amgen Inc, 5.7% Due 2/1/2019	210	217	241
Amgen Inc, 3.45% Due 10/1/2020	610	596	623

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Amgen Inc, 4.95% Due 10/1/2041	200	198	194
Amgen Inc, 5.65% Due 6/15/2042	103	103	110
Anadarko Finance Co, 7.5% Due 5/1/2031	400	501	499
Anadarko Petroleum Corp, 7.63% Due 3/15/2014	130	134	136
Anadarko Petroleum Corp, 8.7% Due 3/15/2019	300	306	386
Anadarko Petroleum Corp, 6.95% Due 6/15/2019	285	300	342
Anheuser-Busch, 1.5% Due 7/14/2014	264	264	267
Anheuser-Busch, 7.75% Due 1/15/2019	580	651	734
Anheuser-Busch, 8.2% Due 1/15/2039	255	369	374
ANR Pipeline, 9.63% Due 11/1/2021	240	306	340
Aon Corporation, 3.5% Due 9/30/2015	121	121	127
Apache Corporation, 6.0% Due 9/15/2013	480	484	485
Apache Corporation, 4.75% Due 4/15/2043	153	153	145
Appalachian Power Company, 5.95% Due 5/15/2033	250	232	272
Apple Inc, 1.0% Due 5/3/2018	313	312	301
Apple Inc, 2.4% Due 5/3/2023	284	284	263
Arizona Public Service, 5.05% Due 9/1/2041	175	204	182
Arizona Public Service, 4.5% Due 4/1/2042	103	102	99
Arrow Electronics Inc, 3.38% Due 11/1/2015	140	143	145
Arrow Electronics Inc, 6.88% Due 6/1/2018	615	691	705
Arrow Electronics Inc, 7.5% Due 1/15/2027	225	245	258
Associates Corp NA, 6.95% Due 11/1/2018	225	202	266
AT&T Inc, 5.5% Due 2/1/2018	370	384	423
AT&T Inc, 5.8% Due 2/15/2019	200	228	232
AT&T Inc, 4.45% Due 5/15/2021	500	507	539
AT&T Inc, 3.88% Due 8/15/2021	565	609	583
AT&T Inc, 6.3% Due 1/15/2038	600	575	667
AT&T Inc, 5.35% Due 9/1/2040	1,374	1,376	1,390
AT&T Inc, 4.3% Due 12/15/2042	64	49	56
AT&T Inc, 4.35% Due 6/15/2045	156	160	136
Atmos Energy Corp, 6.35% Due 6/15/2017	875	988	1,019
Atmos Energy Corp, 8.5% Due 3/15/2019	150	150	196
AUST & NZ Banking Group, 3.25% Due 3/1/2016	200	200	210
AUST & NZ Banking Group NY, 1.88% Due 10/6/2017	250	255	249
BAE Systems Holdings Inc, 5.2% Due 8/15/2015	195	205	210
BAE Systems Holdings Inc, 6.38% Due 6/1/2019	255	296	295
Baltimore Gas & Electric Co, 2.8% Due 8/15/2022	278	277	263
Bank of America Corp, 7.38% Due 5/15/2014	855	868	900
Bank of America Corp, 5.13% Due 11/15/2014	300	286	315
Bank of America Corp, 6.5% Due 8/1/2016	500	499	564
Bank of America Corp, 5.63% Due 10/14/2016	250	254	277
Bank of America Corp, 5.65% Due 5/1/2018	2,100	2,109	2,333
Bank of America Corp, 5.63% Due 7/1/2020	190	192	209
Bank of America Corp, 5.0% Due 5/13/2021	775	789	826
Bank of Montreal, 2.55% Due 11/6/2022	620	613	575
Bank of Nova Scotia, 3.4% Due 1/22/2015	127	127	132
Bank of Nova Scotia, 1.65% Due 10/29/2015	345	345	352
Bank of Nova Scotia, 4.38% Due 1/13/2021	214	214	234
Bank Tokyo - Mitsubishi UFJ, 3.85% Due 1/22/2015	356	356	372
Barclays Bank PLC, 5.2% Due 7/10/2014	400	400	417
Barclays Bank PLC, 2.25% Due 5/10/2017	203	202	208
Barrick Gold Corporation, 3.85% Due 4/1/2022	405	417	341
Barrick NA Finance LLC, 4.4% Due 5/30/2021	208	223	186
Baxter International Inc, 1.85% Due 6/15/2018	214	214	212
Baxter International Inc, 2.4% Due 8/15/2022	127	126	117
BB&T Corporation, 5.7% Due 4/30/2014	340	352	354
BB&T Corporation, 3.2% Due 3/15/2016	365	374	383
BB&T Corporation, 4.9% Due 6/30/2017	800	769	873
BB&T Corporation, 6.85% Due 4/30/2019	225	223	273
BellSouth Corporation, 5.2% Due 9/15/2014	300	303	315
Berkshire Hathaway Fin, 5.1% Due 7/15/2014	600	621	629
Berkshire Hathaway Fin, 2.45% Due 12/15/2015	477	476	496
Berkshire Hathaway Fin, 5.4% Due 5/15/2018	300	325	345
Berkshire Hathaway Fin, 1.3% Due 5/15/2018	120	120	116
Berkshire Hathaway Fin, 3.0% Due 5/15/2022	295	303	285
Berkshire Hathaway Fin, 4.3% Due 5/15/2043	208	206	189

See accompanying notes to financial statements.

## Core Fixed Income Pool

### Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Berkshire Hathaway Inc, 1.9% Due 1/31/2017	190	190	192
BG Energy Capital PLC, 5.13% Due 10/15/2041	200	197	205
BHP Billiton Financial USA, 5.5% Due 4/1/2014	200	200	208
BHP Billiton Financial USA, 6.5% Due 4/1/2019	720	803	862
BlackRock Inc, 6.25% Due 9/15/2017	500	530	589
BlackRock Inc, 3.38% Due 6/1/2022	360	358	360
Blackstone Holdings Financial, 5.88% Due 3/15/2021	550	548	622
Blackstone Holdings Financial, 4.75% Due 2/15/2023	230	226	243
BNY Mellon, 5.13% Due 8/27/2013	350	351	352
BNY Mellon, 2.95% Due 6/18/2015	500	500	521
BNY Mellon, 4.6% Due 1/15/2020	115	115	126
Boeing Company, 4.88% Due 2/15/2020	230	233	263
Boeing Company, 6.13% Due 2/15/2033	150	167	180
Boston Gas Company, 4.49% Due 2/15/2042	85	85	82
Boston Properties LP, 3.8% Due 2/1/2024	398	397	391
BP Capital Markets PLC, 3.63% Due 5/8/2014	100	100	103
BP Capital Markets PLC, 3.88% Due 3/10/2015	730	739	767
BP Capital Markets PLC, 3.25% Due 5/6/2022	377	377	366
BP Capital Markets PLC, 2.75% Due 5/10/2023	282	279	261
British Telecom PLC, 5.95% Due 1/15/2018	275	275	317
British Telecom PLC, 9.63% Adj. Due 12/15/2030	145	191	218
Bunge Limited Finance Co, 8.5% Due 6/15/2019	373	395	460
Bunge NA Finance LP, 5.9% Due 4/1/2017	54	51	59
Burlington North Santa Fe, 5.65% Due 5/1/2017	225	235	255
Burlington North Santa Fe, 4.7% Due 10/1/2019	350	350	389
Burlington North Santa Fe, 3.45% Due 9/15/2021	106	106	106
Burlington North Santa Fe, 3.05% Due 9/1/2022	234	233	226
Burlington North Santa Fe, 7.29% Due 6/1/2036	80	87	103
Burlington Resources Inc, 8.2% Due 3/15/2025	180	246	240
Cameron International Corp, 1.6% Due 4/30/2015	79	79	80
Canadian Natural Resources Ltd, 5.7% Due 5/15/2017	300	325	340
Canadian Natural Resources Ltd, 5.9% Due 2/1/2018	615	648	707
Canadian Pacific Railroad Co, 7.13% Due 10/15/2031	500	676	618
Capital One Financial Corp, 7.38% Due 5/23/2014	295	300	312
Capital One Financial Corp, 5.5% Due 6/1/2015	200	183	215
Capital One Financial Corp, 4.75% Due 7/15/2021	400	397	422
Capital One Financial Corp, 3.5% Due 6/15/2023	1,160	1,139	1,092
Cargill Inc, 7.35% Due 3/6/2019	250	273	310
Cargill Inc, 4.31% Due 5/14/2021	106	103	112
Cargill Inc, 3.3% Due 3/1/2022	485	483	475
Caterpillar Financial Services, 5.85% Due 9/1/2017	820	854	947
Caterpillar Financial Services, 5.45% Due 4/15/2018	280	299	323
Caterpillar Financial Services, 7.15% Due 2/15/2019	395	413	493
Caterpillar Inc, 5.3% Due 9/15/2035	50	63	54
CBS Corp, 5.75% Due 4/15/2020	53	53	60
CDP Financial, 4.4% Due 11/25/2019	500	577	550
Celgene Corporation, 3.95% Due 10/15/2020	250	270	259
Celgene Corporation, 3.25% Due 8/15/2022	294	294	279
Cellco Partnership/Verizon Wir, 8.5% Due 11/15/2018	220	279	286
Cenovus Energy Inc, 6.75% Due 11/15/2039	210	276	252
Cenovus Energy Inc, 4.45% Due 9/15/2042	210	208	188
Centel Capital Corp, 9.0% Due 10/15/2019	200	226	241
Centerpoint Energy Inc, 6.5% Due 5/1/2018	310	355	367
Centerpoint Energy Resources, 6.13% Due 11/1/2017	300	340	350
Charles Schwab Corp, 3.23% Due 9/1/2022	500	509	484
Chevron Corp, 3.19% Due 6/24/2023	190	190	189
Chubb Corp, 5.75% Due 5/15/2018	48	57	56
Cisco Systems Inc, 5.5% Due 2/22/2016	210	215	234
Cisco Systems Inc, 4.45% Due 1/15/2020	250	249	277
Cisco Systems Inc, 5.5% Due 1/15/2040	300	294	340
Citigroup Inc, 6.38% Due 8/12/2014	295	294	311
Citigroup Inc, 6.01% Due 1/15/2015	300	310	320
Citigroup Inc, 4.75% Due 5/19/2015	87	87	92
Citigroup Inc, 4.59% Due 12/15/2015	563	573	601
Citigroup Inc, 6.0% Due 8/15/2017	33	33	37
Citigroup Inc, 6.13% Due 11/21/2017	555	535	631

See accompanying notes to financial statements.



# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Citigroup Inc, 8.5% Due 5/22/2019	470	505	592
Citigroup Inc, 5.38% Due 8/9/2020	700	765	774
Citigroup Inc, 3.38% Due 3/1/2023	269	268	257
Citigroup Inc, 7.0% Due 12/1/2025	490	530	584
Citigroup Inc, 8.13% Due 7/15/2039	350	343	462
Cleveland Electric Illum, 7.88% Due 11/1/2017	300	333	362
Cleveland Electric Illum, 8.88% Due 11/15/2018	225	244	292
CME Group Inc, 5.75% Due 2/15/2014	507	520	523
CME Group Inc, 3.0% Due 9/15/2022	300	299	282
CNA Financial Corp, 5.85% Due 12/15/2014	250	257	266
CNA Financial Corp, 6.5% Due 8/15/2016	285	299	323
CNA Financial Corp, 5.88% Due 8/15/2020	170	170	192
Coca-Cola Company, 3.63% Due 3/15/2014	100	100	102
Coca-Cola Company, 4.88% Due 3/15/2019	100	99	113
Coca-Cola Company, 3.3% Due 9/1/2021	104	104	106
Comcast Cable Comm Holdings, 9.46% Due 11/15/2022	775	894	1,097
Comcast Cable Holdings, 10.13% Due 4/15/2022	240	308	329
Comcast Corp, 5.9% Due 3/15/2016	625	645	704
Comcast Corp, 4.95% Due 6/15/2016	95	99	105
Comcast Corp, 6.5% Due 1/15/2017	200	207	232
Comerica Bank, 5.2% Due 8/22/2017	250	253	279
Commonwealth, 6.65% Due 1/15/2018	430	382	469
Commonwealth REIT, 5.88% Due 9/15/2020	325	320	336
ConAgra Foods Inc, 3.2% Due 1/25/2023	300	303	287
Connecticut Light and Power, 5.65% Due 5/1/2018	435	499	507
ConocoPhillips, 5.2% Due 5/15/2018	501	549	573
ConocoPhillips, 6.65% Due 7/15/2018	294	333	352
ConocoPhillips, 5.75% Due 2/1/2019	100	99	117
ConocoPhillips, 6.0% Due 1/15/2020	940	1,018	1,119
Cons Edison Co of NY, 5.1% Due 6/15/2033	200	209	209
Cons Edison Co of NY, 6.3% Due 8/15/2037	150	161	184
Cons Edison Co of NY, 5.5% Due 12/1/2039	350	340	390
Consumers Energy Company, 6.7% Due 9/15/2049	394	457	489
Continental Airlines Inc, 4.0% Due 10/29/2024	106	106	106
Corp Andina De Fomento, 3.75% Due 1/15/2016	532	535	562
Countrywide Financial Corp, 6.25% Due 5/15/2016	600	614	654
Cox Communications Inc, 5.45% Due 12/15/2014	72	74	77
Cox Communications Inc, 5.88% Due 12/1/2016	200	224	227
Credit Suisse New York, 5.5% Due 5/1/2014	170	170	177
Credit Suisse USA Inc, 4.88% Due 1/15/2015	250	245	265
Credit Suisse USA Inc, 5.13% Due 8/15/2015	680	699	734
CRH America Inc, 6.0% Due 9/30/2016	254	271	286
Crown Castle Towers LLC, 3.21% Due 8/15/2015	350	352	360
CSX Corp, 6.25% Due 3/15/2018	640	708	753
CSX Corp, 7.38% Due 2/1/2019	200	206	247
CSX Corp, 4.25% Due 6/1/2021	335	352	358
CVS Caremark Corp, 5.93% Due 1/10/2034	242	242	270
CVS Caremark Corp, 6.13% Due 9/15/2039	735	741	859
Daimler Finance NA LLC, 6.5% Due 11/15/2013	610	615	623
Daimler Finance NA LLC, 2.95% Due 1/11/2017	300	300	308
Daimler Finance NA LLC, 2.25% Due 7/31/2019	300	304	291
Danaher Corp, 3.9% Due 6/23/2021	275	275	291
Deere & Company, 2.6% Due 6/8/2022	179	179	171
Deere & Company, 7.13% Due 3/3/2031	165	232	217
Deere & Company, 3.9% Due 6/9/2042	77	76	70
Delta Air Lines 2010 -2A, 4.95% Due 5/23/2019	111	111	118
Delta Air Lines 2011-1, 5.3% Due 4/15/2019	59	59	64
Delta Air Lines 2012-1A, 4.75% Due 5/7/2020	169	169	176
Detroit Edison Company, 3.9% Due 6/1/2021	310	335	330
Detroit Edison Company, 2.65% Due 6/15/2022	53	53	50
Deutsche Bank AG London, 3.88% Due 8/18/2014	305	305	315
Deutsche Telekom Int Fin, 6.75% Due 8/20/2018	200	219	241
Deutsche Telekom Int Fin, 6.0% Due 7/8/2019	635	646	746
Deutsche Telekom Int Fin, 8.75% Adj, Due 6/15/2030	170	227	236
Devon Energy Corporation, 6.3% Due 1/15/2019	495	571	574
Devon Energy Corporation, 3.25% Due 5/15/2022	244	243	236

See accompanying notes to financial statements.



# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Devon Energy Corporation, 4.75% Due 5/15/2042	157	156	147
Diageo Capital PLC, 4.83% Due 7/15/2020	402	413	454
Diageo Investment Corp, 2.88% Due 5/11/2022	290	289	280
Directv Holdings/Fing, 4.6% Due 2/15/2021	400	400	415
Directv Holdings/Fing, 6.0% Due 8/15/2040	750	740	749
Discovery Communications, 4.38% Due 6/15/2021	165	181	173
Discovery Communications, 4.95% Due 5/15/2042	100	99	94
DnB Boligkredit AS, 2.1% Due 10/14/2015	300	299	308
Dominion Resources Inc, 6.4% Due 6/15/2018	465	499	552
Dominion Resources Inc, 5.2% Due 8/15/2019	50	55	57
Dominion Resources Inc, 4.9% Due 8/1/2041	64	63	65
Dow Chemical Company, 8.55% Due 5/15/2019	417	475	532
Dow Chemical Company, 4.25% Due 11/15/2020	64	64	67
Dow Chemical Company, 4.13% Due 11/15/2021	114	114	117
Dr Pepper Snapple Group Inc, 2.0% Due 1/15/2020	388	385	366
Duke Energy Carolinas, 7.0% Due 11/15/2018	250	285	310
Duke Energy Carolinas, 4.3% Due 6/15/2020	211	211	230
Duke Energy Carolinas, 3.9% Due 6/15/2021	210	228	223
Duke Energy Carolinas, 6.0% Due 1/15/2038	71	93	83
Duke Energy Corp, 3.55% Due 9/15/2021	116	116	116
Duke Energy Ohio Inc, 5.45% Due 4/1/2019	395	404	455
Duke Realty LP, 6.75% Due 3/15/2020	335	406	384
Eads Finance B.V., 2.7% Due 4/17/2023	214	213	198
Eaton Corporation, 7.63% Due 4/1/2024	325	414	399
eBay Inc, 3.25% Due 10/15/2020	1,110	1,096	1,131
Ecolab Inc, 5.5% Due 12/8/2041	540	625	590
El DuPont de Nemours Co, 6.0% Due 7/15/2018	608	686	718
El DuPont de Nemours Co, 5.6% Due 12/15/2036	320	362	366
El DuPont de Nemours Co, 4.9% Due 1/15/2041	125	123	131
EMC Corporation, 2.65% Due 6/1/2020	410	409	404
Encana Corp, 6.5% Due 5/15/2019	100	107	117
Enel Finance International NV, 5.13% Due 10/7/2019	700	699	727
Eni SpA, 5.7% Due 10/1/2040	250	249	238
Entergy Gulf States LA, 6.0% Due 5/1/2018	380	425	433
EOG Resources Inc, 5.63% Due 6/1/2019	200	203	234
EOG Resources Inc, 4.4% Due 6/1/2020	340	371	374
Erac USA Finance Company, 2.25% Due 1/10/2014	286	286	288
Erac USA Finance Company, 5.63% Due 3/15/2042	72	77	72
ERAC USA Finance LLC, 6.7% Due 6/1/2034	365	445	412
ERP Operating-LP, 4.63% Due 12/15/2021	545	587	577
Exelon Generation Co LLC, 5.35% Due 1/15/2014	360	367	369
Exelon Generation Co LLC, 4.0% Due 10/1/2020	288	288	292
Exelon Generation Co LLC, 5.75% Due 10/1/2041	86	86	89
Fifth Third Bancorp, 3.63% Due 1/25/2016	455	462	480
Florida Power & Light, 5.95% Due 10/1/2033	120	149	146
Florida Power & Light, 4.95% Due 6/1/2035	250	295	272
Florida Power & Light, 5.96% Due 4/1/2039	335	366	407
Florida Power Corp, 6.4% Due 6/15/2038	280	321	343
FMR LLC, 6.45% Due 11/15/2039	250	248	286
Ford Motor Credit Company, 1.7% Due 5/9/2016	208	208	205
Ford Motor Credit Company LLC, 4.21% Due 4/15/2016	220	220	230
France Telecom, 4.38% Due 7/8/2014	700	713	721
France Telecom, 8.5% Due 3/1/2031	230	304	312
Freeport-McMoRan Copper & Gold, 2.15% Due 3/1/2017	534	531	523
Freeport-McMoRan Copper & Gold, 3.1% Due 3/15/2020	227	228	210
Freeport-McMoRan Copper & Gold, 5.45% Due 3/15/2043	87	87	77
Gap Inc, 5.95% Due 4/12/2021	243	230	269
General Electric Capital Corp, 5.9% Due 5/13/2014	1,500	1,500	1,571
General Electric Capital Corp, 5.5% Due 6/4/2014	675	686	707
General Electric Capital Corp, 2.25% Due 11/9/2015	675	675	692
General Electric Capital Corp, 5.63% Due 9/15/2017	400	397	453
General Electric Capital Corp, 5.63% Due 5/1/2018	1,290	1,349	1,480
General Electric Capital Corp, 6.0% Due 8/7/2019	2,435	2,550	2,827
General Electric Capital Corp, 5.5% Due 1/8/2020	1,320	1,312	1,488
General Electric Capital Corp, 4.38% Due 9/16/2020	445	444	471
General Electric Capital Corp, 5.88% Due 1/14/2038	200	146	220

See accompanying notes to financial statements.

## Core Fixed Income Pool

### Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
General Electric Company, 5.25% Due 12/6/2017	605	625	683
General Mills Inc, 5.2% Due 3/17/2015	100	101	107
General Mills Inc, 5.65% Due 2/15/2019	470	506	546
General Mills Inc, 3.15% Due 12/15/2021	50	53	50
Georgia Power Company, 5.25% Due 12/15/2015	200	201	220
Gilead Sciences Inc, 4.4% Due 12/1/2021	265	301	285
GlaxoSmithKline Cap Inc, 4.38% Due 4/15/2014	215	216	222
GlaxoSmithKline Cap Inc, 6.38% Due 5/15/2038	275	313	336
Goldman Sachs Group Inc, 5.15% Due 1/15/2014	300	304	306
Goldman Sachs Group Inc, 3.63% Due 2/7/2016	415	415	433
Goldman Sachs Group Inc, 5.75% Due 10/1/2016	50	51	56
Goldman Sachs Group Inc, 6.25% Due 9/1/2017	290	281	329
Goldman Sachs Group Inc, 5.95% Due 1/18/2018	200	207	224
Goldman Sachs Group Inc, 6.15% Due 4/1/2018	535	541	603
Goldman Sachs Group Inc, 7.5% Due 2/15/2019	2,980	3,246	3,539
Goldman Sachs Group Inc, 5.38% Due 3/15/2020	450	447	488
Goldman Sachs Group Inc, 6.0% Due 6/15/2020	590	645	663
Goldman Sachs Group Inc, 5.25% Due 7/27/2021	138	138	148
Goldman Sachs Group Inc, 6.75% Due 10/1/2037	140	144	143
Great Plains Energy Inc, 6.38% Due 3/1/2018	280	327	323
Great Plains Energy Inc, 5.3% Due 10/1/2041	385	383	391
GTE Corporation, 6.84% Due 4/15/2018	200	227	238
GTE Corporation, 8.75% Due 11/1/2021	250	295	329
GTP Acquisition Partners, 4.35% Due 6/15/2041	606	606	637
Halliburton Company, 6.15% Due 9/15/2019	360	389	434
Halliburton Company, 3.25% Due 11/15/2021	340	368	345
Halliburton Company, 7.45% Due 9/15/2039	100	98	137
HCP Inc, 3.75% Due 2/1/2019	105	105	108
HCP Inc, 2.63% Due 2/1/2020	465	465	436
Heineken NV, 1.4% Due 10/1/2017	250	249	243
Heineken NV, 3.4% Due 4/1/2022	250	252	246
Hess Corp, 7.3% Due 8/15/2031	250	336	300
Hewlett-Packard Company, 6.13% Due 3/1/2014	375	384	388
Hewlett-Packard Company, 4.75% Due 6/2/2014	105	108	108
Hewlett-Packard Company, 5.4% Due 3/1/2017	280	287	305
Hewlett-Packard Company, 3.75% Due 12/1/2020	300	298	290
Hewlett-Packard Company, 4.38% Due 9/15/2021	492	491	484
Hewlett-Packard Company, 6.0% Due 9/15/2041	485	484	468
Historic TW Inc, 9.15% Due 2/1/2023	945	1,131	1,283
Home Depot Inc, 5.4% Due 3/1/2016	500	494	557
Home Depot Inc, 3.95% Due 9/15/2020	200	227	217
Home Depot Inc, 4.4% Due 4/1/2021	205	233	225
Honeywell International Inc, 5.4% Due 3/15/2016	360	378	400
Honeywell International Inc, 5.3% Due 3/1/2018	205	238	234
HSBC Bank PLC, 1.63% Due 7/7/2014	364	364	367
HSBC Bank PLC, 3.5% Due 6/28/2015	116	116	122
HSBC Bank PLC, 3.1% Due 5/24/2016	229	229	240
HSBC Bank PLC, 1.5% Due 5/15/2018	292	291	281
HSBC Bank PLC, 4.13% Due 8/12/2020	389	387	407
HSBC Bank PLC, 4.75% Due 1/19/2021	300	300	327
HSBC Bank USA, 4.63% Due 4/1/2014	320	323	329
HSBC Finance Corp, 4.75% Due 7/15/2013	17	17	17
HSBC Finance Corp, 0.53% Due 1/15/2014	500	482	500
HSBC Finance Corp, 5.0% Due 6/30/2015	455	434	487
HSBC Finance Corp, 5.5% Due 1/19/2016	300	311	330
HSBC Holdings PLC, 4.88% Due 1/14/2022	350	362	378
Hutch Whampoa Int 11 Ltd, 4.63% Due 1/13/2022	200	206	204
Hutch Whampoa Int 12 II, 2.0% Due 11/8/2017	336	335	326
IBM, 1.95% Due 7/22/2016	168	167	172
IBM, 7.63% Due 10/15/2018	330	369	420
IBM, 8.38% Due 11/1/2019	460	592	616
IBM, 1.63% Due 5/15/2020	696	691	652
IBM, 4.0% Due 6/20/2042	508	398	477
Illinois Tool Works Inc, 3.9% Due 9/1/2042	640	634	571
Indiana Michigan Power, 7.0% Due 3/15/2019	145	160	174
ING Bank NV, 1.38% Due 3/7/2016	600	599	593

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Ingersoll-Rand GL Hld Co, 4.25% Due 6/15/2023	162	162	161
Intel Corporation, 3.3% Due 10/1/2021	456	455	458
Intuit Inc, 5.75% Due 3/15/2017	863	927	959
Jefferies Group Inc, 5.13% Due 4/13/2018	340	341	355
Jefferies Group Inc, 8.5% Due 7/15/2019	590	638	711
Jefferies Group Inc, 6.45% Due 6/8/2027	330	283	325
John Deere Capital Corp, 1.2% Due 10/10/2017	128	128	125
John Deere Capital Corp, 1.3% Due 3/12/2018	400	399	387
John Deere Capital Corp, 5.75% Due 9/10/2018	233	245	272
John Deere Capital Corp, 2.25% Due 4/17/2019	166	166	166
John Sevier Comb Cycle, 4.63% Due 1/15/2042	1,143	1,192	1,200
Johnson Controls Inc, 5.0% Due 3/30/2020	500	519	549
Johnson Controls Inc, 4.25% Due 3/1/2021	80	81	84
Kellogg Company, 1.75% Due 5/17/2017	115	115	114
Kellogg Company, 3.25% Due 5/21/2018	333	340	349
Kellogg Company, 3.13% Due 5/17/2022	174	173	169
Kentucky Utilities, 3.25% Due 11/1/2020	170	184	175
Key Bank NA, 5.8% Due 7/1/2014	350	349	366
Keycorp, 5.1% Due 3/24/2021	325	361	362
Kimberly Clark Corporation, 7.5% Due 11/1/2018	250	281	317
Kohl's Corporation, 6.25% Due 12/15/2017	90	91	103
Kraft Foods Group Inc, 6.13% Due 8/23/2018	435	524	511
Kraft Foods Group Inc, 5.38% Due 2/10/2020	384	454	433
Kraft Foods Group Inc, 3.5% Due 6/6/2022	150	149	149
Kraft Foods Group Inc, 5.0% Due 6/4/2042	103	102	104
Kroger Co, 7.5% Due 1/15/2014	278	283	288
Kroger Co, 6.4% Due 8/15/2017	100	101	115
Kroger Co, 6.15% Due 1/15/2020	760	841	884
Kroger Co, 7.5% Due 4/1/2031	250	323	303
Liberty Mutual Group Inc, 5.0% Due 6/1/2021	625	686	659
Lincoln National Corp, 4.85% Due 6/24/2021	384	412	408
Lincoln National Corp, 4.2% Due 3/15/2022	94	94	96
Lockheed Martin Corp, 4.25% Due 11/15/2019	305	315	332
Lockheed Martin Corp, 4.07% Due 12/15/2042	336	328	293
Lowe's Companies Inc, 7.11% Due 5/15/2037	195	233	246
Lowe's Companies Inc, 4.65% Due 4/15/2042	217	216	212
Macquarie Bank Ltd, 5.0% Due 2/22/2017	575	587	616
Macquarie Group, 7.3% Due 8/1/2014	560	576	591
Macquarie Group, 7.63% Due 8/13/2019	475	483	551
Macquarie Group, 6.25% Due 1/14/2021	237	235	252
Macys Retail Holdings Inc, 7.45% Due 7/15/2017	300	345	359
Magellan Midstream Partners, 6.55% Due 7/15/2019	330	403	392
Manuf & Traders Trust Co, 6.63% Due 12/4/2017	715	727	841
Marathon Oil Corp, 6.0% Due 10/1/2017	200	218	229
Marathon Oil Corp, 5.9% Due 3/15/2018	110	121	126
Mass Mutual Global Funding, 2.88% Due 4/21/2014	122	122	124
Mass Mutual Global Funding, 3.13% Due 4/14/2016	145	154	152
Mass Mutual Global Funding, 2.5% Due 10/17/2022	211	210	191
Massachusetts Electric, 5.9% Due 11/15/2039	182	181	209
Medco Health Solutions, 7.13% Due 3/15/2018	690	803	831
Medtronic Inc, 4.45% Due 3/15/2020	360	414	392
Merrill Lynch & Company Inc, 6.4% Due 8/28/2017	1,100	1,138	1,242
Merrill Lynch & Company Inc, 6.88% Due 4/25/2018	650	673	748
Met Life Global Funding I, 5.13% Due 6/10/2014	315	323	329
Met Life Global Funding I, 1.5% Due 1/10/2018	178	177	173
Met Life Global Funding I, 3.65% Due 6/14/2018	1,000	999	1,062
Met Life Global Funding I, 1.88% Due 6/22/2018	545	544	536
Met Life Institutional Funding, 1.17% Due 4/4/2014	250	250	252
Microsoft Corporation, 1.63% Due 9/25/2015	360	359	368
Microsoft Corporation, 3.75% Due 5/1/2043	500	493	449
Midamerican Energy Holdings Co, 6.13% Due 4/1/2036	125	156	142
Mondelez International Inc, 6.5% Due 8/11/2017	900	1,008	1,046
Mondelez International Inc, 5.38% Due 2/10/2020	350	360	393
Monsanto Company, 5.13% Due 4/15/2018	160	161	182
Morgan Stanley, 4.75% Due 4/1/2014	250	244	255
Morgan Stanley, 6.0% Due 5/13/2014	825	833	858

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Morgan Stanley, 4.2% Due 11/20/2014	331	331	342
Morgan Stanley, 5.45% Due 1/9/2017	800	820	865
Morgan Stanley, 5.95% Due 12/28/2017	1,115	1,167	1,237
Morgan Stanley, 6.63% Due 4/1/2018	650	669	737
Morgan Stanley, 5.63% Due 9/23/2019	1,310	1,271	1,408
Morgan Stanley, 5.75% Due 1/25/2021	115	116	125
Mylan Inc, 1.8% Due 6/24/2016	144	144	144
Nabors Industries Inc, 9.25% Due 1/15/2019	195	247	242
Nabors Industries Inc, 5.0% Due 9/15/2020	351	386	358
Nabors Industries Inc, 4.63% Due 9/15/2021	200	215	197
National Australia Bank, 2.75% Due 9/28/2015	200	200	207
National Australia Bank, 3.0% Due 7/27/2016	500	499	521
National Bank of Canada, 1.65% Due 1/30/2014	451	451	454
National City Bank, 5.8% Due 6/7/2017	850	854	968
National Rural Utilities Co-op, 5.45% Due 2/1/2018	195	219	224
National Rural Utilities Co-op, 10.38% Due 11/1/2018	410	513	568
National Semiconductor, 6.6% Due 6/15/2017	430	502	505
Nationwide Mutual Insurance, 9.38% Due 8/15/2039	615	745	832
NBC Universal, 5.15% Due 4/30/2020	200	224	228
NBC Universal, 4.38% Due 4/1/2021	150	149	162
NBC Universal, 5.95% Due 4/1/2041	175	175	200
Nevada Power Company, 6.5% Due 8/1/2018	355	413	426
Nevada Power Company, 7.13% Due 3/15/2019	300	325	372
Nevada Power Company, 5.38% Due 9/15/2040	51	51	56
New York Life Global Fdg, 3.0% Due 5/4/2015	515	519	537
New York Life Global Fdg, 0.8% Due 2/12/2016	375	375	373
News America Inc, 7.25% Due 5/18/2018	64	69	78
News America Inc, 8.88% Due 4/26/2023	450	486	587
News America Inc, 7.75% Due 1/20/2024	150	172	180
News America Inc, 7.3% Due 4/30/2028	250	252	292
News America Inc, 6.65% Due 11/15/2037	125	133	144
Nextera Energy Capital, 1.2% Due 6/1/2015	39	39	39
Nextera Energy Capital, 6.0% Due 3/1/2019	125	125	145
Niagara Mohawk Power, 4.88% Due 8/15/2019	100	100	111
Nippon Telegraph & Telephone, 1.4% Due 7/18/2017	67	67	66
NiSource Finance Corp, 6.4% Due 3/15/2018	750	859	871
NiSource Finance Corp, 5.45% Due 9/15/2020	299	333	333
Nissan Motor Acceptance, 4.5% Due 1/30/2015	500	514	527
Noble Holding International, 3.95% Due 3/15/2022	45	45	44
Noble Holding International, 6.2% Due 8/1/2040	330	392	339
Nomura Holdings Inc, 5.0% Due 3/4/2015	195	202	206
Nomura Holdings Inc, 6.7% Due 3/4/2020	94	95	108
Nordea Bank AB, 4.88% Due 5/13/2021	355	354	364
Norfolk Southern Corp, 2.9% Due 2/15/2023	738	739	696
Norfolk Southern Corp, 3.95% Due 10/1/2042	103	103	89
Northern States Power- Minn, 6.25% Due 6/1/2036	360	389	444
Northern States Power- Minn, 5.35% Due 11/1/2039	64	64	71
Northern Trust Company, 6.5% Due 8/15/2018	250	275	298
Northern Trust Corp, 5.5% Due 8/15/2013	102	102	103
Northrop Grumman Corp, 5.05% Due 8/1/2019	490	526	547
Nstar Electric Co, 2.38% Due 10/15/2022	200	198	184
Nucor Corporation, 5.75% Due 12/1/2017	242	256	277
Nucor Corporation, 5.85% Due 6/1/2018	615	697	716
Occidental Petroleum Corp, 4.1% Due 2/1/2021	115	124	121
Occidental Petroleum Corp, 2.7% Due 2/15/2023	310	311	286
Ohio Power Company, 6.05% Due 5/1/2018	205	200	239
Oncor Electric Delivery, 6.8% Due 9/1/2018	615	691	743
Oracle Corporation, 5.75% Due 4/15/2018	250	256	291
Oracle Corporation, 5.0% Due 7/8/2019	400	406	457
Oracle Corporation, 6.5% Due 4/15/2038	605	673	757
Oracle Corporation, 5.38% Due 7/15/2040	270	274	301
Oversea-Chinese Banking, 1.63% Due 3/13/2015	598	597	605
Paccar Financial Corp, 1.55% Due 9/29/2014	230	231	233
Pacific Gas & Electric Corp, 8.25% Due 10/15/2018	605	740	780
Pacific Gas & Electric Corp, 3.25% Due 9/15/2021	49	49	49
Pacific Gas & Electric Corp, 6.35% Due 2/15/2038	420	584	507

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Pacific Life Global Funding, 5.0% Due 5/15/2017	400	400	414
PacifiCorp, 5.5% Due 1/15/2019	350	361	407
PacifiCorp, 6.1% Due 8/1/2036	316	356	379
PC Financial Partnership, 5.0% Due 11/15/2014	180	186	190
Pennsylvania Electric Co, 6.05% Due 9/1/2017	210	231	239
Penske Truck Leasing/PTL, 3.38% Due 3/15/2018	615	639	632
Pepsico Inc, 1.25% Due 8/13/2017	165	164	161
Pepsico Inc, 7.9% Due 11/1/2018	171	200	219
Petrobras Intl Fin Co, 7.88% Due 3/15/2019	150	182	173
Petrobras Intl Fin Co, 6.75% Due 1/27/2041	320	367	320
Petro-Canada, 6.05% Due 5/15/2018	447	460	518
Petro-Canada, 6.8% Due 5/15/2038	225	234	261
Pfizer Inc, 4.65% Due 3/1/2018	205	227	229
PG&E Corp, 5.75% Due 4/1/2014	150	150	156
Pharmacia Corporation, 6.5% Due 12/1/2018	700	761	847
Philips Electronics NV, 5.75% Due 3/11/2018	80	88	93
Philips Electronics NV, 3.75% Due 3/15/2022	370	399	371
Philips Electronics NV, 7.2% Due 6/1/2026	180	220	221
Pitney Bowes Inc, 5.6% Due 3/15/2018	100	105	108
PNC Bank NA, 6.88% Due 4/1/2018	250	270	300
PNC Bank NA, 2.7% Due 11/1/2022	400	400	363
PNC Funding Corp, 5.25% Due 11/15/2015	300	301	326
PNC Funding Corp, 5.63% Due 2/1/2017	300	318	333
PNC Funding Corp, 5.13% Due 2/8/2020	160	160	176
Potash Corp-Saskatchewan, 3.75% Due 9/30/2015	500	510	530
Potomac Electric Power, 5.4% Due 6/1/2035	180	214	194
Potomac Electric Power, 7.9% Due 12/15/2038	455	626	671
PPG Industries Inc, 7.4% Due 8/15/2019	260	293	315
PPG Industries Inc, 9.0% Due 5/1/2021	625	737	835
PPL Capital Funding Inc, 4.2% Due 6/15/2022	120	127	121
PPL Energy Supply LLC, 4.6% Due 12/15/2021	590	590	600
Praxair Inc, 4.38% Due 3/31/2014	200	200	205
Praxair Inc, 5.2% Due 3/15/2017	510	536	572
Praxair Inc, 1.25% Due 11/7/2018	300	300	288
Pricoa Global Funding 1, 5.45% Due 6/11/2014	350	350	366
Pricoa Global Funding 1, 1.6% Due 5/29/2018	150	150	145
Principal Financial Group Inc, 1.85% Due 11/15/2017	52	52	51
Principal LFE GLB FND II, 1.0% Due 12/11/2015	47	47	47
Principal Life Global, 5.05% Due 3/15/2015	500	474	534
Principal Life Inc Fdg, 5.1% Due 4/15/2014	400	405	414
Progress Energy Carolina, 5.3% Due 1/15/2019	200	207	230
Progress Energy Carolina, 2.8% Due 5/15/2022	83	83	80
Progress Energy Carolina, 4.1% Due 3/15/2043	150	149	137
Progress Energy Inc, 6.05% Due 3/15/2014	150	150	156
Progress Energy Inc, 7.75% Due 3/1/2031	100	121	129
Prudential Insurance Company, 8.3% Due 7/1/2025	650	786	840
PSEG Power LLC, 5.13% Due 4/15/2020	504	514	554
PSEG Power LLC, 4.15% Due 9/15/2021	152	152	156
Public Service Colorado, 3.2% Due 11/15/2020	45	45	46
Public Service Electric & Gas, 5.38% Due 11/1/2039	169	176	195
Public Service Oklahoma, 5.15% Due 12/1/2019	213	228	241
Public Service Oklahoma, 4.4% Due 2/1/2021	137	136	147
Rabobank Nederland, 3.2% Due 3/11/2015	500	499	518
Rabobank Nederland, 2.13% Due 10/13/2015	114	114	117
Rabobank Nederland, 3.38% Due 1/19/2017	82	82	86
Rabobank Nederland, 4.5% Due 1/11/2021	219	219	231
Rabobank Nederland, 3.88% Due 2/8/2022	426	423	429
Rabobank Nederland, 5.8% Due 9/30/2110	300	290	316
Republic Services Inc, 5.5% Due 9/15/2019	360	401	407
Republic Services Inc, 3.55% Due 6/1/2022	309	308	301
Rio Tinto Fin USA Ltd, 8.95% Due 5/1/2014	605	637	645
Rio Tinto Fin USA Ltd, 3.5% Due 11/2/2020	51	51	51
Rio Tinto Fin USA Ltd, 3.75% Due 9/20/2021	588	587	581
Royal Bank of Canada, 2.3% Due 7/20/2016	855	854	880
Ryder System Inc, 3.6% Due 3/1/2016	180	180	189
Ryder System Inc, 2.5% Due 3/1/2017	158	158	159

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Ryder System Inc, 3.5% Due 6/1/2017	96	96	99
SabMiller PLC, 5.5% Due 8/15/2013	500	502	503
San Diego Gas & Electric, 5.35% Due 5/15/2040	27	27	31
Schlumberger Investment, 2.4% Due 8/1/2022	540	496	501
Sempra Energy, 8.9% Due 11/15/2013	347	352	357
Sempra Energy, 6.5% Due 6/1/2016	100	100	115
Sempra Energy, 9.8% Due 2/15/2019	450	549	607
Sempra Energy, 2.88% Due 10/1/2022	105	105	98
Shell International Fin, 4.0% Due 3/21/2014	575	576	589
Shell International Fin, 3.1% Due 6/28/2015	73	73	77
Shell International Fin, 4.3% Due 9/22/2019	285	284	316
Shell International Fin, 4.38% Due 3/25/2020	290	289	322
Shell International Fin, 6.38% Due 12/15/2038	140	146	180
Siemens Financieringsmat, 6.13% Due 8/17/2026	470	514	558
Simon Property Group LP, 6.75% Due 5/15/2014	140	140	145
Simon Property Group LP, 5.63% Due 8/15/2014	50	50	53
Simon Property Group LP, 6.1% Due 5/1/2016	325	302	364
Simon Property Group LP, 6.13% Due 5/30/2018	455	514	535
Simon Property Group LP, 7.38% Due 6/15/2018	166	174	201
Simon Property Group LP, 5.65% Due 2/1/2020	275	292	314
Skandinaviska Enskilda, 1.75% Due 3/19/2018	242	241	235
Southern Cal Edison, 4.15% Due 9/15/2014	100	100	104
Southern Cal Edison, 6.05% Due 3/15/2039	250	248	303
Southern Cal Edison, 5.5% Due 3/15/2040	170	167	195
Southern Calif Gas Co, 5.75% Due 11/15/2035	375	481	447
Southern Company, 4.15% Due 5/15/2014	500	504	515
Southern Company, 1.95% Due 9/1/2016	130	130	132
Southtrust Bank NA, 7.69% Due 5/15/2025	400	461	478
Southwestern Electric Power, 6.45% Due 1/15/2019	115	121	133
Southwestern Public Service, 8.75% Due 12/1/2018	288	333	371
Spectra Energy Capital, 6.2% Due 4/15/2018	445	456	519
Spectra Energy Capital, 6.75% Due 7/15/2018	160	149	188
Spectra Energy Capital, 8.0% Due 10/1/2019	450	505	570
Stadshypotek AB, 1.45% Due 9/30/2013	697	697	699
Stadshypotek AB, 1.88% Due 10/2/2019	332	331	317
State Grid Overseas Inv, 3.13% Due 5/22/2023	600	594	556
State Street Corp, 4.3% Due 5/30/2014	500	504	518
State Street Corp, 3.1% Due 5/15/2023	54	54	51
Statoil ASA, 3.13% Due 8/17/2017	692	715	730
Statoil ASA, 3.15% Due 1/23/2022	350	349	346
Statoil ASA, 2.45% Due 1/17/2023	130	130	120
Statoil ASA, 2.65% Due 1/15/2024	204	204	189
Suncor Energy Inc, 6.5% Due 6/15/2038	200	268	231
SunTrust Banks Inc, 3.6% Due 4/15/2016	630	635	667
Svenska Handelsbanken AB, 3.13% Due 7/12/2016	494	494	519
Svenska Handelsbanken AB, 2.88% Due 4/4/2017	463	463	478
Talisman Energy, 7.75% Due 6/1/2019	475	552	577
Talisman Energy, 5.85% Due 2/1/2037	55	63	56
Talisman Energy, 6.25% Due 2/1/2038	60	66	64
Talisman Energy, 5.5% Due 5/15/2042	335	329	328
Target Corp, 7.0% Due 1/15/2038	148	188	193
TCI Communications Inc, 7.88% Due 2/15/2026	100	101	132
Teco Finance Inc, 5.15% Due 3/15/2020	570	655	630
Telecom Italia Capital, 7.0% Due 6/4/2018	100	94	110
Telefonica Emisiones SAU, 6.42% Due 6/20/2016	500	533	549
Telefonica Emisiones SAU, 6.22% Due 7/3/2017	300	311	327
Telefonica Emisiones SAU, 3.19% Due 4/27/2018	210	210	203
Telefonica Emisiones SAU, 5.88% Due 7/15/2019	50	50	54
Telefonica Emisiones SAU, 5.46% Due 2/16/2021	117	117	121
Teva Pharm Fin IV BV, 3.65% Due 11/10/2021	445	460	445
Texas Eastern Transmission, 6.0% Due 9/15/2017	350	405	399
The Mosaic Company, 3.75% Due 11/15/2021	613	632	613
The Mosaic Company, 4.88% Due 11/15/2041	33	33	32
Thomson Reuters Corp, 0.88% Due 5/23/2016	250	249	248
Thomson Reuters Corp, 4.7% Due 10/15/2019	150	150	165
Thomson Reuters Corp, 3.95% Due 9/30/2021	240	253	247

See accompanying notes to financial statements.



# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Thomson Reuters Corp, 4.5% Due 5/23/2043	147	144	131
Time Warner Cable Inc, 8.25% Due 2/14/2014	730	747	763
Time Warner Cable Inc, 6.75% Due 7/1/2018	150	164	172
Time Warner Cable Inc, 8.75% Due 2/14/2019	300	364	368
Time Warner Cable Inc, 7.3% Due 7/1/2038	300	334	326
Time Warner Entertainment, 8.38% Due 3/15/2023	225	296	280
Time Warner Entertainment, 8.38% Due 7/15/2033	325	390	383
Time Warner Inc, 4.75% Due 3/29/2021	220	246	237
Toronto-Dominion Bank, 2.2% Due 7/29/2015	1,350	1,352	1,391
Total Capital Canada LTD, 2.75% Due 7/15/2023	107	107	100
Total Capital International SA, 1.55% Due 6/28/2017	112	112	111
Total Capital SA, 2.3% Due 3/15/2016	540	542	558
Total Capital SA, 4.13% Due 1/28/2021	200	224	213
Toyota Motor Credit Corp, 3.2% Due 6/17/2015	70	71	73
Toyota Motor Credit Corp, 2.0% Due 9/15/2016	2,950	2,940	3,009
Trans-Canada Pipelines, 6.5% Due 8/15/2018	250	249	300
Trans-Canada Pipelines, 7.13% Due 1/15/2019	400	478	488
Trans-Canada Pipelines, 3.8% Due 10/1/2020	300	318	316
Trans-Canada Pipelines, 7.63% Due 1/15/2039	50	50	68
Transocean Inc, 6.5% Due 11/15/2020	960	966	1,081
Travelers PPTY Casualty, 7.75% Due 4/15/2026	410	487	546
UBS AG Stamford CT, 3.88% Due 1/15/2015	500	499	521
UBS AG Stamford CT, 5.88% Due 12/20/2017	175	177	201
UBS AG Stamford CT, 5.75% Due 4/25/2018	100	105	116
Union Carbide Corp, 7.5% Due 6/1/2025	250	286	293
Union Pacific Corp, 4.16% Due 7/15/2022	358	362	381
Union Pacific Corp, 2.95% Due 1/15/2023	43	43	41
Union Pacific Corp, 7.13% Due 2/1/2028	177	249	225
Union Pacific Corp, 5.78% Due 7/15/2040	310	387	361
Union Pacific Corp, 4.3% Due 6/15/2042	50	50	47
United Technologies Corp, 6.13% Due 2/1/2019	696	790	826
United Technologies Corp, 3.1% Due 6/1/2022	106	106	105
United Technologies Corp, 5.4% Due 5/1/2035	170	169	189
United Technologies Corp, 4.5% Due 6/1/2042	143	141	141
UnitedHealth Group Inc, 4.7% Due 2/15/2021	180	205	197
UnitedHealth Group Inc, 6.88% Due 2/15/2038	380	538	475
UNP RR CO 2003 PASS TRUST, 4.7% Due 1/2/2024	77	74	84
UPS of America Inc, 8.38% Due 4/1/2020	125	151	165
UPS of America Inc, 8.38% Due 4/1/2030	230	302	323
US Bancorp, 2.88% Due 11/20/2014	450	449	463
US Bancorp, 2.45% Due 7/27/2015	456	460	470
US Bancorp, 4.13% Due 5/24/2021	275	277	293
Valero Energy Corporation, 6.13% Due 2/1/2020	300	360	349
Verizon Communications Inc, 5.55% Due 2/15/2016	165	172	183
Verizon Communications Inc, 5.5% Due 2/15/2018	720	738	820
Verizon Communications Inc, 8.75% Due 11/1/2018	223	264	291
Verizon Communications Inc, 7.35% Due 4/1/2039	400	390	516
Verizon New England Inc, 7.88% Due 11/15/2029	330	380	411
Verizon Pennsylvania, 8.35% Due 12/15/2030	400	443	512
Viacom Inc, 4.5% Due 3/1/2021	340	368	361
Viacom Inc, 3.88% Due 12/15/2021	177	174	179
Viacom Inc, 7.88% Due 7/30/2030	380	438	484
Virginia Electric & Power Co, 5.4% Due 4/30/2018	490	499	566
Vodafone Group, 5.75% Due 3/15/2016	200	199	222
Vodafone Group, 5.45% Due 6/10/2019	369	380	419
Volkswagen Intl Fin NV, 1.63% Due 8/12/2013	100	100	100
Wachovia Bank NA, 0.6% Due 3/15/2016	850	800	839
Wachovia Corp, 5.25% Due 8/1/2014	102	105	107
Wachovia Corp, 5.75% Due 6/15/2017	775	792	880
Wachovia Corp, 5.75% Due 2/1/2018	775	779	893
Wal-Mart Stores Inc, 7.55% Due 2/15/2030	350	428	480
Wal-Mart Stores Inc, 5.25% Due 9/1/2035	425	399	461
Walt Disney Company, 3.75% Due 6/1/2021	330	366	344
Waste Management Inc, 7.38% Due 3/11/2019	437	515	527
Waste Management Inc, 4.75% Due 6/30/2020	622	628	670
WEA Finance/WT Fin Aust, 6.75% Due 9/2/2019	658	702	777

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Weatherford Bermuda, 6.5% Due 8/1/2036	231	261	234
Weatherford Bermuda, 6.75% Due 9/15/2040	300	331	310
WellPoint Inc, 5.88% Due 6/15/2017	500	511	568
WellPoint Inc, 6.38% Due 6/15/2037	100	128	116
Wells Fargo & Company, 5.0% Due 11/15/2014	100	97	105
Wells Fargo & Company, 3.68% Due 6/15/2016	390	397	417
Wells Fargo & Company, 5.63% Due 12/11/2017	865	871	983
Wells Fargo & Company, 4.6% Due 4/1/2021	425	438	463
Wells Fargo Bank NA, 4.75% Due 2/9/2015	565	582	596
Westpac Banking Corp, 4.2% Due 2/27/2015	345	353	364
Westpac Banking Corp, 4.88% Due 11/19/2019	406	406	455
Wisconsin Electric Power, 6.0% Due 4/1/2014	257	267	267
Wisconsin Electric Power, 1.7% Due 6/15/2018	300	300	296
Wisconsin Electric Power, 2.95% Due 9/15/2021	11	11	11
Wyeth LLC, 5.5% Due 2/1/2014	190	194	196
Xcel Energy Inc, 4.7% Due 5/15/2020	45	45	50
Xerox Corporation, 6.75% Due 2/1/2017	191	204	216
Xerox Corporation, 2.95% Due 3/15/2017	230	232	232
Xerox Corporation, 5.63% Due 12/15/2019	350	354	386
XTO Energy Inc, 5.5% Due 6/15/2018	310	368	364
<i>Total Corporate Bonds - 21.2%</i>		258,911	270,356
<i>Corporate Asset Backed Issues</i>			
Academic Loan Funding Trust, 0.99% Due 12/27/2022	423	423	428
Ally Auto Receivables Trust, 1.11% Due 11/15/2013	6	6	6
Ally Auto Receivables Trust, 0.48% Due 5/15/2014	518	518	518
Ally Auto Receivables Trust, 0.45% Due 7/15/2014	784	784	784
Ally Auto Receivables Trust, 1.55% Due 10/15/2014	357	357	359
Ally Auto Receivables Trust, 1.38% Due 1/15/2015	51	51	51
American Credit Acceptance Rec, 1.64% Due 5/15/2015	262	262	262
American Credit Acceptance Rec, 3.04% Due 10/15/2015	143	143	144
American Credit Acceptance Rec, 1.45% Due 12/15/2015	793	793	791
Americredit Auto Receivables, 0.51% Due 6/8/2014	387	387	386
Americredit Auto Receivables, 1.05% Due 11/10/2014	123	123	123
Americredit Auto Receivables, 1.14% Due 4/8/2015	45	45	45
Americredit Auto Receivables, 0.62% Due 7/8/2015	155	155	154
Americredit Auto Receivables, 0.49% Due 4/8/2016	274	274	273
Ascentium Equipment Receivable, 1.83% Due 9/15/2019	284	284	284
Banc of America Auto Trust, 1.94% Due 6/15/2017	310	310	312
Bank of America Auto Trust, 0.78% Due 3/15/2015	295	295	295
Bayview Opportunity Master Tst, 3.23% Adj, Due 3/28/2033	1,538	1,538	1,533
BXG Receivables Note Trust, 2.66% Due 7/2/2019	282	282	278
California Republic Auto Recv, 1.18% Due 3/15/2016	592	592	591
Carnow Auto Receivables Trust, 2.09% Due 8/15/2013	31	31	31
Carnow Auto Receivables Trust, 1.16% Due 10/16/2017	445	445	445
CFC LLC, 1.65% Due 7/17/2017	704	704	701
Chase Funding Mortgage Loan, 4.5% Due 11/25/2034	259	257	262
Chase Funding Mortgage Loan, 5.35% Adj, Due 11/25/2034	500	477	491
Chase Funding Mortgage Loan, 4.28% Due 11/25/2034	538	501	542
CNH Equipment Trust, 0.65% Due 7/15/2015	1	1	1
CNH Equipment Trust, 1.2% Due 5/16/2016	121	121	122
CNH Equipment Trust, 2.04% Due 10/17/2016	256	256	260
CNH Equipment Trust, 0.94% Due 5/15/2017	328	328	329
Concord Funding Company LLC, 2.42% Due 2/15/2015	500	500	500
Concord Funding Company LLC, 3.15% Due 1/15/2017	1,250	1,250	1,250
CPS Auto Trust, 3.68% Due 5/16/2016	230	234	236
CPS Auto Trust, 4.21% Due 9/15/2016	306	306	317
CPS Auto Trust, 2.78% Due 11/15/2016	193	193	196
CPS Auto Trust, 2.52% Due 3/15/2017	874	874	884
CPS Auto Trust, 1.82% Due 6/15/2017	445	445	447
Credit Acceptance Auto Loan, 1.52% Due 3/16/2020	453	453	454
Exeter Auto Receivables Trust, 1.29% Due 12/15/2015	236	236	234
Exeter Auto Receivables Trust, 1.3% Due 6/15/2017	429	429	429
First Investors Auto Owner Tst, 1.47% Due 5/15/2018	237	237	238
Flagship Credit Auto Trust, 1.32% Due 4/15/2016	803	803	801
Ford Credit Auto Owner Trust, 0.4% Adj, Due 9/15/2015	297	297	297

See accompanying notes to financial statements.



# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Ford Credit Auto Owner Trust, 0.51% Due 4/15/2017	264	264	264
GE Equipment Transportation, 0.47% Due 5/27/2014	242	242	242
HLSS Servicer Advance Receiv, 1.34% Due 10/15/2013	1,264	1,265	1,263
HLSS Servicer Advance Receiv, 0.9% Due 1/15/2014	964	964	961
HLSS Servicer Advance Receiv, 1.15% Due 5/15/2015	498	498	497
HLSS Servicer Advance Receiv, 1.99% Due 10/15/2015	438	438	438
HLSS Servicer Advance Receiv, 1.5% Due 1/15/2016	599	599	591
HLSS Servicer Advance Receiv, 1.74% Due 1/15/2016	186	186	184
Honda Auto Receivables Trust, 0.35% Due 7/21/2014	341	341	340
Honda Auto Receivables Trust, 0.77% Due 3/16/2015	189	189	189
Honda Auto Receivables Trust, 0.97% Due 3/16/2016	68	68	68
Huntington Auto Trust, 0.81% Due 5/15/2015	308	308	308
Huntington Auto Trust, 1.01% Due 1/15/2016	306	306	306
Huntington Auto Trust, 1.31% Due 11/15/2016	400	400	402
Hyundai Auto Receivables Trust, 0.97% Due 11/15/2013	73	73	73
Hyundai Auto Receivables Trust, 0.4% Due 10/15/2014	1,000	1,000	999
Hyundai Auto Receivables Trust, 1.63% Due 7/15/2015	400	400	405
Hyundai Auto Receivables Trust, 0.72% Due 3/15/2016	342	342	342
John Deere Owner Trust, 0.43% Due 4/15/2014	157	157	157
John Deere Owner Trust, 1.29% Due 1/15/2016	156	156	156
John Deere Owner Trust, 1.96% Due 4/16/2018	285	285	288
LAI Vehicle Lease Securitizat, 2.55% Due 9/15/2016	62	62	62
LV Tower 52, 5.5% Due 6/15/2018	1,300	1,300	1,300
Macquarie Equipment Fdg Trust, 0.61% Due 10/20/2014	1,000	1,000	996
Mercedes-Benz Auto Rec Trust, 1.42% Due 7/15/2013	8	8	8
Mercedes-Benz Auto Rec Trust, 0.37% Due 3/15/2014	165	165	165
Mercedes-Benz Auto Rec Trust, 0.85% Due 3/15/2014	136	136	136
Nationstar Agency Advance Fdg, 1.0% Due 2/17/2015	337	337	334
Nationstar Agency Advance Fdg, 1.89% Due 2/15/2018	168	168	162
Nationstar Mortgage Advance, 1.68% Due 6/20/2016	800	800	798
NCUA Guaranteed Notes, 0.54% Adj, Due 12/7/2020	185	185	186
Newcastle Investment Trust, 2.45% Due 12/10/2033	142	142	145
Nissan Auto Receivables Trust, 0.87% Due 7/15/2014	31	31	31
Nissan Auto Receivables Trust, 1.31% Due 9/15/2016	300	300	301
Park Place Securities Inc, 1.13% Due 10/25/2034	932	891	905
Progreso Receivables Funding, 4.0% Due 7/9/2018	1,000	988	988
Residential Asset Mtg Prod, 0.53% Due 10/25/2035	600	585	586
Residential Asset Mtg Prod, 0.49% Due 3/25/2036	1,300	1,202	1,209
Residential Asset Sec Corp, 0.56% Due 10/25/2035	168	166	165
Resort Finance Timeshare, 6.25% Adj, Due 7/5/2018	491	491	491
Resort Finance Timeshare Recv, 5.75% Adj, Due 9/5/2018	494	494	494
Santander Drive Auto Rec Trust, 2.06% Due 8/15/2013	80	80	80
Santander Drive Auto Rec Trust, 0.57% Due 12/15/2015	100	100	100
Santander Drive Auto Rec Trust, 1.08% Due 4/15/2016	132	132	132
Santander Drive Auto Rec Trust, 0.83% Due 12/15/2016	120	120	120
Santander Drive Auto Rec Trust, 2.39% Due 6/15/2017	400	402	406
Saxon Asset Securities Trust, 4.8% Adj, Due 6/25/2033	217	218	220
SNAAC Auto Receivables Trust, 1.78% Due 9/15/2014	86	86	86
SNAAC Auto Receivables Trust, 1.14% Due 10/15/2015	169	169	169
Springcastle SPV, 3.75% Due 4/5/2021	1,931	1,928	1,888
Springleaf Funding Trust, 2.58% Due 3/15/2016	2,850	2,850	2,822
Springleaf Mortgage Loan Trust, 2.67% Due 9/25/2057	325	325	332
Springleaf Mortgage Loan Trust, 6.0% Due 9/25/2057	650	598	687
Stanwich Mortgage Loan Trust, 2.98% Due 10/16/2015	1,523	1,523	1,524
Stanwich Mortgage Loan Trust, 2.98% Due 9/15/2042	565	565	566
Stanwich Mortgage Loan Trust, 2.98% Due 10/18/2042	1,561	1,561	1,563
Trafigura Securitisation Fin, 2.59% Due 4/15/2015	1,190	1,190	1,204
USAA Auto Owner Trust, 0.38% Due 6/15/2015	75	75	75
Westgate Resorts, 4.5% Due 9/20/2015	752	752	771
Westgate Resorts, 3.0% Due 1/20/2025	700	700	708
Westgate Resorts, 2.5% Due 3/20/2025	269	269	270
Westlake Auto Receivables Trst, 1.49% Due 6/16/2014	25	25	25
<i>Total Corporate Asset Backed Issues - 3.8%</i>		48,600	48,767
<i>Corporate CMO</i>			
A10 Securitization, 3.49% Due 4/15/2024	633	633	640

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
A10 Securitization, 2.4% Due 11/15/2025	566	566	561
American General Mortgage Loan, 5.15% Due 3/25/2040	260	263	262
American General Mortgage Loan, 5.75% Due 9/25/2048	701	701	699
American General Mortgage Loan, 5.75% Due 9/25/2048	1,300	1,265	1,339
American Tower Trust I, 1.55% Due 3/15/2018	380	383	373
ASG Resecuritization Trust, 4.91% Adj, Due 5/24/2036	400	400	422
ASG Resecuritization Trust, 4.91% Adj, Due 5/24/2036	404	394	414
ASG Resecuritization Trust, 0.36% Adj, Due 10/28/2036	136	132	135
ASG Resecuritization Trust, 2.29% Adj, Due 3/26/2037	1,024	992	1,039
ASG Resecuritization Trust, 2.23% Adj, Due 6/26/2037	553	465	545
ASG Resecuritization Trust, 6.0% Due 6/28/2037	613	613	627
Banc of Amer Altern Loan Trust, 5.0% Due 9/25/2018	298	299	305
Banc of Amer Altern Loan Trust, 5.5% Due 2/25/2019	292	281	298
Banc of Amer Altern Loan Trust, 5.5% Due 9/25/2019	208	207	218
Banc of Amer Altern Loan Trust, 5.5% Due 9/25/2033	241	216	245
Banc of Amer Altern Loan Trust, 5.5% Due 11/25/2033	199	198	204
Banc of Amer Altern Loan Trust, 6.0% Due 1/25/2034	264	256	275
Banc of Amer Altern Loan Trust, 6.0% Due 1/25/2034	424	409	443
Banc of America Commercial Mtg, 5.41% Due 9/10/2016	450	479	495
Banc of America Commercial Mtg, 4.67% Due 7/10/2043	400	398	424
Banc of America Commercial Mtg, 4.73% Due 7/10/2043	600	566	626
Banc of America Commercial Mtg, 5.89% Due 7/10/2044	1,000	996	1,109
Banc of America Commercial Mtg, 5.37% Due 9/10/2045	660	595	718
Banc of America Commercial Mtg, 5.12% Due 10/10/2045	230	230	247
Banc of America Commercial Mtg, 5.63% Due 7/10/2046	700	687	768
Banc of America Funding Corp, 5.5% Due 10/25/2034	590	585	604
Banc of America Funding Corp, 5.06% Adj, Due 12/20/2034	197	195	195
Banc of America Funding Corp, 5.28% Adj, Due 2/26/2035	610	634	625
Banc of America Merrill Lynch, 2.96% Due 12/10/2030	187	192	175
Banc of America Mortgage Sec, 0.64% Due 8/25/2018	132	129	127
Banc of America Mortgage Sec, 5.0% Due 4/25/2019	79	81	81
Banc of America Mortgage Sec, 6.5% Due 9/25/2032	132	130	138
Banc of America Mortgage Sec, 2.87% Adj, Due 4/25/2033	249	247	250
Banc of America Mortgage Sec, 5.5% Due 5/25/2033	512	518	527
Banc of America Mortgage Sec, 2.86% Adj, Due 6/25/2033	236	236	234
Banc of America Mortgage Sec, 2.91% Adj, Due 4/25/2034	713	707	707
Banc of America Mortgage Sec, 5.5% Due 4/25/2034	868	902	887
Bank of America Corp, 5.75% Due 9/20/2034	328	291	346
BB-UBS Trust, 2.89% Due 6/5/2020	1,000	1,023	939
BB-UBS Trust, 3.43% Due 11/5/2024	1,100	1,090	1,030
BCAP LLC Trust, 5.5% Due 11/26/2034	651	618	675
BCAP LLC Trust, 5.0% Adj, Due 4/26/2035	196	197	193
BCAP LLC Trust, 0.99% Due 1/26/2036	229	209	223
BCAP LLC Trust, 2.18% Adj, Due 5/26/2037	663	657	656
BCAP LLC Trust, 5.75% Due 6/26/2037	398	393	396
BCAP LLC Trust, 3.78% Adj, Due 11/26/2037	131	131	131
BCAP LLC Trust, 2.33% Adj, Due 7/26/2045	1,007	1,015	977
Bear Stearns Adj Rate Mortgage, 2.56% Adj, Due 7/25/2033	222	223	219
Bear Stearns Adj Rate Mortgage, 5.09% Adj, Due 5/25/2034	167	168	167
Bear Stearns Adj Rate Mortgage, 2.24% Adj, Due 8/25/2035	345	334	342
Bear Stearns Alt-A Trust, 0.83% Due 7/25/2034	658	638	624
Bear Stearns Commercial Mtg, 5.61% Adj, Due 3/11/2039	235	237	256
Bear Stearns Commercial Mtg, 0.27% Adj, Due 6/11/2041	13,036	170	164
Bear Stearns Commercial Mtg, 5.47% Due 6/11/2041	412	420	424
Bear Stearns Commercial Mtg, 5.54% Due 10/12/2041	300	273	333
Chase Mortgage Finance Corp, 2.74% Adj, Due 2/25/2037	628	616	624
Chase Mortgage Finance Corp, 2.86% Adj, Due 2/25/2037	159	158	157
Chase Mortgage Finance Corp, 2.8% Adj, Due 7/25/2037	400	372	394
Citicorp Mortgage Securities, 5.5% Due 6/25/2034	484	505	506
Citigroup Commercial Mortgage, 2.11% Due 1/12/2018	392	401	393
Citigroup Commercial Mortgage, 4.83% Adj, Due 5/15/2043	400	400	418
Citigroup Mortgage Loan Trust, 5.25% Due 10/25/2033	253	209	259
Citigroup Mortgage Loan Trust, 3.99% Adj, Due 8/25/2034	107	107	106
Citigroup Mortgage Loan Trust, 2.61% Adj, Due 2/25/2035	222	221	226
Citigroup Mortgage Loan Trust, 5.5% Due 5/25/2035	314	314	315
Citigroup Mortgage Loan Trust, 6.0% Due 6/25/2036	775	716	791

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Citigroup Mortgage Loan Trust, 4.0% Due 11/25/2036	1,915	1,943	1,930
Citigroup Mortgage Loan Trust, 4.5% Due 12/25/2036	2,049	2,095	2,101
Citigroup Mortgage Loan Trust, 2.93% Adj. Due 11/25/2038	739	740	752
Citigroup/Deutsche Bank Commer, Interest-only, 0.08% Adj, Due 1/15/2046	69,566	186	113
Citigroup/Deutsche Bank Commer, Interest-only, 0.22% Adj, Due 12/11/2049	39,916	317	308
Cobalt CMBS Commercial Mortgag, 5.22% Due 8/15/2048	245	263	266
Commercial Mortgage Pass-Thru, 4.98% Due 5/10/2043	1,000	951	1,058
Commercial Mortgage Pass-Thru, Interest-only, 2.12% Adj, Due 8/15/2045	1,014	116	119
Countrywide Home Loans, 4.5% Due 6/25/2019	246	240	254
Countrywide Home Loans, 5.0% Due 10/25/2033	528	510	546
Countrywide Home Loans, 5.25% Due 4/25/2034	969	950	1,001
Credit Suisse Mortgage Capital, 3.25% Due 7/27/2037	649	650	648
Credit Suisse Mortgage Capital, 5.86% Due 3/15/2039	500	499	546
Credit Suisse Mortgage Capital, 1.19% Adj. Due 2/27/2047	867	865	865
Credit Suisse Mortgage Capital, 1.2% Due 6/28/2047	1,118	1,082	1,063
Credit Suisse Mortgage Capital, 4.02% Adj. Due 6/25/2050	300	285	291
CS First Boston Mortgage Sec, 2.8% Adj, Due 6/25/2033	464	447	451
CS First Boston Mortgage Sec, 5.25% Due 11/25/2033	720	706	749
CS First Boston Mortgage Sec, 5.5% Due 9/25/2034	518	546	553
CS First Boston Mortgage Sec, 5.5% Due 12/25/2034	558	584	588
CS First Boston Mortgage Sec, 4.73% Due 7/15/2037	400	399	418
DBRR Trust, 0.85% Due 11/25/2015	982	982	982
DBRR Trust, 0.95% Due 9/25/2045	236	236	237
Deutsche ALT-A Sec Inc Mtg, 5.65% Adj, Due 2/25/2020	208	206	216
Deutsche Mortgage Securities, 0.32% Adj, Due 4/26/2037	199	196	195
First Horizon Mortgage Ps Thru, 4.5% Due 9/25/2018	233	233	240
Fontainebleau Miami Beach Trst, 2.89% Due 5/5/2017	841	841	847
GE Capital Commercial Mortgage, 4.83% Due 6/10/2048	1,000	1,007	1,034
GE Capital Commercial Mortgage, 4.85% Due 6/10/2048	500	503	514
GMAC Commercial Mortgage Sec, 5.24% Due 11/10/2045	1,810	1,633	1,935
GMAC Mortgage Corp Loan Trust, 5.0% Due 1/25/2020	179	181	185
GMAC Mortgage Corp Loan Trust, 3.37% Adj, Due 10/19/2033	592	569	595
GMAC Mortgage Corp Loan Trust, 5.0% Due 10/25/2033	329	317	343
GMAC Mortgage Corp Loan Trust, 5.0% Due 11/25/2033	538	500	548
GMAC Mortgage Corp Loan Trust, 3.47% Adj, Due 12/19/2033	1,039	1,023	1,025
GMAC Mortgage Corp Loan Trust, 6.5% Due 1/25/2035	402	414	427
Government National Mortgage, 0.65% Adj, Due 11/20/2059	1,383	1,381	1,384
Greenwich Capital Comm Funding, 4.86% Adj, Due 1/10/2015	210	207	218
GS Mortgage Securities Trust, 2.32% Due 1/10/2018	489	501	485
GS Mortgage Securities Trust, 2.71% Due 12/10/2019	485	499	480
GS Mortgage Securities Trust, 5.55% Due 4/10/2038	1,000	924	1,089
GSR Mortgage Loan Trust, 6.0% Due 9/25/2034	565	542	591
GSR Mortgage Loan Trust, 0.54% Due 3/25/2035	486	312	413
GSR Mortgage Loan Trust, 0.69% Due 6/25/2035	105	95	98
GSR Mortgage Loan Trust, 5.5% Due 1/25/2037	83	72	81
Household Home Equity Loan Tst, 0.46% Due 1/20/2035	162	146	160
Household Home Equity Loan Tst, 0.68% Due 1/20/2035	324	287	308
Household Home Equity Loan Tst, 0.35% Due 1/20/2036	341	303	332
Household Home Equity Loan Tst, 0.34% Due 3/20/2036	287	262	284
Household Home Equity Loan Tst, 0.39% Due 3/20/2036	190	172	185
Household Home Equity Loan Tst, 1.39% Due 11/20/2036	432	378	431
IMPAC CMB Trust, 0.49% Due 5/25/2035	378	341	371
IMPAC Secured Assets Corp, 5.5% Due 8/25/2033	539	507	566
IMPAC Secured Assets Corp, 0.54% Due 5/25/2036	438	379	428
IMPAC Secured Assets Corp, 0.54% Due 8/25/2036	683	609	643
JP Morgan Chase Commercial Mtg, 5.76% Adj, Due 7/12/2014	679	697	704
JP Morgan Chase Commercial Mtg, 5.54% Adj, Due 8/12/2037	700	713	739
JP Morgan Chase Commercial Mtg, 4.4% Due 1/12/2039	672	678	682
JP Morgan Chase Commercial Mtg, 5.55% Due 5/12/2045	495	522	546
JP Morgan Chase Commercial Mtg, 5.4% Due 5/15/2045	950	861	1,043
JP Morgan Chase Commercial Mtg, 0.35% Due 5/15/2047	800	783	797
JP Morgan Mortgage Trust, 2.89% Adj, Due 11/25/2033	888	881	885
JP Morgan Mortgage Trust, 2.82% Adj, Due 8/25/2034	1,127	1,074	1,108
JP Morgan Mortgage Trust, 4.5% Adj, Due 2/25/2035	651	651	653
JP Morgan Mortgage Trust, 3.0% Adj, Due 7/25/2035	697	699	705
JP Morgan Re-REMIC, 1.87% Adj, Due 8/26/2035	309	309	307

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Ladder Capital Commercial Mtg, 3.99% Due 2/15/2028	461	472	433
Lake Country Mortgage Loan Tst, 0.54% Due 7/25/2034	382	366	377
LB-UBS Commercial Mortgage Tst, 5.16% Due 1/15/2016	300	288	324
LB-UBS Commercial Mortgage Tst, 4.37% Due 3/15/2036	598	605	608
LB-UBS Commercial Mortgage Tst, 5.43% Due 2/15/2040	400	452	439
LB-UBS Commercial Mortgage Tst, Interest-only, 0.53% Adj, Due 2/15/2041	23,036	203	200
Master Adjustable Rate Mtgage, 2.63% Adj, Due 11/21/2034	1,262	1,251	1,288
Master Reperforming Loan Trust, 0.54% Due 5/25/2035	687	464	574
Master Resecuritization Trust, 13.63% Due 5/28/2035	287	160	229
MASTR Asset Securitization, 5.5% Due 9/25/2033	88	78	92
MASTR Asset Securitization, 5.25% Due 12/25/2033	886	912	923
Merrill Lynch Mortgage Invest, 2.66% Adj, Due 7/25/2033	135	132	135
Merrill Lynch Mortgage Trust, 5.87% Adj, Due 5/12/2039	260	262	287
Merrill Lynch/Countrywide Comm, Interest-only, 0.23% Adj, Due 12/12/2049	14,770	170	181
MLCC Mortgage Investors Inc, 0.95% Due 4/25/2029	365	308	353
MLCC Mortgage Investors Inc, 1.18% Due 8/25/2029	397	371	391
MLCC Mortgage Investors Inc, 2.52% Adj, Due 8/25/2034	240	236	243
MLCC Mortgage Investors Inc, 2.27% Adj, Due 12/25/2034	505	493	502
Morgan Stanley Capital I, 4.05% Due 6/15/2021	340	343	359
Morgan Stanley Capital I, 5.82% Adj, Due 6/11/2042	250	250	283
Morgan Stanley Capital I, Interest-only, 0.2% Adj, Due 12/15/2043	14,066	176	192
Morgan Stanley Capital I, Interest-only, 0.4% Adj, Due 2/12/2044	38,736	292	212
Morgan Stanley Mortgage Loan, 5.69% Adj, Due 4/25/2034	256	260	268
Morgan Stanley Mortgage Loan, Interest-only, 5.5% Due 8/25/2034	3,592	431	425
Morgan Stanley Re-REMIC Trust, 2.0% Due 9/27/2017	1,911	1,914	1,935
Morgan Stanley Re-REMIC Trust, 0.25% Due 3/27/2019	400	289	332
Morgan Stanley Re-REMIC Trust, 1.0% Due 4/27/2019	381	376	377
Morgan Stanley Re-REMIC Trust, 4.97% Due 4/16/2040	1,356	1,372	1,387
Morgan Stanley Re-REMIC Trust, 5.0% Due 7/17/2056	228	228	229
NCUA Guaranteed Notes, 2.65% Due 1/1/2018	3,758	3,764	3,901
NCUA Guaranteed Notes, 2.9% Due 10/29/2020	1,500	1,584	1,566
NCUA Guaranteed Notes, 0.75% Adj, Due 12/8/2020	797	797	800
NCUA Guaranteed Notes, 2.4% Due 12/8/2020	385	385	392
Northstar Mortgage Trust, 1.39% Due 4/25/2015	792	791	789
Prime Mortgage Trust, 6.0% Due 2/25/2034	217	222	238
RBSCF Trust, 3.26% Due 2/11/2023	531	541	491
RBSSP Resecuritization Trust, 6.5% Due 2/26/2036	537	540	561
RBSSP Resecuritization Trust, 4.0% Due 5/26/2037	326	324	323
RCMC, 5.62% Due 12/15/2018	626	626	625
Residential Accredit Loans, 16.22% Due 10/25/2017	109	109	115
Residential Accredit Loans, 0.84% Due 7/25/2033	364	327	342
Residential Accredit Loans, 5.5% Due 8/25/2033	686	686	706
Residential Accredit Loans, 5.75% Due 10/25/2033	416	391	444
Residential Accredit Loans, 5.5% Due 5/25/2034	1,646	1,296	1,672
Salomon Brothers Mortgage Sec, 3.95% Adj, Due 4/25/2032	138	121	136
Salomon Brothers Mortgage Sec, 3.1% Adj, Due 9/25/2033	495	481	494
Senior Homeowner as Program, 4.0% Due 5/25/2053	1,500	1,478	1,478
Sequoia Mortgage Trust, 0.49% Due 12/20/2034	1,358	1,285	1,286
Springleaf Mortgage Loan Trust, 2.22% Due 10/25/2057	773	773	784
Springleaf Mortgage Loan Trust, 6.0% Due 10/25/2057	600	583	617
Springleaf Mortgage Loan Trust, 4.05% Adj, Due 1/25/2058	764	762	789
Springleaf Mortgage Loan Trust, 5.45% Due 1/25/2058	1,000	990	1,048
Springleaf Mortgage Loan Trust, 1.27% Due 6/25/2058	481	481	482
Springleaf Mortgage Loan Trust, 2.31% Due 6/25/2058	414	414	415
Springleaf Mortgage Loan Trust, 3.14% Due 6/25/2058	288	288	289
Springleaf Mortgage Loan Trust, 3.79% Due 6/25/2058	286	286	287
Springleaf Mortgage Loan Trust, 1.57% Due 12/25/2059	1,088	1,086	1,092
Springleaf Mortgage Loan Trust, 2.66% Due 12/25/2059	308	308	312
Springleaf Mortgage Loan Trust, 3.56% Due 12/25/2059	235	235	240
Springleaf Mortgage Loan Trust, 4.44% Due 12/25/2059	177	177	184
Springleaf Mortgage Loan Trust, 5.3% Due 12/25/2059	121	121	126
Structured Asset Investment, 0.46% Adj, Due 6/25/2035	110	109	110
Structured Asset Mortgage Inv, Zero Coupon, Due 7/25/2032	138	99	123
Structured Asset Mortgage Inv, 0.89% Due 3/19/2034	1,333	1,285	1,276
Structured Asset Mortgage Inv, 0.85% Adj, Due 10/19/2034	562	511	551
Structured Asset Securities Co, 3.45% Due 2/25/2032	264	244	263

See accompanying notes to financial statements.

# Core Fixed Income Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
Structured Asset Securities Co, 0.69% Due 6/25/2033	293	275	284
Structured Asset Securities Co, 5.5% Due 10/25/2033	522	510	535
Structured Asset Securities Co, 5.5% Adj, Due 11/25/2033	118	116	126
Structured Asset Securities Co, 4.59% Adj, Due 12/25/2033	183	182	181
Structured Asset Securities Co, 5.54% Due 12/25/2033	909	878	936
Structured Asset Securities Co, 5.55% Adj, Due 3/25/2034	530	512	533
Structured Asset Securities Co, 4.69% Adj, Due 2/25/2035	1,027	1,037	1,019
Structured Asset Securities Co, 5.0% Due 5/25/2035	118	91	119
Thornburg Mtg Securities Trust, 0.83% Due 9/25/2043	549	511	522
Thornburg Mtg Securities Trust, 2.24% Adj, Due 12/25/2044	366	369	359
TIAA Seasoned Commercial Mtg, 5.53% Adj, Due 8/15/2039	2,012	2,020	2,093
UBS-BAMLL Trust, 3.66% Due 6/10/2022	578	588	562
UBS-Barclays Commercial Mortg, 3.24% Due 3/10/2023	229	236	218
Vendee Mortgage Trust, 6.75% Due 6/15/2026	626	657	719
Vendee Mortgage Trust, 6.75% Due 6/15/2028	519	584	600
VNO Mortgage Trust, 3.0% Due 11/15/2022	544	557	507
Wachovia Bank Comm Mtg Trust, 5.22% Due 1/15/2041	627	648	645
Wachovia Bank Comm Mtg Trust, 5.92% Adj, Due 5/15/2043	1,440	1,365	1,579
WAMU Mortgage Pass-Through Cer, 5.5% Due 8/25/2019	404	403	420
WAMU Mortgage Pass-Through Cer, 2.32% Adj, Due 8/25/2033	183	178	182
WAMU Mortgage Pass-Through Cer, 2.46% Adj, Due 8/25/2033	201	199	201
WAMU Mortgage Pass-Through Cer, 2.43% Adj, Due 9/25/2033	706	698	707
WAMU Mortgage Pass-Through Cer, 2.46% Adj, Due 9/25/2033	273	266	272
WAMU Mortgage Pass-Through Cer, 5.25% Due 10/25/2033	1,281	1,206	1,342
WAMU Mortgage Pass-Through Cer, 0.59% Due 3/25/2034	68	67	67
WAMU Mortgage Pass-Through Cer, 2.46% Adj, Due 6/25/2034	196	182	195
WAMU Mortgage Pass-Through Cer, 2.46% Adj, Due 6/25/2034	489	487	487
WAMU Mortgage Pass-Through Cer, 5.5% Due 6/25/2034	807	783	839
WAMU Mortgage Pass-Through Cer, 5.0% Due 7/25/2034	427	439	439
Washington Mutual MSC Mortgage, Zero Coupon, Due 7/25/2033	157	103	124
Washington Mutual MSC Mortgage, Interest-only, 5.5% Due 5/25/2035	592	52	161
Wedgewood Real Estate Trust, 3.97% Adj, Due 7/25/2043	1,132	1,131	1,131
Wells Fargo Mortgage Backed, 5.0% Due 1/25/2020	166	170	171
Wells Fargo Mortgage Backed, 5.0% Due 11/25/2020	131	133	135
Wells Fargo Mortgage Backed, 4.48% Adj, Due 11/25/2033	471	469	472
Wells Fargo Mortgage Backed, 4.74% Adj, Due 12/25/2033	52	52	52
Wells Fargo Mortgage Backed, 4.95% Adj, Due 2/25/2034	268	269	267
Wells Fargo Mortgage Backed, 2.61% Adj, Due 9/25/2034	1,137	1,066	1,137
Wells Fargo Mortgage Backed, 2.8% Adj, Due 10/25/2034	450	427	444
Wells Fargo Mortgage Backed, 2.65% Adj, Due 10/25/2034	403	391	408
Wells Fargo Mortgage Backed, 2.65% Adj, Due 10/25/2034	277	254	279
Wells Fargo Mortgage Backed, 2.62% Adj, Due 12/25/2034	545	515	551
Wells Fargo Mortgage Backed, 2.89% Adj, Due 12/25/2034	264	237	263
Wells Fargo Mortgage Backed, 2.62% Adj, Due 12/25/2034	364	345	367
Wells Fargo Mortgage Backed, 2.89% Adj, Due 12/25/2034	264	260	264
Wells Fargo Mortgage Backed, 2.72% Adj, Due 6/25/2035	147	140	147
Wells Fargo Mortgage Loan Trst, 2.85% Adj, Due 8/27/2037	330	330	330
Wells Fargo Re-REMIC Trust, 1.75% Due 4/20/2017	622	620	622
WF-RBS Commercial Mortgage Tst, 4.38% Due 5/15/2021	600	605	630
WF-RBS Commercial Mortgage Tst, 3.44% Due 1/15/2022	400	403	395
<i>Total Corporate CMO - 10.4%</i>		129,956	134,887
Total Corporate Issues - 35.4%		437,467	454,010
<b>Foreign Government Bonds</b>			
Aid-Israel, Zero Coupon, Due 8/15/2017	329	302	311
Aid-Israel, Zero Coupon, Due 3/15/2018	5,000	4,564	4,646
Aid-Israel, Zero Coupon, Due 2/15/2022	2,500	2,083	1,963
Nova Scotia Province, 9.25% Due 3/1/2020	200	252	275
Ontario (Province Of), 2.95% Due 2/5/2015	1,000	1,000	1,038
Ontario (Province Of), 0.95% Due 5/26/2015	1,945	1,945	1,957
Ontario (Province Of), 2.7% Due 6/16/2015	500	500	520
Quebec Province, 6.35% Due 1/30/2026	900	1,093	1,136
United Mexican States, 4.75% Due 3/8/2044	364	359	324
United Mexican States, 5.75% Due 10/12/2110	326	315	297
Total Foreign Government Bonds - 1.0%		12,413	12,467

See accompanying notes to financial statements.

# Core Fixed Income Pool

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## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

<u>Description</u>	<u>Par Value or Shares</u>	<u>Cost</u>	<u>Fair Value</u>
<b><u>Short-term Issue</u></b>			
Dreyfus Cash Management Institutional Fund - 0.9%	10,892,338	10,892	10,892
<b><u>Investments Made with Cash Collateral for Securities Loaned</u></b>			
BNY Mellon Securities Lending Overnight Fund		26,675	26,675
Mellon SL DBT II Liquidating Fund		180	175
Total Investments Made with Cash Collateral for Securities Loaned - 2.1%		26,855	26,850
Total Investments - 101.8%		<u>\$ 1,252,167</u>	<u>\$ 1,300,573</u>

See accompanying notes to financial statements.

# Core Fixed Income Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Interest	\$	42,859
Dividends		16
Net securities lending income		84
Shareholder litigation proceeds		487

**Total investment income** 43,446

**Expenses**

Investment advisor fees		(1,874)
Trustee fees		(5)
Custodian bank fees		(70)
Management fees		(366)
Fiduciary bond fees		(3)
Professional service fees		(86)

**Total expenses** (2,404)

**Investment income, net** 41,042

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

Net realized gain from investments		2,506
Net change in unrealized appreciation (depreciation) on investments		(39,018)

**Net loss from investments** (36,512)

**Net increase in net assets from operations** \$ 4,530

*See accompanying notes to financial statements.*

## Core Fixed Income Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2013**  
*(Amounts in thousands, except unit data)*

**Operations**

Investment income, net	\$ 41,042
Net realized gain from investments	2,506
Net change in unrealized appreciation (depreciation) on investments	<u>(39,018)</u>

**Net increase in net assets from operations** 4,530

**Distributions to unitholders**

Investment income, net	(41,042)
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**Unit transactions**

Proceeds from sale of units	186,368
Reinvestment of distributions	41,776
Amount paid for repurchase of units	<u>(117,071)</u>

**Net increase in net assets from unit transactions** 111,073

**Increase in net assets** 74,561

**Net assets, beginning of period** 1,203,206

**Net assets, end of period** \$ 1,277,767

**Unit data**

Units sold	16,387,329
Units issued from reinvestment of distributions	3,667,762
Units repurchased	<u>(10,261,823)</u>

**Net increase in units** 9,793,268

*See accompanying notes to financial statements.*



# Core 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 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	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. (JPM) manages this Pool. This Pool's investment objective, net of external investment management fees, is to meet or exceed the Barclays Capital U.S. Aggregate Index.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB invests funds of the State and its component units, all of which are government entities. The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 5 for further discussion and presentation of the reporting requirements under ASC 820.

# Core Fixed Income Pool

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

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

Fair value of the Pool's portfolio securities is determined as follows:

- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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 BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically of the Mellon SL DBT II Liquidating Fund. Such investments are made at the risk of the Pool and, as such, the Pool is liable for investment losses. Investments made with cash are reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments. 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 net securities lending income. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation 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 a change in unrealized appreciation or depreciation on investments.

**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 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. 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 reflected in the Statement of Operations in the year of the change.

# Core Fixed Income Pool

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## 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 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. The Pool does not routinely distribute dividends of net realized 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 U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, FASB issued Accounting Standard Update No. 2011-11 (ASU 2011-11), "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 is intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a portfolio's financial position. They are also intended to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the financial position; and disclose instruments and transactions subject to an agreement similar to a master netting agreement.

In January 2013, FASB issued Accounting Standard Update No. 2013-01 (ASU 2013-01), "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Management is currently evaluating the implications of ASU 2011-11 and ASU 2013-01 and their impact on financial statement disclosures.

### NOTE 4. 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, 2013.

## Core Fixed Income Pool

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

#### NOTE 4. INVESTMENT RISK DISCLOSURES (continued)

Investment Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate asset backed issues	Aa3	AA	\$ 48,767	3.7%
Corporate bonds	A3	A	270,356	20.8
Corporate CMO	A2	AA	134,887	10.4
Foreign government bonds	Aa1	AA	12,467	1.0
Municipal bonds	Aa2	AA	7,311	0.6
Short-term issue	Aaa	AAA	10,892	0.8
U.S. Government agency bonds	Aaa	AA	26,487	2.0
U.S. Government agency CMO	Aaa	AA	259,377	19.9
U.S. Government agency MBS	Aaa	AA	220,519	17.0
U.S. Treasury issues	Aaa	AA	282,660	21.7
Total rated investments			\$ 1,273,723	97.9%

Unrated securities include investments made with cash collateral for securities loaned valued at \$26,850 or 2.1 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, 2013, 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, 2013, 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.

#### Interest Rate Risk

The IMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. The following table provides the weighted average effective duration for the various asset types in the Pool as of June 30, 2013.

Investment Type	Fair Value	Effective Duration (years)
Corporate asset backed issues	\$ 48,767	1.4
Corporate bonds	270,356	5.7
Corporate CMO	134,887	2.2
Foreign government bonds	12,467	5.4
Investments made with cash collateral for securities loaned	26,850	0.0
Municipal bonds	7,311	14.3
Short-term issue	10,892	0.0
U.S. Government agency bonds	26,487	5.6
U.S. Government agency CMO	259,377	3.7
U.S. Government agency MBS	220,519	4.6
U.S. Treasury issues	282,660	6.5
Total investments	\$ 1,300,573	4.6

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 effective 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.

# Core Fixed Income Pool

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

### NOTE 4. INVESTMENT RISK DISCLOSURES (continued)

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, 2013, the Pool held \$663,550 of these securities. This represents approximately 51 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 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, 2013:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 48,767	\$ -	\$ 48,767
Corporate bonds	-	270,356	-	270,356
Corporate CMO	-	134,887	-	134,887
Foreign government bonds	-	12,467	-	12,467
Investments made with cash collateral for securities loaned	-	26,850	-	26,850
Municipal bonds	-	7,311	-	7,311
Short-term issue	10,892	-	-	10,892
U.S. Government agency bonds	-	26,487	-	26,487
U.S. Government agency CMO	-	259,377	-	259,377
U.S. Government agency MBS	-	220,519	-	220,519
U.S. Treasury issues	-	282,660	-	282,660
Total	\$ 10,892	\$ 1,289,681	\$ -	\$ 1,300,573

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

## Core Fixed Income Pool

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

#### NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2013.

Fair value of securities on loan	\$	124,997			
Initial collateral received:		Cost	Fair Value	Unrealized Depreciation	
Cash	\$	26,855	\$	26,850	\$ (5)
Non-cash				101,844	
Total			\$	128,694	

#### NOTE 7. INVESTMENT ADVISORY FEES

The IMB has approved an investment advisory agreement with JPM to manage the investments of the Pool. This agreement provides for quarterly payments, based on average end of month assets under management, to the investment advisor. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to JPM consist of a base fee of 0.075 percent annually of the net assets under management and a performance incentive fee that is earned when the actual investment return exceeds the return of the Barclays Capital US Aggregate index over rolling three-year periods. The maximum fee allowable under the agreement is 0.15 percent annually of the net assets under management. The effective fee rate earned by JPM for the year ended June 30, 2013, was 0.15 percent.

#### NOTE 8. FINANCIAL HIGHLIGHTS

##### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$	11.35
Income from investment operations:		
Net investment income		0.37
Net realized and unrealized loss on investment transactions		(0.32)
Total from investment operations		0.05
Less distributions from net investment income		(0.37)
Net asset value at June 30, 2013	\$	11.03

**Total Return \*** 0.5%

##### Supplemental Data:

Net assets, end of period	\$	1,277,767
Ratio to average net assets:		
Expenses **		0.19%
Net investment income **		3.30%
Portfolio turnover rate		15.87%

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

\*\* All ratios are for the fiscal year

## Core Fixed Income 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, 2013. 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>
Teachers' Retirement System	\$ 349,951
Public Employees' Retirement System	314,658
Workers' Compensation Old Fund	215,167
Revenue Shortfall Reserve Fund	79,848
Revenue Shortfall Reserve Fund - Part B	79,058
Coal Workers' Pneumoconiosis Fund	40,596
West Virginia Prepaid Tuition Trust Fund	40,028
State Police Death, Disability and Retirement Fund	34,148
West Virginia Retiree Health Benefit Trust Fund	33,692
Public Employees Insurance Agency	33,692
Board of Risk and Insurance Management	21,633
Judges' Retirement System	9,217
Deputy Sheriff's Retirement System	8,916
State Police Retirement System	6,512
Wildlife Endowment Fund	3,044
Emergency Medical Services Retirement System	2,867
Workers' Compensation Self-Insured Guaranty Risk Pool	2,251
Workers' Compensation Uninsured Employers' Fund	1,337
West Virginia Department of Environmental Protection Trust	643
AccessWV	477
Municipal Police Officers' and Firefighters' Retirement System	32
Total	<u>\$ 1,277,767</u>

#### NOTE 10. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**TIPS Pool**

# TIPS Pool

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## **Audited Financial Statements June 30, 2013**

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board TIPS Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 TIPS Pool at June 30, 2013, and the results of its operations and changes in its net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# TIPS Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$657,520), including securities on loan of \$285,159 (Note 5)	\$	653,972
Receivables:		
Accrued interest		3,235
Investments sold		4,537
Securities lending income		13
		<hr/>
<b>Total assets</b>		661,757

### Liabilities

Accrued expenses		87
Payable for investments purchased		4,576
		<hr/>
<b>Total liabilities</b>		4,663

**Net assets**      \$      657,094

### Analysis of net assets

Paid-in capital	\$	608,449
Accumulated undistributed net investment income		8,087
Accumulated undistributed net realized gain from investments		44,106
Unrealized net depreciation of investments		(3,548)
		<hr/>
<b>Net assets</b>	\$	657,094

### Unit data

Units outstanding		62,447,736
Net asset value, unit price	\$	10.52

See accompanying notes to financial statements.

# TIPS Pool

## Schedule of Investments in Securities June 30, 2013 (Amounts in thousands, except share data)

Description	Par Value or Shares	Cost	Fair Value
<b><u>U.S. Treasury Inflation-Protected Securities</u></b>			
United States Treasury, 2.0% Due 7/15/2014	14,881	\$ 18,832	\$ 18,966
United States Treasury, 1.63% Due 1/15/2015	15,362	19,281	19,465
United States Treasury, 0.5% Due 4/15/2015	17,167	18,754	18,889
United States Treasury, 1.88% Due 7/15/2015	13,744	17,236	17,470
United States Treasury, 2.0% Due 1/15/2016	13,745	16,982	17,306
United States Treasury, 0.13% Due 4/15/2016	30,722	33,265	33,214
United States Treasury, 2.5% Due 7/15/2016	13,686	17,012	17,443
United States Treasury, 2.38% Due 1/15/2017	11,852	14,789	15,163
United States Treasury, 0.13% Due 4/15/2017	35,574	38,633	37,410
United States Treasury, 2.63% Due 7/15/2017	10,442	13,052	13,310
United States Treasury, 1.63% Due 1/15/2018	11,146	13,263	13,559
United States Treasury, 0.13% Due 4/15/2018	14,487	15,680	14,962
United States Treasury, 1.38% Due 7/15/2018	11,316	12,916	13,345
United States Treasury, 2.13% Due 1/15/2019	10,481	12,477	12,850
United States Treasury, 1.88% Due 7/15/2019	11,844	14,162	14,557
United States Treasury, 1.38% Due 1/15/2020	14,547	16,575	17,075
United States Treasury, 1.25% Due 7/15/2020	22,545	25,618	26,146
United States Treasury, 1.13% Due 1/15/2021	25,867	28,227	29,455
United States Treasury, 0.63% Due 7/15/2021	28,290	30,415	30,195
United States Treasury, 0.13% Due 1/15/2022	31,358	33,590	31,592
United States Treasury, 0.13% Due 7/15/2022	32,861	36,079	32,543
United States Treasury, 0.13% Due 1/15/2023	33,137	35,238	32,396
United States Treasury, 2.38% Due 1/15/2025	17,329	24,710	25,486
United States Treasury, 2.0% Due 1/15/2026	13,285	17,240	17,974
United States Treasury, 2.38% Due 1/15/2027	10,861	14,996	15,083
United States Treasury, 1.75% Due 1/15/2028	11,317	13,534	14,076
United States Treasury, 3.63% Due 4/15/2028	8,354	16,025	16,679
United States Treasury, 2.5% Due 1/15/2029	11,170	14,622	14,943
United States Treasury, 3.88% Due 4/15/2029	9,935	19,204	20,260
United States Treasury, 3.38% Due 4/15/2032	3,725	6,549	6,852
United States Treasury, 2.13% Due 2/15/2040	6,740	8,554	8,827
United States Treasury, 2.13% Due 2/15/2041	9,147	11,383	11,840
United States Treasury, 0.75% Due 2/15/2042	15,528	16,941	14,112
United States Treasury, 0.63% Due 2/15/2043	11,651	11,085	9,928
		<hr/>	<hr/>
Total U.S. Treasury Inflation-Protected Securities - 99.4%		656,919	653,371
<b><u>Short-term Issue</u></b>			
Dreyfus Cash Management Institutional Fund - 0.1%	600,807	601	601
		<hr/>	<hr/>
Total Investments - 99.5%		<u>\$ 657,520</u>	<u>\$ 653,972</u>

See accompanying notes to financial statements.

# TIPS Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Interest	\$	8,277
Dividends		1
Net securities lending income		<u>263</u>

**Total investment income** 8,541

**Expenses**

Investment advisor fees		(166)
Trustee fees		(3)
Custodian bank fees		(20)
Management fees		(215)
Fiduciary bond fees		(1)
Professional service fees		<u>(49)</u>

**Total expenses** (454)

**Investment income, net** 8,087

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

Net realized gain from investments		16,181
Net change in unrealized appreciation (depreciation) on investments		<u>(55,991)</u>

**Net loss from investments** (39,810)

**Net decrease in net assets from operations** \$ (31,723)

*See accompanying notes to financial statements.*

# TIPS Pool

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## Statement of Changes in Net Assets

Year Ended June 30, 2013

(Amounts in thousands, except unit data)

### Operations

Investment income, net	\$ 8,087
Net realized gain from investments	16,181
Net change in unrealized appreciation (depreciation) on investments	<u>(55,991)</u>

**Net decrease in net assets from operations** (31,723)

### Unit transactions

Proceeds from sale of units	55,682
Reinvestment of distributions	2,211
Amount paid for repurchase of units	<u>(110,451)</u>

**Net decrease in net assets from unit transactions** (52,558)

**Decrease in net assets** (84,281)

**Net assets, beginning of period** 741,375

**Net assets, end of period** \$ 657,094

### Unit data

Units sold	4,932,986
Units issued from reinvestment of distributions	200,063
Units repurchased	<u>(9,765,176)</u>

**Net decrease in units** (4,632,127)

See accompanying notes to financial statements.

# TIPS 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 TIPS 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	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 Treasury Inflation-Protected Securities (TIPS) and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets are managed by State Street Global Advisors (SSgA).

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 5 for further discussion and presentation of the reporting requirements under ASC 820.



# TIPS Pool

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

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

Fair value of the Pool's portfolio securities is determined as follows:

- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices primarily by dealer quotes.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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 BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically of the Mellon SL DBT II Liquidating Fund. Such investments are made at the risk of the Pool and, as such, the Pool is liable for investment losses. Investments made with cash are reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments. 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 net securities lending income. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation 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 a change in unrealized appreciation or depreciation on 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 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. 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. For TIPS the principal amount is adjusted monthly to keep pace with inflation. Interest is accrued based on the adjusted principal amount. The adjustments to principal due to inflation are reflected as increases or decreases to interest income.

**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 net realized 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.

# TIPS Pool

## 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 U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### NOTE 3. RECENT ACCOUNTING PRONOUNCEMENT

In December 2011, FASB issued Accounting Standard Update No. 2011-11 (ASU 2011-11), "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 is intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a portfolio's financial position. They are also intended to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the financial position; and disclose instruments and transactions subject to an agreement similar to a master netting agreement.

In January 2013, FASB issued Accounting Standard Update No. 2013-01 (ASU 2013-01), "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Management is currently evaluating the implications of ASU 2011-11 and ASU 2013-01 and their impact on financial statement disclosures.

### NOTE 4. INVESTMENT RISK DISCLOSURES

#### Credit Risk

The IMB limits the exposure to credit risk in the Pool by primarily investing in U.S. Treasury inflation protected securities. The following table provides the weighted average credit ratings of the rated assets in the Pool as of June 30, 2013.

Investment Type	Moody's	S&P	Fair Value	Percent of Assets
Short-term issue	Aaa	AAA	\$ 601	0.1%
U.S. Treasury inflation-protected securities	Aaa	AA	653,371	99.9
Total rated investments			<u>\$ 653,972</u>	<u>100.0%</u>

#### 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, 2013, 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, 2013, 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.

# TIPS Pool

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

### NOTE 4. INVESTMENT RISK DISCLOSURES (continued)

#### Interest Rate Risk

The IMB monitors interest rate risk of the Pool by evaluating the real modified duration of the investments in the Pool. The following table provides the weighted average real modified duration for the various asset types in the Pool as of June 30, 2013.

Investment Type	Fair Value	Real Modified Duration (years)
Short-term issue	\$ 601	0.0
U.S. Treasury inflation-protected securities	653,371	7.8
Total investments	\$ 653,972	7.8

#### Foreign Currency Risk

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

### 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, 2013:

Assets	Level 1	Level 2	Level 3	Total
Short-term issue	\$ 601	\$ -	\$ -	\$ 601
U.S. Treasury inflation-protected securities	-	653,371	-	653,371
Total	\$ 601	\$ 653,371	\$ -	\$ 653,972

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

# TIPS Pool

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

### NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2013.

Fair value of securities on loan	\$	285,159			
Initial collateral received:		Cost	Fair Value	Unrealized Depreciation	
Cash	\$	-	\$	-	\$
Non-cash			291,050		
Total			\$	291,050	

### NOTE 7. INVESTMENT ADVISORY FEES

The IMB has approved an investment advisory agreement with SSgA to manage the investments of the Pool. This agreement provides for quarterly payments, based on average end of month assets under management, to the investment advisor. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to SSgA include a base fee of 0.03 percent annually on the first \$200 million of net assets under management and a base fee of 0.02 percent annually on the assets over \$200 million. The effective fee rate earned by SSgA for the year ended June 30, 2013, was 0.023 percent.

### NOTE 8. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$	11.05
Income from investment operations:		
Net investment income		0.12
Net realized and unrealized loss on investment transactions		(0.65)
Total from investment operations		(0.53)
Net asset value at June 30, 2013	\$	10.52

<b>Total Return *</b>		-4.8%
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#### Supplemental Data:

Net assets, end of period	\$	657,094
Ratio to average net assets:		
Expenses **		0.06%
Net investment income **		1.11%
Portfolio turnover rate		34.55%

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

\*\* All ratios are for the fiscal year

# TIPS 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, 2013. 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>
Revenue Shortfall Reserve Fund	\$ 216,751
Teachers' Retirement System	108,903
Workers' Compensation Old Fund	98,187
Public Employees' Retirement System	94,193
Revenue Shortfall Reserve Fund - Part B	49,922
Coal Workers' Pneumoconiosis Fund	24,879
Public Employees Insurance Agency	18,391
Board of Risk and Insurance Management	13,229
State Police Death, Disability and Retirement Fund	9,988
West Virginia Retiree Health Benefit Trust Fund	9,704
Judges' Retirement System	2,750
Deputy Sheriff's Retirement System	2,594
State Police Retirement System	1,834
Workers' Compensation Self-Insured Guaranty Risk Pool	1,374
AccessWV	1,062
Workers' Compensation Uninsured Employers' Fund	921
Wildlife Endowment Fund	886
Emergency Medical Services Retirement System	815
West Virginia Department of Environmental Protection Trust	702
Municipal Police Officers' and Firefighters' Retirement System	9
Total	<u>\$ 657,094</u>

### NOTE 10. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**TRS Annuity Pool**

# TRS Annuity Pool

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## Audited Financial Statements June 30, 2013

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board TRS Annuity Pool (the "Pool"), which comprise the statement of assets and liabilities as of June 30, 2013, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations, changes in its net assets, and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# TRS Annuity Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

<b>Assets</b>	\$	-
<b>Liabilities</b>		
Accrued expenses		<u>94</u>
<b>Net assets</b>	\$	<u><u>(94)</u></u>
<b>Analysis of net assets</b>		
Accumulated undistributed net investment loss	\$	<u>(94)</u>
<b>Net assets</b>	\$	<u><u>(94)</u></u>
<b>Unit data</b>		
Units outstanding		-
Net asset value, unit price		<u><u>N/A</u></u>

See accompanying notes to financial statements.

# TRS Annuity Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Interest \$ 2,094

**Expenses**

Management fees (14)

Professional service fees (484)

**Total expenses** (498)

**Investment income, net** 1,596

**Net increase in net assets from operations** \$ 1,596

*See accompanying notes to financial statements.*

# TRS Annuity Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2013**  
*(Amounts in thousands, except unit data)*

**Operations**

Investment income, net \$ 1,596

**Distributions to unitholders**

Investment income, net (26,276)

**Unit transactions**

Proceeds from sale of units 411

Reinvestment of distributions 26,276

26,687

Amount paid for repurchase of units (55,124)

**Net decrease in net assets from unit transactions** (28,437)

**Decrease in net assets** (53,117)

**Net assets, beginning of period** 53,023

**Net assets, end of period** \$ (94)

**Unit data**

Units sold 34,561

Units issued from reinvestment of distributions 2,183,900

2,218,461

Units repurchased (6,765,492)

**Net decrease in units** (4,547,031)

*See accompanying notes to financial statements.*

# TRS Annuity Pool

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## Statement of Cash Flows Year Ended June 30, 2013 *(Amounts in thousands)*

### Cash flows from operating activities

Net increase in net assets from operations	\$ 1,596
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities	(2,098)
Sale of investment securities	55,191
Increase in accrued expenses	<u>24</u>
<b>Net cash provided by operating activities</b>	<b>54,713</b>

### Cash flows from financing activities

Proceeds from units sold	411
Paid for repurchase of units	<u>(55,124)</u>
<b>Net cash used in financing activities</b>	<b><u>(54,713)</u></b>

**Net change in cash** -

### Cash

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

*See accompanying notes to financial statements.*

# TRS Annuity 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 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	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 held an investment contract issued by the Variable Annuity Life Insurance Company (VALIC) strictly for the benefit of the Teachers Retirement System (TRS). On December 10, 2008, the IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate retirement plan administered solely by the Consolidated Public Retirement System, 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 final amount transferred under the contract was \$248,293.

The IMB initially requested the immediate redemption of the entire balance but VALIC denied the request, claiming the amounts were subject to withdrawal restrictions. Effective April 23, 2009, the IMB, while reserving its rights under the contract, executed the appropriate forms with VALIC to elect to withdraw funds under the Five Year Equal Annual Installment method. By making this election the guaranteed minimum annual yield of 4.5 percent became the fixed rate for this contract. The first four withdrawals of \$55,058 each occurred on May 4, 2009, 2010, 2011 and 2012. The final withdraw of \$55,191 occurred on May 8, 2013.

# TRS Annuity Pool

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

### NOTE 1. DESCRIPTION OF THE ENTITY (continued)

In response to VALIC's denial to allow the IMB to liquidate the contract in its entirety, the IMB sued VALIC and the litigation is ongoing. The outcome of the litigation is unknown and accordingly the IMB has not accrued any potential revenues from the case. There are ongoing legal fees associated with this litigation and these expenses are accrued to the Pool. The funding for the payment of these expenses results from contributions by the TRS into the TRS Annuity Pool. Amounts recovered pursuant to the litigation, if any, will be recorded in the TRS Annuity Pool and distributed to the TRS. Once the case is resolved the TRS Annuity Pool will be closed.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The investment contract held by this Pool was the sole investment of the Pool and it was fully redeemed on May 8, 2013. However, the Pool is to be kept open so that all on-going expenses associated with the investment contract can be properly reported and charged to the TRS.

**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.

**Distributions to Participants** - The Pool did not routinely distribute dividends of net investment income or net realized gains. However, on May 8, 2013, the Pool declared a special dividend of net operating income. This dividend was reinvested on May 8, 2013. This dividend payment was made to facilitate participant withdrawals from the Pool.

**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 U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

### NOTE 3. 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:

# TRS Annuity Pool

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

### NOTE 3. FAIR VALUE MEASUREMENTS (continued)

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

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The Pool held no investments at June 30, 2013, and accordingly no fair value hierarchy levels are reported.

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2013, was as follows:

	<u>Annuity contract</u>
Balance at June 30, 2012	\$ 53,093
Net realized gain/(loss)	-
Net change in unrealized appreciation/(depreciation)	-
Purchases	2,098
Sales	(55,191)
Net transfers in/(out) of Level 3	-
Balance at June 30, 2013	<u>\$ -</u>

### NOTE 4. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$ 11.66
Net investment income from investment operations	0.35
Less distributions from net investment income	(5.74)
Less liquidation of units	(6.27)
Net asset value at June 30, 2013	<u>\$ -</u>

**Total Return \*** 3.0%

#### Supplemental Data:

Net assets, end of period	\$ (94)
Ratio to average net assets:	
Expenses **	0.90%
Net investment income **	3.50%
Portfolio turnover rate	4.23%

\* Return data is net of fees is for the period July 1, 2012 through April 30, 2013 and is not annualized

\*\* All ratios are for the period July 1, 2012 through April 30, 2013 and are annualized



# TRS Annuity Pool

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

### **NOTE 5. SUBSEQUENT EVENTS**

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**Private Equity Pool**

# Private Equity Pool

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## **Audited Financial Statements June 30, 2013**

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Private Equity Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations, changes in its net assets, and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# Private Equity Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$926,365)	\$ 1,155,369
Dividends receivable	<u>3</u>
<b>Total assets</b>	<b>1,155,372</b>

### Liabilities

Accrued expenses	<u>208</u>
<b>Net assets</b>	<b><u>\$ 1,155,164</u></b>

### Analysis of net assets

Paid-in capital	\$ 865,859
Accumulated undistributed net investment loss	(6,404)
Accumulated undistributed net realized gain from investments	66,705
Unrealized net appreciation of investments	<u>229,004</u>
<b>Net assets</b>	<b><u>\$ 1,155,164</u></b>

### Unit data

Units outstanding	90,404,713
Net asset value, unit price	<u>\$ 12.78</u>

See accompanying notes to financial statements.

# Private Equity Pool

## Schedule of Investments

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
<b><u>Private Equity Partnerships</u></b>			
<i>Corporate Finance - Buyout Funds</i>			
Advent International GPE VI - A, L.P.		\$ 32,170	\$ 43,092
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. Contractual termination date is in March 2018.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
Carlyle Partners V, L.P.		34,571	42,802
Investment Objective - To generate superior, long-term capital appreciation through privately negotiated equity and equity related investments. Contractual termination date is in December 2018.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
Court Square Capital Partners III, L.P.		4,193	3,946
Investment Objective - To make leveraged acquisitions of mature, upper middle market companies in the U.S., primarily in the business services, general industrial, healthcare, and telecom & technology sectors. Contractual termination date is in May 2023.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
Hellman & Friedman Capital Partners VII, L.P.		11,090	11,212
Investment Objective - To make investments, both domestically and internationally, in public and private companies seeking long-term capital appreciation. Contractual termination date is in June 2021.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
JFL Equity Investors III, L.P.		18,118	17,563
Investment Objective - To seek long-term capital appreciation by acquiring, holding, and disposing of securities involved in or connected with defense, aerospace, marine, or engineering industries. Contractual termination date is in September 2020.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
Mason Wells Buyout Fund III, L.P.		20,465	18,171
Investment Objective - To deliver superior risk-adjusted investment returns by applying the Mason Wells Value Creation System to drive improvements to operating and financial performance at portfolio companies. Contractual termination date is in August 2020.			
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 (continued)

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
Natural Gas Partners IX, L.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 American oil and gas companies. Contractual termination date is in December 2017. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		37,430	43,517
NGP Natural Resources X, L.P. Investment Objective - To generate long-term capital gains through equity investments in companies engaged in the energy, water, and food and agriculture sectors, with an emphasis on privately negotiated equity investments in North American oil and gas companies. Contractual termination date is in December 2021. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		18,582	20,445
Odyssey Investment Partners Fund IV, L.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. Contractual termination date is in August 2018. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		27,956	43,999
Riverside Fund IV, L.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. Contractual termination date is in December 2019. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		25,177	27,050
Riverside Fund V, L.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. Contractual termination date is in May 2022. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		4,974	3,992

*See accompanying notes to financial statements.*



# Private Equity Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Thoma Bravo Fund X, L.P. Investment Objective - To seek long-term capital appreciation by acquiring, holding, and disposing of securities involved in or connected with enterprise and infrastructure software, financial and business services, and education. Contractual termination date is in December 2021. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		12,399	14,128
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. Contractual termination date is in May 2020. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		31,521	40,715
Wellspring Capital Partners V, L.P. Investment Objective - To target under-managed or underperforming companies possessing strong core franchises and solid fundamentals in the consumer products, manufacturing, retail, distribution, and business and consumer service industries. Contractual termination date is in June 2021. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		10,600	8,804
Wicks Capital Partners Fund IV, L.P. Investment Objective - To invest in and build middle market businesses in selected segments of the information, education and media industries. Contractual termination date is in October 2022. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		14,108	15,502
<i>Total Corporate Finance - Buyout Funds</i>		303,354	354,938
<i>Corporate Finance - Distressed Debt</i>			
Clearlake Capital III, L.P. Investment Objective - To make special situation investments in small and middle market companies, specifically distressed debt, rescue financing, growth capital, and turnaround investments. Contractual termination date is in October 2022. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		7,587	7,184
TPG Credit Strategies Fund II, L.P. Investment Objective - To pursue an opportunistic distressed investment strategy, with a primary focus of acquiring assets such as non-performing loan portfolios, aviation assets, corporate debt, and other distressed assets. Contractual termination date is in July 2018. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		25,785	30,217
<i>Total Corporate Finance - Distressed Debt</i>		33,372	37,401

See accompanying notes to financial statements.

# Private Equity Pool

## Schedule of Investments (continued)

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
<i>Corporate Finance - Growth Equity</i>			
LLR Equity Partners III, L.P.		25,985	33,166
Investment Objective - To provide investors with substantial long-term capital gains by investing in a diversified portfolio of equity securities. Contractual termination date is in July 2018.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
TA XI, L.P.		19,390	22,262
Investment Objective - To achieve capital appreciation with relatively modest risk by originating investments in profitable, middle-market companies in growth industries. Contractual termination date is in July 2020.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
<i>Total Corporate Finance - Growth Equity</i>		45,375	55,428
<i>Corporate Finance - Mezzanine</i>			
Insight Equity Mezzanine I, L.P.		5,765	6,340
Investment Objective - To invest in mezzanine securities issued by companies in which Insight is also an equity sponsor. Contractual termination date is in February 2019.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
Levine Leichtman Capital Partners V, L.P.		238	-
Investment Objective - To make debt and equity investments in middle market companies which typically provide both elements of current income and equity appreciation. Contractual termination date is ten years from the final close.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
<i>Total Corporate Finance - Mezzanine</i>		6,003	6,340
<i>Corporate Finance - Turnaround</i>			
H.I.G. Bayside Debt & LBO Fund II, L.P.		21,201	22,203
Investment Objective - To invest in distressed debt obligations and other securities of distressed lower middle market companies. Contractual termination date is in May 2016.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
Insight Equity II, L.P.		22,671	22,189
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. Contractual termination date is in October 2018.			
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 (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
KPS Special Situations Fund III (Supplemental), L.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. Contractual termination date is in November 2017. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		17,664	23,824
Platinum Equity Capital Partners II, L.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. Contractual termination date is in August 2018. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		31,527	38,251
<i>Total Corporate Finance - Turnaround</i>		93,063	106,467
<i>Venture Capital</i>			
Franklin Park Venture Fund Series 2008, L.P. Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. Contractual termination date is in March 2023. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		18,016	21,801
Franklin Park Venture Fund Series 2009, L.P. Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. Contractual termination date is in January 2024. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		15,269	20,087
Franklin Park Venture Fund Series 2010, L.P. Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. Contractual termination date is in January 2025. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		9,045	9,159
Franklin Park Venture Fund Series 2011, L.P. Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. Contractual termination date is in January 2026. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available.		7,111	7,370

See accompanying notes to financial statements.

# Private Equity Pool

## Schedule of Investments (continued)

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
Franklin Park Venture Fund Series 2012, L.P.		3,947	3,788
Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets.			
Contractual termination date is in January 2027.			
Redemption Provisions - Upon termination of the partnership.			
A detail of the underlying investments is not available.			
<i>Total Venture Capital</i>		53,388	62,205
Total Private Equity Partnerships - 53.9%		534,555	622,779
<b><u>Hedge Fund</u></b>			
<i>Multiple Strategy Fund</i>			
Bridgewater All Weather Portfolio II, LTD	275,337	331,437	472,217
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.			
Total Hedge Fund - 40.9%		331,437	472,217
<b><u>Short-term Issue</u></b>			
Dreyfus Cash Management Institutional Fund - 5.2%	60,373,306	60,373	60,373
Total Investments - 100.0%		\$ 926,365	\$ 1,155,369

*See accompanying notes to financial statements.*

# Private Equity Pool

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## Statement of Operations Year Ended June 30, 2013 *(Amounts in thousands)*

### Investment income

Dividends	\$	31
Fund closing income		<u>204</u>
<b>Total investment income</b>		<b>235</b>

### Expenses

Trustee fees		(4)
Custodian bank fees		(3)
Management fees		(310)
Fiduciary bond fees		(2)
Professional service fees		(871)
Fund closing costs		(293)
Management fees - external		<u>(90)</u>
<b>Total expenses</b>		<b><u>(1,573)</u></b>
<b>Investment loss, net</b>		<b>(1,338)</b>

### Realized and unrealized gain from investments

Net realized gain from investments		85,339
Net change in unrealized appreciation (depreciation) on investments		<u>516</u>
<b>Net gain from investments</b>		<b><u>85,855</u></b>
<b>Net increase in net assets from operations</b>	<b>\$</b>	<b><u><u>84,517</u></u></b>

*See accompanying notes to financial statements.*

# Private Equity Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2013**  
*(Amounts in thousands, except for unit data)*

**Operations**

Investment loss, net	\$ (1,338)
Net realized gain from investments	85,339
Net change in unrealized appreciation (depreciation) on investments	<u>516</u>

**Net increase in net assets from operations** 84,517

**Unit transactions**

Proceeds from sale of units	153,950
Amount paid for repurchase of units	<u>(111,241)</u>

**Net increase in net assets from unit transactions** 42,709

**Increase in net assets** 127,226

**Net assets, beginning of period** 1,027,938

**Net assets, end of period** \$ 1,155,164

**Unit data**

Units sold	12,491,002
Units repurchased	<u>(9,368,064)</u>

**Net increase in units** 3,122,938

*See accompanying notes to financial statements.*

# Private Equity Pool

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**Statement of Cash Flows**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Cash flows from operating activities**

Net increase in net assets from operations	\$ 84,517
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:	
Purchase of investments	(233,628)
Proceeds from disposition of investments	219,563
Purchases and sales of short-term investment securities, net	(27,752)
Decrease in advance on investment in other funds	436
Decrease in dividends receivable	1
Increase in accrued expenses	9
Net realized gain from investments	(85,339)
Net change in unrealized appreciation (depreciation) on investments	<u>(516)</u>
<b>Net cash used in operating activities</b>	<b>(42,709)</b>

**Cash flows from financing activities**

Proceeds from units sold	153,950
Paid for repurchase of units	<u>(111,241)</u>
<b>Net cash provided by financing activities</b>	<b><u>42,709</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	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

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 4 for further discussion and presentation of the reporting requirements under ASC 820.



# Private Equity Pool

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

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

Fair value of the Pool's portfolio securities is determined as follows:

- Investments in private equity partnerships and other private funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the general partners approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. 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 IMB's 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, 2013.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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 investments in partnerships are recognized when the partnership has realized its interest in a portfolio company and we have sufficient information as to the amount and date of the distribution. Gains and losses on the sale of other investments 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 of net investment income or net realized 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. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

# Private Equity Pool

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

### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds limited partnerships, shares of a hedge fund and a money market fund with the highest credit rating. The investments in limited partnerships and a hedge fund might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. At June 30, 2013, 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. 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, 2013:

Assets	Level 1	Level 2	Level 3	Total
Corporate finance - buyout funds	\$ -	\$ -	\$ 354,938	\$ 354,938
Corporate finance - distressed debt	-	-	37,401	37,401
Corporate finance - growth equity	-	-	55,428	55,428
Corporate finance - mezzanine	-	-	6,340	6,340
Corporate finance - turnaround	-	-	106,467	106,467
Multiple strategy fund	-	-	472,217	472,217
Short-term issue	60,373	-	-	60,373
Venture capital	-	-	62,205	62,205
Total	\$ 60,373	\$ -	\$ 1,094,996	\$ 1,155,369

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2013.

# Private Equity Pool

## Notes to Financial Statements

*(Amounts in thousands, except share data)*

### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2013, was as follows:

	Corporate finance - buyout funds	Corporate finance - distressed debt	Corporate finance - growth equity	Corporate finance - mezzanine
Balance at June 30, 2012	\$ 253,363	\$ -	\$ 49,506	\$ 3,502
Net realized gain	23,070	19	1,549	432
Net change in unrealized appreciation	28,367	4,029	5,790	274
Purchases	102,821	33,372	8,500	2,633
Sales	(52,683)	(19)	(9,917)	(501)
Net transfers in/(out) of Level 3	-	-	-	-
Balance at June 30, 2013	<u>\$ 354,938</u>	<u>\$ 37,401</u>	<u>\$ 55,428</u>	<u>\$ 6,340</u>

	Corporate finance - turnaround	Multiple strategy fund	Venture capital	Total
Balance at June 30, 2012	\$ 100,501	\$ 549,825	\$ 38,379	\$ 995,076
Net realized gain	15,457	41,427	3,385	85,339
Net change in unrealized appreciation (depreciation)	5,481	(49,035)	5,610	516
Purchases	16,790	50,000	19,512	233,628
Sales	(31,762)	(120,000)	(4,681)	(219,563)
Net transfers in/(out) of Level 3	-	-	-	-
Balance at June 30, 2013	<u>\$ 106,467</u>	<u>\$ 472,217</u>	<u>\$ 62,205</u>	<u>\$ 1,094,996</u>

The total change in unrealized appreciation (depreciation) included in the Statement of Operations attributable to Level 3 investments still held at June 30, 2013, includes the following:

Corporate finance - buyout funds	\$ 28,367
Corporate finance - distressed debt	4,029
Corporate finance - growth equity	5,790
Corporate finance - mezzanine	274
Corporate finance - turnaround	5,481
Multiple strategy fund	(49,035)
Venture capital	5,610
Total	<u>\$ 516</u>

# Private Equity Pool

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

### NOTE 5. 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, 2013, the IMB had made commitments to thirty-four private equity general partnerships.

Partnership Classification	Total Commitment	Funded Commitment	Unfunded Commitment
Corporate finance - buyout funds	\$ 689,000	\$ 331,778	\$ 357,222
Corporate finance - distressed debt	80,000	33,372	46,628
Corporate finance - growth equity	80,000	56,093	23,907
Corporate finance - mezzanine	50,000	5,926	44,074
Corporate finance - turnaround	210,000	112,390	97,610
Venture capital	148,000	55,183	92,817
Total	<u>\$ 1,257,000</u>	<u>\$ 594,741</u>	<u>\$ 662,258</u>

### NOTE 6. FINANCIAL HIGHLIGHTS

**Per Unit Operating Performance:**

Net asset value at June 30, 2012	\$ 11.78
Income from investment operations:	
Net investment loss	(0.02)
Net realized and unrealized gain on investment transactions	1.02
Total from investment operations	<u>1.00</u>
Net asset value at June 30, 2013	<u>\$ 12.78</u>

**Total Return \*** 8.5%

**Supplemental Data:**

Net assets, end of period	\$ 1,155,164
Ratio to average net assets:	
Expenses **	0.15%
Net investment loss **	-0.13%
Portfolio turnover rate	21.61%

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

\*\* All ratios are for the fiscal year and do not reflect the Pool's proportionate share of income and expenses of the underlying investee funds.

# Private Equity 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, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 541,454
Public Employees' Retirement System	471,951
State Police Death, Disability and Retirement Fund	51,009
West Virginia Retiree Health Benefit Trust Fund	46,496
Judges' Retirement System	13,828
Deputy Sheriff's Retirement System	12,933
State Police Retirement System	8,957
Wildlife Endowment Fund	4,442
Emergency Medical Services Retirement System	4,049
Municipal Police Officers' and Firefighters' Retirement System	45
Total	<u>\$ 1,155,164</u>

### NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**Real Estate Pool**

# Real Estate Pool

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## Audited Financial Statements June 30, 2013

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Real Estate Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 Real Estate Pool at June 30, 2013, and the results of its operations, changes in its net assets, and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# Real Estate Pool

## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$893,017), including securities on loan of \$2,396 (Note 6)	\$	981,670
Receivables:		
Investments sold		149
Foreign tax withholding		23
Interest		1,443
Dividends		1,084
Securities lending income		2
Unrealized appreciation on foreign currency contracts (Note 8)		<u>1</u>
<b>Total assets</b>		<b>984,372</b>

### Liabilities

Accrued expenses		764
Payable for investments purchased		2,846
Payable upon return of securities loaned (Note 6)		2,350
Unrealized depreciation on foreign currency contracts (Note 8)		<u>1</u>
<b>Total liabilities</b>		<b><u>5,961</u></b>
<b>Net assets</b>	<b>\$</b>	<b><u><u>978,411</u></u></b>

### Analysis net assets

Paid-in capital	\$	813,826
Accumulated undistributed net investment income		31,856
Accumulated undistributed net realized gain from investments		43,893
Accumulated undistributed net realized gain from foreign currency transactions		187
Unrealized net appreciation of investments		89,909
Unrealized net depreciation on translation of assets and liabilities in foreign currencies		<u>(1,260)</u>
<b>Net assets</b>	<b>\$</b>	<b><u><u>978,411</u></u></b>

### Unit data

Units outstanding		92,122,147
Net asset value, unit price	\$	<u><u>10.62</u></u>

See accompanying notes to financial statements.

# Real Estate Pool

## Schedule of Investments June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
<b>Private Real Estate Partnerships and Funds</b>			
<i>Core Funds</i>			
CIM VI-1, LLC		\$ 6,066	\$ 6,354
Investment Objective - To invest in substantially stabilized core real estate and real estate related assets located in urban areas that are experiencing positive transition due to urbanization trends. Contractual termination date is in December 2019.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Harrison Street Core Property Fund, L.P.		50,000	51,480
Investment Objective - To invest primarily in a core portfolio of properties related to education, healthcare, and storage sectors of the commercial real estate market. No contractual termination date.			
Redemption Provisions - Quarterly subject to the terms of the fund's governing documents and available liquidity.			
A detail of the underlying investments is not available.			
Invesco Core Real Estate - U.S.A., L.P.		30,000	44,739
Investment Objective - The Fund will invest in core properties located in the United States. No contractual termination date.			
Redemption Provisions - Quarterly with 90 days written notice.			
A detail of the underlying investments is not available.			
PCCP First Mortgage II, L.P.		23,453	23,978
Investment Objective - To invest in senior, floating-rate first mortgage loans secured by commercial real estate properties. Contractual termination date is in December 2019.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Quadrant Fund I, LLC		15,000	13,499
Investment Objective - To achieve a highly stable dividend yield and attractive total return by investing in real estate assets on a relative value basis across private and public, debt and equity investments. No contractual termination date.			
Redemption Provisions - Quarterly on the last business day.			
No underlying investments exceed 5% of net assets of the Private Real Estate Pool.			
RREEF America REIT II, Inc.		80,000	93,488
Investment Objective - To invest in a portfolio of income producing core real estate properties diversified by property type and geographically in the United States. No contractual termination date.			
Redemption Provisions - Quarterly with 45 days written notice.			
A detail of the underlying investments is not available.			
UBS Trumbull Property Fund		50,000	62,988
Investment Objective - To invest in a portfolio of core equity investments in income producing real property diversified by property type and geographically in the United States. No contractual termination date.			
Redemption Provisions - Quarterly with 60 days written notice.			
A detail of the underlying investments is not available.			
UBS Trumbull Property Income Fund		50,000	52,445
Investment Objective - To provide investors with a positive total return in excess of the rate of inflation in all market conditions on a rolling three to five year period. No contractual termination date.			
Redemption Provisions - Quarterly with 60 days written notice.			
A detail of the underlying investments is not available.			
		304,519	348,971
<i>Opportunistic Funds</i>			
Blackstone RE Partners Europe III, L.P.		12,867	17,166
Investment Objective - To invest in a broad range of real estate and real estate related investments in Europe. Contractual termination date is in December 2018.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			

See accompanying notes to financial statements.

# Real Estate Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Kennedy Wilson Real Estate Fund IV, L.P.		30,777	32,928
Investment Objective - To seek targeted real estate investment in opportunistic and value-add strategies located primarily in the western United States. Contractual termination date is in May 2019.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Lone Star Real Estate Fund II, L.P.		5,660	7,216
Investment Objective - To invest in global real estate investments in distressed commercial real estate debt and equity. Contractual termination date is in December 2017.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Lone Star Fund VII, L.P.		2,974	9,177
Investment Objective - To invest in global real estate investments in distressed loans and securities, with a focus on single family and residential assets. Contractual termination date is in December 2017.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Oaktree Real Estate Opportunities Fund V, L.P.		23,250	27,925
Investment Objective - To target distressed real estate debt and equity investments that provide an opportunity for substantial long-term capital appreciation and current income. Contractual termination date is in December 2021.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Oaktree Real Estate Opportunities Fund VI, L.P.		21,000	20,934
Investment Objective - To target distressed real estate debt and equity investments that provide an opportunity for substantial long-term capital appreciation and current income. Contractual termination date is in August 2022.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
<i>Total Opportunistic Funds</i>		96,528	115,346
<i>Value Funds</i>			
ABR Chesapeake Investors IV, L.P.		18,596	19,400
Investment Objective - To generate a 14% net return to investors through the acquisition of moderately leveraged real estate assets generally valued between \$10 million and \$30 million in the value-add sector. Contractual termination date is in September 2020.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
AG Core Plus Realty Fund III, L.P.		23,364	25,878
Investment Objective - To invest in core plus equity real estate investments primarily located in the U.S. that provide opportunities to enhance and stabilize returns, and to generate a gross return ranging from 13-15%. Contractual termination date is in February 2021.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
BPG Investment Partnership IX, L.P.		11,891	13,130
Investment Objective - To invest in a broad range of real estate assets in the U.S. in which value can be enhanced through intense operations and asset management, and to generate an internal rate of return in excess of 12%, net of fees, costs, and carried interest. Contractual termination date is in February 2019.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			

See accompanying notes to financial statements.

# Real Estate Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Bristol Value II, L.P.		1,861	1,736
Investment Objective - To invest in properties and other real estate-related investments with high return value-added potential and achieve a leveraged internal rate of return of 14-18%. Contractual termination date is in January 2021.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
DRA Growth & Income Fund VII, LLC		20,523	21,503
Investment Objective - To capitalize on inefficiencies in real estate markets and to make real estate investments that provide value-add opportunities expected to provide investors a 12-15% rate of return on their investments. Contractual termination date is in December 2021.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Madison International Real Estate Liquidity Fund V, L.P.		13,617	14,171
Investment Objective - To acquire illiquid ownership interests in core-quality properties within the United States and Europe with long-term cash flow profiles and limited lease expiration risks. Contractual termination date is eight years from the final closing.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
Mesa West Real Estate Income Fund II, L.P.		17,105	25,300
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. Contractual termination date is in December 2017.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
RCG Longview Debt Fund IV, L.P.		23,960	21,864
Investment Objective - To generate attractive risk-adjusted returns by capitalizing on inefficiencies in the commercial real estate lending marketplace by making debt and debt-like investments in real estate assets. Contractual termination date is in December 2016.			
Redemption Provisions - Upon termination of partnership.			
A detail of the underlying investments is not available.			
<i>Total Value Funds</i>		130,917	142,982
Total Private Real Estate Partnerships and Funds - 62.1%		531,964	607,299
<b><u>Equity Securities</u></b>			
<i>Australia</i>			
CFS Retail Property Trust	109,957	210	201
Dexus Property Group	364,014	309	357
Federation Centres	107,500	217	233
Goodman Group	98,611	363	440
GPT Group	109,817	337	386
Investa Office Fund	20,900	47	56
Mirvac Group	232,823	347	342
Stockland	154,000	585	491
Westfield Group	55,019	565	576
Westfield Retail Trust	203,890	543	579
<i>Total Australia - 0.4%</i>		3,523	3,661
<i>Bermuda</i>			
Hongkong Land Holdings	161,084	1,005	1,107
Kerry Properties Ltd	158,300	813	620
Shangri-La Asia Ltd	240,416	544	415
<i>Total Bermuda - 0.2%</i>		2,362	2,142
<i>Brazil</i>			
Sonae Sierra Brasil - 0.0%	3,800	46	42
<i>Canada</i>			
Boardwalk	2,900	154	160

See accompanying notes to financial statements.

# Real Estate Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Calloway	5,800	132	141
Canadian	1,500	50	62
RioCan	50,341	1,230	1,206
<i>Total Canada - 0.2%</i>		1,566	1,569
<i>Cayman Islands</i>			
China Resources Land Ltd	102,000	227	279
Country Garden Holdings Co	131,787	53	69
Lifestyle International Hldngs	310,000	704	649
<i>Total Cayman Islands - 0.1%</i>		984	997
<i>China</i>			
Guangzhou R&F Properties Corp - 0.0%	185,000	284	268
<i>France</i>			
Fonciere des Regions	1,382	106	104
ICADE	8,405	818	693
Klepierre	15,180	550	597
Mercialys	1,520	34	29
Societe Immobiliere de Locatio	860	106	89
Unibail-Rodamco	6,629	1,387	1,542
<i>Total France - 0.3%</i>		3,001	3,054
<i>Germany</i>			
GSW Immobilien AG	1,889	54	73
LEG Immobilien AG	2,900	175	151
<i>Total Germany - 0.0%</i>		229	224
<i>Hong Kong</i>			
China Overseas Land & Invstmnt	244,600	517	642
Hang Lung Properties Ltd	198,500	857	692
Hysan Development Company	160,471	586	696
Link REIT	90,600	305	446
New World Development Co Ltd	129,100	198	179
New World Development - Rights	1,614	-	-
Sino Land Company Ltd.	133,612	207	188
Sun Hung Kai Properties Ltd	54,071	831	698
Swire Properties Limited	64,000	204	189
Wharf Hldgs Ltd	69,720	423	586
<i>Total Hong Kong - 0.4%</i>		4,128	4,316
<i>Japan</i>			
Activia Properties Inc	16	118	126
AEON Mall Company Ltd	26,000	593	643
Daiwa House Industry Co Ltd	42,000	458	783
Hulic Company Limited	12,200	124	131
Japan Real Estate Inv Corp	45	437	501
Japan Retail Fund Inv Corp	193	345	403
Kenedix Realty Investment Corp	23	84	91
Mitsubishi Estate Co Ltd	76,337	1,390	2,030
Mitsui Fudosan Co Ltd	75,600	1,396	2,220
Nippon Accommodations Fund	2	10	13
Nippon Building Fund Inc	8	105	92
Nippon Prologis REIT Inc	7	54	61
Sumitomo Realty & Development	26,500	861	1,055
Tokyo Tatemono Company Ltd	23,000	133	191
United Urban Investment Corp	134	166	181
<i>Total Japan - 0.9%</i>		6,274	8,521
<i>Netherlands</i>			
Eurocommercial Properties NV - 0.0%	3,341	130	122
<i>Singapore</i>			
Ascendas	32,000	71	56
CapitaCommercial Trust	231,000	246	267

See accompanying notes to financial statements.

# Real Estate Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
CapitaLand Ltd	354,804	1,002	862
CapitaMall Trust	124,000	187	195
City Developments Ltd	66,000	582	557
Global Logistic Properties	183,600	335	398
Mapletree Greater China	216,000	164	161
Wing Tai Holdings Ltd	118,938	155	192
<i>Total Singapore - 0.3%</i>		2,742	2,688
<i>Spain</i>			
Melia International SA - 0.0%	60,000	506	455
<i>Sweden</i>			
Castellum AB	42,807	531	577
Hufvudstaden AB	7,862	89	93
<i>Total Sweden - 0.1%</i>		620	670
<i>Switzerland</i>			
PSP Swiss Property AG - 0.0%	2,019	187	175
<i>Thailand</i>			
Central Pattana Public Company - 0.1%	362,400	167	526
<i>United Kingdom</i>			
British Land Company PLC	26,666	232	229
Derwent London PLC	26,640	625	929
Great Portland Estates PLC	97,274	546	784
Hammerson PLC	94,329	624	697
Land Securities Group PLC	79,686	905	1,068
Safestore Holdings PLC	33,000	66	62
SEGRO	18,400	74	78
Shaftesbury PLC	25,833	169	233
<i>Total United Kingdom - 0.4%</i>		3,241	4,080
<i>United States</i>			
Alexandria Real Estate Equitie	25,400	1,829	1,669
Alexandria Real Estate Equity	10,900	790	716
American Campus Communities	15,500	575	630
Apartment Investment & Mgmt Co	118,850	3,383	3,570
Ashford Hospitality Trust - Preferred Stock	13,000	307	329
Avalonbay Communities Inc	33,450	4,402	4,513
BioMed Realty Trust Inc	138,650	2,820	2,805
Boston Properties Inc	45,250	4,497	4,773
Brandywine Realty Trust	7,200	107	97
BRE Properties Inc	13,100	614	655
Campus Crest Communities Inc	5,000	65	58
CBL & Associates Properties - Preferred Stock	218,350	5,326	5,524
CBL & Associates Properties	2,800	62	60
Colonial Properties Trust	31,000	679	748
Commonwealth	4,700	89	109
Commonwealth REIT - Preferred Stock	75,000	1,852	1,883
DDR Corp	49,300	685	821
DDR Corp - Preferred Stock	28,366	708	712
Douglas Emmett Inc	75,700	1,773	1,889
Duke Realty Corp	77,950	1,226	1,215
Equity Lifestyle Properties - Preferred Stock	90,150	2,274	2,325
Equity Residential	133,400	7,600	7,745
Essex Property Trust Inc	14,800	2,046	2,352
Extra Space Storage Inc	17,800	744	746
Federal Realty Investment Trst	14,550	1,407	1,509
General Growth Properties Inc	199,334	3,803	3,961
Glimcher Realty Trust - Preferred Stock	108,965	2,615	2,736
Glimcher Realty Trust	200,000	5,000	4,928
HCP Inc	107,100	4,870	4,867
Health Care REIT Inc	89,650	5,474	6,009
Healthcare Realty Trust Inc	3,200	83	82

See accompanying notes to financial statements.

# Real Estate Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Shares	Cost	Fair Value
Healthcare Trust of Ameirica	6,200	75	70
Highwoods Properties Inc	5,700	186	203
Hospitality Properties Trust	150,000	3,803	3,782
Host Hotels & Resorts Inc	265,500	4,321	4,479
Hudson Pacific Properties - Preferred Stock	566,600	14,349	14,987
Inland Real Estate Corp	80,700	2,159	2,086
Kilroy Realty Corporation	18,900	865	1,002
Kimco Realty Corporation	131,300	2,713	2,814
LaSalle Hotel Properties	50,800	1,298	1,261
Lexington Realty Trust	11,300	133	132
Liberty Property Trust	10,800	349	399
Macerich Company	78,350	4,582	4,777
Mack-Cali Realty Corp	73,800	1,966	1,807
Pebblebrook Hotel Trust	4,200	83	109
Plum Creek Timber Co Inc	8,600	382	401
Post Properties Inc	7,000	292	346
Prologis Inc	214,181	7,670	8,079
Public Storage	166,700	8,463	8,570
Ramco-Gershenson Properties	4,300	68	67
Regency Centers Corp	38,100	1,937	1,936
RLJ Lodging Trust	53,900	1,253	1,212
Saul Centers Inc - Preferred Stock	95,400	2,385	2,433
Senior Housing Prop Trust	10,200	273	264
Simon Property Group	19,570	1,958	3,090
Simon Property Group Inc	65,100	10,240	10,281
SL Green Realty Corp	37,400	2,973	3,298
STAG Industrial Inc - Preferred Stock	45,750	1,150	1,216
Starwood Hotels & Resorts Inc	19,250	1,233	1,216
Strategic Hotel Capital Inc	11,200	95	99
Sunstone Hotel Investors Inc	105,450	1,251	1,274
Tanger Factory Outlet Centers	3,840	100	128
Taubman Centers Inc	14,300	873	1,075
UDR Inc	121,900	2,963	3,107
Urstadt Biddle Properties Inc - Preferred Stock	75,400	1,885	1,952
Ventas Inc	68,000	4,083	4,723
Vornado Realty LP	56,800	1,553	1,501
Vornado Realty Trust	45,050	3,684	3,732
Weingarten Realty Investors	38,150	1,120	1,174
Weyerhaeuser Company	7,000	209	199
<i>Total United States - 17.3%</i>		<u>162,680</u>	<u>169,317</u>
Total Equity Securities - 20.7%		192,670	202,827
<b>Short-term Issue</b>			
Dreyfus Cash Management Institutional Fund - 3.8%	37,358,469	37,358	37,358

(Continued)

See accompanying notes to financial statements.



# Real Estate Pool

## Schedule of Investments (continued)

June 30, 2013

(Amounts in thousands, except share data)

Description	Par Value	Cost	Fair Value
<b>Corporate Bonds</b>			
Colonial Realty LP, 6.25% Due 6/15/2014	\$ 9,793	\$ 10,000	\$ 10,246
Colonial Realty LP, 5.5% Due 10/1/2015	6,759	6,904	7,292
Colonial Realty LP, 6.05% Due 9/1/2016	2,925	3,089	3,249
Commonwealth, 5.75% Due 11/1/2015	1,351	1,400	1,429
Commonwealth, 6.25% Due 8/15/2016	7,425	7,905	7,971
Commonwealth, 6.25% Due 6/15/2017	5,000	5,217	5,365
DDR Corp, 5.5% Due 5/1/2015	2,492	2,672	2,667
DDR Corp, 9.63% Due 3/15/2016	2,772	3,099	3,301
Equity One, Inc, 6.0% Due 9/15/2016	400	420	447
First Industrial LP, 6.42% Due 6/1/2014	5,888	6,091	6,114
HCP Inc, 6.0% Due 6/15/2014	3,000	3,148	3,139
HCP Inc, 6.0% Due 3/1/2015	2,163	2,343	2,328
Health Care REIT Inc, 3.63% Due 3/15/2016	12,000	11,919	12,584
Health Care REIT Inc, 6.2% Due 6/1/2016	6,947	7,807	7,801
Hospitality Properties Trust, 5.13% Due 2/15/2015	3,290	3,380	3,407
Hospitality Properties Trust, 6.3% Due 6/15/2016	6,950	7,396	7,557
Kilroy Realty Corporation, 5.0% Due 11/3/2015	2,212	2,270	2,384
Mack-Cali Realty LP, 5.13% Due 1/15/2015	2,180	2,303	2,293
Mack-Cali Realty LP, 5.8% Due 1/15/2016	5,000	5,495	5,444
Prologis LP, 5.63% Due 11/15/2015	2,560	2,649	2,773
Prologis LP, 5.75% Due 4/1/2016	6,000	6,260	6,587
Prologis LP, 5.63% Due 11/15/2016	2,000	2,270	2,234
Reckson Operating Partnership, 5.88% Due 8/15/2014	6,586	6,714	6,874
Reckson Operating Partnership, 6.0% Due 3/31/2016	13,370	14,201	14,569
Senior Housing Prop Trust, 4.3% Due 1/15/2016	1,435	1,424	1,487
UDR Inc, 5.13% Due 1/15/2014	2,245	2,298	2,295
Total Corporate Bonds - 13.5%		<u>128,674</u>	<u>131,837</u>
<b>Investments Made with Cash Collateral for Securities Loaned</b>			
BNY Mellon Securities Lending Overnight Fund		2,334	2,334
Mellon SL DBT II Liquidating Fund		16	15
Total Investments Made with Cash Collateral for Securities Loaned - 0.2%		<u>2,350</u>	<u>2,349</u>
Total Investments - 100.3%		<u>\$ 893,016</u>	<u>\$ 981,670</u>

See accompanying notes to financial statements.

## Real Estate Pool

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**Statement of Operations**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Investment income**

Interest	\$	5,314
Income distributions from real estate partnerships		5,847
Dividends, net of foreign withholding taxes (\$67)		8,477
Fund closing interest		2,029
Net securities lending income		<u>41</u>

**Total investment income** 21,708

**Expenses**

Investment advisor fees		(2,318)
Trustee fees		(3)
Custodian bank fees		(89)
Management fees		(235)
Fiduciary bond fees		(2)
Professional service fees		(503)
Management fees - external		(300)
Fund closing costs		<u>(1,995)</u>

**Total expenses** (5,445)

**Investment income, net** 16,263

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

Net realized gain (loss) from:		
Investments		18,794
Foreign currency transactions		<u>(76)</u>
		18,718

Net change in unrealized appreciation (depreciation) on:

Investments		49,602
Translation of assets and liabilities in foreign currencies		<u>(1,472)</u>
		<u>48,130</u>

**Net gain from investments and foreign currency** 66,848

**Net increase in net assets from operations** \$ 83,111

*See accompanying notes to financial statements.*

## Real Estate Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2013**  
*(Amounts in thousands, except unit data)*

### Operations

Investment income, net	\$	16,263
Net realized gain from investments and foreign currency transactions		18,718
Net change in unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies		<u>48,130</u>
<b>Net increase in net assets from operations</b>		83,111

### Unit transactions

Proceeds from sale of units		266,922
Amount paid for repurchase of units		<u>(11,815)</u>
<b>Net increase in net assets from unit transactions</b>		<u>255,107</u>
<b>Increase in net assets</b>		338,218
<b>Net assets, beginning of period</b>		<u>640,193</u>
<b>Net assets, end of period</b>	\$	<u><u>978,411</u></u>

### Unit data

Units sold		26,747,824
Units repurchased		<u>(1,174,675)</u>
<b>Net increase in units</b>		<u><u>25,573,149</u></u>

*See accompanying notes to financial statements.*

# Real Estate Pool

## Statement of Cash Flows Year Ended June 30, 2013 (Amounts in thousands)

### Cash flows from operating activities

Net increase in net assets from operations	\$ 83,111
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:	
Purchase of investments	(543,624)
Proceeds from disposition of investments	285,615
Purchases and sales of short-term investment securities, net	(18,681)
Net disbursement from foreign currency contracts	(10)
Decrease in receivable for investments sold	3,784
Increase in foreign tax withholding receivable	(7)
Increase in interest receivable	(285)
Decrease in dividends receivable	96
Decrease in securities lending income receivable	4
Increase in accrued expenses	262
Increase in payable for investments purchased	309
Net amortization	1,185
Net realized gain from investments	(18,794)
Net realized loss from foreign currency transactions	76
Net change in unrealized appreciation (depreciation) on investments	(49,602)
Net change in unrealized appreciation (depreciation) on the translation of investments in foreign currencies	1,471
	<u>1,471</u>
<b>Net cash used in operating activities</b>	<b>(255,090)</b>

### Cash flows from financing activities

Proceeds from units sold	266,922
Paid for repurchase of units	(11,815)
	<u>(11,815)</u>
<b>Net cash provided by financing activities</b>	<b>255,107</b>
<b>Net change in cash</b>	<b>17</b>

### Cash

Beginning balance	(17)
Ending balance	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

# Real Estate 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 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	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 the IMB's investments in real estate funds, real estate limited partnerships and real estate investment trusts (REITs). Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for the real estate funds and limited partnerships. The REITs are managed by European Investors, Inc. (EII), CBRE Clarion Securities, LLC (CBRE), and Security Capital Research & Management Inc. (SCRM).

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 4 for further discussion and presentation of the reporting requirements under ASC 820.

# Real Estate Pool

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

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

Fair value of the Pool's portfolio securities is determined as follows:

- Investments in private real estate partnerships and funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the general partners or fund administrators approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. 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 IMB's 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, 2013.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded. If no sales have been recorded within the five days preceding the date of the financial statement date, the fair value of the securities is determined in accordance with approved procedures.
- Equity securities that trade in non-U.S. markets are valued in US Dollars using period end spot market exchange rates as supplied by the Pool's custodian.
- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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 BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically of the Mellon SL DBT II Liquidating Fund. Such investments are made at the risk of the Pool and, as such, the Pool is liable for investment losses. Investments made with cash are reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments. 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 net securities lending income. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation 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 a change in unrealized appreciation or depreciation on investments.

**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:

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

# Real Estate Pool

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

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

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 Currency Contracts** - A foreign currency 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 correspond to investment transactions trading in foreign currencies. 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 settlement date. The unrealized gain or loss is reclassified to realized gain or loss when the contract settles.

**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 investments in real estate funds are recognized when the real estate fund has realized its interest in a portfolio holding and we have sufficient information as to the amount and date of the distribution. Gains and losses on the sale of other investments are recognized at the time of sale by the average cost method.

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

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

**Income from partnerships** - Income from real estate partnerships is recognized when distributed to the partners.

**Distributions to Participants** - The Pool does not routinely distribute dividends of net investment income or net realized 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. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

# Real Estate Pool

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

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

In certain foreign countries the Pool's dividend income and capital gains may be taxable. Such taxes are generally withheld from the payments of these types of income and as a result there is no provision recorded for these taxes. In certain cases there may be a full or partial reclaim available for the withheld taxes. The outstanding reclaims are reported on the Statement of Assets and Liabilities. Dividend income is reported net of withheld taxes on the Statement of Operations.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

### NOTE 3. RECENT ACCOUNTING PRONOUNCEMENT

In December 2011, FASB issued Accounting Standard Update No. 2011-11 (ASU 2011-11), "Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 is intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a portfolio's financial position. They are also intended to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. ASU 2011-11 requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the financial position; and disclose instruments and transactions subject to an agreement similar to a master netting agreement.

In January 2013, FASB issued Accounting Standard Update No. 2013-01 (ASU 2013-01), "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. Management is currently evaluating the implications of ASU 2011-11 and ASU 2013-01 and their impact on financial statement disclosures.

### NOTE 4. 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, 2013.

Investment Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds	Baa	BBB	\$ 131,837	13.4%
Short-term issue	Aaa	AAA	37,358	3.8
Total rated investments			<u>\$ 169,195</u>	<u>17.2%</u>

Unrated securities include equity securities valued at \$202,827, investments made with cash collateral for securities loaned valued at \$2,349, and private real estate partnerships and funds valued at \$607,299. These unrated securities represent 82.8 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, 2013, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.



# Real Estate Pool

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

### NOTE 4. INVESTMENT RISK DISCLOSURES (continued)

#### Custodial Credit Risk

At June 30, 2013, 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.

#### Interest Rate Risk

The IMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. The following table provides the weighted average effective duration for the various asset types in the Pool as of June 30, 2013.

Investment Type	Fair Value	Effective Duration (years)
Corporate bonds	\$ 131,837	1.9

Investments without effective duration include a short-term issue valued at \$37,358, equity securities valued at \$202,827, investments made with cash collateral for securities loaned valued at \$2,349, and private real estate partnerships and funds valued at \$607,299.

#### Foreign Currency Risk

The Pool has real estate investment trusts 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, 2013, the IMB was in compliance with this limitation. The amounts at fair value (in U.S. dollars) of investments denominated in foreign currencies as of June 30, 2013 are as follows:

Currency	Investments	Percent
Australian Dollar	\$ 3,661	0.4%
Brazil Real	42	0.0
British Pound	17,611	1.7
Canadian Dollar	1,569	0.2
Euro Currency Unit	13,393	1.3
Hong Kong Dollar	6,617	0.6
Japanese Yen	9,691	1.0
Polish Zloty	1,564	0.2
Singapore Dollar	2,688	0.3
South Korean Won	1,055	0.1
Swedish Krona	670	0.1
Swiss Franc	175	0.0
Thailand Baht	526	0.1
Total	\$ 59,262	6.0%

This table excludes investments held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments is \$922,408. This represents approximately 94 percent of the value of the Pool's investments.

### 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).

## Real Estate Pool

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

#### NOTE 5. FAIR VALUE MEASUREMENTS

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, 2013:

Assets	Level 1	Level 2	Level 3	Total
Core funds	\$ -	\$ -	\$ 348,971	\$ 348,971
Corporate bonds	-	131,837	-	131,837
Equity securities	202,827	-	-	202,827
Foreign currency contracts	-	1	-	1
Opportunistic funds	-	-	115,346	115,346
Short-term issue	37,358	-	-	37,358
Investments made with cash collateral for securities loaned	-	2,349	-	2,349
Value funds	-	-	142,982	142,982
Total	<u>\$ 240,185</u>	<u>\$ 134,187</u>	<u>\$ 607,299</u>	<u>\$ 981,671</u>
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency contracts	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2013 was as follows:

	Core funds	Opportunistic funds	Value funds	Total
Balance at June 30, 2012	\$ 148,857	\$ 68,439	\$ 95,767	\$ 313,063
Net realized gain	5	2,130	2,960	5,095
Net change in unrealized appreciation	21,889	14,849	12,460	49,198
Purchases	178,225	55,059	52,511	285,795
Sales	(5)	(25,131)	(20,716)	(45,852)
Net transfers in/(out) of Level 3	-	-	-	-
Balance at June 30, 2013	<u>\$ 348,971</u>	<u>\$ 115,346</u>	<u>\$ 142,982</u>	<u>\$ 607,299</u>

## Real Estate Pool

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

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

The total change in unrealized appreciation (depreciation) included in the Statement of Operations attributable to Level 3 investments still held at June 30, 2013, includes the following:

Core funds	\$	21,889
Opportunistic funds		14,849
Value funds		12,460
Total	\$	49,198

#### NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2013.

Fair value of securities on loan	\$	2,396		
Initial collateral received:		<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Cash	\$	2,350	\$ 2,349	\$ (1)
Non-cash			151	
Total			\$ 2,500	

#### NOTE 7. COMMITMENTS

The IMB, with the assistance of its consultant, began implementing its plan to invest in real estate in February 2008. As of June 30, 2013, the IMB has made commitments to twenty-four real estate investment funds/partnerships.

Partnership Classification	Total Commitment	Funded Commitment	Unfunded Commitment
Core funds	\$ 390,000	\$ 304,520	\$ 85,480
Opportunistic funds	168,400	110,235	58,165
Value funds	350,000	132,714	217,286
Total	\$ 908,400	\$ 547,469	\$ 360,931

#### NOTE 8. FOREIGN CURRENCY CONTRACTS

At June 30, 2013, open foreign currency contracts are as follows:

Position	Foreign Currency	Trade Date	Settlement Date	Receivable		Payable		Unrealized Appreciation (Depreciation)
				(in foreign currency)	(in U. S. dollars)	(in foreign currency)	(in U. S. dollars)	
Long	Japanese Yen	06/26/2013	07/01/2013	6,990	\$ 70		\$ 71	\$ (1)
Long	Japanese Yen	06/28/2013	07/03/2013	6,860	69		69	-
Short	Australian Dollar	06/26/2013	07/01/2013		49	53	48	1
Short	Australian Dollar	06/27/2013	07/02/2013		13	14	13	-
Short	Australian Dollar	06/28/2013	07/03/2013		75	82	75	-
Short	Japanese Yen	06/27/2013	07/02/2013		13	1,258	13	-
					\$ 289		\$ 289	\$ -

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 to the Pool.

# Real Estate Pool

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

### NOTE 9. INVESTMENT ADVISORY FEES

The IMB has approved investment advisory agreements with EII, CBRE, and SCRM to manage the publicly traded real estate investment trusts of the Pool. These agreements provide for quarterly payments, based on average end of month assets under management, to the investment advisors. The IMB makes these payments and the Pool transfers funds to the IMB to facilitate the payments.

The fees paid to EII are based on a descending scale of fee rates ranging from 1.00 percent annually on the first \$10 million of assets under management to 0.90 percent annually on assets between \$10 million and \$30 million. For assets greater than \$30 million the fee rate is 0.75 percent annually. The effective fee rate earned by EII for the year ended June 30, 2013, was 0.92 percent.

The fees paid to CBRE are based on a descending scale of fee rates ranging from 0.65 percent annually on the first \$50 million of assets under management to 0.55 percent annually on assets between \$50 million and \$100 million. For assets greater than \$100 million the fee rate is 0.45 percent annually. The effective fee rate earned by CBRE for the year ended June 30, 2013, was 0.65 percent.

The fees paid to SCRM are based on a descending scale of fee rates ranging from 0.75 percent annually on the first \$50 million of assets under management to 0.65 percent annually on assets between \$50 million and \$100 million. For assets greater than \$100 million the fee rate is 0.60 percent annually. The effective fee rate earned by SCRM for the year ended June 30, 2013, was 0.635 percent.

### NOTE 10. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$	9.62
Income from investment operations:		
Net investment income		0.20
Net realized and unrealized gain on investments		0.82
Net decrease in the translation of assets and liabilities in foreign currencies		(0.02)
Total from investment operations		<u>1.00</u>
Net asset value at June 30, 2013	\$	<u>10.62</u>

**Total Return \*** 10.4%

#### Supplemental Data:

Net assets, end of period	\$	978,411
Ratio to average net assets:		
Expenses **		0.68%
Net investment income **		2.03%
Portfolio turnover rate		38.26%

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

\*\* All ratios are for the fiscal year and do not reflect the Pool's proportionate share of income and expenses of the underlying investee funds.

# Real Estate Pool

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

### NOTE 11. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 459,886
Public Employees' Retirement System	398,384
State Police Death, Disability and Retirement Fund	41,932
West Virginia Retiree Health Benefit Trust Fund	40,700
Judges' Retirement System	11,622
Deputy Sheriff's Retirement System	10,952
State Police Retirement System	7,718
Wildlife Endowment Fund	3,740
Emergency Medical Services Retirement System	3,441
Municipal Police Officers' and Firefighters' Retirement System	36
Total	<u>\$ 978,411</u>

### NOTE 12. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

**Hedge Fund Pool**

# Hedge Fund Pool

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## Audited Financial Statements June 30, 2013

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Ernst & Young LLP  
One Commerce Square  
Suite 700  
2005 Market Street  
Philadelphia, PA 19103

Tel: +1 215 448 5000  
Fax: +1 215 448 5500  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

We have audited the accompanying financial statements of The West Virginia Investment Management Board Hedge Fund Pool (the "Pool"), which comprise the statement of assets and liabilities, including the schedule of investments, as of June 30, 2013, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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 at June 30, 2013, and the results of its operations, changes in its net assets, and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

September 12, 2013

# Hedge Fund Pool

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## Statement of Assets and Liabilities

June 30, 2013

(Amounts in thousands, except unit data)

### Assets

Investments at fair value (cost \$1,083,976)	\$	1,291,654
Receivables:		
Investment funds redeemed		48,575
Accrued interest		<u>22</u>
<b>Total assets</b>		<b>1,340,251</b>

### Liabilities

Accrued expenses		<u>154</u>
<b>Net assets</b>	<b>\$</b>	<b><u>1,340,097</u></b>

### Analysis of net assets

Paid-in capital	\$	1,106,591
Accumulated undistributed net investment loss		(4,334)
Accumulated undistributed net realized gain from investments		30,162
Unrealized net appreciation of investments		<u>207,678</u>
<b>Net assets</b>	<b>\$</b>	<b><u>1,340,097</u></b>

### Unit data

Units outstanding		110,580,234
Net asset value, unit price	\$	<u>12.12</u>

See accompanying notes to financial statements.

# Hedge Fund Pool

## Schedule of Investments

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
<b><u>Hedge Funds</u></b>			
<i>Directional Funds</i>			
Brevan Howard Fund Limited		\$ 38,256	\$ 56,412
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 subject to provisions on maximum withdrawals.			
A detail of the underlying investments is not available.			
Bridgewater Pure Alpha Ltd.		38,624	55,651
Investment Objective - To achieve substantial capital appreciation in a wide range of asset classes using proprietary investment systems.			
Redemption Provisions - Monthly with 5 days prior written notice.			
A detail of the underlying investments is not available.			
Bridgewater Pure Alpha Major Markets, Ltd.		13,900	15,154
Investment Objective - To achieve substantial capital appreciation in a wide range of asset classes using proprietary investment systems.			
Redemption Provisions - Monthly with 5 days prior written notice.			
A detail of the underlying investments is not available.			
Graham Global Investment Fund II, Ltd.		30,000	24,232
Investment Objective - To achieve long-term capital appreciation through professionally managed trading in derivative instruments of global fixed income, foreign exchange, commodities, and other stock indices.			
Redemption Provisions - Monthly with 3 days prior written notice.			
A detail of the underlying investments is not available.			
Winton Futures Fund, Ltd.		30,000	31,063
Investment Objective - To deliver long-term capital appreciation through compound growth.			
Redemption Provisions - Monthly with 3 days prior written notice.			
A detail of the underlying investments is not available.			
<i>Total Directional Funds</i>		150,780	182,512
<i>Equity Long/Short Funds</i>			
MW Eureka Fund		55,000	71,672
Investment Objective - To provide investors with above average absolute returns primarily through investing and trading in equities and equity related instruments.			
Redemption Provisions - Monthly with 30 days prior written notice.			
A detail of the underlying investments is not available.			

*See accompanying notes to financial statements.*

# Hedge Fund Pool

## Schedule of Investments (continued)

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
PFM Diversified Offshore Fund		55,000	60,656
Investment Objective - To generate attractive risk-adjusted capital appreciation by employing a variety of strategies primarily focused in liquid equity markets.			
Redemption Provisions - Eighty-five percent lockup until January 2015, then every three years with 45 days prior written notice and subject to maximum withdrawal restrictions.			
A detail of the underlying investments is not available.			
Scopia PX International, Ltd.		50,000	53,154
Investment Objective - To identify investment opportunities that will yield attractive rates of return, regardless of market direction.			
Redemption Provisions - Quarterly with 60 days prior written notice, subject to provisions on maximum withdrawals.			
A detail of the underlying investments is not available.			
<i>Total Equity Long/Short Funds</i>		160,000	185,482
<i>Event Driven Funds</i>			
Pershing Square International, Ltd.		30,000	38,408
Investment Objective - To invest in long and short investment opportunities that exhibit significant valuation discrepancies between current trading prices and intrinsic business value.			
Redemption Provisions - Hard lockup until September 2013, then quarterly with 65 days prior written notice subject to maximum withdrawal restrictions.			
A detail of the underlying investments is not available.			
<i>Total Event Driven Funds</i>		30,000	38,408
<i>Long Biased Funds</i>			
Elementum NatCat Offshore Fund Ltd.		40,000	40,128
Investment Objective - To achieve long-term capital appreciation through investment in a portfolio of natural catastrophe-linked securities, derivatives, and other instruments.			
Redemption Provisions - Monthly with 90 days prior written notice.			
A detail of the underlying investments is not available.			
VICIS Capital Fund (International)		16,620	3,156
The IMB has elected to withdraw from the VICIS Capital fund. Our redemption has been requested and proceeds will be paid to us as investments are liquidated.			
<i>Total Long Biased Funds</i>		56,620	43,284
<i>Multiple Strategy Funds</i>			
AllBlue Limited		48,048	70,107
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 subject to provisions on maximum withdrawals.			
A detail of the underlying investments is not available.			

*See accompanying notes to financial statements.*

## Hedge Fund Pool

### Schedule of Investments (continued)

June 30, 2013

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
Anchorage Capital Partners Offshore, Ltd. Investment Objective - To earn superior risk-adjusted returns while emphasizing preservation of capital. Redemption Provisions - Annually with 90 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		40,000	48,575
AQR Delta Offshore Fund V, Ltd. Investment Objective - To produce high, risk-adjusted returns while targeting a low, long-term correlation to traditional markets. Redemption Provisions - Semi-monthly with 15 days prior written notice. A detail of the underlying investments is not available.		60,635	62,079
CQS Diversified Fund (SPC) Ltd. SPA II Investment Objective - To target an absolute return of 10-15% with limited volatility through investments in several hedge fund strategies within the CQS group. Redemption Provisions - Monthly with 95 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		61,842	63,481
Davidson Kempner International, Ltd. Investment Objective - To achieve capital appreciation. Redemption Provisions - Quarterly with 60 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		57,917	80,565
Double Black Diamond Ltd. Investment Objective - To produce returns substantially in excess of those derived from risk-free investments without a substantial increase in overall risk. Redemption Provisions - Quarterly with 60 days prior written notice subject to maximum withdrawal provisions. A detail of the underlying investments is not available.		60,000	67,067
GoldenTree 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 written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		31,280	46,145
Highbridge Capital Corporation 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 - Redemption has been requested and proceeds will be paid A detail of the underlying investments is not available.		1,643	1,745

*See accompanying notes to financial statements.*

## Hedge Fund Pool

### Schedule of Investments (continued)

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
Magnetar Capital Fund II, Ltd. Investment Objective - To achieve superior risk-adjusted returns. Redemption Provisions - Quarterly with 90 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		59,246	67,336
OZ Asia Overseas Fund, Ltd. Investment Objective - To achieve consistent, absolute returns with low volatility primarily by seeking to exploit pricing inefficiencies in equity debt securities of Asian companies. Redemption Provisions - Annually with 45 days prior written notice. A detail of the underlying investments is not available.		40,000	49,139
O'Connor Global Multi-Strategy Alpha, Ltd. 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.		31,281	45,384
Perry Partners International, Inc. Investment Objective - To achieve positive annual returns accompanied by a low level of beta and volatility in correlation relative to equity markets. Redemption Provisions - Quarterly with 90 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		51,394	69,868
Pine River Fund, Ltd. Investment Objective - To generate superior risk-adjusted returns by investing and trading in global markets, primarily employing relative value strategies. Redemption Provisions - Quarterly with 45 days prior written notice, subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		60,000	71,623
Shepherd Investments International, Ltd. Investment Objective - To achieve an attractive rate of return, relative to the level of risk assumed. Redemption Provisions - Redemption has been requested and proceeds will be paid subject to provisions on maximum withdrawals and upon liquidation of investments. A detail of the underlying investments is not available.		1,650	1,810
Taconic Opportunity Offshore Fund Ltd. 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 subject to provisions on maximum withdrawals. A detail of the underlying investments is not available.		51,041	63,916

*See accompanying notes to financial statements.*

## Hedge Fund Pool

### Schedule of Investments (continued)

**June 30, 2013**

*(Amounts in thousands, except share data)*

Description	Shares	Cost	Fair Value
Tenor Opportunity Fund, Ltd.		30,002	32,531
Investment Objective - To generate attractive risk-adjusted returns by employing a variety of strategies primarily focused on convertible arbitrage.			
Redemption Provisions - Quarterly with 60 days prior written notice subject to maximum withdrawal provisions.			
A detail of the underlying investments is not available.			
<i>Total Multiple Strategy Funds</i>		685,979	841,371
Total Hedge Funds - 96.4%		1,083,379	1,291,057
<b><u>Short-term Issue</u></b>			
Dreyfus Cash Management Institutional Fund - 0.0%	596,879	597	597
Total Investments - 96.4%		\$ 1,083,976	\$ 1,291,654

*See accompanying notes to financial statements.*





# Hedge Fund Pool

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**Statement of Changes in Net Assets**  
**Year Ended June 30, 2013**  
*(Amounts in thousands, except unit data)*

**Operations**

Investment loss, net	\$ (887)
Net realized gain from investments	20,378
Net change in unrealized appreciation on investments	<u>109,035</u>

**Net increase in net assets from operations** 128,526

**Unit transactions**

Proceeds from sale of units	110,318
Amount paid for repurchase of units	<u>(131,420)</u>

**Net decrease in net assets from unit transactions** (21,102)

**Increase in net assets** 107,424

**Net assets, beginning of period** 1,232,673

**Net assets, end of period** \$ 1,340,097

**Unit data**

Units sold	9,565,412
Units repurchased	<u>(11,524,532)</u>

**Net decrease in units** (1,959,120)

*See accompanying notes to financial statements.*

# Hedge Fund Pool

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**Statement of Cash Flows**  
**Year Ended June 30, 2013**  
*(Amounts in thousands)*

**Cash flows from operating activities**

Net increase in net assets from operations	\$	128,526
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Purchase of investment funds		(362,477)
Proceeds from redemptions from investment funds		233,818
Purchases and sales of short-term investment securities, net		(119)
Decrease in receivable for investment funds redeemed		20,797
Increase in accrued interest receivable		(7)
Decrease in dividends receivable		9
Decrease in advance on investment in other funds		130,000
Decrease in accrued expenses		(32)
Net realized gain from investments		(20,378)
Net change in unrealized appreciation of investments		<u>(109,035)</u>
<b>Net cash provided by operating activities</b>		<b>21,102</b>

**Cash flows from financing activities**

Proceeds from units sold		110,318
Paid for repurchase of units		<u>(131,420)</u>
<b>Net cash used in financing activities</b>		<b><u>(21,102)</u></b>
<b>Net change in cash</b>		<b>-</b>

**Cash**

Beginning balance		<u>-</u>
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	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 investment strategy.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with the Financial Accounting Standards Board's Accounting Standards Codification Topic 820 (ASC 820). Refer to Note 4 for further discussion and presentation of the reporting requirements under ASC 820.

# Hedge Fund Pool

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

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

Fair value of the Pool's portfolio securities is determined as follows:

- Investments in hedge funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the underlying funds approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. 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 IMB's 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, 2013.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

**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 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 of net investment income or net realized 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. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. Accordingly, no provision for income taxes is required as of June 30, 2013.

**Indemnifications** - In the normal course of business, the IMB has entered into contracts that provide a variety of indemnifications. Any exposure to the Pool under these arrangements would involve future claims that may be made against the IMB. The Pool's maximum exposure under these arrangements is unknown. No such claims have occurred, nor are they expected to occur and the IMB expects the risk of loss to be remote.

# Hedge Fund Pool

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

### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares in hedge funds and shares of a money market fund with the highest credit rating. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. At June 30, 2013, 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. 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, 2013:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Directional funds	\$ -	\$ -	\$ 182,512	\$ 182,512
Equity long/short funds	-	-	185,482	185,482
Event driven funds	-	-	38,408	38,408
Long biased funds	-	-	43,284	43,284
Multiple strategy funds	-	-	841,371	841,371
Short-term issue	597	-	-	597
Total	<u>\$ 597</u>	<u>\$ -</u>	<u>\$ 1,291,057</u>	<u>\$ 1,291,654</u>

## Hedge Fund Pool

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

#### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2013, was as follows:

	Directional funds	Equity long/short funds	Event driven funds
Balance at June 30, 2012	\$ 172,533	\$ 121,697	\$ 32,855
Net realized gain (loss)	(373)	4,975	-
Net change in unrealized appreciation	8,225	21,272	5,553
Purchases	30,000	70,000	-
Sales	(27,873)	(32,462)	-
Net transfers in/(out) of Level 3	-	-	-
Balance at June 30, 2013	\$ 182,512	\$ 185,482	\$ 38,408

	Long biased funds	Multiple strategy funds	Total
Balance at June 30, 2012	\$ 4,124	\$ 701,776	\$ 1,032,985
Net realized gain (loss)	-	15,776	20,378
Net change in unrealized appreciation (depreciation)	(840)	74,825	109,035
Purchases	40,000	222,477	362,477
Sales	-	(173,483)	(233,818)
Net transfers in/(out) of Level 3	-	-	-
Balance at June 30, 2013	\$ 43,284	\$ 841,371	\$ 1,291,057

The total change in unrealized appreciation (depreciation) included in the Statement of Operations attributable to Level 3 investments still held at June 30, 2013, includes the following:

Directional funds	\$ 7,637
Equity long/short funds	23,231
Event driven funds	5,553
Long biased funds	(840)
Multiple strategy funds	73,938
Total	\$ 109,519

# Hedge Fund Pool

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

### NOTE 5. FINANCIAL HIGHLIGHTS

#### Per Unit Operating Performance:

Net asset value at June 30, 2012	\$	10.95
Income from investment operations:		
Net investment loss		(0.01)
Net realized and unrealized gain on investment transactions		1.18
Total from investment operations		1.17
Net asset value at June 30, 2013	\$	12.12

**Total Return \*** 10.6%

#### Supplemental Data:

Net assets, end of period	\$	1,340,097
Ratio to average net assets:		
Expenses **		0.07%
Net investment loss **		-0.07%
Portfolio turnover rate		19.21%

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

\*\* All ratios are for the fiscal year and do not reflect the Pool's proportionate share of income and expenses of the underlying investee funds.

### NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2013.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 569,704
Public Employees' Retirement System	493,933
Coal Workers' Pneumoconiosis Fund	53,871
State Police Death, Disability and Retirement Fund	52,043
West Virginia Retiree Health Benefit Trust Fund	50,483
Public Employees Insurance Agency	39,816
Board of Risk and Insurance Management	28,642
Judges' Retirement System	14,433
Deputy Sheriff's Retirement System	13,612
State Police Retirement System	9,617
Wildlife Endowment Fund	4,646
Emergency Medical Services Retirement System	4,281
Workers' Compensation Self-Insured Guaranty Risk Pool	2,976
Workers' Compensation Uninsured Employers' Fund	1,994
Municipal Police Officers' and Firefighters' Retirement System	46
Total	\$ 1,340,097

### NOTE 7. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date the Pool's financial statements were available for issuance. 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, 2013**

Administrative Fund

# Administrative Fund

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## Audited Financial Statements June 30, 2013

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# Administrative Fund

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## Management's Discussion and Analysis (Unaudited)

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, 2013. 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 \$41 million, as compared to \$34 million for the previous fiscal year. The change primarily results from an increase in fees attributed to higher assets under management. Assets of the investment pools managed by the IMB increased by \$1.416 billion from the previous year.
- Fees paid to outside investment advisors increased by \$6.0 million over the previous year as a result of an increase in assets under management and an increase in performance-based incentive fees. The average expense ratio for investment advisor fees across all pools was 23.3 basis points for the year, as compared to 20.9 basis points for the previous year.
- Custodian bank fees increased by \$269,000 from the previous year, largely as a result of an increase in the amount of international assets under custody.
- Fees for professional services increased by \$537,000. This increase is primarily attributable to higher audit and legal fees.
- Administrative expenses increased by \$192,000, or 4.9 percent from the previous year. The expense ratio for administrative expenses was 2.9 basis points of average net assets, as compared to 3.1 basis points in the prior year. Salaries increased by \$80,000 from \$2,236,000 to \$2,316,000. In total, administrative expenses were \$1,025,000 lower than the expenses included in the fiscal year budget approved by the Board of Trustees.
- Dividend income was consistent with the prior year.

### THE FINANCIAL REPORTS

This financial report consists of three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; 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 Position presents the IMB Administrative Fund's assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position describes how the IMB Administrative Fund's net position 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 Position. This statement also contains a reconciliation of the operating profit as reported in the Statement of Revenues, Expenses, and Changes in Net Position to the cash provided by the IMB Administrative Fund's operating activities during the year.

## Administrative Fund

### Management's Discussion and Analysis (Unaudited)

#### FINANCIAL ANALYSIS

The IMB Administrative Fund's total assets as of June 30, 2013, were \$12.6 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. This was \$1.2 million higher than the previous year.

Total liabilities as of June 30, 2013, were \$8.1 million, consisting of invoices payable and accrued liabilities for investment management and consulting fees, custodial fees, and administrative expenses. This was \$1.2 million higher than the previous year.

The increases in assets and liabilities can be primarily 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 Position and Assets Under Management</b> <b>(In thousands)</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 4,125	\$ 5,930
Receivables	7,998	5,257
Other assets	<u>443</u>	<u>179</u>
Total assets	12,566	11,366
Total liabilities	<u>(8,148)</u>	<u>(6,959)</u>
Net position	<u>\$ 4,418</u>	<u>\$ 4,407</u>
Composition of net position:		
Net investment in capital assets	\$ 352	\$ 99
Unrestricted	4,066	4,308
Assets under management at June 30	\$ 14,588,678	\$ 13,173,093

<b>Table 2</b> <b>Changes in Net Position</b> <b>(In thousands)</b>	<b>2013</b>	<b>2012</b>	<b>Percentage Change</b>
Investment service fees	\$ 41,383	\$ 34,426	20.2%
Expenses			
Advisor fees	(32,769)	(26,754)	22.5%
Custodian fees	(1,300)	(1,030)	26.2%
Trustee fees	(51)	(40)	27.5%
Fiduciary bond expense	(29)	(44)	-34.1%
Professional service fees	(3,117)	(2,580)	20.8%
Administrative expenses	<u>(4,107)</u>	<u>(3,914)</u>	<u>4.9%</u>
Operating profit	10	64	n/a
Non-operating revenues	<u>1</u>	<u>1</u>	<u>n/a</u>
Increase in net position	11	65	n/a
Net position – beginning of year	<u>4,407</u>	<u>4,342</u>	<u>1.5%</u>
Net position – end of year	<u>\$ 4,418</u>	<u>\$ 4,407</u>	<u>0.3%</u>

# Administrative Fund

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## Management's Discussion and Analysis (Unaudited)

### CAPITAL ASSETS

The IMB Administrative Fund made acquisitions of capital assets totaling \$141,351 during the current fiscal year. Construction in progress of \$145,471 will be capitalized in the next fiscal year. Also, there were disposals of capital assets totaling \$217,406.

### 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).



Ernst & Young LLP  
900 United Center  
500 Virginia Street East  
Charleston, WV 25301

Tel: +1 304 343 8971  
Fax: +1 304 357 5994  
ey.com

## Report of Independent Auditors

To the Board of Trustees  
The West Virginia Investment Management Board

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The West Virginia Investment Management Board Administrative Fund (IMB), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the financial statements listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





## ***Opinion***

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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

## ***Basis of Presentation***

As described in Note 1, the 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 West Virginia Investment Management Board for any of their investment pools. These financial statements do not purport to, and do not, present fairly the complete financial position of the West Virginia Investment Management Board for any of their investment pools at June 30, 2013, and changes in its financial position, and, where applicable, cash flows thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Required Supplementary Information**

U.S. generally accepted accounting principles require that management's discussion and analysis on pages i-iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Ernst & Young LLP*

September 12, 2013

# Administrative Fund

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## Statement of Net Position June 30, 2013

### Assets

#### Current assets:

Cash and cash equivalents	\$ 4,124,513
Accounts receivable	7,997,926
Prepaid expenses	91,161
Dividend receivable	45

**Total current assets** 12,213,645

#### Capital assets:

Equipment	528,426
Office furniture	155,473
Other depreciable property	54,990
Leasehold improvements	45,492
Construction in progress	145,471
Less accumulated depreciation	(577,826)

**Total capital assets (net of accumulated depreciation)** 352,026

**Total assets** 12,565,671

### Liabilities

#### Current liabilities:

Accounts payable and accrued expenses	8,147,546
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**Total current liabilities** 8,147,546

**Total liabilities** 8,147,546

### Net position

Net investment in capital assets	352,026
Unrestricted	4,066,099

**Total net position** \$ 4,418,125

*See accompanying notes to financial statements.*

## Administrative Fund

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### Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2013

#### Operating revenues

Investment service fees	<u>\$ 41,382,597</u>
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<b>Total operating revenues</b>	<u>41,382,597</u>
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#### Operating expenses

Advisor fees	32,768,470
Custodian fees	1,299,809
Trustee fees	51,250
Fiduciary bond expenses	28,348
Professional service fees	3,117,295
Administrative expenses	<u>4,106,501</u>

<b>Total operating expenses</b>	<u>41,371,673</u>
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<b>Operating income</b>	10,924
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#### Nonoperating revenues

Dividend income	<u>689</u>
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<b>Total nonoperating revenues</b>	<u>689</u>
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<b>Increase in net position</b>	11,613
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Net position, beginning of year	<u>4,406,512</u>
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<b>Net position, end of year</b>	<u><u>\$ 4,418,125</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, 2013

#### Cash flows from operating activities

Cash received from customers	\$ 38,756,143
Cash paid to suppliers	(36,891,815)
Cash paid to employees	<u>(3,269,535)</u>

**Net cash used in operating activities** (1,405,207)

#### Cash flows from capital and related financing activities

Construction and acquisition of capital assets	<u>(401,222)</u>
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**Net cash used for capital and related financing activities** (401,222)

#### Cash flows from investing activities

Dividends on investments	<u>693</u>
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**Net cash provided by investing activities** 693

**Net decrease in cash and cash equivalents** (1,805,736)

**Cash and cash equivalents, beginning of year** 5,930,249

**Cash and cash equivalents, end of year** \$ 4,124,513

#### Reconciliation of operating income to net cash provided in operating activities:

Operating income	\$ 10,924
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	34,042
Change in assets and liabilities:	
Increase in accounts receivable	(2,626,454)
Increase in prepaid expenses	(11,664)
Increase in accounts payable and accrued expenses	<u>1,187,945</u>

**Total adjustments** (1,416,131)

**Net cash provided in operating activities** \$ (1,405,207)

*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 and are presented as a blended component unit.

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.

**Capital Assets** - Purchased assets, when they meet the thresholds defined in the capitalization policy, are recorded at cost. Threshold requirements are \$2,500 for office equipment, furniture, fixtures, computer hardware, and software, and \$10,000 for buildings, building improvements, land improvements, infrastructure, and leasehold improvements. Land is capitalized irrespective of cost.

Depreciation on purchased assets is provided for over the estimated useful lives of the assets, ranging from three years to ten 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 No. 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.

**Recently Issued Governmental Accounting Standards Board Pronouncements** - GASB has issued Statement No. 63 (*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*), Statement No. 65 (*Items Previously Reported as Assets and Liabilities*), and Statement No. 66 (*Technical Corrections—2012*). The adoption of these GASB Statements has no material impact on the financial statements.

## Administrative Fund

### Notes to Financial Statements

#### NOTE 3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 145,471	\$ -	\$ 145,471
Total capital assets, not being depreciated	-	145,471	-	145,471
Capital assets, being depreciated:				
Office equipment	652,962	89,343	(213,879)	528,426
Office furniture	115,231	43,769	(3,527)	155,473
Other depreciable property	46,750	8,240	-	54,990
Leasehold improvements	45,492	-	-	45,492
Total capital assets, being depreciated	860,435	141,352	(217,406)	784,381
Less accumulated depreciation for:				
Office equipment	(600,467)	(24,127)	213,879	(410,715)
Office furniture	(115,231)	(520)	3,527	(112,224)
Other depreciable property	-	(9,395)	-	(9,395)
Leasehold improvements	(45,492)	-	-	(45,492)
Total accumulated depreciation	(761,190)	(34,042)	217,406	(577,826)
Capital assets, net	\$ 99,245	\$ 252,781	\$ -	\$ 352,026

Depreciation expense of \$34,042 was charged to the investment management activity and is included in the administrative expenses.

#### NOTE 4. OPERATING LEASES

On July 9, 2012, the IMB executed an amendment to renew its long-term lease, originally dated August 26, 2002, and previously amended on December 7, 2006, for a period of seven years beginning on January 1, 2013, at a monthly cost of \$18,971. Under the original and amended lease, beginning on January 1, 2013, 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 2012 amounts. Rent expense for the year ended June 30, 2013, totaled \$206,966.

The following is a schedule of future minimum rental payments required under this lease:

Fiscal Years ending June 30:

2014	\$ 227,652
2015	227,652
2016	227,652
2017	227,652
2018	227,652
Thereafter	341,478
Total	<u>\$ 1,479,738</u>

# Administrative Fund

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## Notes to Financial Statements

### NOTE 5. EMPLOYEE BENEFIT PLANS

**Retirement** - The IMB provides a defined contribution money purchase pension plan (Pension Plan) covering all of its employees. An employee becomes eligible to participate in the Pension 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 year ended June 30, 2013, totaled \$231,597. The plan provides for a five-year vesting schedule with vesting increasing 20 percent per year.

**Healthcare** - On November 1, 2011, the IMB established the Defined Contribution Medical Plan (the Plan). The Plan is maintained for the exclusive benefit of employees and is a medical reimbursement plan under *Internal Revenue Service Code Section 105(h)*. The Plan identifies the IMB as the Plan Administrator and authorizes the IMB to amend the Plan as needed.

On November 1 of each plan year, the IMB determines an amount to credit each eligible employee that is allocated to a Health Reimbursement Arrangement (HRA) account for each participant. Current annual credits are \$2,500 for single employees and \$5,000 for employees with qualifying spouses or dependents. These credits are to be used to reimburse participants for out-of-pocket medical expenses not covered by any other source. Medical Expenses shall be defined under *Internal Revenue Service Code Section 213(d)*. Any amount remaining in a participant's HRA account at the end of the plan year shall be credited to the participant's account for the following year, in addition to the annual contribution. Upon separation from employment or retirement, a former employee or dependent will not continue to receive the annual credit but may use the remaining continued balance accumulated in the HRA account.

The IMB may at its discretion, through resolution of its Board of Directors, discontinue funding the annual credits or terminate the Plan at any time without liability for such discontinuance or termination.

Contributions made to the Plan by the IMB for the year ended June 30, 2013 were \$113,000.

### NOTE 6. CASH AND INVESTMENT RISK

At June 30, 2013, 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.

### NOTE 7. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2013, through September 12, 2013, the date these financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.