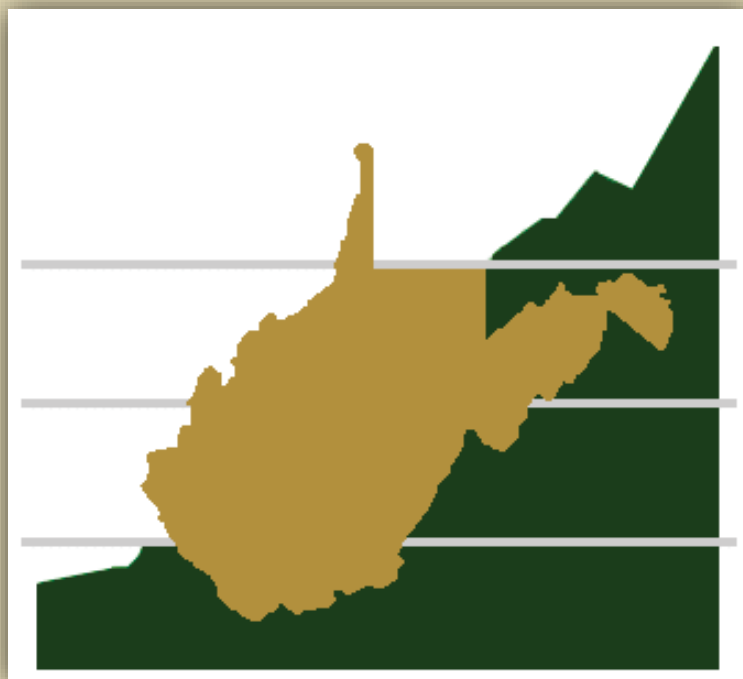


West Virginia

Investment Management Board



Financial Statements

May 31, 2018

West Virginia Investment Management Board

Financial Statements – Unaudited

May 31, 2018

ORDER OF PRESENTATION

Domestic Equity

International Qualified

International Nonqualified

International Equity

Short-Term Fixed Income

Total Return Fixed Income

Core Fixed Income

TIPS

TRS Annuity

Private Markets

Hedge Fund

Financial Statements - Unaudited

May 31, 2018

Domestic Equity Pool

Financial Statements - Unaudited May 31, 2018

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Domestic Equity Pool

Statement of Net Position - Unaudited

May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Equity investments	\$	4,545,271
Money market mutual fund		15,616
Securities lending collateral (Note 5)		253,685
Receivables:		
Investments sold		69,035
Dividends and other investment income		3,759
		<hr/>
Total assets		4,887,366

Liabilities

Cash overdraft		2
Accrued expenses		468
Payable for investments purchased		42,104
Payable upon return of securities loaned (Note 5)		253,685
		<hr/>
Total liabilities		296,259
		<hr/>
Net position	\$	<u>4,591,107</u>

Unit data

Units outstanding		159,575,458
Net position, unit price	\$	<u>28.77</u>

See accompanying notes to financial statements.

Domestic Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ 118,219	\$ 564,060
Interest, dividends, and other investment income	4,579	71,092
Securities lending income	388	4,636
Total investment income	123,186	639,788
Expenses		
Investment advisor fees	(84)	(1,878)
Custodian bank fees	(11)	(146)
Management and other allocated fees	(101)	(1,288)
Securities lending expenses	(312)	(3,579)
Total expenses	(508)	(6,891)
Net investment income	122,678	632,897
Unit transactions		
Proceeds from sale of units	6,145	4,432,487
Amount paid for repurchase of units	(3,537)	(474,277)
Net increase from unit transactions	2,608	3,958,210
Increase in net position	125,286	4,591,107
Net position, beginning of period	4,465,821	-
Net position, end of period	\$ 4,591,107	\$ 4,591,107

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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.

On July 1, 2017, the IMB created the Domestic Equity Pool (Pool) to invest in U.S. equities of small-, mid-, and large-cap growth and value stocks. On July 1, 2017, the assets and liabilities of the Large Cap Domestic Equity Pool and the Non-Large Cap Domestic Equity Pool were transferred in-kind to the Pool.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's 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 (inception date April 4, 2018), INTECH Investment Management, LLC, State Street Global Advisors (through April 2, 2018), 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 amortized 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.

Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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.

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 May 31, 2018.

Domestic Equity Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS

There were no derivative financial instruments recorded in the Statement of Net Position as of May 31, 2018. A gain of \$1,327 on equity index futures is recorded in the Statement of Changes in Net Position as net increase (decrease) in fair value of investments.

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 May 31, 2018:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 1,944,169	\$ -	\$ -	\$ 1,944,169
Common stock	2,601,102	-	-	2,601,102
Money market mutual fund	15,616	-	-	15,616
Securities lending collateral	14,310	239,375	-	253,685
Total	<u>\$ 4,575,197</u>	<u>\$ 239,375</u>	<u>\$ -</u>	<u>\$ 4,814,572</u>

Domestic Equity 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 May 31, 2018.

	<u>Fair Value</u>
Securities on loan	\$ 540,037
Collateral received:	
Cash	\$ 253,685
Non-cash	321,261
Total collateral received	<u>\$ 574,946</u>

The Bank of New York Mellon (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 May 31, 2018.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,926,548
Public Employees' Retirement System	1,705,321
West Virginia Retiree Health Benefit Trust Fund	228,793
Workers' Compensation Old Fund	177,755
State Police Death, Disability and Retirement Fund	167,618
Deputy Sheriff's Retirement System	55,547
Judges' Retirement System	52,101
Revenue Shortfall Reserve Fund - Part B	48,880
State Police Retirement System	47,630
West Virginia Department of Environmental Protection Agency	38,902
Coal Workers' Pneumoconiosis Fund	36,561
Public Employees Insurance Agency	24,631
Board of Risk and Insurance Management	22,424
Emergency Medical Services Retirement System	19,917
Wildlife Endowment Fund	15,987
Workers' Compensation Self-Insured Employer Security Risk Pool	7,999
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	5,031
West Virginia Department of Environmental Protection Trust	3,118
Berkeley County Development Authority	1,954
Workers' Compensation Uninsured Employers' Fund	1,910
Municipal Police Officers' and Firefighters' Retirement System	1,835
Municipal Policemen's or Firemen's Pension and Relief Funds	645
Total	<u>\$ 4,591,107</u>

Financial Statements - Unaudited

May 31, 2018

International Qualified Pool

Financial Statements - Unaudited May 31, 2018

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International Qualified Pool

Statement of Net Position - Unaudited
May 31, 2018
(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 1,358,410

Liabilities

Accrued expenses 63

Net position \$ 1,358,347

Unit data

Units outstanding 17,357,248

Net position, unit price \$ 78.26

See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase (decrease) in fair value of investments	\$ (50,820)	\$ 136,716
Expenses		
Investment advisor fees	(581)	(6,772)
Management and other allocated fees	<u>(32)</u>	<u>(410)</u>
Total expenses	<u>(613)</u>	<u>(7,182)</u>
Net investment income (loss)	(51,433)	129,534
Unit transactions		
Proceeds from sale of units	2,897	16,499
Amount paid for repurchase of units	<u>(2,866)</u>	<u>(241,087)</u>
Net increase (decrease) from unit transactions	<u>31</u>	<u>(224,588)</u>
Decrease in net position	(51,402)	(95,054)
Net position, beginning of period	<u>1,409,749</u>	<u>1,453,401</u>
Net position, end of period	<u>\$ 1,358,347</u>	<u>\$ 1,358,347</u>

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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 3 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 May 31, 2018.

NOTE 3. 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.

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 656,040
Public Employees' Retirement System	582,050
State Police Death, Disability and Retirement Fund	59,303
Deputy Sheriff's Retirement System	19,119
Judges' Retirement System	18,004
State Police Retirement System	16,182
Emergency Medical Services Retirement System	6,796
Municipal Police Officers' and Firefighters' Retirement System	627
Municipal Policemen's or Firemen's Pension and Relief Funds	226
Total	<u>\$ 1,358,347</u>

Financial Statements - Unaudited

May 31, 2018

International Nonqualified Pool

Financial Statements - Unaudited May 31, 2018

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International Nonqualified Pool

Statement of Net Position - Unaudited

May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value	\$	219,911
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Liabilities

Accrued expenses		<u>10</u>
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Net position	\$	<u>219,901</u>
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Unit data

Units outstanding		3,065,068
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Net position, unit price	\$	<u>71.74</u>
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See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position - Unaudited

Period Ended May 31, 2018*

(Amounts in thousands, except unit data)

	<u>Month</u>	<u>Year To Date</u>
Investment income		
Net increase (decrease) in fair value of investments	\$ (8,342)	\$ 19,276
Expenses		
Investment advisor fees	(106)	(1,173)
Management and other allocated fees	<u>(7)</u>	<u>(63)</u>
Total expenses	<u>(113)</u>	<u>(1,236)</u>
Net investment income (loss)	(8,455)	18,040
Unit transactions		
Proceeds from sale of units	1,235	13,983
Amount paid for repurchase of units	<u>(1,229)</u>	<u>(13,921)</u>
Net increase from unit transactions	<u>6</u>	<u>62</u>
Increase (decrease) in net position	(8,449)	18,102
Net position, beginning of period	<u>228,350</u>	<u>201,799</u>
Net position, end of period	<u>\$ 219,901</u>	<u>\$ 219,901</u>

*The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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 3 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 May 31, 2018.

NOTE 3. 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 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018.

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 77,751
Workers' Compensation Old Fund	68,385
Revenue Shortfall Reserve Fund - Part B	17,540
Coal Workers' Pneumoconiosis Fund	13,640
West Virginia Department of Environmental Protection Agency	13,104
Public Employees Insurance Agency	8,416
Board of Risk and Insurance Management	7,923
Wildlife Endowment Fund	5,946
Workers' Compensation Self-Insured Employer Security Risk Pool	2,951
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,838
West Virginia Department of Environmental Protection Trust	1,070
Berkeley County Development Authority	686
Workers' Compensation Uninsured Employers' Fund	651
Total	<u>\$ 219,901</u>

Financial Statements - Unaudited

May 31, 2018

International Equity Pool

**Financial Statements - Unaudited
May 31, 2018**

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International Equity Pool

Statement of Net Position - Unaudited

May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 3,023,873
Money market mutual fund	46,649
Securities lending collateral (Note 4)	84,867
Cash	37,860
Receivables:	
Investments sold	13,657
Dividends and other investment income	21,087
	<hr/>
Total assets	3,227,993

Liabilities

Accrued expenses	3,459
Accrued capital gains taxes	1,890
Payable for investments purchased	5,287
Payable upon return of securities loaned (Note 4)	84,867
	<hr/>
Total liabilities	95,503
	<hr/>
Net position	\$ 3,132,490

Unit data

Units outstanding	95,737,743
Net position, unit price	\$ 32.72

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value investments	\$ (116,397)	\$ 258,636
Interest, dividends, and other investment income	16,679	83,850
Securities lending income	349	2,517
Total investment income	(99,369)	345,003
Expenses		
Investment advisor fees	(1,496)	(17,649)
Custodian bank fees	(135)	(1,590)
Management and other allocated fees	(74)	(935)
Securities lending expenses	(70)	(633)
Total expenses	(1,775)	(20,807)
Net investment income (loss)	(101,144)	324,196
Unit transactions		
Proceeds from sale of units	14,218	137,070
Amount paid for repurchase of units	(9,080)	(478,269)
Net increase (decrease) from unit transactions	5,138	(341,199)
Decrease in net position	(96,006)	(17,003)
Net position, beginning of period	3,228,496	3,149,493
Net position, end of period	\$ 3,132,490	\$ 3,132,490

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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. 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. The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 3 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 amortized 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, 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 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 May 31, 2018.

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. 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.

International Equity Pool

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

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of May 31, 2018:

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 2,961,696	\$ -	\$ -	\$ 2,961,696
Money market mutual fund	46,649	-	-	46,649
Preferred stock	61,158	-	-	61,158
Rights	1,019	-	-	1,019
Securities lending collateral	4,787	80,080	-	84,867
Total	<u>\$ 3,075,309</u>	<u>\$ 80,080</u>	<u>\$ -</u>	<u>\$ 3,155,389</u>

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at May 31, 2018.

	Fair Value
Securities on loan	\$ 443,836
Collateral received:	
Cash	\$ 46,649
Non-cash	415,179
Total collateral received	<u>\$ 461,828</u>

The Bank of New York Mellon (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 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,315,343
Public Employees' Retirement System	1,172,104
West Virginia Retiree Health Benefit Trust Fund	156,754
Workers' Compensation Old Fund	114,267
State Police Death, Disability and Retirement Fund	113,588
Deputy Sheriff's Retirement System	37,838
Judges' Retirement System	35,426
State Police Retirement System	32,686
Revenue Shortfall Reserve Fund - Part B	32,646
West Virginia Department of Environmental Protection Agency	26,371
Coal Workers' Pneumoconiosis Fund	24,005
Public Employees Insurance Agency	17,117
Board of Risk and Insurance Management	15,090
Emergency Medical Services Retirement System	13,628
Wildlife Endowment Fund	10,501
Workers' Compensation Self-Insured Employer Security Risk Pool	5,317
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,358
West Virginia Department of Environmental Protection Trust	2,123
Berkeley County Development Authority	1,326
Workers' Compensation Uninsured Employers' Fund	1,307
Municipal Police Officers' and Firefighters' Retirement System	1,256
Municipal Policemen's or Firemen's Pension and Relief Funds	439
Total	<u>\$ 3,132,490</u>

Financial Statements - Unaudited

May 31, 2018

Short-Term Fixed Income Pool

Financial Statements - Unaudited May 31, 2018

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Short-Term Fixed Income Pool

Statement of Net Position - Unaudited

May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at amortized cost:		
U.S. Treasury and government agency bonds	\$	69,266
Commercial paper		22,988
Repurchase agreement		11,825
Cash		1
Accrued interest receivable		<u>1</u>
	Total assets	104,081

Liabilities

Accrued expenses		<u>22</u>
	Net position	<u><u>\$ 104,059</u></u>

Unit data

Units outstanding		104,047,742
Net position, unit price	\$	<u><u>1.00</u></u>

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income	\$ 221	\$ 2,003
Expenses		
Investment advisor fees	(6)	(77)
Custodian bank fees	(1)	(10)
Management and other allocated fees	(5)	(50)
Total expenses	(12)	(137)
Net investment income	209	1,866
Distributions to unitholders	(209)	(1,859)
Unit transactions		
Proceeds from sale of units	125,136	1,478,483
Reinvestment of distributions	209	1,859
Amount paid for repurchase of units	(120,655)	(1,594,325)
Net increase (decrease) from unit transactions	4,690	(113,983)
Increase (decrease) in net position	4,690	(113,976)
Net position, beginning of period	99,369	218,035
Net position, end of period	\$ 104,059	\$ 104,059

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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 fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. manages the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Citigroup ninety-day T-bill Index.

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 3 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 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.

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. Management's 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 May 31, 2018.

NOTE 3. 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 May 31, 2018:

Assets	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 22,988	\$ -	\$ 22,988
Repurchase agreement	-	11,825	-	11,825
U.S. Government agency bonds	-	44,273	-	44,273
U.S. Treasury bonds	-	24,993	-	24,993
Total	\$ -	\$ 104,079	\$ -	\$ 104,079

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018. The balances do not include undistributed gains. To the extent the Pool has undistributed realized gains or accumulated realized losses, the net position value of the Pool may be higher or lower than the total below.

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 41,997
Teachers' Retirement System	28,375
Coal Workers' Pneumoconiosis Fund	10,522
Board of Risk and Insurance Management	7,625
Public Employees' Retirement System	7,158
Workers' Compensation Self-Insured Employer Security Risk Pool	2,116
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,411
Workers' Compensation Uninsured Employers' Fund	1,262
West Virginia Prepaid Tuition Trust Fund	1,003
State Police Retirement System	832
State Police Death, Disability and Retirement Fund	475
Deputy Sheriff's Retirement System	410
Municipal Police Officers' and Firefighters' Retirement System	351
Emergency Medical Services Retirement System	215
Judges' Retirement System	153
Wildlife Endowment Fund	109
Municipal Policemen's or Firemen's Pension and Relief Funds	26
West Virginia Retiree Health Benefit Trust Fund	6
West Virginia Department of Environmental Protection Agency	2
Total	<u>\$ 104,048</u>

Financial Statements - Unaudited

May 31, 2018

Total Return Fixed Income Pool

Financial Statements - Unaudited May 31, 2018

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Total Return Fixed Income Pool

Statement of Net Position - Unaudited

May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 2,304,698
Derivative instruments	15,824
Money market mutual fund	39,575
Equity investments	16,462
Securities lending collateral (Note 5)	155,786
Cash	31,300
Receivables:	
Interest, dividends, and other investment income	18,024
Investments sold	21,566
	<hr/>
Total assets	2,603,235

Liabilities

Investments, at fair value:	
Derivative instruments	14,682
Accrued expenses	1,043
Payable for investments purchased	10,072
Payable upon return of securities loaned (Note 5)	155,786
	<hr/>
Total liabilities	181,583
	<hr/>
Net position	\$ 2,421,652

Unit data

Units outstanding	163,955,535
Net position, unit price	<hr/> <hr/> \$ 14.77

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ (13,501)	\$ (46,791)
Interest, dividends, and other investment income	7,947	82,810
Securities lending income	262	2,803
Total investment income	(5,292)	38,822
Expenses		
Investment advisor fees	(439)	(4,880)
Custodian bank fees	(20)	(170)
Management and other allocated fees	(60)	(705)
Securities lending expenses	(204)	(2,183)
Total expenses	(723)	(7,938)
Net investment income (loss)	(6,015)	30,884
Distributions to unitholders	-	(65,331)
Unit transactions		
Proceeds from sale of units	71	250,562
Reinvestment of distributions	6,508	70,917
Amount paid for repurchase of units	(81,443)	(187,714)
Net increase (decrease) in from unit transactions	(74,864)	133,765
Increase (decrease) in net position	(80,879)	99,318
Net position, beginning of period	2,502,531	2,322,334
Net position, end of period	\$ 2,421,652	\$ 2,421,652

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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 diversification, but not at the expense of total return. Dodge & Cox, Franklin Templeton Investments, and Western Asset Management Company manage the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Bloomberg Barclays U.S. Universal Bond Index.

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.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Credit default and interest rate 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 difference between the forward contract amount and the month-end forward exchange rate.
- Repurchase agreements and time deposits are valued at amortized 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.

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 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.

Premiums paid upon the purchase of an option contract are recorded as an asset and subsequently adjusted to market value. Upon exercising a purchased option, a gain or loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums paid. If the option expires unexercised, a loss is recognized in the amount of the premiums paid for the option.

Premiums received when option contracts are written are recorded as a liability and subsequently adjusted to market value. If a written option contract expires unexercised, a gain is recorded equal to the amount of the premiums received. The difference between the premiums received and the amount paid to effect a closing transaction is also recorded as a gain or loss. When a written option is exercised, a gain or loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums received.

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, the Bank of New York Mellon, 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

Total Return Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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. These contracts are valued at the prevailing market exchange rates at month end.

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, as realized gains or losses.

In accordance with its principal investment strategy, the Pool enters into credit default swaps as a seller of protection primarily to gain exposure similar to the high yield bond market. 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 Pool 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

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Pool could be required to pay as a seller of credit protection if a credit event occurs. As the seller of protection, the Pool receives periodic premium payments from the counterparty and may also receive or pay an upfront premium adjustment to the stated periodic premium.

The quoted market prices and resulting market values for credit default swap agreements on securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative had the notional amount of the swap agreement been closed/sold as of the period end. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

Interest Rate Swaps - Interest rate swaps represent agreements between counterparties to exchange cash flows based on the difference between two interest rates, applied to a notional principal amount for a specified period. Interest rate swaps do not involve the exchange of principal between the parties. Interest is paid or received periodically.

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

Investment Transactions - Investment transactions are accounted for on a trade date basis. 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 - Prior to May 1, 2018, the monthly net investment income (excluding net increase (decrease) in fair value of investments) was declared as a dividend on the last day of the month and distributed to the participants of the Pool on the first day of the following month. Distributions were 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. The Pool does not routinely distribute dividends of net realized gains. Effective May 1, 2018, the Pool no longer routinely distributes 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 May 31, 2018.

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

Total Return Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool may include foreign exchange contracts, futures, options, credit default swaps, interest rate swaps, and currency 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.

The table below presents the fair value, the net increase (decrease) in fair value, and the notional amounts of derivative financial instruments outstanding as of May 31, 2018:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments	Notional Value (in USD)
Domestic fixed income futures long	\$ 268	\$ (8,046)	\$ 1,119,592
Foreign fixed income futures long	(232)	708	10,902
Domestic fixed income futures short	(1,838)	14,956	(54,761)
Foreign fixed income futures short	(1,295)	(12,342)	(431,352)
Fixed income options purchased	3,394	(11,749)	377,707
Credit default swaptions purchased	74	62	8,735
Interest rate swaptions purchased	6,106	(833)	55,175
Fixed income options written	(2,679)	7,647	161,629
Credit default swaptions written	(1)	130	151
Credit default swaps	(3,398)	(433)	102,882
Interest rate swaps	(1,754)	2,648	7,104,612
Basis swaps	(30)	105	69,776
Foreign currency forward contracts long	(250)	973	116,937
Foreign currency forward contracts short	2,777	1,192	(23,775)
Total	<u>\$ 1,142</u>	<u>\$ (4,982)</u>	<u>\$ 8,618,210</u>

At May 31, 2018, the Pool had pledged cash of \$23,552 to cover margin requirements on open derivative contracts and counterparties had deposited, in segregated accounts, securities with a value of \$6,570 in connection with open derivative contracts.

Total Return Fixed Income Pool

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

NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 May 31, 2018, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Counterparty	Maturity Date	Receiving		Paying		Notional Value	Fair Value	
		Rate	Base	Rate	Base			
Barclays Capital	08/31/2022	2.85%	Fixed	N/A	2.31%	Floating 3M Libor	\$ 148,062	\$ 311
Barclays Capital	02/03/2033	3.00%	Fixed	N/A	2.35%	Floating 3M Libor	40,100	(136)
Barclays Capital	02/06/2033	3.15%	Fixed	N/A	2.36%	Floating 3M Libor	19,990	166
Barclays Capital	11/15/2043	2.34%	Floating	3M Libor	2.73%	Fixed N/A	14,332	601
Barclays Capital	11/15/2043	2.34%	Floating	3M Libor	2.95%	Fixed N/A	52,208	75
Total								<u>\$ 1,017</u>

At May 31, 2018, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Counterparty	Maturity Date	Receiving		Paying		Notional Value	Fair Value	
		Rate	Base	Rate	Base			
Barclays Capital	04/05/2021	7.35%	Fixed	N/A	7.84%	Floating MXN TIIE	1,776,720 MXN	\$ (1,615)
Barclays Capital	04/06/2022	7.33%	Fixed	N/A	7.84%	Floating MXN TIIE	1,218,000 MXN	(1,375)
Barclays Capital	02/02/2023	-0.36%	Floating	3M SEK STIBOR	0.67%	Fixed N/A	233,400 SEK	(364)
Barclays Capital	04/19/2047	0.02%	Floating	6M JPY Libor	0.79%	Fixed N/A	3,601,800 JPY	583
Total								<u>\$ (2,771)</u>

At May 31, 2018, the open position in a basis swap was as follows:

Counterparty	Maturity Date	Receiving	Paying	Notional Value	Fair Value

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 pledged or received by the Pool as of May 31, 2018.

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency forwards	\$ 1,253	\$ (84)	\$ -	\$ (764)	\$ 405
Swaps	22	-	-	-	22
Swaptions	6,180	(1)	(6,179)	-	-
Total	<u>\$ 7,455</u>	<u>\$ (85)</u>	<u>\$ (6,179)</u>	<u>\$ (764)</u>	<u>\$ 427</u>

Total Return 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 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 May 31, 2018. 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 4. FAIR VALUE MEASUREMENTS (continued)

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 14	\$ -	\$ -	\$ 14
Corporate asset backed issues	-	38,625	-	38,625
Corporate ABS residual	-	5,658	-	5,658
Corporate CMO	-	71,933	-	71,933
Corporate preferred securities	10,790	-	-	10,790
Foreign asset backed issues	-	21,062	-	21,062
Foreign corporate bonds	-	285,444	-	285,444
Foreign currency forward contracts	-	2,846	-	2,846
Foreign government bonds	-	263,836	-	263,836
Futures contracts	1,122	-	-	1,122
Investments made with cash collateral for securities loaned	8,788	146,998	-	155,786
Money market mutual fund	39,575	-	-	39,575
Municipal bonds	-	44,372	-	44,372
Options contracts purchased	3,394	6,180	-	9,574
Repurchase agreement	-	14,000	-	14,000
Short term investments	-	23,144	-	23,144
Swaps	-	2,282	-	2,282
U.S. corporate bonds	-	419,557	-	419,557
U.S. Government agency bonds	-	2,718	-	2,718
U.S. Government agency CMO	-	52,207	-	52,207
U.S. Government agency CMO interest-only	-	5,723	-	5,723
U.S. Government agency MBS	-	331,865	-	331,865
U.S. Government agency TBAs	-	9,165	-	9,165
U.S. Treasury bonds	-	398,488	-	398,488
U.S. Treasury inflation protected securities	-	17,647	-	17,647
Total	<u>\$ 63,683</u>	<u>\$ 2,163,750</u>	<u>\$ -</u>	<u>\$ 2,227,433</u>
Investments in other funds				304,912
Total				<u>\$ 2,532,345</u>
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	\$ -	\$ (319)	\$ -	\$ (319)
Futures contracts	(4,219)	-	-	(4,219)
Options contracts written	(2,679)	(1)	-	(2,680)
Swaps	-	(7,464)	-	(7,464)
Total	<u>\$ (6,898)</u>	<u>\$ (7,784)</u>	<u>\$ -</u>	<u>\$ (14,682)</u>

Investments in other funds include the following:

Western Asset Emerging Markets Corporate Credit Portfolio, LLC

Investment Objective - To maximize total return by investing in U.S. dollar-denominated fixed income securities of non-U.S. issuers in developing markets.

Redemption Provisions - Daily

Western Asset Emerging Markets Local Debt Portfolio, LLC

Investment Objective - To maximize total return by investing in lower rated debt and other fixed income securities of non-U.S. issuers.

Redemption Provisions - Daily

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

Western Asset Floating Rate High Income Fund, LLC

Investment Objective - To maximize total return by investing in U.S. dollar-denominated loans, loan participations and below investment grade fixed income securities.

Redemption Provisions - Daily

Western Asset Mortgage Backed Securities Portfolio, LLC

Investment Objective - To maximize total return by investing in debt securities issued or guaranteed by the U.S. government.

Redemption Provisions - Daily

Western Asset Opportunistic Asian Securities Portfolio, LLC

Investment Objective - To maximize total return by investing in debt and fixed income securities of Asian issuers.

Redemption Provisions - Daily

Western Asset Opportunistic Structured Securities Portfolio, LLC

Investment Objective - To maximize total return by investing in primarily investment grade asset backed fixed income securities.

Redemption Provisions - Daily

Western Asset Opportunistic US Dollar High Yield Securities Portfolio, LLC

Investment Objective - To maximize total return by investing in fixed income securities that are rated below investment grade at time of purchase.

Redemption Provisions - Daily

Western Asset Structured Product Opportunities, LLC

Investment Objective - To maximize total return by investing in structured debt including, but not limited to, mortgage-backed securities, asset-backed securities, and other collateralized debt.

Redemption Provisions - Daily

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at May 31, 2018.

	<u>Fair Value</u>
Securities on loan	\$ 293,184
Collateral received:	
Cash	\$ 155,786
Non-cash	<u>144,236</u>
Total collateral received	<u>\$ 300,022</u>

The Bank of New York Mellon (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.

Total Return Fixed Income 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 May 31, 2018. The balances do not include the distribution declared by the Pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 729,946
Public Employees' Retirement System	651,556
Workers' Compensation Old Fund	334,144
Revenue Shortfall Reserve Fund - Part B	168,575
West Virginia Retiree Health Benefit Trust Fund	91,255
State Police Death, Disability and Retirement Fund	62,629
Coal Workers' Pneumoconiosis Fund	58,987
Revenue Shortfall Reserve Fund	58,157
West Virginia Department of Environmental Protection Agency	54,588
Public Employees Insurance Agency	54,436
Board of Risk and Insurance Management	36,547
Deputy Sheriff's Retirement System	21,517
West Virginia Prepaid Tuition Trust Fund	20,609
Judges' Retirement System	19,647
State Police Retirement System	18,609
Workers' Compensation Self-Insured Employer Security Risk Pool	12,711
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	8,235
Emergency Medical Services Retirement System	7,775
Wildlife Endowment Fund	6,242
Workers' Compensation Uninsured Employers' Fund	2,654
West Virginia Department of Environmental Protection Trust	967
Berkeley County Development Authority	775
Municipal Police Officers' and Firefighters' Retirement System	735
Municipal Policemen's or Firemen's Pension and Relief Funds	356
Total	<u>\$ 2,421,652</u>

Financial Statements - Unaudited

May 31, 2018

Core Fixed Income Pool

Financial Statements - Unaudited May 31, 2018

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Core Fixed Income Pool

Statement of Net Position - Unaudited May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Fixed income investments	\$	1,033,134
Money market mutual fund		28,917
Securities lending collateral (Note 4)		115,686
Receivables:		
Interest, dividends, and other investment income		4,909
Investments sold		435
		<hr/>
Total assets		1,183,081

Liabilities

Accrued expenses		263
Payable for investments purchased		5,841
Payable upon return of securities loaned (Note 4)		115,686
		<hr/>
Total liabilities		121,790
		<hr/>
Net position	\$	1,061,291
		<hr/> <hr/>

Unit data

Units outstanding		98,390,206
Net position, unit price	\$	10.79
		<hr/> <hr/>

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Change in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ 4,972	\$ (28,981)
Interest, dividends, and other investment income	2,703	29,147
Securities lending income	161	1,602
Total investment income	7,836	1,768
Expenses		
Investment advisor fees	(92)	(1,207)
Custodian bank fees	(5)	(61)
Management and other allocated fees	(24)	(303)
Securities lending expenses	(142)	(1,360)
Total expenses	(263)	(2,931)
Net investment income (loss)	7,573	(1,163)
Distributions to unitholders	-	(26,565)
Unit transactions		
Proceeds from sale of units	94	124,795
Reinvestment of distributions	2,589	29,080
Amount paid for repurchase of units	(41,735)	(60,928)
Net increase (decrease) from unit transactions	(39,052)	92,947
Increase (decrease) in net position	(31,479)	65,219
Net position, beginning of period	1,092,770	996,072
Net position, end of period	\$ 1,061,291	\$ 1,061,291

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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 diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. manages this Pool. This Pool's investment objective, net of external investment management fees, is to meet or exceed the Bloomberg Barclays U.S. Aggregate Bond Index.

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 amortized 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, 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.

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

Investment Transactions - Investment transactions are accounted for on a trade date basis. 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 - Prior to May 1, 2018, the monthly net investment income (excluding net increase (decrease) in fair value of investments) was declared as a dividend on the last day of the month and distributed to the participants of the Pool on the first day of the following month. Distributions were 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. The Pool does not routinely distribute dividends of net realized gains. Effective May 1, 2018, the Pool no longer routinely distributes net 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 May 31, 2018.

Core Fixed Income Pool

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

NOTE 3. 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 May 31, 2018:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 135,286	\$ -	\$ 135,286
Corporate CMO	-	36,548	-	36,548
Corporate CMO interest-only	-	406	-	406
Corporate CMO principal-only	-	108	-	108
Foreign asset backed issues	-	3,541	-	3,541
Foreign corporate bonds	-	65,070	-	65,070
Foreign government bonds	-	5,899	-	5,899
Money market mutual fund	28,917	-	-	28,917
Municipal bonds	-	9,044	-	9,044
Securities lending collateral	6,526	109,160	-	115,686
U.S. Corporate bonds	-	209,608	-	209,608
U.S. Government agency bonds	-	18,732	-	18,732
U.S. Government agency CMO	-	108,245	-	108,245
U.S. Government agency CMO interest-only	-	2,490	-	2,490
U.S. Government agency CMO principal-only	-	5,794	-	5,794
U.S. Government agency MBS	-	175,548	-	175,548
U.S. Treasury bonds	-	256,381	-	256,381
U.S. Treasury inflation protected securities	-	434	-	434
Total	<u>\$ 35,443</u>	<u>\$ 1,142,294</u>	<u>\$ -</u>	<u>\$ 1,177,737</u>

Core Fixed Income Pool

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

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at May 31, 2018.

	Fair Value
Securities on loan	\$ 127,892
Collateral received:	
Cash	\$ 115,686
Non-cash	15,185
Total collateral received	\$ 130,871

The Bank of New York Mellon (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 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018. The balances do not include the distribution declared by the Pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

Participant	Account Value
Teachers' Retirement System	\$ 315,828
Public Employees' Retirement System	283,016
Workers' Compensation Old Fund	144,751
Revenue Shortfall Reserve Fund - Part B	72,942
West Virginia Retiree Health Benefit Trust Fund	39,544
State Police Death, Disability and Retirement Fund	27,144
Coal Workers' Pneumoconiosis Fund	25,551
Revenue Shortfall Reserve Fund	25,157
West Virginia Department of Environmental Protection Agency	23,644
Public Employees Insurance Agency	23,565
West Virginia Prepaid Tuition Trust Fund	20,767
Board of Risk and Insurance Management	15,813
Deputy Sheriff's Retirement System	9,324
Judges' Retirement System	8,552
State Police Retirement System	8,061
Workers' Compensation Self-Insured Employer Security Risk Pool	5,573
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,563
Emergency Medical Services Retirement System	3,379
Wildlife Endowment Fund	2,727
Workers' Compensation Uninsured Employers' Fund	1,150
West Virginia Department of Environmental Protection Trust	430
Berkeley County Development Authority	336
Municipal Police Officers' and Firefighters' Retirement System	320
Municipal Policemen's or Firemen's Pension and Relief Funds	154
Total	\$ 1,061,291

Financial Statements - Unaudited

May 31, 2018

TIPS Pool

Financial Statements - Unaudited May 31, 2018

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TIPS Pool

Statement of Net Position - Unaudited
May 31, 2018
(Amounts in thousands, except unit data)

Assets

Investments, at fair value	
Commingled bond fund	\$ 389,602
Money market mutual fund	<u>7</u>
Total assets	389,609

Liabilities

Accrued expenses	<u>28</u>
Net position	<u>\$ 389,581</u>

Unit data

Units outstanding	34,278,147
Net position, unit price	<u><u>\$ 11.37</u></u>

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ 1,701	\$ 4,073
Interest, dividends, and other investment income	-	2,159
Securities lending income	1	168
Total investment income	1,702	6,400
Expenses		
Investment advisor fees	(5)	(81)
Custodian bank fees	-	(11)
Management and other allocated fees	(9)	(107)
Securities lending expenses	(1)	(87)
Total expenses	(15)	(286)
Net investment income	1,687	6,114
Unit transactions		
Proceeds from sale of units	18,987	76,467
Amount paid for repurchase of units	(2,303)	(21,183)
Net increase from unit transactions	16,684	55,284
Increase in net position	18,371	61,398
Net position, beginning of period	371,210	328,183
Net position, end of period	\$ 389,581	\$ 389,581

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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's objective is to match the performance of the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets were managed by State Street Global Advisors through April 2, 2018. Effective April 4, 2018, 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 3 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.

Securities Lending - The IMB, through its lending agent, the Bank of New York Mellon, loans securities of the Pool to various brokers on a temporary basis. Each transaction for U.S. securities is secured by cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities of at least 102 percent of the market value of the securities loaned plus accrued income. Cash collateral received, if any, 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.

TIPS 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.

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 May 31, 2018.

NOTE 3. 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 May 31, 2018:

Assets	Level 1	Level 2	Level 3	Total
Commingled bond fund	\$ 389,602	\$ -	\$ -	\$ 389,602
Money market mutual fund	7	-	-	7
	<u>\$ 389,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,609</u>

TIPS Pool

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

NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018.

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 124,059
Revenue Shortfall Reserve Fund - Part B	100,127
Revenue Shortfall Reserve Fund	84,300
Public Employees Insurance Agency	30,028
Coal Workers' Pneumoconiosis Fund	25,451
Board of Risk and Insurance Management	15,316
Workers' Compensation Self-Insured Employer Security Risk Pool	5,506
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,479
Workers' Compensation Uninsured Employers' Fund	1,315
Total	<u>\$ 389,581</u>

Financial Statements - Unaudited

May 31, 2018

TRS Annuity Pool

Financial Statements - Unaudited May 31, 2018

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TRS Annuity Pool

Statement of Net Position - Unaudited
May 31, 2018
(Amounts in thousands)

Assets		\$	-
Liabilities			
Accrued expenses			<u>150</u>
	Net position	\$	<u><u>(150)</u></u>

See accompanying notes to financial statements.

TRS Annuity Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	<u>Month</u>	<u>Year To Date</u>
Investment income	\$ -	\$ -
Expenses		
Professional service fees	<u>(97)</u>	<u>(488)</u>
Net investment loss	<u>(97)</u>	<u>(488)</u>
Capital transactions		
Contributions by TRS	<u>-</u>	<u>473</u>
Decrease in net position	(97)	(15)
Net position, beginning of period	<u>(53)</u>	<u>(135)</u>
Net position, end of period	<u>\$ (150)</u>	<u>\$ (150)</u>

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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, 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 denial to allow the IMB to liquidate the contract in its entirety, the IMB sued VALIC. A three-judge arbitration panel issued its decision on April 28, 2017, and no recovery was awarded to the IMB. A notice of appeal has been filed with the West Virginia Supreme Court of Appeals. There are ongoing legal fees associated with this litigation and these expenses are accrued to the Pool. The funding for the payment of these expenses results from contributions by the TRS into the TRS Annuity Pool. No other management fees are charged to the Pool and none have been charged since the final withdrawal on May 8, 2013. Once this matter is finalized the TRS Annuity Pool will be closed.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The investment contract held by this Pool was the sole investment of the Pool and it was fully redeemed on May 8, 2013. However, the Pool is to be kept open so that all on-going expenses associated with the investment contract can be properly reported and charged to the TRS.

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.

TRS Annuity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of May 31, 2018.

Financial Statements - Unaudited

May 31, 2018

Private Markets Pool

Financial Statements - Unaudited May 31, 2018

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Private Markets Pool

Statement of Net Position - Unaudited

May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Alternative investments	\$ 3,447,707
Equity investments	397,937
Fixed income investments	6,822
Money market mutual fund	103,847
Securities lending collateral (Note 4)	12,115
Cash	2,887
Receivables:	
Investments sold	1,546
Interest, dividends, and other investment income	509
	<hr/>
Total assets	3,973,370

Liabilities

Accrued expenses	601
Payable for investments purchased	2,010
Payable upon return of securities loaned (Note 4)	12,115
	<hr/>
Total liabilities	14,726
	<hr/>
Net position	\$ 3,958,644

Unit data

Units outstanding	242,950,103
Net position, unit price	<hr/> <hr/> \$ 16.29

See accompanying notes to financial statements.

Private Markets Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value investments	\$ 72,391	\$ 229,317
Income from partnerships and funds	6,083	86,303
Interest, dividends, and other investment income	642	5,982
Fund closing interest	13	572
Securities lending income	19	198
Total investment income	79,148	322,372
Expenses		
Investment advisor fees	(79)	(915)
Custodian bank fees	(19)	(98)
Management and other allocated fees	(87)	(1,056)
Professional service fees - direct	(128)	(1,230)
Management fees - external	-	(4,019)
Fund closing costs	-	(150)
Securities lending expenses	(10)	(88)
Total expenses	(323)	(7,556)
Net investment income	78,825	314,816
Unit transactions		
Proceeds from sale of units	3,319	3,894,985
Amount paid for repurchase of units	(23,570)	(251,157)
Net increase (decrease) from unit transactions	(20,251)	3,643,828
Increase in net position	58,574	3,958,644
Net position, beginning of period	3,900,070	-
Net position, end of period	\$ 3,958,644	\$ 3,958,644

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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.

On July 1, 2017, the IMB created the Private Markets Pool (Pool) to invest primarily in private equity funds, real estate limited partnerships and funds, real estate investment trusts, middle market direct commercial loans, real estate loan funds, and other income focused funds. On July 1, 2017, the assets and liabilities of the Private Equity Pool, Real Estate Pool, and Opportunistic Income Pool were transferred in-kind to the Pool.

The accompanying financial statements reflect only the investments and investment related operations of the IMB's 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 holds the IMB's investments in a commingled investment fund, opportunistic income funds, private equity funds, real estate investment trusts (REITs), and real estate limited partnerships and funds. StepStone Group Real Estate LP has been retained by the IMB to provide consulting services for the real estate limited partnerships and funds. The REITs are managed by CBRE Clarion Securities, LLC and Security Capital Research & Management Inc. The opportunistic income funds are managed by Angelo, Gordon & Co, Claros REIT Management LP, and TCW Asset Management Company. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for the private equity funds. The commingled investment fund was managed by State Street Global Advisors through March 28, 2018 and BlackRock from inception date April 2, 2018.

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 3 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

Private Markets Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.
- 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 amortized 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, 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.

Private Markets Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Contracts - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The managers, 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.

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 real estate partnership, 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 May 31, 2018.

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.

Private Markets Pool

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

NOTE 3. 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 May 31, 2018. 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.

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commingled equity fund	\$ 267,636	\$ -	\$ -	\$ 267,636
Common stock	120,082	-	-	120,082
Securities lending collateral	683	11,432	-	12,115
Money market mutual fund	103,847	-	-	103,847
U.S. corporate bonds	-	6,822	-	6,822
U.S. preferred stock	10,219	-	-	10,219
Total	<u>\$ 502,467</u>	<u>\$ 18,254</u>	<u>\$ -</u>	<u>\$ 520,721</u>
Opportuntistic income funds				423,594
Private equity partnerships				1,437,014
Real estate limited partnerships and funds				1,587,099
Total				<u>\$ 3,968,428</u>

Private Markets Pool

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

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following table presents information on investments measured at the NAV as of May 31, 2018.

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range (a)	Redemption Frequency	Redemption Notice Period
Opportunistic income:					
Middle Market Loan Funds (b)	\$ 289,555	\$ 69,760	N/A	N/A	N/A
Real Estate Income Funds (c)	134,039	165,053	2021 to 2022	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	822,991	651,260	2018 to 2032	N/A	N/A
Corporate Finance - Distressed Debt (e)	184,632	68,583	2018 to 2028	N/A	N/A
Corporate Finance - Growth Equity (f)	52,972	38,226	2018 to 2027	N/A	N/A
Corporate Finance - Mezzanine (g)	71,745	60,743	2019 to 2028	N/A	N/A
Corporate Finance - Turnaround (h)	84,032	60,700	2018 to 2026	N/A	N/A
Venture Capital (i)	220,642	103,698	2023 to 2033	N/A	N/A
Real estate limited partnerships and funds:					
Core Funds (j)	881,938	50,396	2020 to 2022	Quarterly	45-60 days
Opportunistic Funds (k)	263,804	202,705	2018 to 2028	N/A	N/A
Value Funds (l)	441,357	392,607	2018 to 2028	Quarterly	60 days
Total	<u>\$ 3,447,707</u>	<u>\$ 1,863,731</u>			

- (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 - Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another Fund.
- (h) 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.
- (i) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.
- (j) 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.
- (k) 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.
- (l) 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.

Private Markets Pool

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

NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at May 31, 2018.

	<u>Fair Value</u>
Securities on loan	\$ 25,309
Collateral received:	
Cash	\$ 12,115
Non-cash	<u>14,385</u>
Total collateral received	<u>\$ 26,500</u>

The Bank of New York Mellon (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 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,805,764
Public Employees' Retirement System	1,598,967
West Virginia Retiree Health Benefit Trust Fund	213,747
State Police Death, Disability and Retirement Fund	157,681
Deputy Sheriff's Retirement System	51,833
Judges' Retirement System	48,543
State Police Retirement System	44,399
Emergency Medical Services Retirement System	18,589
Wildlife Endowment Fund	15,080
Berkeley County Development Authority	1,832
Municipal Police Officers' and Firefighters' Retirement System	1,719
Municipal Policemen's or Firemen's Pension and Relief Funds	<u>490</u>
Total	<u>\$ 3,958,644</u>

Financial Statements - Unaudited

May 31, 2018

Hedge Fund Pool

Financial Statements - Unaudited May 31, 2018

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Hedge Fund Pool

Statement of Net Position - Unaudited

May 31, 2018

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Hedge funds	\$ 2,006,383
Money market mutual fund	9,650
Advance on investments in hedge funds (Note 4)	75,000
Cash	52,277
Receivables:	
Investment funds redeemed	2,368
Accrued interest and dividends	187
	<hr/>
Total assets	2,145,865

Liabilities

Accrued expenses	<hr/>
	171
	<hr/>
Net position	\$ 2,145,694
	<hr/> <hr/>

Unit data

Units outstanding	144,757,692
Net position, unit price	\$ <hr/> <hr/> 14.82

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Position - Unaudited
Period Ended May 31, 2018*
(Amounts in thousands)

	Month	Year To Date
Investment income		
Net increase (decrease) in fair value of investments	\$ 11,485	\$ 104,194
Interest, dividends, and other investment income	92	426
Total investment income	11,577	104,620
Expenses		
Professional service fees - direct	(43)	(395)
Custodian bank fees	-	(1)
Management and other allocated fees	(48)	(547)
Total expenses	(91)	(943)
Net investment income	11,486	103,677
Unit transactions		
Proceeds from sale of units	66,623	329,276
Amount paid for repurchase of units	-	(113,017)
Net increase from unit transactions	66,623	216,259
Increase in net position	78,109	319,936
Net position, beginning of period	2,067,585	1,825,758
Net position, end of period	\$ 2,145,694	\$ 2,145,694

**The WVIMB operates on a fiscal year beginning on July 1. The "year to date" information is for the period July 1 through the month listed. 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. 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 3 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 May 31, 2018.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

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

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

Hedge Fund Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates - The preparation of the financial statements in conformity with 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 May 31, 2018.

NOTE 3. 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 3. 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 May 31, 2018. 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	\$ 9,650	\$ -	\$ -	\$ 9,650
Hedge funds				2,006,383
Total				\$ 2,016,033

The following table presents information on investments measured at the NAV as of May 31, 2018.

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 203,060	Monthly, Quarterly	3 to 30 days
Equity long/short (b)	274,666	Monthly, Quarterly, Every 3 years	30 to 60 days
Event-driven (c)	45,204	Quarterly	65 days
Long-biased (d)	60,458	Monthly	90 days
Multi-strategy (e)	1,276,475	Monthly, Quarterly, Annually	3 to 95 days
Relative-value (f)	146,520	Monthly	45 to 60 days
Total	\$ 2,006,383		

- (a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions to take advantage of that. 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 is an investing strategy, used primarily by hedge funds, that 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 61 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (c) Event-driven managers 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 managers 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 54 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 3. FAIR VALUE MEASUREMENTS (continued)

- (f) Relative-value managers 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.

NOTE 4. ADVANCE ON INVESTMENTS IN HEDGE FUNDS

On May 25, 2018, the IMB funded \$30 million to Caxton Global Investments Limited, \$20 million to Graticule Asia Macro Fund Ltd, and \$25 million to KLS Diversified Fund Ltd. As of May 31, 2018, these amounts have been recorded as an advance on investments in other funds. The subscription terms of the aforementioned funds require contributions to be received in advance of the June 1, 2018, subscription day.

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at May 31, 2018.

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 805,381
Public Employees' Retirement System	710,143
Workers' Compensation Old Fund	197,192
West Virginia Retiree Health Benefit Trust Fund	92,536
State Police Death, Disability and Retirement Fund	70,821
Coal Workers' Pneumoconiosis Fund	53,117
Public Employees Insurance Agency	41,253
West Virginia Department of Environmental Protection Agency	39,972
Board of Risk and Insurance Management	31,425
Deputy Sheriff's Retirement System	22,722
Judges' Retirement System	21,445
State Police Retirement System	19,300
Workers' Compensation Self-Insured Employer Security Risk Pool	11,552
Emergency Medical Services Retirement System	8,088
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	7,214
Wildlife Endowment Fund	6,939
Workers' Compensation Uninsured Employers' Fund	2,707
West Virginia Department of Environmental Protection Trust	2,038
Berkeley County Development Authority	803
Municipal Police Officers' and Firefighters' Retirement System	768
Municipal Policemen's or Firemen's Pension and Relief Funds	278
Total	<u>\$ 2,145,694</u>

