

West Virginia Investment Management Board

2019 AUDITED FINANCIAL STATEMENTS

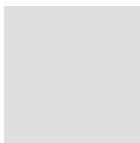
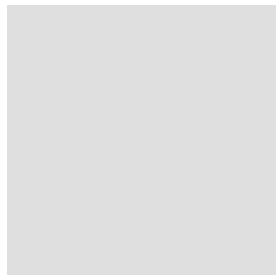
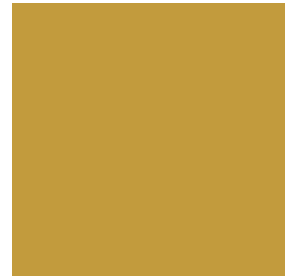
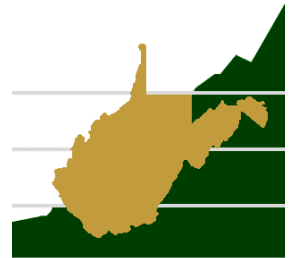


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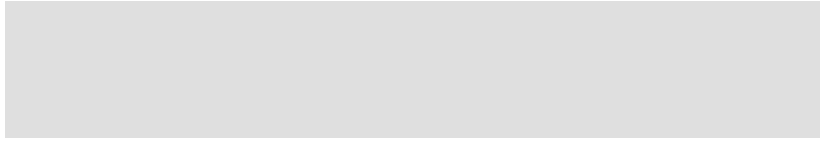
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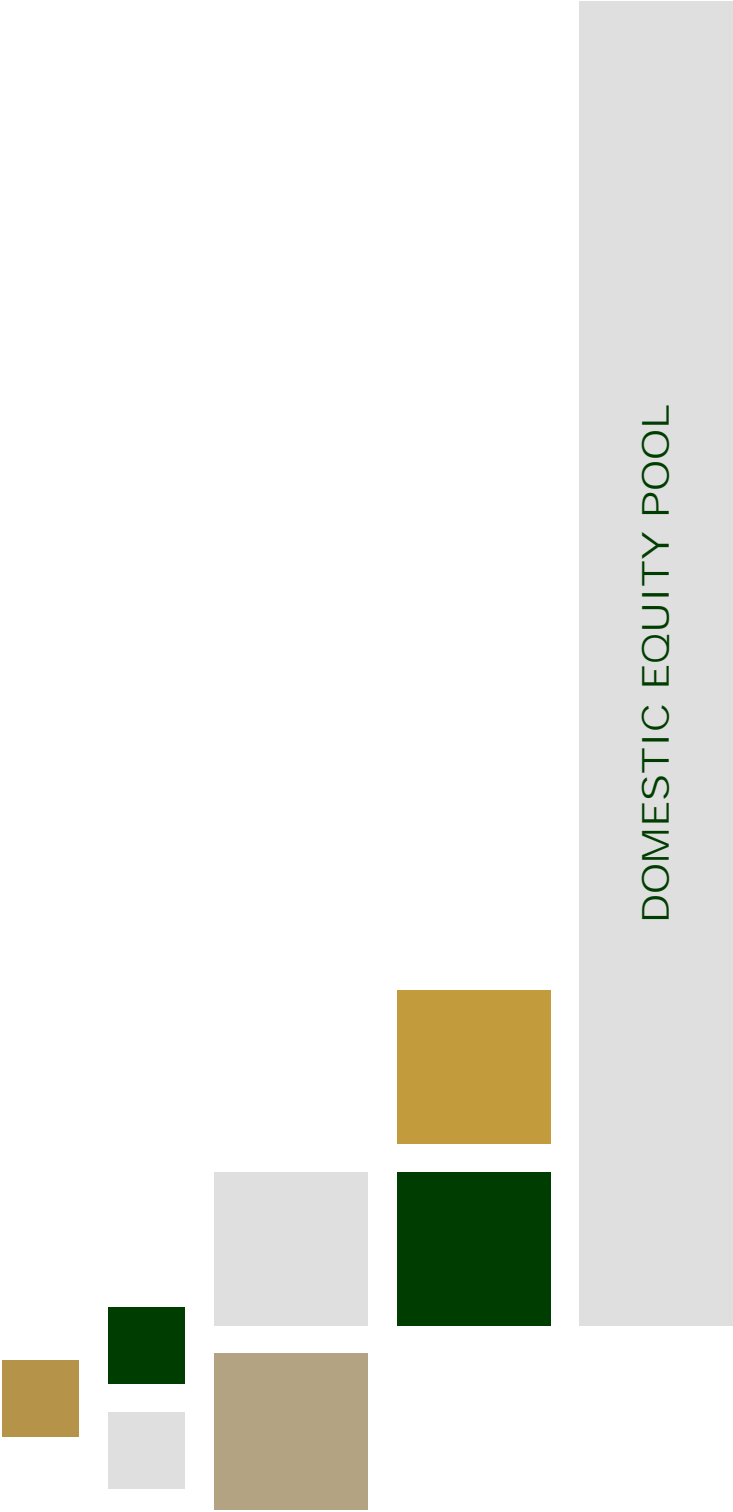
AUDITED FINANCIAL
STATEMENTS



INVESTMENT POOLS
Year Ended June 30, 2019

AUDITED FINANCIAL STATEMENTS
June 30, 2019

A



Domestic Equity Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Domestic Equity Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 Domestic Equity Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Domestic Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages A-1 through A-2 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

August 29, 2019

Domestic Equity Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the IMB's 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 4,889,897	\$ 4,688,808
Other assets	30,500	61,929
Total assets	4,920,397	4,750,737
Total liabilities	(330,408)	(186,144)
Net position	\$ 4,589,989	\$ 4,564,593

Domestic Equity Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$25,396 results from net investment income of \$339,725 and a net decrease from unit transactions of \$314,329.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 347,783	\$ 636,249
Expenses	(8,058)	(7,444)
Net investment income	339,725	628,805
Net units issued (redeemed)	(314,329)	3,935,788
Increase in net position	25,396	4,564,593
Net position, beginning of year	4,564,593	-
Net position, end of year	\$ 4,589,989	\$ 4,564,593

The investment income of the Pool consists primarily of the net increase in fair value of investments and dividends received on equity securities.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was 7.5 percent, down from 15.0 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 28.74	\$ 25.00
Net investment income	2.16	3.74
Net position, end of year	\$ 30.90	\$ 28.74

Supplemental Data:

Ratio of expenses to average net position (a)	0.07%	0.08%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

Domestic Equity Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 4,619,801
Money market mutual fund	27,792
Securities lending collateral	242,304
Cash	17
Receivables:	
Investments sold	28,000
Dividends and other investment income	2,483
	<hr/>
Total assets	4,920,397

Liabilities

Accrued expenses	740
Payable for investments purchased	87,364
Payable upon return of securities loaned	242,304
	<hr/>
Total liabilities	330,408
	<hr/>
Net position	\$ 4,589,989

Unit data

Units outstanding	148,532,983
Net position, unit price	<hr/> <hr/> \$ 30.90

See accompanying notes to financial statements.

Domestic Equity Pool

Statement of Changes in Net Position

Year Ended June 30, 2019

(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	300,222
Interest, dividends, and other investment income		41,723
Securities lending income		<u>5,838</u>

Total investment income 347,783

Expenses

Investment advisor fees		(1,716)
Custodian bank fees		(106)
Management and other allocated fees		(1,376)
Securities lending expenses		<u>(4,860)</u>

Total expenses (8,058)

Net investment income 339,725

Unit transactions

Proceeds from sale of units		341,968
Amount paid for repurchase of units		<u>(656,297)</u>

Net decrease from unit transactions (314,329)

Increase in net position 25,396

Net position, beginning of year 4,564,593

Net position, end of year \$ 4,589,989

See accompanying notes to financial statements.

Domestic Equity Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

The accompanying financial statements reflect only the investments and investment related operations of the IMB's 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods. Assets are managed by AJO, BlackRock, INTECH Investment Management, LLC, and Westfield Capital Management.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month 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.
- 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.
- 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.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

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.

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.

Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for U.S. securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. 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. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive 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 Changes in Net Position as a net increase (decrease) in fair value of investments.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

Domestic Equity Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool's money market mutual fund investment and investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The IMB reviews available ratings from Standard & Poor's and Moody's. The IMB discloses the ratings of the securities underlying the repurchase agreements. The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2019:

Rating	Fair Value
AAA / A-1	\$ 33,117
AA	151,145
A	5,340
BBB	2,428
B	226
Not applicable	50,048
Total securities lending cash collateral	<u>\$ 242,304</u>

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent, and the collateral is held in the name of the IMB. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the IMB's custodian 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 Pool is exposed to interest rate risk from its money market mutual fund investment and from investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day.

Foreign Currency Risk

The Pool is exposed to no or minimal foreign currency risk.

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 establishes 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 GASB Statement No. 72 are:

Domestic Equity Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2019:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 1,937,693	\$ -	\$ -	\$ 1,937,693
Common stock	2,682,108	-	-	2,682,108
Money market mutual fund	27,792	-	-	27,792
Securities lending collateral	-	242,304	-	242,304
Total	\$ 4,647,593	\$ 242,304	\$ -	\$ 4,889,897

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2019:

	Fair Value
Securities on loan	\$ 641,014
Collateral received:	
Cash	\$ 242,304
Non-cash	431,293
Total collateral received	\$ 673,597

BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

Domestic Equity Pool

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

NOTE 6. SCHEDULE OF PARTICIPATION

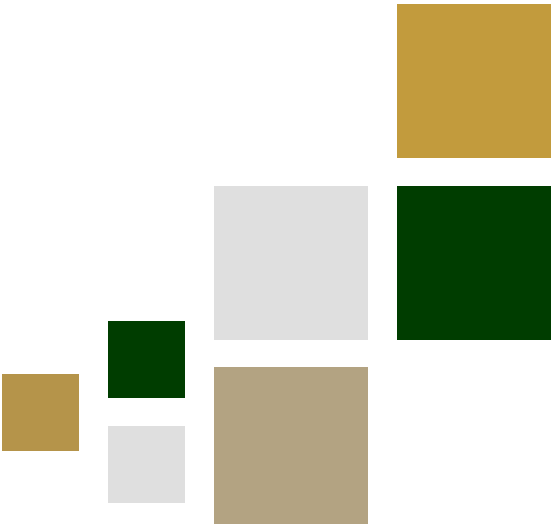
The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,918,351
Public Employees' Retirement System	1,698,197
West Virginia Retiree Health Benefit Trust Fund	248,998
State Police Death, Disability and Retirement Fund	166,807
Workers' Compensation Old Fund	162,444
Deputy Sheriff's Retirement System	57,610
Judges' Retirement System	52,616
State Police Retirement System	51,197
Revenue Shortfall Reserve Fund - Part B	50,478
West Virginia Department of Environmental Protection Agency	39,819
Coal Workers' Pneumoconiosis Fund	34,833
Public Employees Insurance Agency	25,918
Board of Risk and Insurance Management	23,121
Emergency Medical Services Retirement System	20,815
Wildlife Endowment Fund	16,042
Workers' Compensation Self-Insured Employer Security Risk Pool	7,634
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	5,007
West Virginia Department of Environmental Protection Trust	2,946
Municipal Police Officers' and Firefighters' Retirement System	2,649
Workers' Compensation Uninsured Employers' Fund	1,966
Berkeley County Development Authority	1,537
Municipal Policemen's or Firemen's Pension and Relief Funds	1,004
Total	<u>\$ 4,589,989</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019

B

INTERNATIONAL QUALIFIED POOL



International Qualified Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board International Qualified Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 International Qualified Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Qualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages B-1 through B-2 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

August 29, 2019

International Qualified Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The Pool was established to gain exposure to the international equity market with the objective to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annual 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.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 1,301,531	\$ 1,330,940
Total liabilities	(56)	(56)
Net position	<u>\$ 1,301,475</u>	<u>\$ 1,330,884</u>

International Qualified Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$29,409 results from net investment loss of \$29,807 and a net increase from unit transactions of \$398.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income (loss)	\$ (22,823)	\$ 109,816
Expenses	(6,984)	(7,776)
Net investment income (loss)	(29,807)	102,040
Net units issued (redeemed)	398	(224,557)
Decrease in net position	(29,409)	(122,517)
Net position, beginning of year	1,330,884	1,453,401
Net position, end of year	<u>\$ 1,301,475</u>	<u>\$ 1,330,884</u>

The investment income (loss) of the Pool is from the net increase (decrease) in fair value of investments.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was (2.2) percent, down from 6.9 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 76.67	\$ 71.78
Net investment income (loss)	(1.71)	4.89
Net position, end of year	<u>\$ 74.96</u>	<u>\$ 76.67</u>

Supplemental Data:		
Ratio of expenses to average net position (a)	0.54%	0.54%

- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee fund.

International Qualified Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 1,301,531

Liabilities

Accrued expenses 56

Net position \$ 1,301,475

Unit data

Units outstanding 17,363,032

Net position, unit price \$ 74.96

See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Position Year Ended June 30, 2019 *(Amounts in thousands)*

Investment income

Net decrease in fair value of investments	\$ (22,823)
---	-------------

Expenses

Investment advisor fees	(6,586)
-------------------------	---------

Management and other allocated fees	<u>(398)</u>
-------------------------------------	--------------

Total expenses	<u>(6,984)</u>
-----------------------	----------------

Net investment loss	(29,807)
----------------------------	----------

Unit transactions

Proceeds from sale of units	2,084
-----------------------------	-------

Amount paid for repurchase of units	<u>(1,686)</u>
-------------------------------------	----------------

Net increase from unit transactions	<u>398</u>
--	------------

Decrease in net position	(29,409)
---------------------------------	----------

Net position, beginning of year	<u>1,330,884</u>
--	------------------

Net position, end of year	<u><u>\$ 1,301,475</u></u>
----------------------------------	----------------------------

See accompanying notes to financial statements.

International Qualified Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

The accompanying financial statements reflect only the investments and investment related operations of the IMB's International 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool invests in The Silchester International Investors International Value Equity Group Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East 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. Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Commingled investment funds are valued on the last business day of each month at the net asset value of the fund as reported by the fund's administrator. Investments for which the fair value cannot be determined are valued at fair value 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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

International Qualified Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

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, 2019, was \$1,301,531. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 establishes 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 GASB Statement No. 72 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.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share as the practical expedient. The investment in Silchester is valued using the net asset value per share. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

International Qualified Pool

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

NOTE 5. SCHEDULE OF PARTICIPATION

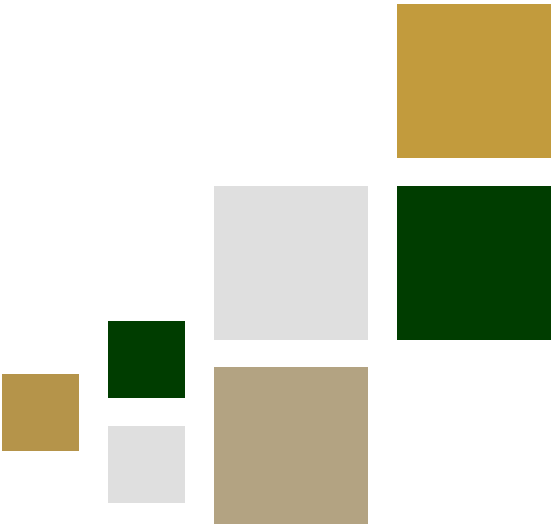
The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 629,522
Public Employees' Retirement System	558,010
State Police Death, Disability and Retirement Fund	55,557
Deputy Sheriff's Retirement System	18,323
Judges' Retirement System	17,016
State Police Retirement System	15,573
Emergency Medical Services Retirement System	6,517
Municipal Police Officers' and Firefighters' Retirement System	622
Municipal Policemen's or Firemen's Pension and Relief Funds	335
Total	<u>\$ 1,301,475</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019



INTERNATIONAL NONQUALIFIED POOL



International Nonqualified Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board International Nonqualified Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 International Nonqualified Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Nonqualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages C-1 through C-2 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

August 29, 2019

International Nonqualified Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The Pool was established to gain exposure to the international equity market with the objective to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annual basis over three- to five-year periods, net of external investment management fees. This Pool exists for participants who are not "qualified participants" (as defined by the *Internal Revenue Code*).

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 210,181	\$ 215,417
Total liabilities	(9)	(9)
Net position	<u>\$ 210,172</u>	<u>\$ 215,408</u>

International Nonqualified Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$5,236 results from net investment loss of \$5,300 and a net increase from unit transactions of \$64.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income (loss)	\$ (4,024)	\$ 14,886
Expenses	(1,276)	(1,344)
Net investment income (loss)	(5,300)	13,542
Net units issued	64	67
Increase (decrease) in net position	(5,236)	13,609
Net position, beginning of year	215,408	201,799
Net position, end of year	\$ 210,172	\$ 215,408

The investment income (loss) of the Pool is from the net increase (decrease) in fair value of investments.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was (2.5) percent, down from 6.7 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 70.28	\$ 65.86
Net investment income (loss)	(1.73)	4.42
Net position, end of year	\$ 68.55	\$ 70.28

Supplemental Data:

Ratio of expenses to average net position (a)	0.61%	0.61%
---	-------	-------

- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee fund.

International Nonqualified Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 210,181

Liabilities

Accrued expenses 9

Net position \$ 210,172

Unit data

Units outstanding 3,066,090

Net position, unit price \$ 68.55

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position

Year Ended June 30, 2019

(Amounts in thousands)

Investment income

Net decrease in fair value of investments	\$ (4,024)
---	------------

Expenses

Investment advisor fees	(1,212)
-------------------------	---------

Management and other allocated fees	<u>(64)</u>
-------------------------------------	-------------

Total expenses	<u>(1,276)</u>
-----------------------	----------------

Net investment loss	(5,300)
----------------------------	---------

Unit transactions

Proceeds from sale of units	12,827
-----------------------------	--------

Amount paid for repurchase of units	<u>(12,763)</u>
-------------------------------------	-----------------

Net increase from unit transactions	<u>64</u>
--	-----------

Decrease in net position	(5,236)
---------------------------------	---------

Net position, beginning of year	<u>215,408</u>
--	----------------

Net position, end of year	<u><u>\$ 210,172</u></u>
----------------------------------	--------------------------

See accompanying notes to financial statements.

International Nonqualified Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

The accompanying financial statements reflect only the investments and investment related operations of the IMB's International 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East 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*). Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Commingled investment funds are valued on the last business day of each month at the net asset value of the fund as reported by the fund's administrator. Investments for which the fair value cannot be determined are valued at fair value 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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

International Nonqualified Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

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, 2019, was \$210,181. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 establishes 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 GASB Statement No. 72 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.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share as the practical expedient. The investment in Silchester is valued using the net asset value per share. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

International Nonqualified Pool

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

NOTE 5. SCHEDULE OF PARTICIPATION

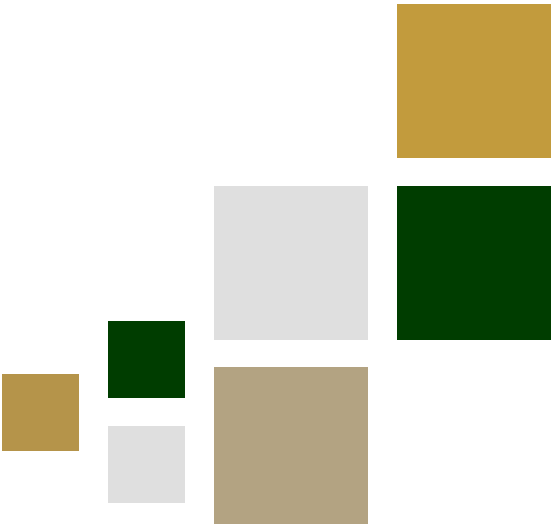
The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 83,843
Workers' Compensation Old Fund	55,236
Revenue Shortfall Reserve Fund - Part B	16,949
West Virginia Department of Environmental Protection Agency	13,373
Coal Workers' Pneumoconiosis Fund	11,809
Public Employees Insurance Agency	9,326
Board of Risk and Insurance Management	7,763
Wildlife Endowment Fund	5,434
Workers' Compensation Self-Insured Employer Security Risk Pool	2,586
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,685
West Virginia Department of Environmental Protection Trust	989
Workers' Compensation Uninsured Employers' Fund	662
Berkeley County Development Authority	517
Total	<u>\$ 210,172</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019

D

INTERNATIONAL EQUITY POOL



International Equity Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board International Equity Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 International Equity Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages D-1 through D-2 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

August 29, 2019

International Equity Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The objective of the Pool is to outperform the international equity market as measured by the Morgan Stanley Capital International's All Country World Free Ex US Index over a full market cycle (three- to five-years), net of external investment management fees.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 3,291,170	\$ 3,042,760
Other assets	58,095	249,262
Total assets	3,349,265	3,292,022
Total liabilities	(85,928)	(305,194)
Net position	\$ 3,263,337	\$ 2,986,828

International Equity Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$276,509 results from net investment loss of \$16,730 and a net increase from unit transactions of \$293,239.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 4,048	\$ 238,827
Expenses	(20,778)	(22,509)
Net investment income (loss)	(16,730)	216,318
Net units issued (redeemed)	293,239	(378,983)
Increase (decrease) in net position	276,509	(162,665)
Net position, beginning of year	2,986,828	3,149,493
Net position, end of year	<u>\$ 3,263,337</u>	<u>\$ 2,986,828</u>

The investment income of the Pool consists primarily of the net increase (decrease) in fair value of investments and dividends received on equity securities.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was (0.6) percent, down from 6.6 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 31.58	\$ 29.63
Net investment income (loss)	(0.18)	1.95
Net position, end of year	<u>\$ 31.40</u>	<u>\$ 31.58</u>

Supplemental Data:

Ratio of expenses to average net position (a)	0.62%	0.67%
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(a) The ratio is for the fiscal year and excludes securities lending expenses.

International Equity Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 3,194,315
Money market mutual fund	26,048
Securities lending collateral	70,807
Cash	29,022
Receivables:	
Investments sold	7,107
Dividends and other investment income	21,966
	<hr/>
Total assets	3,349,265

Liabilities

Accrued expenses	4,639
Accrued capital gains taxes	1,531
Payable for investments purchased	8,951
Payable upon return of securities loaned	70,807
	<hr/>
Total liabilities	85,928
	<hr/>
Net position	\$ 3,263,337

Unit data

Units outstanding	103,913,237
Net position, unit price	\$ 31.40

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Position

Year Ended June 30, 2019

(Amounts in thousands)

Investment income

Net decrease in fair value of investments	\$ (108,738)
Interest, dividends, and other investment income	109,244
Securities lending income	<u>3,542</u>

Total investment income 4,048

Expenses

Investment advisor fees	(16,558)
Custodian bank fees	(1,793)
Management and other allocated fees	(973)
Securities lending expenses	<u>(1,454)</u>

Total expenses (20,778)

Net investment loss (16,730)

Unit transactions

Proceeds from sale of units	441,903
Amount paid for repurchase of units	<u>(148,664)</u>

Net increase from unit transactions 293,239

Increase in net position 276,509

Net position, beginning of year 2,986,828

Net position, end of year \$ 3,263,337

See accompanying notes to financial statements.

International Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool invests in the equities of international companies. The objective of the Pool is to outperform the international equity market as measured by the Morgan Stanley Capital International's All Country World Free Ex US Index over a full market cycle (three- to five-years), net of external investment management fees. Assets are managed by Acadian Asset Management, LLC, Axiom International Investors, LLC, Brandes Investment Partners, L.P., LSV Asset Management, and Oberweis Asset Management, Inc.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month 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.
- 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.
- 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.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

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.

International Equity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the 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.

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.

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. 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. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. 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 Changes in Net Position as a net increase (decrease) in fair value of investments.

Foreign Currency Spot 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, as listed in Note 1, 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.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

International Equity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2019.

In certain foreign countries the Pool's dividend income and capital gains may be taxable. Taxes on dividend income are generally withheld from the payments 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. Capital gains taxes, if any, on sales of securities may be assessed and paid concurrent with the sale or upon the filing of a return with the taxing authority. In countries where the IMB is liable for capital gains taxes, the IMB will estimate and accrue a capital gains tax liability for unrealized gains on securities held in such countries. The outstanding reclaims and accrued capital gains taxes are reported on the Statement of Net Position. Dividend income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position. The net increase (decrease) in fair value of investments is reported net of capital gains taxes on the Statement of Changes in Net Position.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool's money market mutual fund investment and investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The IMB reviews available ratings from Standard & Poor's and Moody's. The IMB discloses the ratings of the securities underlying the repurchase agreements. The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2019:

Rating	Fair Value
AAA / A-1	\$ 9,678
AA	44,168
A	1,560
BBB	710
B	66
Not applicable	14,625
Total securities lending cash collateral	<u>\$ 70,807</u>

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the IMB. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB.

International Equity Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its money market mutual fund investment and certain investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day.

Foreign Currency Risk

The Pool has equity investments, cash, and foreign currency spot contracts that are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of equity investments, cash, and foreign currency spot contracts as of June 30, 2019 are as follows:

Currency	Equity Investments	Cash	Foreign Currency Spot Contracts	Total
Australian Dollar	\$ 126,545	\$ 975	\$ -	\$ 127,520
Brazil Real	135,983	682	(2)	136,663
British Pound	284,807	2,169	(2)	286,974
Canadian Dollar	125,313	2,518	-	127,831
Chilean Peso	6,037	-	-	6,037
Danish Krone	4,586	-	-	4,586
Egyptian Pound	926	-	-	926
Emirati Dirham	1,689	10	-	1,699
Euro Currency Unit	463,116	6,782	3	469,901
Hong Kong Dollar	365,906	2,136	-	368,042
Hungarian Forint	11,477	41	-	11,518
Indian Rupee	89,501	946	-	90,447
Indonesian Rupiah	41,637	38	-	41,675
Israeli Shekel	17,395	31	-	17,426
Japanese Yen	380,550	2,595	-	383,145
Malaysian Ringgit	19,851	290	-	20,141
Mexican Peso	55,332	486	-	55,818
New Taiwan Dollar	91,450	553	-	92,003
New Zealand Dollar	553	50	-	603
Norwegian Krone	20,433	463	-	20,896
Pakistan Rupee	1,413	-	-	1,413
Philippine Peso	17,899	4	-	17,903
Polish Zloty	1,027	1,570	-	2,597
Qatari Riyal	756	51	-	807
Singapore Dollar	21,213	540	-	21,753
South African Rand	44,180	448	-	44,628
South Korean Won	201,839	2,128	(1)	203,966
Swedish Krona	71,775	2,166	-	73,941
Swiss Franc	95,408	42	-	95,450
Thailand Baht	60,524	(3)	-	60,521
Turkish Lira	21,677	293	-	21,970
Total	\$ 2,780,798	\$ 28,004	\$ (2)	\$ 2,808,800
U.S. Dollar	413,517	1,018	-	414,535
Total	\$ 3,194,315	\$ 29,022	\$ (2)	\$ 3,223,335

International Equity Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 establishes 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 GASB Statement No. 72 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 GASB Statement No. 72 fair value hierarchy levels as of June 30, 2019:

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,142,466	\$ -	\$ -	\$ 3,142,466
Money market mutual fund	26,048	-	-	26,048
Preferred stock	51,666	-	-	51,666
Rights	183	-	-	183
Securities lending collateral	-	70,807	-	70,807
Total	\$ 3,220,363	\$ 70,807	\$ -	\$ 3,291,170

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2019:

	Fair Value
Securities on loan	\$ 362,390
Collateral received:	
Cash	\$ 70,807
Non-cash	333,329
Total collateral received	\$ 404,136

BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

International Equity Pool

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

NOTE 6. SCHEDULE OF PARTICIPATION

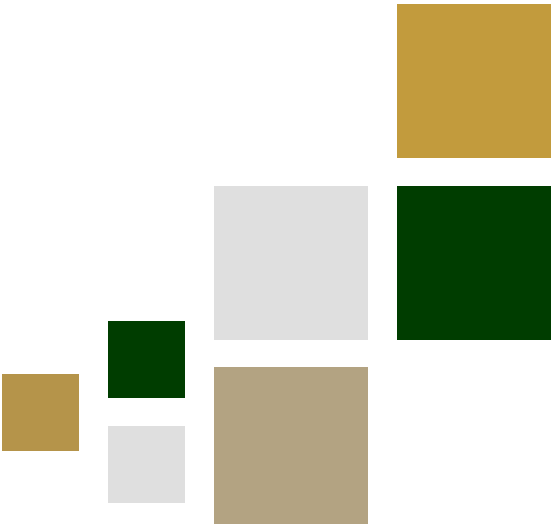
The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,363,648
Public Employees' Retirement System	1,214,443
West Virginia Retiree Health Benefit Trust Fund	173,189
State Police Death, Disability and Retirement Fund	116,454
Workers' Compensation Old Fund	113,678
Deputy Sheriff's Retirement System	41,170
State Police Retirement System	37,428
Judges' Retirement System	37,276
Revenue Shortfall Reserve Fund - Part B	35,359
West Virginia Department of Environmental Protection Agency	27,799
Coal Workers' Pneumoconiosis Fund	24,400
Public Employees Insurance Agency	19,812
Board of Risk and Insurance Management	16,133
Emergency Medical Services Retirement System	15,187
Wildlife Endowment Fund	11,241
Workers' Compensation Self-Insured Employer Security Risk Pool	5,373
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,464
Municipal Police Officers' and Firefighters' Retirement System	2,085
West Virginia Department of Environmental Protection Trust	2,045
Workers' Compensation Uninsured Employers' Fund	1,382
Berkeley County Development Authority	1,070
Municipal Policemen's or Firemen's Pension and Relief Funds	701
Total	<u>\$ 3,263,337</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019

E

SHORT-TERM FIXED INCOME POOL



Short-Term Fixed Income Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Short-Term Fixed Income Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 Short-Term Fixed Income Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Short-Term Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages E-1 through E-2 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

August 29, 2019

Short-Term Fixed Income Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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Pool Strategy

The main objective of the Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other IMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investment management fees, is the Citigroup 90-Day Treasury Bill Index.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 186,050	\$ 218,291
Other assets	10	8
Total assets	186,060	218,299
Total liabilities	(30)	(30)
Net position	\$ 186,030	\$ 218,269

Short-Term Fixed Income Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the interest rates on short-term fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$32,239 results from net investment income of \$3,351, a decrease from distributions to unitholders of \$3,351, and a net decrease from unit transactions of \$32,239.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 3,489	\$ 2,255
Expenses	(138)	(149)
Net investment income	3,351	2,106
Distributions to unitholders	(3,351)	(2,109)
Net units issued (redeemed)	(32,239)	237
Increase (decrease) in net position	(32,239)	234
Net position, beginning of year	218,269	218,035
Net position, end of year	\$ 186,030	\$ 218,269

The investment income of the Pool is primarily from interest received on fixed income securities.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was 2.2 percent, up from 1.3 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 1.00	\$ 1.00
Net investment income	0.02	0.01
Distributions to unitholders (a)	(0.02)	(0.01)
Net position, end of year	\$ 1.00	\$ 1.00

Supplemental Data:		
Ratio of expenses to average net position (b)	0.09%	0.09%
Weighted average maturity (WAM)	9 days	43 days
Maximum WAM per IMB Board guidelines	60 days	60 days
Money market yield (c)	2.23%	1.85%

- (a) Calculation based on the average shares outstanding
- (b) Ratio is for the fiscal year
- (c) The money market yield represents the rate of income, net of expenses, earned over the past month divided by the 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

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at amortized cost:

U.S. Treasury and government agency bonds	\$	141,050
Repurchase agreement		45,000
Cash		1
Accrued interest receivable		9

Total assets 186,060

Liabilities

Accrued expenses		30
------------------	--	----

Net position \$ 186,030

Unit data

Units outstanding		186,030,430
Net position, unit price	\$	1.00

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Changes in Net Position
Year Ended June 30, 2019
(Amounts in thousands)

Investment income	\$ 3,489
Expenses	
Investment advisor fees	(77)
Custodian bank fees	(11)
Management and other allocated fees	<u>(50)</u>
Total expenses	<u>(138)</u>
Net investment income	3,351
Distributions to unitholders	(3,351)
Unit transactions	
Proceeds from sale of units	1,522,417
Reinvestment of distributions	3,351
Amount paid for repurchase of units	<u>(1,558,007)</u>
Net decrease from unit transactions	<u>(32,239)</u>
Decrease in net position	(32,239)
Net position, beginning of year	<u>218,269</u>
Net position, end of year	<u><u>\$ 186,030</u></u>

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

The accompanying financial statements reflect only the investments and investment related operations of the IMB's 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The main objective of the Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other IMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investment management fees, is the Citigroup 90-Day Treasury Bill Index. JP Morgan Investment Advisors, Inc. manages the Pool.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at amortized cost provided such amounts approximate fair value in accordance with GASB Statements No. 72 and No. 79. 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 stable net position value per share of \$1. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

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. Interest income, including the accretion of discounts and amortization of premiums, is accrued daily as earned. Dividend income is recognized on the ex-dividend date.

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.

Short-Term Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Unit Valuation and Participant Transactions – The unit price of the Pool is calculated daily by dividing the net position of the Pool by the number of outstanding units. Managements' policy is for the Pool to maintain a stable unit price of \$1 per unit. If the calculated unit price rounds to \$1, then participant transactions are executed at this price.

Distributions to Participants – Daily net investment income is declared as a dividend and distributed to the participants of the Pool on the last day of the month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to unitholders and reinvestment of distributions as presented on the Statement of Changes in Net Position.

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

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 IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. All of the Pool's investments had the highest credit ratings as of June 30, 2019.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019, 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 (WAM) 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 WAM for the different asset types in the Pool as of June 30, 2019:

Investment Type	Carrying Value	WAM (days)
Repurchase agreement	\$ 45,000	1
U.S. Government agency bonds	91,095	10
U.S. Treasury bills	49,955	16
Total investments	\$ 186,050	9

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

GASB Statement No. 72 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).

GASB Statement No. 72 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 GASB Statement No. 72 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 GASB Statement No. 72 fair value hierarchy levels as of June 30, 2019:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Repurchase agreement	\$ -	\$ 45,000	\$ -	\$ 45,000
U.S. Government agency bonds	-	91,095	-	91,095
U.S. Treasury bills	-	49,955	-	49,955
Total	<u>\$ -</u>	<u>\$ 186,050</u>	<u>\$ -</u>	<u>\$ 186,050</u>

Short-Term Fixed Income Pool

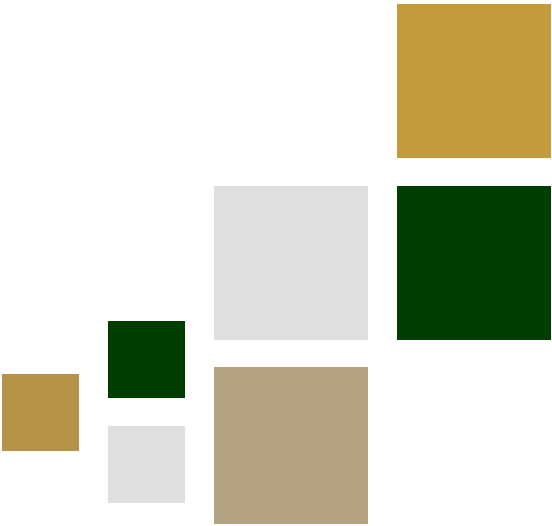
Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 84,127
Workers' Compensation Old Fund	39,162
State Police Death, Disability and Retirement Fund	16,319
Public Employees' Retirement System	14,156
Coal Workers' Pneumoconiosis Fund	10,024
Board of Risk and Insurance Management	7,864
West Virginia Prepaid Tuition Trust Fund	6,774
Workers' Compensation Self-Insured Employer Security Risk Pool	2,117
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,536
Workers' Compensation Uninsured Employers' Fund	1,287
State Police Retirement System	962
Municipal Police Officers' and Firefighters' Retirement System	472
Deputy Sheriff's Retirement System	393
Judges' Retirement System	391
Emergency Medical Services Retirement System	338
Wildlife Endowment Fund	63
Municipal Policemen's or Firemen's Pension and Relief Funds	45
Total	<u>\$ 186,030</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019



TOTAL RETURN FIXED INCOME POOL

Total Return Fixed Income Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Total Return Fixed Income Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 Total Return Fixed Income Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Total Return Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages F-1 through F-2 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

August 29, 2019

Total Return Fixed Income Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The main objective of the Pool is to generate investment income, provide stability, and enhance diversification but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Universal Bond Index over three- to five-year periods, net of external investment management fees.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 2,101,768	\$ 2,471,293
Investment derivatives	14,796	15,280
Other assets	309,476	64,101
Total assets	2,426,040	2,550,674
Investment derivatives and security sold short	(39,009)	(16,598)
Other liabilities	(167,538)	(168,602)
Total liabilities	(206,547)	(185,200)
Net position	\$ 2,219,493	\$ 2,365,474

Total Return Fixed Income Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$145,981 results from net investment income of \$162,191 and a net decrease from unit transactions of \$308,172.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 171,499	\$ 28,263
Expenses	(9,308)	(8,630)
Net investment income	162,191	19,633
Distributions to unitholders	-	(65,332)
Net units issued (redeemed)	(308,172)	88,839
Increase (decrease) in net position	(145,981)	43,140
Net position, beginning of year	2,365,474	2,322,334
Net position, end of year	<u>\$ 2,219,493</u>	<u>\$ 2,365,474</u>

The investment income of the Pool consists primarily of the net increase in fair value of investments and interest received on fixed income securities.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was 7.4 percent, up from 0.9 percent for the year ended June 30, 2018.

Select financial highlights are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 14.70	\$ 14.97
Net investment income	1.09	0.13
Distributions to unitholders (a)	-	(0.40)
Net position, end of year	<u>\$ 15.79</u>	<u>\$ 14.70</u>
Supplemental Data:		
Ratio of expenses to average net position (b)	0.26%	0.26%

- (a) Calculation based on the average shares outstanding.
- (b) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

Total Return Fixed Income Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 1,961,711
Derivative instruments	14,796
Money market mutual fund	41,138
Equity investments	9,993
Securities lending collateral	88,926
Cash	59,932
Receivables:	
Interest, dividends, and other investment income	17,313
Investments sold	232,231
	<hr/>
Total assets	2,426,040

Liabilities

Investments in derivative instruments at fair value	39,009
Accrued expenses	1,392
Payable for investments purchased	77,220
Payable upon return of securities loaned	88,926
	<hr/>
Total liabilities	206,547
	<hr/>
Net position	\$ 2,219,493

Unit data

Units outstanding	140,520,351
Net position, unit price	\$ 15.79

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Position

Year Ended June 30, 2019

(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	73,223
Interest, dividends, and other investment income		94,566
Securities lending income		<u>3,710</u>
Total investment income		171,499

Expenses

Investment advisor fees		(5,114)
Custodian bank fees		(210)
Management and other allocated fees		(718)
Securities lending expenses		<u>(3,266)</u>
Total expenses		<u>(9,308)</u>

Net investment income 162,191

Unit transactions

Proceeds from sale of units		178,599
Amount paid for repurchase of units		<u>(486,771)</u>

Net decrease from unit transactions (308,172)

Decrease in net position (145,981)

Net position, beginning of year 2,365,474

Net position, end of year \$ 2,219,493

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

The accompanying financial statements reflect only the investments and investment related operations of the IMB's 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The main objective of the Pool is to generate investment income, provide stability, and enhance diversification but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Universal Bond Index over three- to five-year periods, net of external investment management fees. Dodge & Cox, Franklin Templeton Investments, and Western Asset Management Company manage the Pool.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 5 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month 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 debt 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, interest rate, and total return swaps are valued at the last settlement price established each day by the exchange on which they are traded, are based on market values received from third parties, or are determined by valuation models.
- Foreign currency forward contracts are valued at the prevailing market exchange rates at month-end.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily 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.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon (BNYM) 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.

Option Contracts - The IMB may purchase or write 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.

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.

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.

Securities Lending - The IMB, through its lending agent BNYM, loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income. For international securities, the required collateral is at least 105 percent of the market value of the securities on loan unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. 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. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. 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 Changes in Net Position as a net increase (decrease) in fair value of investments.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Investment risk associated with these futures contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions.

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

Foreign 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. The IMB 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.

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. Credit default swap agreements are marked-to-market daily. Upfront payments received or made by the Pool on credit default swap agreements are capitalized. Periodic payments received or paid are recorded as interest income. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, in net increase (decrease) in fair value of investments.

Credit default swaps are instruments which allow for the full or partial transfer of third party credit risk, with respect to a particular entity or entities, from one counterparty to the other. A seller of credit default swaps is selling credit protection or assuming credit risk with respect to the underlying entity or entities. If a credit event occurs, as defined under the terms of the swap agreement, the seller of protection will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. The Notional Principal reflects the maximum potential amount the seller of protection could be required to pay if a credit event occurs. The seller of protection receives periodic premium payments from the counterparty and may also receive or pay an upfront premium adjustment to the stated periodic premium.

Interest Rate Swaps - Interest rate swaps are agreements between counterparties to exchange cash flows based on the difference between a fixed and floating interest rate, applied to a notional principal amount for a specified period. A basis swap is a type of interest rate swap that exchanges one floating rate for another. Upfront payments received or made by the Pool on interest rate swap agreements are capitalized. Interest is paid or received periodically.

Total Return Swaps - Total return swaps are agreements in which one party makes payments based on a fixed or variable rate, while the other party makes payments based on the total return of an underlying referenced instrument, applied to a notional principal amount for a specified period. The underlying referenced instrument can be either a security or market index. A total return swap allows the party receiving the total return to obtain exposure to the underlying referenced instrument without actually owning the underlying position.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The 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. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

Distributions to Participants – The Pool does not routinely distribute dividends of net investment income.

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

In certain foreign countries, the Pool's interest income and capital gains may be taxable. Taxes on interest income are generally withheld from the payments 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. Capital gains taxes, if any, on sales of securities may be assessed and paid concurrent with the sale or upon the filing of a return with the taxing authority. In countries where the IMB is liable for capital gains taxes, the IMB will estimate and accrue a capital gains tax liability for unrealized gains on securities held in such countries. The outstanding reclaims and accrued capital gains taxes are reported on the Statement of Net Position. Interest income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position. The net increase (decrease) in fair value of investments is reported net of capital gains taxes on the Statement of Changes in Net Position.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by a nationally recognized statistical rating organization. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2019:

Rating	Fair Value
AAA / A-1	\$ 14,485
AA	685,964
A	105,271
BBB	553,241
BB	320,377
B	204,230
CCC	13,962
D	1,050
Withdrawn	7,324
Not rated	55,807
Total fixed income investments	<u>\$ 1,961,711</u>

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The IMB reviews available ratings from Standard & Poor's and Moody's. The IMB discloses the ratings of the securities underlying the repurchase agreements. The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2019:

Rating	Fair Value
AAA / A-1	\$ 12,154
AA	55,470
A	1,960
BBB	891
B	83
Not applicable	18,368
Total securities lending cash collateral	<u>\$ 88,926</u>

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the IMB. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of the IMB. Investments in commingled debt 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.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day.

The IMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The following table provides the weighted average effective duration for the various asset types in the Pool as of June 30, 2019:

Investment Type	Fair Value	Effective Duration (years)
Commingled debt funds	\$ 214,489	2.9
Corporate ABS residual	3,835	1.9
Corporate asset backed issues	72,659	(0.1)
Corporate CMO	40,069	1.1
Foreign asset backed issues	27,005	1.0
Foreign corporate bonds	271,117	5.4
Foreign government bonds	317,462	5.1
Municipal bonds	34,254	9.9
Repurchase agreements	8,000	0.0*
Short term investments	6,083	0.0*
U.S. corporate bonds	402,522	7.0
U.S. Government agency bonds	9,464	0.2
U.S. Government agency CMO	57,221	1.1
U.S. Government agency CMO interest-only	5,786	4.8
U.S. Government agency MBS	293,479	1.8
U. S. Government agency TBA	106	1.4
U.S. Treasury bonds	157,216	15.6
U.S. Treasury inflation protected security	40,944	20.6
Total fixed income investments	\$ 1,961,711	

*Rounds to less than 0.05

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, 2019, the Pool held \$500,160 of these securities. This represents approximately 25 percent of the value of the Pool's fixed income securities.

Foreign Currency Risk

The Pool has foreign fixed income, foreign equity investments, and cash that is denominated in foreign currencies and exposed to foreign currency risks. The Pool also has foreign denominated derivative investments. Refer to Note 4 for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled debt funds. Approximately \$32,063, or 15 percent, of the commingled debt funds hold substantially all of their investments in securities denominated in foreign currencies. This represents approximately 2 percent of the value of the Pool's fixed income securities.

Total Return Fixed Income Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2019, are as follows:

Currency	Foreign Fixed Income	Foreign Equity Investments	Cash	Total
Argentine Peso	\$ 8,380	\$ -	\$ 1,503	\$ 9,883
Australian Dollar	-	-	1,704	1,704
Belarusian Ruble	2,048	-	-	2,048
Brazil Real	47,752	-	24	47,776
British Pound	-	-	2,988	2,988
Canadian Dollar	-	-	1,141	1,141
Colombian Peso	5,209	-	-	5,209
Deutsche Mark	1,013	-	-	1,013
Dominican Peso	3,801	-	-	3,801
Egyptian Pound	2,104	-	126	2,230
Euro Currency Unit	5,967	-	12,929	18,896
Georgian Lari	1,796	-	-	1,796
Ghana Cedi	2,469	-	-	2,469
Indonesian Rupiah	2,779	-	-	2,779
Japanese Yen	51,443	-	6,077	57,520
Kazakhstani Tenge	1,841	-	-	1,841
Kenyan Shilling	3,171	-	-	3,171
Mexican Peso	44,765	-	1,943	46,708
New Zealand Dollar	-	-	791	791
Peruvian Nuevo Sol	1,846	-	-	1,846
Russian Ruble	28,094	-	1,796	29,890
South African Rand	6,726	14	2	6,742
Swedish Krona	-	-	483	483
Turkish Lira	3,190	-	-	3,190
Uruguayan Peso	7,479	-	-	7,479
Total foreign denominated investments	\$ 231,873	\$ 14	\$ 31,507	\$ 263,394
U.S. Dollar	383,711	-	28,425	412,136
Total	<u>\$ 615,584</u>	<u>\$ 14</u>	<u>\$ 59,932</u>	<u>\$ 675,530</u>

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool include foreign exchange contracts, futures, options, credit default swaps, interest rate swaps, basis swaps, and total return swaps. None of these derivative financial instruments are designated as hedging instruments under GASB Statement No. 53; 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 Pool, through its investment managers, is a party to International Swap and Derivative Association, Inc. (ISDA) Master Agreements (MA) that may allow the netting of counterparty's obligations against those of the Pool in the event of a default by the counterparty. The Pool is required to disclose the positions held at period-end that were entered into pursuant to agreements that allow for such netting.

Total Return Fixed Income Pool

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

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below presents the fair value and the year to date net increase (decrease) in fair value of derivative financial instruments outstanding as of and for the year ended June 30, 2019:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments	Notional Value (in USD)
Forwards:			
Foreign currency forward contracts	\$ (1,979)	\$ (443)	\$ 135,941
Futures contracts:			
Fixed income futures long	9,628	29,987	761,815
Fixed income futures short	(15,142)	(49,064)	(1,230,084)
Options contracts:			
Fixed income options purchased	558	(12,696)	(40,472)
Fixed income options written	(1,081)	15,683	14,416
Credit default swaptions purchased	530	(356)	64,413
Credit default swaptions written	(73)	376	13,727
Interest rate swaptions purchased	-	(491)	-
Swaps:			
Basis swaps	-	368	-
Credit default swaps protection buyer	(4,988)	117	137,255
Credit default swaps protection seller	50	116	1,842
Interest rate swaps	(12,383)	(7,306)	634,307
Total return swaps	667	1,503	226,590
Total derivatives	<u>\$ (24,213)</u>	<u>\$ (22,206)</u>	

Credit Risk

For financial reporting purposes, the Pool does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Net Position. The following table presents the Pool's derivative assets net of amounts available for offset under a netting provision and net of related collateral received by the Pool as of June 30, 2019:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency forwards	\$ 6	\$ (1)	\$ (5)	\$ -	\$ -
Swaptions	530	(72)	(365)	-	93
Swaps	2,054	(667)	(1,249)	-	138
	<u>\$ 2,590</u>	<u>\$ (740)</u>	<u>\$ (1,619)</u>	<u>\$ -</u>	<u>\$ 231</u>

At June 30, 2019, the Pool had pledged cash, net of amounts received from counterparties, of \$48,196 to cover margin requirements on open derivative contracts and counterparties had deposited, in segregated accounts, securities with a fair value of \$1,619 in connection with open derivative contracts.

Foreign currency forward contracts, certain swaps, and swaptions are exposed to counterparty credit risk. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch and reports the rating indicative of the greatest degree of risk.

Total Return Fixed Income Pool

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

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table provides the credit ratings for the Pool's derivative investments that are subject to counterparty credit risk as of June 30, 2019:

Derivative Type	Counterparty Rating	Fair Value
Foreign currency forward contracts	A	\$ 5
Foreign currency forward contracts	BBB	373
Credit default swaptions purchased	A	214
Credit default swaptions purchased	BBB	316
Credit default swaps protection seller	A	50

Interest Rate Risk

The following table provides the time to maturity for investment derivatives that are subject to interest rate risk as of June 30, 2019:

Derivative Type	Fair Value	Investment Maturities (in years)			
		Under-1	1-5	6-10	10+
Futures contracts:					
Fixed income futures long	\$ 9,628	\$ 9,628	\$ -	\$ -	\$ -
Fixed income futures short	(15,142)	(11,429)	(3,713)	-	-
Options contracts:					
Fixed income options purchased	558	545	13	-	-
Fixed income options written	(1,081)	(1,081)	-	-	-
Swaps:					
Interest rate swaps	(12,383)	1,337	(870)	(4,934)	(7,916)
	<u>\$ (18,420)</u>	<u>\$ (1,000)</u>	<u>\$ (4,570)</u>	<u>\$ (4,934)</u>	<u>\$ (7,916)</u>

Interest rate and basis swaps are highly sensitive to changes in interest rates. The following tables provide detailed information on derivative financial instruments that are highly sensitive to interest rate changes.

At June 30, 2019, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Maturity Date	Reference Rate	Notional	Fair Value
4/26/2022	Receive Fixed 2.25%, Pay Floating 3-Month Libor	\$ 59,678	\$ 372
2/15/2036	Receive Fixed 3.00%, Pay Floating 3-Month Libor	9,956	1,212
12/31/2025	Receive Floating 3-Month Libor, Pay Fixed 2.25%	28,768	(768)
4/26/2023	Receive Floating 3-Month Libor, Pay Fixed 2.30%	60,797	(345)
1/31/2026	Receive Floating 3-Month Libor, Pay Fixed 2.50%	99,252	(4,212)
8/15/2044	Receive Floating 3-Month Libor, Pay Fixed 2.75%	12,240	(1,292)
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 2.88%	14,208	(1,840)
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 3.00%	7,400	(1,141)
4/30/2026	Receive Floating Fed Funds, Pay Fixed 1.55%	36,959	45
		<u>\$ 329,258</u>	<u>\$ (7,969)</u>

At June 30, 2019, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Maturity Date	Reference Rate	Notional (in USD)	Fair Value
1/2/2020	Receive Fixed 8.41%, Pay Floating Brazil CDI	\$ 40,648	\$ 1,338
4/6/2022	Receive Fixed 7.33%, Pay Floating MXN TIE	63,399	(38)
4/5/2021	Receive Fixed 7.35%, Pay Floating MXN TIE	92,481	(386)
10/30/2021	Receive Floating 3-Month GBP Libor, Pay Fixed 1.39%	35,738	(218)
10/26/2021	Receive Floating 6-Month GBP Libor, Pay Fixed 1.27%	29,132	(254)
4/19/2047	Receive Floating 6-Month JPY Libor, Pay Fixed 0.79%	43,651	(4,856)
		<u>\$ 305,049</u>	<u>\$ (4,414)</u>

Total Return Fixed Income Pool

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

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

The Pool has foreign currency forward contracts, futures contracts, and swap contracts that are denominated in foreign currencies and exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of derivative investments in foreign currencies as of June 30, 2019, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ 11	\$ -	\$ -	\$ 11
Brazil Real	(48)	-	1,337	1,289
British Pound	129	(348)	(472)	(691)
Canadian Dollar	-	(349)	-	(349)
Euro Currency Unit	(106)	(4,900)	-	(5,006)
Japanese Yen	(1,339)	-	(4,855)	(6,194)
Mexican Peso	(44)	-	(425)	(469)
Russian Ruble	(582)	-	-	(582)
Total foreign denominated derivatives	\$ (1,979)	\$ (5,597)	\$ (4,415)	\$ (11,991)
U.S. Dollar	-	83	(12,239)	(12,156)
Total	\$ (1,979)	\$ (5,514)	\$ (16,654)	\$ (24,147)

NOTE 5. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 establishes 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 GASB Statement No. 72 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.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share as the practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2019. All of the Pool's investments in other funds were valued using the net asset value per share, as such they have not been categorized in the fair value hierarchy.

Total Return Fixed Income Pool

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

NOTE 5. FAIR VALUE MEASUREMENTS (continued)

Assets	Level 1	Level 2	Level 3	Total
Corporate ABS residual	\$ -	\$ 3,835	\$ -	\$ 3,835
Corporate asset backed issues	-	72,659	-	72,659
Corporate CMO	-	40,069	-	40,069
Corporate preferred securities	9,979	-	-	9,979
Foreign asset backed issues	-	27,005	-	27,005
Foreign corporate bonds	-	271,117	-	271,117
Foreign currency forward contracts	-	378	-	378
Foreign equity investments	14	-	-	14
Foreign government bonds	-	317,462	-	317,462
Futures contracts	9,647	-	-	9,647
Money market mutual fund	41,138	-	-	41,138
Municipal bonds	-	34,254	-	34,254
Options contracts purchased	558	530	-	1,088
Repurchase agreement	-	8,000	-	8,000
Securities lending collateral	-	88,926	-	88,926
Short term investments	-	6,083	-	6,083
Swaps	-	3,683	-	3,683
U.S. corporate bonds	-	402,522	-	402,522
U.S. Government agency bonds	-	9,464	-	9,464
U.S. Government agency CMO	-	57,221	-	57,221
U.S. Government agency CMO interest-only	-	5,786	-	5,786
U.S. Government agency MBS	-	293,479	-	293,479
U.S. Government agency TBAs	-	106	-	106
U.S. Treasury bonds	-	157,216	-	157,216
U.S. Treasury inflation protected securities	-	40,944	-	40,944
Total	<u>\$ 61,336</u>	<u>\$ 1,840,739</u>	<u>\$ -</u>	<u>\$ 1,902,075</u>
Commingled debt funds				214,489
Total				<u>\$ 2,116,564</u>
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	\$ -	\$ (2,357)	\$ -	\$ (2,357)
Futures contracts	(15,161)	-	-	(15,161)
Options contracts written	(1,081)	(73)	-	(1,154)
Swaps	-	(20,337)	-	(20,337)
Total	<u>\$ (16,242)</u>	<u>\$ (22,767)</u>	<u>\$ -</u>	<u>\$ (39,009)</u>

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2019. These commingled debt funds invest in certain niche sectors, particularly those that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.

Total Return 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, 2019:

	Fair Value
Securities on loan	\$ 121,630
Collateral received:	
Cash	\$ 88,926
Non-cash	36,021
Total collateral received	\$ 124,947

BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

NOTE 7. SCHEDULE OF PARTICIPATION

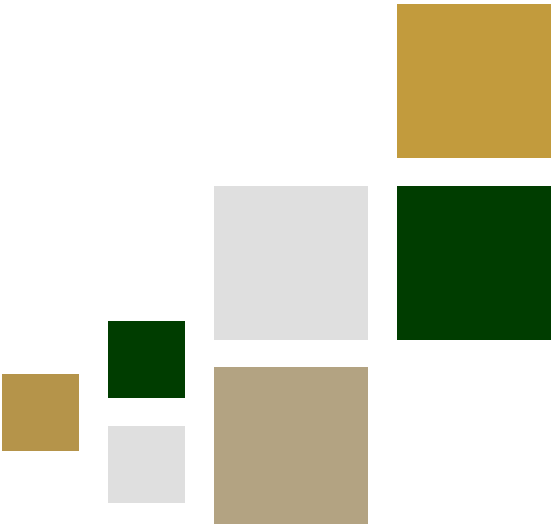
The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

Participant	Account Value
Teachers' Retirement System	\$ 641,299
Public Employees' Retirement System	576,580
Workers' Compensation Old Fund	299,009
Revenue Shortfall Reserve Fund - Part B	179,527
West Virginia Retiree Health Benefit Trust Fund	88,937
Revenue Shortfall Reserve Fund	68,869
Public Employees Insurance Agency	58,940
State Police Death, Disability and Retirement Fund	54,351
Coal Workers' Pneumoconiosis Fund	54,182
West Virginia Department of Environmental Protection Agency	53,485
Board of Risk and Insurance Management	35,870
Deputy Sheriff's Retirement System	20,135
State Police Retirement System	18,227
Judges' Retirement System	18,135
West Virginia Prepaid Tuition Trust Fund	13,817
Workers' Compensation Self-Insured Employer Security Risk Pool	11,867
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,760
Emergency Medical Services Retirement System	7,431
Wildlife Endowment Fund	5,714
Workers' Compensation Uninsured Employers' Fund	2,569
Municipal Police Officers' and Firefighters' Retirement System	981
West Virginia Department of Environmental Protection Trust	791
Berkeley County Development Authority	548
Municipal Policemen's or Firemen's Pension and Relief Funds	469
Total	\$ 2,219,493

AUDITED FINANCIAL STATEMENTS
June 30, 2019



CORE FIXED INCOME POOL



Core Fixed Income Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Core Fixed Income Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 Core Fixed Income Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Core Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages G-1 through G-2 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

August 29, 2019

Core Fixed Income Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The main objective of the Pool is to generate investment income, provide stability, and enhance diversification but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three- to five-year periods, net of external investment management fees.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 987,113	\$ 1,121,591
Other assets	39,313	5,556
Total assets	1,026,426	1,127,147
Total liabilities	(58,218)	(85,137)
Net position	\$ 968,208	\$ 1,042,010

Core Fixed Income Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$73,802 results from net investment income of \$78,372 and a net decrease from unit transactions of \$152,174.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 81,950	\$ 710
Expenses	(3,578)	(3,185)
Net investment income (loss)	78,372	(2,475)
Distributions to unitholders	-	(26,565)
Net units issued (redeemed)	(152,174)	74,978
Increase (decrease) in net position	(73,802)	45,938
Net position, beginning of year	1,042,010	996,072
Net position, end of year	\$ 968,208	\$ 1,042,010

The investment income of the Pool consists primarily of the net increase in fair value of investments and interest received on fixed income securities.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was 8.3 percent, up from (0.2) percent for the year ended June 30, 2018.

Select financial highlights are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 10.77	\$ 11.06
Net investment income (loss)	0.89	(0.01)
Distributions to unitholders (a)	-	(0.28)
Net position, end of year	\$ 11.66	\$ 10.77

Supplemental Data:		
Ratio of expenses to average net position (b)	0.15%	0.16%

(a) Calculation based on the average shares outstanding.

(b) The ratio is for the fiscal year and excludes securities lending expenses.

Core Fixed Income Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Fixed income investments	\$	873,926
Money market mutual fund		55,686
Securities lending collateral		57,501
Receivables:		
Interest, dividends, and other investment income		4,344
Investments sold		34,969
		<hr/>
Total assets		1,026,426

Liabilities

Accrued expenses		342
Payable for investments purchased		375
Payable upon return of securities loaned		57,501
		<hr/>
Total liabilities		58,218
		<hr/>
Net position	\$	968,208
		<hr/> <hr/>

Unit data

Units outstanding		83,009,906
Net position, unit price	\$	11.66
		<hr/> <hr/>

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Changes in Net Position
Year Ended June 30, 2019
(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	48,260
Interest, dividends, and other investment income		31,463
Securities lending income		<u>2,227</u>

Total investment income 81,950

Expenses

Investment advisor fees	(1,148)
Custodian bank fees	(66)
Management and other allocated fees	(313)
Securities lending expenses	<u>(2,051)</u>

Total expenses (3,578)

Net investment income 78,372

Unit transactions

Proceeds from sale of units	97,862
Amount paid for repurchase of units	<u>(250,036)</u>

Net decrease from unit transactions (152,174)

Decrease in net position (73,802)

Net position, beginning of year 1,042,010

Net position, end of year \$ 968,208

See accompanying notes to financial statements.

Core Fixed Income Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The main objective of the Pool is to generate investment income, provide stability, and enhance diversification but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three- to five-year periods, net of external investment management fees. JP Morgan Investment Advisors, Inc. manages this Pool.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month 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.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

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.

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.

Core Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. 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. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. 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 Changes in Net Position as a net increase (decrease) in fair value of investments.

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. 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. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

Core Fixed Income Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and certain investments made with cash collateral for securities loaned. The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by a nationally recognized statistical rating organization. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2019:

Rating	Fair Value
AAA	\$ 61,950
AA	518,002
A	93,012
BBB	141,310
BB	10,003
B	600
CCC	562
D	146
Withdrawn	3,013
Not rated	45,328
Total fixed income investments	<u>\$ 873,926</u>

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The IMB reviews available ratings from Standard & Poor's and Moody's. The IMB discloses the ratings of the securities underlying the repurchase agreements. The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2019:

Rating	Fair Value
AAA / A-1	\$ 7,859
AA	35,868
A	1,267
BBB	576
B	54
Not applicable	11,877
Total securities lending cash collateral	<u>\$ 57,501</u>

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent, and the collateral is held in the name of the IMB. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the IMB's custodian in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB.

Core Fixed Income Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day.

The IMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation considers the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30, 2019:

Investment Type	Fair Value	Effective Duration (years)
Corporate asset backed issues	\$ 122,361	1.6
Corporate CMO	33,139	3.2
Corporate CMO interest-only	303	(2.8)
Corporate CMO principal-only	74	3.5
Foreign asset backed issues	2,698	3.3
Foreign corporate bonds	59,221	5.8
Foreign government bonds	3,125	8.0
Municipal bonds	10,261	13.0
U.S. corporate bonds	165,080	7.7
U.S. Government agency bonds	5,257	1.2
U.S. Government agency CMO	109,465	4.7
U.S. Government agency CMO interest-only	2,153	12.7
U.S. Government agency CMO principal-only	5,062	6.2
U.S. Government agency MBS	150,176	4.4
U.S. Treasury bonds	205,102	9.1
U.S. Treasury inflation protected securities	449	1.9
Total fixed income investments	<u>\$ 873,926</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, 2019, the Pool held \$425,431 of these securities. This represents approximately 49 percent of the value of the Pool's fixed income securities.

Foreign Currency Risk

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

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Core Fixed Income Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

GASB Statement No. 72 establishes 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 GASB Statement No. 72 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 GASB Statement No. 72 fair value hierarchy levels as of June 30, 2019:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 122,361	\$ -	\$ 122,361
Corporate CMO	-	33,139	-	33,139
Corporate CMO interest-only	-	303	-	303
Corporate CMO principal-only	-	74	-	74
Foreign asset backed issues	-	2,698	-	2,698
Foreign corporate bonds	-	59,221	-	59,221
Foreign government bonds	-	3,125	-	3,125
Money market mutual fund	55,686	-	-	55,686
Municipal bonds	-	10,261	-	10,261
Securities lending collateral	-	57,501	-	57,501
U.S. corporate bonds	-	165,080	-	165,080
U.S. Government agency bonds	-	5,257	-	5,257
U.S. Government agency CMO	-	109,465	-	109,465
U.S. Government agency CMO interest-only	-	2,153	-	2,153
U.S. Government agency CMO principal-only	-	5,062	-	5,062
U.S. Government agency MBS	-	150,176	-	150,176
U.S. Treasury bonds	-	205,102	-	205,102
U.S. Treasury inflation protected securities	-	449	-	449
Total	<u>\$ 55,686</u>	<u>\$ 931,427</u>	<u>\$ -</u>	<u>\$ 987,113</u>

Core Fixed Income Pool

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

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2019:

	<u>Fair Value</u>
Securities on loan	\$ 60,985
Collateral received:	
Cash	\$ 57,501
Non-cash	4,923
Total collateral received	<u>\$ 62,424</u>

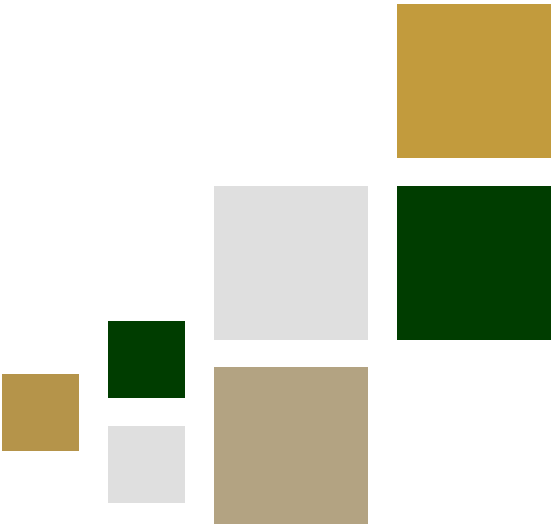
BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 277,315
Public Employees' Retirement System	249,812
Workers' Compensation Old Fund	129,214
Revenue Shortfall Reserve Fund - Part B	77,653
West Virginia Retiree Health Benefit Trust Fund	38,465
Revenue Shortfall Reserve Fund	29,763
Public Employees Insurance Agency	25,503
State Police Death, Disability and Retirement Fund	23,511
Coal Workers' Pneumoconiosis Fund	23,419
West Virginia Department of Environmental Protection Agency	23,122
Board of Risk and Insurance Management	15,508
West Virginia Prepaid Tuition Trust Fund	13,922
Deputy Sheriff's Retirement System	8,738
State Police Retirement System	7,908
Judges' Retirement System	7,852
Workers' Compensation Self-Insured Employer Security Risk Pool	5,129
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,362
Emergency Medical Services Retirement System	3,220
Wildlife Endowment Fund	2,470
Workers' Compensation Uninsured Employers' Fund	1,114
Municipal Police Officers' and Firefighters' Retirement System	425
West Virginia Department of Environmental Protection Trust	343
Berkeley County Development Authority	237
Municipal Policemen's or Firemen's Pension and Relief Funds	203
Total	<u>\$ 968,208</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019



TIPS Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board TIPS Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 TIPS Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the TIPS Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages H-1 through H-2 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

August 29, 2019

TIPS Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The Pool was established to offer an additional level of diversification over and above nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five-year periods, gross of fees.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 403,343	\$ 391,265
Other assets	1	-
Total assets	403,344	391,265
Total liabilities	(34)	(31)
Net position	\$ 403,310	\$ 391,234

TIPS Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the movement of interest rates of the U.S. Treasury securities held in the index referenced above. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$12,076 results from net investment income of \$18,688, and a net decrease from unit transactions of \$6,612.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 18,876	\$ 8,063
Expenses	(188)	(299)
Net investment income	18,688	7,764
Net units issued (redeemed)	(6,612)	55,287
Increase in net position	12,076	63,051
Net position, beginning of year	391,234	328,183
Net position, end of year	\$ 403,310	\$ 391,234

The investment income of the Pool consists primarily of the net increase in fair value of investments.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was 4.9 percent, up from 2.1 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 11.41	\$ 11.17
Net investment income	0.56	0.24
Net position, end of year	\$ 11.97	\$ 11.41

Supplemental Data:

Ratio of expenses to average net position (a)	0.05%	0.06%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

TIPS Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Commingled bond fund	\$	397,843
Money market mutual fund		5,500
Dividends receivable		<u>1</u>
	Total assets	403,344

Liabilities

Accrued expenses		<u>34</u>
	Net position	<u><u>\$ 403,310</u></u>

Unit data

Units outstanding		33,693,658
Net position, unit price	<u><u>\$</u></u>	<u><u>11.97</u></u>

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Position
Year Ended June 30, 2019
(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$ 18,873
Dividend income	<u>3</u>
Total investment income	18,876

Expenses

Investment advisor fees	(67)
Custodian bank fees	(1)
Management and other allocated fees	<u>(120)</u>
Total expenses	<u>(188)</u>
Net investment income	18,688

Unit transactions

Proceeds from sale of units	20,612
Amount paid for repurchase of units	<u>(27,224)</u>
Net decrease from unit transactions	<u>(6,612)</u>
Increase in net position	12,076
Net position, beginning of year	<u>391,234</u>
Net position, end of year	<u><u>\$ 403,310</u></u>

See accompanying notes to financial statements.

TIPS 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 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool was established to offer an additional level of diversification over and above nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five-year periods, gross of fees. The Pool invests in the BlackRock U.S. Treasury Inflation Protected Securities Fund B (BlackRock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

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 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. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

TIPS Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool invests in a commingled bond fund that holds primarily U.S. Treasury inflation protected securities. This investment is exposed to credit and interest rate risk. This fund is not rated by a nationally recognized statistical rating organization. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. As of June 30, 2019, the fund had an effective duration of 7.48 years. The Pool is not exposed to concentration of credit risk, custodial credit risk, or foreign currency risk.

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 establishes 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 GASB Statement No. 72 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 GASB Statement No. 72 fair value hierarchy levels as of June 30, 2019:

Assets	Level 1	Level 2	Level 3	Total
Commingled bond fund	\$ 397,843	\$ -	\$ -	\$ 397,843
Money market mutual fund	5,500	-	-	5,500
Total	<u>\$ 403,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 403,343</u>

TIPS Pool

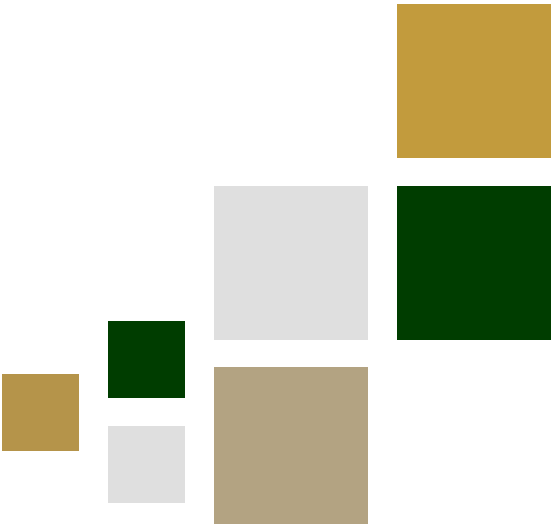
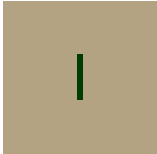
Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 114,404
Revenue Shortfall Reserve Fund - Part B	105,223
Revenue Shortfall Reserve Fund	98,710
Public Employees Insurance Agency	34,192
Coal Workers' Pneumoconiosis Fund	24,499
Board of Risk and Insurance Management	16,062
Workers' Compensation Self-Insured Employer Security Risk Pool	5,357
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,493
Workers' Compensation Uninsured Employers' Fund	1,370
Total	<u>\$ 403,310</u>

AUDITED FINANCIAL STATEMENTS
April 30, 2019



TRS Annuity Pool

Audited Financial Statements April 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board TRS Annuity Pool, which comprise the statement of net position as of April 30, 2019, and the related statement of changes in net position for the ten-month period then ended, and the related notes to the financial statements (collectively, the basic 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 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 TRS Annuity Pool at April 30, 2019, and the changes in its financial position for the ten-month period then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the TRS Annuity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at April 30, 2019, and the changes in its financial position for the ten-month period then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on page I-1 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

August 29, 2019

TRS Annuity Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the IMB's 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

As described in Note 1 of the Notes to Financial Statements, the Pool's original purpose was to account for the investment contract issued by the Variable Annuity Life Insurance Company (VALIC) strictly for the benefit of the Teachers' Retirement System (TRS). The contract has been redeemed and the Pool has no investments or other assets. The Pool stayed open to account for litigation costs which were funded through contributions to the Pool by the TRS. No recovery was awarded to the IMB and this matter is finalized. The Pool is closed effective April 30, 2019.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of April 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current period-end and prior fiscal year-end dates:

Condensed Net Position	April 30, 2019	June 30, 2018
Total assets	\$ -	\$ -
Total liabilities	-	(130)
Net position	<u>\$ -</u>	<u>\$ (130)</u>

The net position of the Pool fluctuates based on the changes in the Pool's position from operations and the impact of capital contributions. The increase in the Pool's net position of \$130 results from a net investment loss of \$100, and an increase from capital contributions of \$230.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Period End April 30, 2019	Year End June 30, 2018
Investment income	\$ -	\$ -
Expenses	(100)	(521)
Net investment loss	(100)	(521)
Contributions by TRS	230	526
Increase in net position	130	5
Net position, beginning of period	(130)	(135)
Net position, end of period	<u>\$ -</u>	<u>\$ (130)</u>

The Pool's expenses relate solely to litigation costs.

TRS Annuity Pool

Statement of Net Position
April 30, 2019
(Amounts in thousands)

Assets		\$	-
Liabilities			-
	Net position	\$	-

See accompanying notes to financial statements.

TRS Annuity Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and accrual basis of accounting.

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 (CPRB), 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 withdrawal of \$55,191 occurred on May 8, 2013. On that date, all remaining income, net of all management fees, was distributed to TRS and all units of ownership in the Pool were redeemed.

In response to VALIC's refusal to allow the IMB to liquidate the contract in its entirety, the IMB sued VALIC. A three-judge Business Court arbitration panel issued its decision on April 28, 2017, and no recovery was awarded to the IMB. An appeal was filed with the West Virginia Supreme Court of Appeals and it has issued an opinion affirming the decision of the arbitration panel. The legal fees associated with this litigation were paid by the Pool. The funding for the payment of these expenses were from contributions by the TRS into the Pool. No other management fees are charged to the Pool and none have been charged since the final withdrawal on May 8, 2013. This matter is finalized, and the Pool is closed effective April 30, 2019.

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 was kept open so that all on-going expenses associated with the investment contract could be properly reported and charged to the TRS.

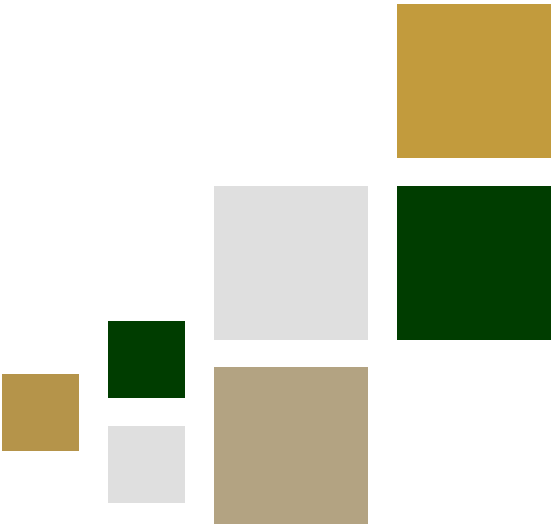
Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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. Accordingly, no provision for income taxes is required as of April 30, 2019.

AUDITED FINANCIAL STATEMENTS
June 30, 2019



PRIVATE MARKETS POOL



Private Markets Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Private Markets Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 Private Markets Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Private Markets Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages J-1 through J-2 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 25, 2019

Private Markets Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the IMB's Private Markets 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The objective of the Pool is to enhance the diversification and stability of the portfolio, while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk-reduction through diversification.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 4,453,602	\$ 4,151,725
Other assets	26,335	14,201
Total assets	4,479,937	4,165,926
Total liabilities	(7,832)	(14,426)
Net position	\$ 4,472,105	\$ 4,151,500

Private Markets Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the global investment markets. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$320,605 results from net investment income of \$509,919 and a net decrease from unit transactions of \$189,314.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 521,608	\$ 517,175
Expenses	(11,689)	(9,712)
Net investment income	509,919	507,463
Net units issued (redeemed)	(189,314)	3,644,037
Increase in net position	320,605	4,151,500
Net position, beginning of year	4,151,500	-
Net position, end of year	\$ 4,472,105	\$ 4,151,500

The investment income of the Pool consists primarily of the net increase in fair value of investments and income distributions from limited partnerships.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was 12.8 percent, down from 13.9 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 17.09	\$ 15.00
Net investment income	2.19	2.09
Net position, end of year	\$ 19.28	\$ 17.09

Supplemental Data:

Ratio of expenses to average net position (a)	0.28%	0.26%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

Private Markets Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Alternative investments	\$ 4,119,326
Equity investments	215,993
Fixed income investments	15,359
Money market mutual fund	96,635
Securities lending collateral	6,289
Cash	7,120
Receivables:	
Investments sold	8,911
Income distributions from real estate limited partnerships and funds	9,227
Interest, dividends, and other investment income	1,077
	<hr/>
Total assets	4,479,937

Liabilities

Accrued expenses	1,528
Payable for investments purchased	15
Payable upon return of securities loaned	6,289
	<hr/>
Total liabilities	7,832
	<hr/>
Net position	\$ 4,472,105

Unit data

Units outstanding	231,977,349
Net position, unit price	\$ 19.28

See accompanying notes to financial statements.

Private Markets Pool

Statement of Changes in Net Position

Year Ended June 30, 2019

(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	393,171
Income from partnerships and funds		118,662
Interest, dividends, and other investment income		8,365
Fund closing interest		1,224
Securities lending income		186

Total investment income 521,608

Expenses

Investment advisor fees		(985)
Custodian bank fees		(85)
Management and other allocated fees		(1,266)
Professional service fees - direct		(1,395)
Management fees - external		(5,092)
Fund closing costs		(2,806)
Securities lending expenses		(60)

Total expenses (11,689)

Net investment income 509,919

Unit transactions

Proceeds from sale of units		129,034
Amount paid for repurchase of units		(318,348)

Net decrease from unit transactions (189,314)

Increase in net position 320,605

Net position, beginning of year 4,151,500

Net position, end of year \$ 4,472,105

See accompanying notes to financial statements.

Private Markets 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 Private Markets 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The objective of the Pool is to enhance the diversification and stability of the portfolio, while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk-reduction through diversification. The Pool holds the IMB's investments in a commingled equity fund, opportunistic income funds, private equity funds, real estate investment trusts (REITs), and real estate limited partnerships and funds. The selection of investments in the Pool are approved by the Board of Trustees or by its established committees.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month as follows:

- Investments in private equity partnerships, real estate limited partnerships and funds, opportunistic income funds, 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 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 net asset value of such investments is a reasonable estimate of fair value as of June 30, 2019.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- 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.

Private Markets Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.
- Repurchase agreements and time deposits are valued at cost, provided such amount approximates fair value.

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.

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.

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon (BNYM), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income, if applicable. For international securities, the required percentage is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. Loans of equity securities may also be collateralized by equity securities and the required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned. Cash collateral received is invested in repurchase agreements, money market mutual funds, and time deposits. Such investments, except for repurchase transactions, are made at the risk of the Pool and, as such, the Pool is liable for investment losses. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses. Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. 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. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. 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 Changes in Net Position as a net increase (decrease) in fair value of 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.

Foreign Currency Spot 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. These contracts, when entered into, 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.

Private Markets Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Income from Partnerships - Income from private equity partnerships, real estate partnerships, opportunistic income funds, and other private funds are recognized when distributed to the partners.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

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. Direct investment-related costs include fees charged by external managers that are outside of their respective partnership or fund, the custodian bank, legal counsel, and the consultant. 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. Accordingly, no provision for income taxes is required as of June 30, 2019.

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 Net Position. Dividend income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, investments in unrated opportunistic income funds, and certain investments made with cash collateral for securities loaned. The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by a nationally recognized statistical rating organization. The IMB reviews available ratings from Standard & Poor's and Moody's, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. Credit risk associated with the unrated opportunistic income funds are limited by requiring that underlying fund holdings are at least 90 percent collateralized by one or more assets of the issuer.

Private Markets Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2019:

Rating	Fair Value
BBB	\$ 13,257
BB	1,591
B	511
Total fixed income investments	<u>\$ 15,359</u>

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The IMB reviews available ratings from Standard & Poor's and Moody's. The IMB discloses the ratings of the securities underlying the repurchase agreements. The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2019:

Rating	Fair Value
AAA / A-1	\$ 860
AA	3,922
A	139
BBB	63
B	6
Not applicable	1,299
Total securities lending cash collateral	<u>\$ 6,289</u>

Concentration of Credit Risk

The Pool's investments in alternative investment funds might be indirectly exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019, the Pool held no securities that were directly subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent, and the collateral is held in the name of the IMB. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of the IMB. All remaining securities, except for the alternative investments, are held by the IMB's custodian in the name of the IMB. The alternative investments might be indirectly exposed to custodial credit risk.

Interest Rate Risk

The Pool is exposed to interest rate risk through its investments in U.S. corporate bonds, opportunistic income funds, securities lending collateral investments, and a money market mutual fund. The IMB monitors interest rate risk of U.S. corporate bonds by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds. As of June 30, 2019, the effective duration for U.S. corporate bonds was 5.0 years. The IMB manages interest rate risk of the opportunistic income funds by requiring at least 80 percent of the opportunistic income fund holdings that mature in more than one year to have variable or floating interest rate structures. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day.

Foreign Currency Risk

The Pool holds foreign common stock, real estate limited partnerships and funds, and cash that is denominated in foreign currencies that are exposed to foreign currency risks. The investments in private equity partnerships and opportunistic income funds might be indirectly exposed to foreign currency risk.

Private Markets Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2019, are as follows:

Currency	Foreign Common Stock	Real Estate Limited Partnerships and Funds	Cash	Total
Australian Dollar	\$ 3,826	\$ -	\$ -	\$ 3,826
British Pound	3,959	-	-	3,959
Canadian Dollar	1,611	19,398	-	21,009
Euro Currency Unit	6,966	74,751	-	81,717
Hong Kong Dollar	7,371	-	-	7,371
Japanese Yen	9,835	-	25	9,860
Norwegian Krone	368	-	-	368
Singapore Dollar	2,126	-	-	2,126
Swedish Krona	2,893	-	-	2,893
Total foreign denominated investments	\$ 38,955	\$ 94,149	\$ 25	\$ 133,129
U.S. Dollar	858	1,629,556	7,095	1,637,508
Total	\$ 39,813	\$ 1,723,705	\$ 7,120	\$ 1,770,637

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 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 GASB Statement No. 72 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 with redemption terms that are not short term.

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.

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as the practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2019. All of the Pool's investments in private equity partnerships, real estate limited partnerships and funds, opportunistic income funds, and other private funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy table.

Private Markets Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 80,475	\$ -	\$ -	\$ 80,475
Foreign common stock	39,813	-	-	39,813
Money market mutual fund	96,635	-	-	96,635
Securities lending collateral	-	6,289	-	6,289
U.S. common stock	82,787	-	-	82,787
U.S. corporate bonds	-	15,359	-	15,359
U.S. preferred stock	12,918	-	-	12,918
Total	<u>\$ 312,628</u>	<u>\$ 21,648</u>	<u>\$ -</u>	<u>\$ 334,276</u>
Opportunistic income funds				569,356
Private equity partnerships				1,826,265
Real estate limited partnerships and funds				1,723,705
Total				<u>\$ 4,453,602</u>

The following table presents information on investments measured at the NAV as of June 30, 2019:

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range (a)	Redemption Frequency	Redemption Notice Period
Opportunistic income funds:					
Middle Market Loan Funds (b)	\$ 315,725	\$ 50,168	N/A	N/A	N/A
Real Estate Income Funds (c)	253,631	104,154	2021 to 2029	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	1,112,888	694,069	2019 to 2034	N/A	N/A
Corporate Finance - Distressed Debt (e)	63,474	14,803	2019 to 2020	N/A	N/A
Corporate Finance - Growth Equity (f)	60,527	61,398	2020 to 2027	N/A	N/A
Corporate Finance - Hard Assets (g)	100,190	56,871	2019 to 2028	N/A	N/A
Corporate Finance - Mezzanine (h)	72,341	49,917	2020 to 2028	N/A	N/A
Corporate Finance - Turnaround (i)	89,832	53,025	2019 to 2026	N/A	N/A
Venture Capital (j)	327,013	96,773	2023 to 2034	N/A	N/A
Real estate limited partnerships and funds:					
Core Funds (k)	974,569	32,850	2020 to 2022	Quarterly	30-60 days
Opportunistic Funds (l)	278,468	236,347	2019 to 2028	N/A	N/A
Value Funds (m)	470,668	412,773	2020 to 2028	N/A	N/A
Total	<u>\$ 4,119,326</u>	<u>\$ 1,863,148</u>			

Private Markets Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

- (a) Investments without standard redemption frequencies cannot be redeemed until termination of the partnership.
- (b) Middle Market Loan Funds seek to generate current income while preserving capital primarily through investments in senior secured loans to middle market companies domiciled in North America.
- (c) Real Estate Income Funds invest in U.S. commercial real estate mortgage and debt investments.
- (d) Corporate Finance - Buyout funds acquire controlling or influential interests in companies.
- (e) Corporate Finance - Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.
- (f) Corporate Finance - Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.
- (g) Corporate Finance – Hard Assets funds acquire controlling or influential interests in companies operating in natural resources or infrastructure.
- (h) Corporate Finance - Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another Fund.
- (i) Corporate Finance - Turnaround funds acquire the debt and or equity of companies experiencing operational or financial distress in order to radically reorganize and improve the business.
- (j) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.
- (k) Core Funds are more conservative real estate investments that use a very modest level of financing to acquire and hold high-quality, stable properties typically located in major markets. These assets tend to have high occupancy rates, higher credit tenants, and staggered lease terms, with a number of long-term leases expiring in five-to-ten years.
- (l) Opportunistic Funds have higher risk/return profiles and have broad strategies to achieve these types of returns. Common strategies are properties that need significant rehabilitation or a total redevelopment to transition to a different type of property (for example, converting an office building to condominiums). It may also include new development, distressed debt strategies, and more complex transactions, as well as a more traditional value-add strategy that is financed with a higher amount of leverage.
- (m) Value Funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manager believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2019:

	Fair Value
Securities on loan	\$ 20,534
Collateral received:	
Cash	\$ 6,289
Non-cash	15,689
Total collateral received	<u>\$ 21,978</u>

BNYM, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under Master Securities Lending Agreements (MSLA) which permit BNYM under certain circumstances, such as defaults, to offset amounts payable to the same counterparty against amounts to be received and thus create one single net payment due to or from the counterparty. The amounts listed in the above table represent all securities loaned which are subject to a MSLA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

Private Markets Pool

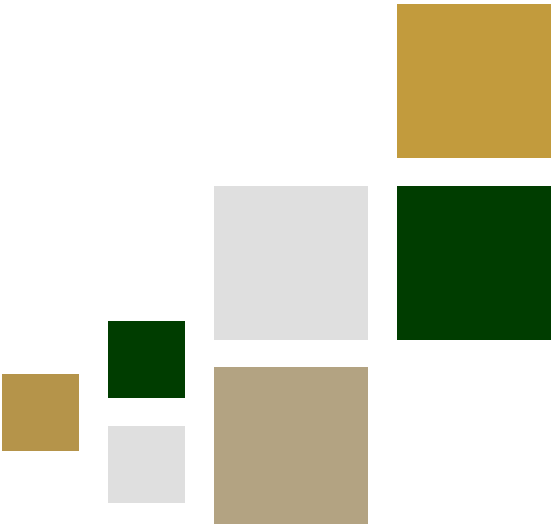
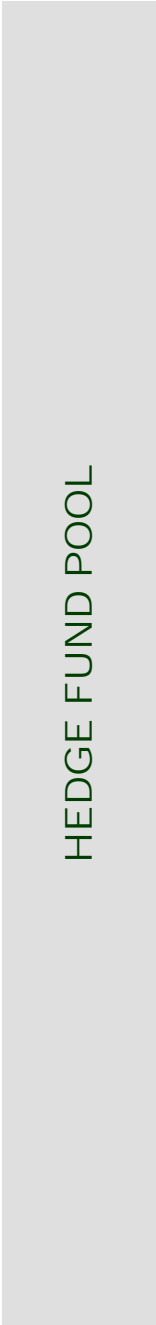
Notes to Financial Statements (Amounts in thousands, except share data)

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 2,031,952
Public Employees' Retirement System	1,796,477
West Virginia Retiree Health Benefit Trust Fund	253,848
State Police Death, Disability and Retirement Fund	179,590
Deputy Sheriff's Retirement System	59,666
Judges' Retirement System	55,073
State Police Retirement System	52,265
Emergency Medical Services Retirement System	21,526
Wildlife Endowment Fund	16,624
Municipal Police Officers' and Firefighters' Retirement System	2,643
Berkeley County Development Authority	1,561
Municipal Policemen's or Firemen's Pension and Relief Funds	880
Total	<u>\$ 4,472,105</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019



Hedge Fund Pool

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Hedge Fund Pool, which comprise the statement of net position as of June 30, 2019, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements (collectively, the basic 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 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 Hedge Fund Pool at June 30, 2019, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Hedge Fund Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2019, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages K-1 through K-2 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

August 29, 2019

Hedge Fund Pool

Management Discussion and Analysis (Unaudited)

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. The IMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the IMB has constructed a series of investment pools in which to invest participating entities monies.

The following information and 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, the information contained in this Management Discussion and Analysis and the following 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. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

Management's Discussion and Analysis is an introduction to the Pool's basic financial statements. The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting. Accordingly, the financial statements presented have been prepared in conformity with the reporting framework prescribed by GASB for external investment pools. The financial statements for the Pool include a Statement of Net Position and a Statement of Changes in Net Position. These financial statements are supported by the Notes to Financial Statements.

Pool Strategy

The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 400 basis points.

Condensed Financial Information and Analysis (in \$000s)

The Statement of Net Position presents the financial position of the Pool as of June 30, 2019 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2019	June 30, 2018
Investments	\$ 2,082,274	\$ 2,130,988
Other assets	289,987	109,341
Total assets	2,372,261	2,240,329
Total liabilities	(228)	(171)
Net position	<u>\$ 2,372,033</u>	<u>\$ 2,240,158</u>

Hedge Fund Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the global investment markets. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$131,875 results from net investment income of \$56,192 and a net increase from unit transactions of \$75,683.

The Statement of Changes in Net Position presents the Pool's activity for the year.

Condensed Changes in Net Position	Years Ended	
	June 30, 2019	June 30, 2018
Investment income	\$ 57,353	\$ 120,233
Expenses	(1,161)	(1,022)
Net investment income	56,192	119,211
Net units issued	75,683	295,189
Increase in net position	131,875	414,400
Net position, beginning of year	2,240,158	1,825,758
Net position, end of year	\$ 2,372,033	\$ 2,240,158

The investment income of the Pool is primarily from the net increase in fair value of investments.

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 return of the Pool (net of fees) for the year ended June 30, 2019 was 2.5 percent, down from 6.4 percent for the year ended June 30, 2018.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2019	June 30, 2018
Net position, beginning of year	\$ 14.93	\$ 14.03
Net investment income	0.37	0.90
Net position, end of year	\$ 15.30	\$ 14.93

Supplemental Data:

Ratio of expenses to average net position (a)	0.05%	0.05%
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- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee funds.

Hedge Fund Pool

Statement of Net Position

June 30, 2019

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:

Hedge funds \$ 2,081,618

Money market mutual fund 656

Advance on investments in hedge funds 210,000

Receivables:

Investment funds redeemed 79,582

Accrued interest and dividends 405

Total assets 2,372,261

Liabilities

Accrued expenses 228

Net position \$ 2,372,033

Unit data

Units outstanding 155,010,290

Net position, unit price \$ 15.30

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Position
Year Ended June 30, 2019
(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$ 56,629
Interest, dividends, and other investment income	<u>724</u>
Total investment income	57,353

Expenses

Professional service fees - direct	(482)
Custodian bank fees	(1)
Management and other allocated fees	<u>(678)</u>
Total expenses	<u>(1,161)</u>
Net investment income	56,192

Unit transactions

Proceeds from sale of units	302,631
Amount paid for repurchase of units	<u>(226,948)</u>
Net increase from unit transactions	<u>75,683</u>
Increase in net position	131,875
Net position, beginning of year	<u>2,240,158</u>
Net position, end of year	<u><u>\$ 2,372,033</u></u>

See accompanying notes to financial statements.

Hedge Fund 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 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.

The IMB accounts for the Pool under U.S. Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting.

The Pool was established to hold the IMB's investments in hedge funds. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 400 basis points. 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 GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Fair value of the Pool's portfolio securities is determined on the last business day of each month 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 net asset value of such investments is a reasonable estimate of fair value as of June 30, 2019.
- 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.

Hedge Fund Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant transactions are executed at the unit price at the time of the purchase or redemption.

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

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. Accordingly, no provision for income taxes is required as of June 30, 2019.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares in hedge funds and shares of a money market mutual fund. As of June 30, 2019, the money market mutual fund has the highest credit rating and has a weighted average maturity of 43 days. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10 percent of the value of the Pool with any single manager. At June 30, 2019, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

GASB Statement No. 72 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).

GASB Statement No. 72 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 GASB Statement No. 72 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 with redemption terms that are not short term.

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

Hedge Fund Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as the practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2019. All of the Pool's investments in hedge funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 656	\$ -	\$ -	\$ 656
Hedge funds				2,081,618
Total				\$ 2,082,274

The following table presents information on investments measured at the NAV as of June 30, 2019:

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 154,484	Monthly, Quarterly	5 to 30 days
Equity long/short (b)	272,424	Monthly, Quarterly, Every 3 years	30 to 60 days
Event-driven (c)	37,715	Quarterly	65 days
Long-biased (d)	61,426	Monthly	90 days
Multi-strategy (e)	1,265,338	Monthly, Quarterly, Annually	3 to 95 days
Relative-value (f)	290,231	Weekly, Monthly, Quarterly	5 to 60 days
Total investments measured at the NAV	\$ 2,081,618		

- (a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) An equity long/short strategy involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 60 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (c) Event-driven funds maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.
- (d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.
- (e) Multi-strategy funds combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 43 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

Hedge Fund Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

(f) Relative-value funds maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 37 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

NOTE 5. ADVANCE ON INVESTMENTS IN HEDGE FUNDS

The subscription terms of hedge funds often require contributions to be received in advance of the subscription day. Prior to June 30, 2019, the IMB funded \$210,000 to hedge funds that had a subscription date of July 1, 2019. As of June 30, 2019, these amounts have been recorded as an advance on investments in hedge funds.

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2019:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 890,571
Public Employees' Retirement System	787,712
Workers' Compensation Old Fund	192,574
West Virginia Retiree Health Benefit Trust Fund	114,290
State Police Death, Disability and Retirement Fund	77,231
Coal Workers' Pneumoconiosis Fund	55,439
Public Employees Insurance Agency	51,623
West Virginia Department of Environmental Protection Agency	47,103
Board of Risk and Insurance Management	36,375
Deputy Sheriff's Retirement System	26,541
Judges' Retirement System	24,296
State Police Retirement System	23,542
Workers' Compensation Self-Insured Employer Security Risk Pool	12,157
Emergency Medical Services Retirement System	9,616
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,899
Wildlife Endowment Fund	7,412
Workers' Compensation Uninsured Employers' Fund	3,118
West Virginia Department of Environmental Protection Trust	2,144
Municipal Police Officers' and Firefighters' Retirement System	1,213
Berkeley County Development Authority	707
Municipal Policemen's or Firemen's Pension and Relief Funds	470
Total	<u>\$ 2,372,033</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2019



Administrative Fund

Audited Financial Statements June 30, 2019

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Report of Independent Auditors

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 (the Fund), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as 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 respective financial position of the West Virginia Investment Management Board Administrative Fund as of June 30, 2019, 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 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 financial position of the West Virginia Investment Management Board for any of their investment pools at June 30, 2019, and changes in its financial position, and cash flows thereof, for the year ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

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

August 28, 2019

Administrative Fund

Management's Discussion and Analysis

This discussion and analysis of the West Virginia Investment Management Board's (IMB) financial performance provides an overview of the IMB's administrative financial activities for the fiscal year ended June 30, 2019. 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 \$43.7 million, as compared to \$47.8 million for the previous fiscal year. The change primarily results from a decrease in advisor fees of \$4.0 million and legal fees of \$348,000. These decreases were partially offset by increases of \$105,000 in professional service fees, \$61,000 in management fees, and \$25,000 in custodian bank fees. Average assets of the investment pools managed by the IMB increased by \$172.8 million from the previous year.
- Fees paid to outside investment advisors decreased by \$4.0 million over the previous year as a result of a decrease in base fees primarily in the International Equity Pool which is a result of negotiated reductions in fee rates and a reduction in average assets. Performance based fees in the Core Fixed Income Pool and the Domestic Equity Pool decreased by \$358,000. The average expense ratio for investment advisor fees across all pools was 17.3 basis points for the year, as compared to 19.6 basis points for the previous year.
- Custodian bank fees increased by \$25,000 from the previous year, primarily due to increased activity in the Total Return Fixed Income Pool and the International Equity Pool.
- Fees for professional services including specialty legal fees decreased by \$243,000, primarily attributable to a decrease in legal fees associated with litigation that concluded during the year.
- Administrative expenses increased by \$62,000, or 1.3 percent, from the previous year. The expense ratio for administrative expenses was 2.6 basis points of average net assets, which is consistent with the prior year. Salaries increased by \$67,000 from \$2.695 million to \$2.762 million. In total, administrative expenses were \$1.3 million lower than the expenses included in the fiscal year budget approved by the Board of Trustees.
- Dividend income increased by \$49,000 from the prior year, due to a higher interest rate on the sweep account.

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 loss 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

FINANCIAL ANALYSIS

The IMB Administrative Fund's total assets as of June 30, 2019, were \$12.4 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. This combined total was \$0.5 million less than the previous year.

Total liabilities as of June 30, 2019, were \$7.8 million, consisting of invoices payable and accrued liabilities for investment management and consulting fees, custodial fees, and administrative expenses. This was \$0.7 million less than the previous year.

These minor changes can be attributed to fluctuations in the timing of receipts and disbursements made in the normal course of business.

Table 1 Net Position and Assets Under Management (In thousands)	2019	2018
Cash and cash equivalents	\$3,899	\$4,269
Receivables	8,205	8,328
Other assets	<u>313</u>	<u>371</u>
Total assets	12,417	12,968
Total liabilities	<u>(7,808)</u>	<u>(8,470)</u>
Net position	<u>\$ 4,609</u>	<u>\$ 4,498</u>
Composition of net position:		
Net investment in capital assets	\$234	\$288
Unrestricted	4,375	4,210
Assets under management at June 30 *	\$ 19,888,780	\$ 19,400,682

Table 2 Changes in Net Position (In thousands)	2019	2018	Percentage Change
Investment service fees	\$43,674	\$47,842	(8.7%)
Expenses			
Advisor fees	(33,462)	(37,490)	(10.7%)
Custodian fees	(2,274)	(2,246)	1.2%
Trustee fees	(44)	(46)	(4.3%)
Fiduciary bond expense	(42)	(26)	61.5%
Professional service fees	(2,960)	(3,201)	(7.5%)
Administrative expenses	<u>(4,888)</u>	<u>(4,828)</u>	1.2%
Total expenses	(43,670)	(47,837)	(8.7%)
Operating income	4	5	n/a
Nonoperating revenues	<u>107</u>	<u>58</u>	n/a
Increase in net position	111	63	n/a
Net position – beginning of year	<u>4,498</u>	<u>4,435</u>	1.4%
Net position – end of year	<u>\$ 4,609</u>	<u>\$ 4,498</u>	2.5%

* Amounts reflect preliminary estimated balances for private market investments.

Administrative Fund

Management's Discussion and Analysis

CAPITAL ASSETS

The IMB Administrative Fund made acquisitions of capital assets totaling \$60,907 during the current fiscal year. There were disposals of fully depreciated capital assets totaling \$24,316.

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.

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Administrative Fund

Statement of Net Position June 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$ 3,899,197
Accounts receivable	8,204,997
Prepaid expenses	69,907
Dividend receivable	<u>8,516</u>

Total current assets 12,182,617

Capital assets:

Equipment	404,068
Office furniture	218,749
Other depreciable property	349,172
Leasehold improvements	279,201
Less accumulated depreciation	<u>(1,017,130)</u>

Total capital assets (net of accumulated depreciation) 234,060

Total assets 12,416,677

Liabilities

Current liabilities:

Accounts payable and accrued expenses	<u>7,807,749</u>
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Total current liabilities 7,807,749

Total liabilities 7,807,749

Net position

Net investment in capital assets	234,060
Unrestricted	<u>4,374,868</u>

Total net position \$ 4,608,928

See accompanying notes to financial statements.

Administrative Fund

Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2019

Operating revenues

Investment service fees	<u>\$ 43,674,185</u>
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Total operating revenues	<u>43,674,185</u>
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Operating expenses

Advisor fees	33,462,394
Custodian fees	2,273,510
Trustee fees	43,750
Fiduciary bond expenses	42,080
Professional service fees	2,960,460
Administrative expenses	<u>4,888,474</u>

Total operating expenses	<u>43,670,668</u>
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Operating income	3,517
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Nonoperating revenues

Dividend income	<u>107,316</u>
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Total nonoperating revenues	<u>107,316</u>
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Increase in net position	110,833
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Net position, beginning of year	<u>4,498,095</u>
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Net position, end of year	<u><u>\$ 4,608,928</u></u>
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See accompanying notes to financial statements.

Administrative Fund

Statement of Cash Flows Year Ended June 30, 2019

Cash flows from operating activities

Cash received from customers	\$ 43,797,640
Cash paid to suppliers	(40,460,383)
Cash paid to employees	<u>(3,751,879)</u>

Net cash used for operating activities (414,622)

Cash flows from capital and related financing activities

Construction and acquisition of capital assets	<u>(60,907)</u>
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Net cash used for capital and related financing activities (60,907)

Cash flows from investing activities

Dividends on investments	<u>105,716</u>
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Net cash provided by investing activities 105,716

Net decrease in cash and cash equivalents (369,813)

Cash and cash equivalents, beginning of year 4,269,010

Cash and cash equivalents, end of year \$ 3,899,197

Reconciliation of operating income to net cash used on operating activities:

Operating income	\$ 3,517
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	114,610
Change in assets and liabilities:	
Decrease in accounts receivable	123,455
Decrease in prepaid expenses	6,139
Decrease in accounts payable and accrued expenses	<u>(662,343)</u>

Total adjustments (418,139)

Net cash used for operating activities \$ (414,622)

See accompanying notes to financial statements.

Administrative Fund

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.

Fair Value Measurements - The IMB Administrative Fund categorizes financial instrument fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The IMB Administrative Fund's cash equivalents are invested in an institutional Treasury Money Market fund valued at \$3,898,997 as of June 30, 2019, using quoted market prices (Level 1 inputs).

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.

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

Administrative Fund

Notes to Financial Statements

NOTE 3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Work in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Office equipment	428,384	-	(24,316)	404,068
Office furniture	218,749	-	-	218,749
Other depreciable property	288,265	60,907	-	349,172
Leasehold improvements	279,201	-	-	279,201
Total capital assets, being depreciated	1,214,599	60,907	(24,316)	1,251,190
Less accumulated depreciation for:				
Office equipment	(412,549)	(6,463)	24,316	(394,696)
Office furniture	(160,535)	(11,074)	-	(171,609)
Other depreciable property	(123,687)	(61,320)	-	(185,007)
Leasehold improvements	(230,065)	(35,753)	-	(265,818)
Total accumulated depreciation	(926,836)	(114,610)	24,316	(1,017,130)
Capital assets, net	\$ 287,763	\$ (53,703)	\$ -	\$ 234,060

Depreciation expense of \$114,610 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. Effective November 1, 2013, the monthly cost increased to \$19,633 based on actual square footage calculations. 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. The IMB shall receive a refund if the actual amount is less than the base year 2012 amount. Rent expense for the year ended June 30, 2019 totaled \$235,599.

The Board intends to renew its lease and is in active negotiations with the landlord. Minimum rental payments required under the current lease total \$117,800 through December 31, 2019.

Administrative Fund

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 Pension Plan is solely funded by the IMB, which contributes 10 percent of each covered employee's salary. Contributions for the year ended June 30, 2019 totaled \$274,804. 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 \$1,000 for single employees and \$2,000 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 Trustees, 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, 2019 totaled \$43,167.

NOTE 6. CASH AND INVESTMENT RISK

At June 30, 2019, 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.