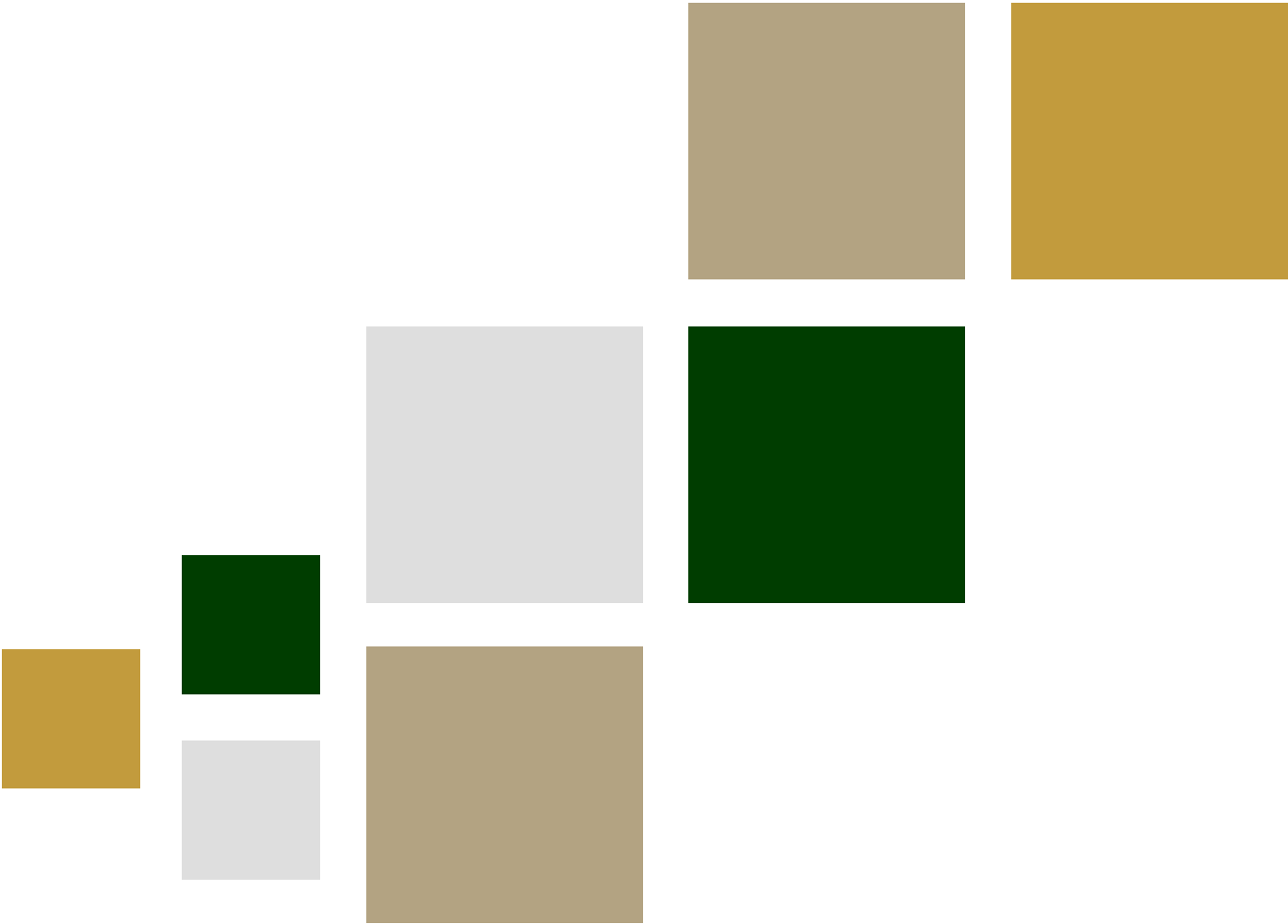
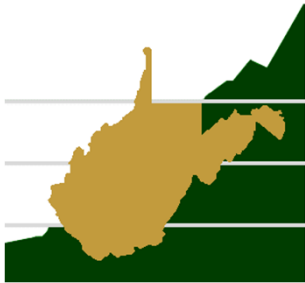


# West Virginia Investment Management Board

## Financial Statements

December 31, 2022





## **Financial Statements – Unaudited**

December 31, 2022

### **Order of Presentation**

Portable Alpha

Large Cap Domestic Equity

Non-Large Cap Domestic Equity

International Qualified

International Nonqualified

International Equity

Short-Term Fixed Income

Total Return Fixed Income

Core Fixed Income

TIPS

Private Markets

Hedge Fund



**Financial Statements - Unaudited**

**December 31, 2022**



# Portable Alpha Pool

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## Financial Statements - Unaudited December 31, 2022

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# Portable Alpha Pool

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## Statement of Net Position - Unaudited

December 31, 2022

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Alternative risk premia funds	\$ 1,934,535
Commingled equity fund	1,499,302
Fixed income investments	817,333
Money market mutual fund	454,546
Cash with brokers for derivative contracts	112,547
Receivable for interest and dividends	<u>4,602</u>
<b>Total assets</b>	<b>4,822,865</b>

### Liabilities

Investments in derivative instruments at fair value	113,183
Accrued expenses	<u>568</u>
<b>Total liabilities</b>	<b><u>113,751</u></b>
<b>Net position</b>	<b><u><u>\$ 4,709,114</u></u></b>

### Unit data

Units outstanding	103,912,353
Net position, unit price	<u><u>\$ 45.32</u></u>

See accompanying notes to financial statements.



## Portable Alpha Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net increase (decrease) in fair value of investments	\$ (326,763)	\$ 101,559
Interest and dividends	9,131	19,209
<b>Total investment income (loss)</b>	(317,632)	120,768
<b>Expenses</b>		
Investment advisor fees	(90)	(539)
Custodian bank fees	(2)	(13)
Management and other allocated fees	(126)	(801)
Professional service fees - direct	(13)	(80)
<b>Total expenses</b>	(231)	(1,433)
<b>Net investment income (loss)</b>	(317,863)	119,335
<b>Unit transactions</b>		
Proceeds from sale of units	335	412,258
Amount paid for repurchase of units	(141,183)	(572,892)
<b>Net decrease from unit transactions</b>	(140,848)	(160,634)
<b>Decrease in net position</b>	(458,711)	(41,299)
<b>Net position, beginning of period</b>	5,167,825	4,750,413
<b>Net position, end of period</b>	\$ 4,709,114	\$ 4,709,114

*\*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.*

# Portable Alpha Pool

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## Notes to Financial Statements

(Amounts in thousands)

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

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

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Index over three- to five-year periods. The Pool has three main components: 1) a domestic large capitalization equity beta replication manager and the related margin account, 2) a portfolio of alternative risk premia funds, and 3) a domestic large capitalization equity index manager. Russell Investments Implementation Services, LLC (Russell) is the equity beta replication manager. Russell primarily trades S&P 500 futures contracts and invests the margin account in fixed income securities and a money market mutual fund. Albourne America, LLC has been retained by the IMB to provide consulting services for the portfolio of alternative risk premia funds. Alternative risk premia funds are similar to hedge funds, but are fully systematic, fully transparent to investors, charge no performance fees, and are highly liquid. The remainder of the Pool's assets are invested in the BlackRock Equity Index Fund B (BlackRock). BlackRock uses a replication indexing approach to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P 500 Stock 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:

- Futures contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- 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.

# Portable Alpha Pool

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## Notes to Financial Statements

(Amounts in thousands)

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

- Investments in alternative risk premia 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. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value as of December 31, 2022.

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.

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

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

**Investment Transactions** - Investment transactions are accounted for on a trade date basis. 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

**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 December 31, 2022.

# Portable Alpha Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool are limited to equity index futures. These futures are not designated as hedging instruments under GASB Statement No. 53; they are used to obtain S&P 500 market exposure. See Notes 1 and 2 for additional information on the Pool's purpose for entering into derivatives and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value, the fiscal year to date net increase (decrease) in fair value, and the notional amount of derivative financial instruments outstanding as of and for the period ended December 31, 2022:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments	Notional Value
Futures contracts:			
Equity index futures long	\$ (113,183)	\$ 62,488	\$ 3,426,444

### 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.

## Portable Alpha Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a 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 December 31, 2022. All of the Pool's investments in alternative risk premia funds (ARP) 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
Certificates of deposit	\$ -	\$ 34,068	\$ -	\$ 34,068
Commercial paper	-	161,644	-	161,644
Commingled equity fund	1,499,302	-	-	1,499,302
Corporate asset backed issues	-	11,883	-	11,883
Foreign corporate bonds	-	10,401	-	10,401
Money market mutual fund	454,546	-	-	454,546
U.S. corporate bonds	-	24,659	-	24,659
U.S. Government agency bonds	-	74,550	-	74,550
U.S. Treasury bonds	-	349,203	-	349,203
U.S. Treasury inflation protected securities	-	150,925	-	150,925
Total	<u>\$ 1,953,848</u>	<u>\$ 817,333</u>	<u>\$ -</u>	<u>\$ 2,771,181</u>
Alternative risk premia funds				1,934,535
Total				<u>\$ 4,705,716</u>
Liabilities	Level 1	Level 2	Level 3	Total
Futures contracts	<u>\$ (113,183)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (113,183)</u>

The following table presents information on investments measured at the NAV as of December 31, 2022:

ARP Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 364,808	Monthly	10 to 30 days
Multi-Premia (b)	1,441,421	Daily, Weekly, Semimonthly, Monthly	2 to 60 days
Relative-Value (c)	128,306	Monthly	30 days
	<u>\$ 1,934,535</u>		

- (a) Directional funds employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) Multi-premia funds combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through allocation adjustments based on market opportunities. Risk is managed through a variety of quantitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 6 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

# Portable Alpha Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

### NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 2,036,985
Public Employees' Retirement System	1,841,706
West Virginia Retiree Health Benefit Trust Fund	354,722
State Police Death, Disability and Retirement Fund	173,660
Deputy Sheriff's Retirement System	68,698
State Police Retirement System	68,499
Judges' Retirement System	60,812
Municipal Policemen's or Firemen's Pension and Relief Funds	41,248
Emergency Medical Services Retirement System	26,465
Wildlife Endowment Fund	16,099
Municipal Police Officers' and Firefighters' Retirement System	6,810
Natural Resources Police Officer Retirement System	5,837
West Virginia State Parks and Recreation Endowment Fund	5,723
Berkeley County Development Authority	1,850
Total	<u>\$ 4,709,114</u>

**Financial Statements - Unaudited**

**December 31, 2022**





# Large Cap Domestic Equity Pool

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## Financial Statements - Unaudited December 31, 2022

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# Large Cap Domestic Equity Pool

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**Statement of Net Position - Unaudited**  
**December 31, 2022**  
*(Amounts in thousands, except unit data)*

**Assets**

Investment in commingled equity fund at fair value \$ 274,923

**Liabilities**

Accrued expenses 21

**Net position** \$ 274,902

**Unit data**

Units outstanding 6,122,232

Net position, unit price \$ 44.90

*See accompanying notes to financial statements.*

## Large Cap Domestic Equity Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net increase (decrease) in fair value of investments	\$ (16,803)	\$ 7,386
Interest and dividends	-	4
<b>Total investment income (loss)</b>	(16,803)	7,390
<b>Expenses</b>		
Investment advisor fees	(2)	(12)
Custodian bank fees	(1)	(1)
Management and other allocated fees	(7)	(49)
<b>Total expenses</b>	(10)	(62)
<b>Net investment income (loss)</b>	(16,813)	7,328
<b>Unit transactions</b>		
Proceeds from sale of units	267	30,304
Amount paid for repurchase of units	(6,560)	(71,548)
<b>Net decrease from unit transactions</b>	(6,293)	(41,244)
<b>Decrease in net position</b>	(23,106)	(33,916)
<b>Net position, beginning of period</b>	298,008	308,818
<b>Net position, end of period</b>	\$ 274,902	\$ 274,902

*\*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.*

# Large Cap Domestic Equity Pool

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## Notes to Financial Statements

(Amounts in thousands)

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

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 equal or exceed, net of external investment management fees, the S&P 500 Stock Index over three- to five-year periods. The Pool invests in the BlackRock Equity Index Fund B (BlackRock). BlackRock uses a replication indexing approach to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P 500 Stock 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 3 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Open-end regulated investment companies and other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator. Investments for which the fair value cannot be determined are valued at fair value as determined in accordance with the IMB's established procedures.

**Investment Transactions** - Investment transactions are accounted for on a trade date basis. 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

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

# Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands)

### 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 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 December 31, 2022.

### 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 December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 274,923	\$ -	\$ -	\$ 274,923

# Large Cap Domestic Equity Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 103,144
Revenue Shortfall Reserve Fund - Part B	42,873
West Virginia Department of Environmental Protection Agency	38,440
Coal Workers' Pneumoconiosis Fund	24,608
Board of Risk and Insurance Management	20,207
Revenue Shortfall Reserve Fund	15,803
Public Employees Insurance Agency	13,738
Workers' Compensation Self-Insured Employer Security Risk Pool	5,817
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,334
West Virginia Department of Environmental Protection Trust	3,389
Workers' Compensation Uninsured Employers' Fund	1,922
Municipal Policemen's or Firemen's Pension and Relief Funds	627
Total	<u>\$ 274,902</u>

**Financial Statements - Unaudited**

**December 31, 2022**





# Non-Large Cap Domestic Equity Pool

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## Financial Statements - Unaudited December 31, 2022

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# Non-Large Cap Domestic Equity Pool

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## Statement of Net Position - Unaudited

December 31, 2022

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Equity investments	\$ 971,367
Money market mutual fund	19,337
Securities lending collateral	181,008
Cash	2
Receivables:	
Investments sold	7,882
Dividends and other investment income	421
	<hr/>
<b>Total assets</b>	<b>1,180,017</b>

### Liabilities

Accrued expenses	1,958
Payable for investments purchased	4,040
Payable upon return of securities loaned	181,008
	<hr/>
<b>Total liabilities</b>	<b>187,006</b>
	<hr/>
<b>Net position</b>	<b>\$ 993,011</b>

### Unit data

Units outstanding	21,037,162
Net position, unit price	<u><u>\$ 47.20</u></u>

See accompanying notes to financial statements.

## Non-Large Cap Domestic Equity Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net increase (decrease) in fair value of investments	\$ (68,273)	\$ 85,365
Dividends	911	6,300
Securities lending income	544	2,474
<b>Total investment income (loss)</b>	(66,818)	94,139
<b>Expenses</b>		
Investment advisor fees	(459)	(3,609)
Custodian bank fees	(3)	(19)
Management and other allocated fees	(29)	(159)
Securities lending expenses	(500)	(2,230)
<b>Total expenses</b>	(991)	(6,017)
<b>Net investment income (loss)</b>	(67,809)	88,122
<b>Unit transactions</b>		
Proceeds from sale of units	150	98,613
Amount paid for repurchase of units	(10,623)	(47,527)
<b>Net increase (decrease) from unit transactions</b>	(10,473)	51,086
<b>Increase (decrease) in net position</b>	(78,282)	139,208
<b>Net position, beginning of period</b>	1,071,293	853,803
<b>Net position, end of period</b>	\$ 993,011	\$ 993,011

*\*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.*

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements

(Amounts in thousands)

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

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 2500 Index over three- to five-year periods. Assets are managed by Cooper Creek Partners Management LLC and Westfield Capital Management, LLC.

### 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.

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

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

**Securities Lending** - The IMB, through its lending agent, Northern Trust (NT), 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.

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

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

Cash collateral received is invested in the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses.

Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

**Foreign Currency Spot Contracts** - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The IMB enters into foreign currency spot contracts that correspond to investment transactions trading in foreign currencies and to repatriate income. 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 that mirror foreign market settlement cycles 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

**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 U.S. federal or state income taxes is required as of December 31, 2022.

# Non-Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands)

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

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, when applicable, 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.

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Domestic common stock	\$ 899,155	\$ -	\$ -	\$ 899,155
Foreign common stock	72,212	-	-	72,212
Money market mutual fund	19,337	-	-	19,337
Securities lending collateral	181,008	-	-	181,008
Total	<u>\$ 1,171,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,171,712</u>

## Non-Large Cap Domestic Equity Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at December 31, 2022:

	Fair Value
Securities on loan	\$ 234,643
Collateral received:	
Cash	\$ 181,008
Non-cash	60,775
Total collateral received	\$ 241,783

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under a Securities Lending Authorization Agreement (SLAA) which permits NT 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 the SLAA 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 December 31, 2022:

Participant	Account Value
Teachers' Retirement System	\$ 408,347
Public Employees' Retirement System	367,095
West Virginia Retiree Health Benefit Trust Fund	69,957
State Police Death, Disability and Retirement Fund	34,874
Workers' Compensation Old Fund	20,049
Deputy Sheriff's Retirement System	13,555
State Police Retirement System	13,475
Judges' Retirement System	11,994
Municipal Policemen's or Firemen's Pension and Relief Funds	8,336
Revenue Shortfall Reserve Fund - Part B	8,324
West Virginia Department of Environmental Protection Agency	7,446
Emergency Medical Services Retirement System	5,214
Coal Workers' Pneumoconiosis Fund	4,787
Board of Risk and Insurance Management	3,820
Wildlife Endowment Fund	3,267
Revenue Shortfall Reserve Fund	2,982
Public Employees Insurance Agency	2,671
Municipal Police Officers' and Firefighters' Retirement System	1,310
Natural Resources Police Officer Retirement System	1,144
Workers' Compensation Self-Insured Employer Security Risk Pool	1,132
West Virginia State Parks and Recreation Endowment Fund	998
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	843
West Virginia Department of Environmental Protection Trust	651
Workers' Compensation Uninsured Employers' Fund	374
Berkeley County Development Authority	366
Total	\$ 993,011





**Financial Statements - Unaudited**

**December 31, 2022**



# International Qualified Pool

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## **Financial Statements - Unaudited December 31, 2022**

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# International Qualified Pool

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**Statement of Net Position - Unaudited**  
**December 31, 2022**  
*(Amounts in thousands, except unit data)*

**Assets**

Investment in commingled equity fund at fair value \$ 1,192,096

**Liabilities**

Accrued expenses 60

**Net position** \$ 1,192,036

**Unit data**

Units outstanding 14,062,664

Net position, unit price \$ 84.77

*See accompanying notes to financial statements.*

## International Qualified Pool

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**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<u>Month</u>	<u>Year To Date</u>
<b>Investment income</b>		
Net increase in fair value of investments	\$ 29,930	\$ 69,063
<b>Expenses</b>		
Investment advisor fees	(512)	(2,875)
Management and other allocated fees	<u>(32)</u>	<u>(179)</u>
<b>Total expenses</b>	<u>(544)</u>	<u>(3,054)</u>
<b>Net investment income</b>	29,386	66,009
<b>Unit transactions</b>		
Proceeds from sale of units	299	14,591
Amount paid for repurchase of units	<u>(270)</u>	<u>(74,424)</u>
<b>Net increase (decrease) from unit transactions</b>	<u>29</u>	<u>(59,833)</u>
<b>Increase in net position</b>	29,415	6,176
<b>Net position, beginning of period</b>	<u>1,162,621</u>	<u>1,185,860</u>
<b>Net position, end of period</b>	<u><u>\$ 1,192,036</u></u>	<u><u>\$ 1,192,036</u></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

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## Notes to Financial Statements (Amounts in thousands)

### 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 a commingled equity fund, specifically 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 (MSCI EAFE) 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 portfolio of equity securities of companies incorporated in any country other than the United States, 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. Subscriptions and redemptions may be subject to anti-dilution levies to offset costs such as stamp duty, brokerage commissions, foreign exchange costs, bid-offer spreads, and market impact charges.

### 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

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

# International Qualified Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### 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 December 31, 2022.

### 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 (NAV) as a practical expedient. The investment in Silchester is valued using the NAV. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

# International Qualified Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 562,279
Public Employees' Retirement System	505,716
State Police Death, Disability and Retirement Fund	47,921
Deputy Sheriff's Retirement System	18,707
State Police Retirement System	18,655
Judges' Retirement System	16,557
Municipal Policemen's or Firemen's Pension and Relief Funds	11,562
Emergency Medical Services Retirement System	7,207
Municipal Police Officers' and Firefighters' Retirement System	1,844
Natural Resources Police Officer Retirement System	1,588
Total	<u>\$ 1,192,036</u>



**Financial Statements - Unaudited**

**December 31, 2022**



# International Nonqualified Pool

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## **Financial Statements - Unaudited December 31, 2022**

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# International Nonqualified Pool

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**Statement of Net Position - Unaudited**  
**December 31, 2022**  
*(Amounts in thousands, except unit data)*

**Assets**

Investment in commingled equity fund at fair value \$ 183,377

**Liabilities**

Accrued expenses 10

**Net position** \$ 183,367

**Unit data**

Units outstanding 2,381,993

Net position, unit price \$ 76.98

*See accompanying notes to financial statements.*

## International Nonqualified Pool

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**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands, except unit data)*

	<u>Month</u>	<u>Year To Date</u>
<b>Investment income</b>		
Net increase in fair value of investments	\$ 4,596	\$ 10,309
<b>Expenses</b>		
Investment advisor fees	(92)	(515)
Management and other allocated fees	<u>(4)</u>	<u>(27)</u>
<b>Total expenses</b>	<u>(96)</u>	<u>(542)</u>
<b>Net investment income</b>	4,500	9,767
<b>Unit transactions</b>		
Proceeds from sale of units	1,716	23,375
Amount paid for repurchase of units	<u>(1,712)</u>	<u>(33,350)</u>
<b>Net increase (decrease) from unit transactions</b>	<u>4</u>	<u>(9,975)</u>
<b>Increase (decrease) in net position</b>	4,504	(208)
<b>Net position, beginning of period</b>	<u>178,863</u>	<u>183,575</u>
<b>Net position, end of period</b>	<u>\$ 183,367</u>	<u>\$ 183,367</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

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## Notes to Financial Statements (Amounts in thousands)

### 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 a commingled equity fund, specifically 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 portfolio of equity securities of companies incorporated in any country other than the United States, 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. Subscriptions and redemptions may be subject to anti-dilution levies to offset costs such as stamp duty, brokerage commissions, foreign exchange costs, bid-offer spreads, and market impact charges.

### 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

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

# International Nonqualified Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### 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 December 31, 2022.

### 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 (NAV) as a practical expedient. The investment in Silchester is valued using the NAV. As Silchester is the only investment in the Pool, a fair value hierarchy table is not presented.

# International Nonqualified Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 101,863
Workers' Compensation Old Fund	27,929
Revenue Shortfall Reserve Fund - Part B	11,578
West Virginia Department of Environmental Protection Agency	10,485
Coal Workers' Pneumoconiosis Fund	6,678
Board of Risk and Insurance Management	5,602
Wildlife Endowment Fund	4,733
Revenue Shortfall Reserve Fund	4,452
Public Employees Insurance Agency	3,729
Workers' Compensation Self-Insured Employer Security Risk Pool	1,581
West Virginia State Parks and Recreation Endowment Fund	1,564
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,180
West Virginia Department of Environmental Protection Trust	936
Berkeley County Development Authority	533
Workers' Compensation Uninsured Employers' Fund	524
Total	<u>\$ 183,367</u>



**Financial Statements - Unaudited**

**December 31, 2022**



# International Equity Pool

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**Financial Statements - Unaudited  
December 31, 2022**

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# International Equity Pool

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## Statement of Net Position - Unaudited December 31, 2022

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Equity investments	\$ 3,103,596
Money market mutual fund	21,686
Securities lending collateral	154,112
Cash (restricted: \$713)	5,772
Receivables:	
Investments sold	8,895
Dividends and other investment income	17,736
	<hr/>
<b>Total assets</b>	<b>3,311,797</b>

### Liabilities

Accrued expenses	4,150
Accrued capital gains taxes	208
Payable for investments purchased	6,149
Payable upon return of securities loaned	154,112
	<hr/>
<b>Total liabilities</b>	<b>164,619</b>
	<hr/>
<b>Net position</b>	<b>\$ 3,147,178</b>

### Unit data

Units outstanding	90,411,544
Net position, unit price	<u>\$ 34.81</u>

See accompanying notes to financial statements.

# International Equity Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net decrease in fair value of investments	\$ (27,059)	\$ (15,045)
Interest and dividends	10,172	51,136
Securities lending income	577	2,213
<b>Total investment income (loss)</b>	(16,310)	38,304
 <b>Expenses</b>		
Investment advisor fees	(1,299)	(7,159)
Custodian bank fees	(131)	(653)
Management and other allocated fees	(86)	(474)
Securities lending expenses	(500)	(1,841)
<b>Total expenses</b>	(2,016)	(10,127)
<b>Net investment income (loss)</b>	(18,326)	28,177
 <b>Unit transactions</b>		
Proceeds from sale of units	875	397,309
Amount paid for repurchase of units	(14,781)	(72,468)
<b>Net increase (decrease) from unit transactions</b>	(13,906)	324,841
<b>Increase (decrease) in net position</b>	(32,232)	353,018
<b>Net position, beginning of period</b>	3,179,410	2,794,160
<b>Net position, end of period</b>	\$ 3,147,178	\$ 3,147,178

*\*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

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 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 and exchange traded funds (ETF) 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 and other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period end spot market exchange rates as supplied by the Pool's custodian.

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

**Cash** - Cash consists of cash on deposit with financial institutions. Balances subject to withdrawal restrictions are noted parenthetically on the Statement of Net Position.

# International Equity Pool

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## Notes to Financial Statements

(Amounts in thousands)

### 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 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.

**Securities Lending** - The IMB, through its lending agent, Northern Trust (NT), 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 the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses.

Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

**Foreign Currency Spot Contracts** - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The IMB enters into foreign currency spot contracts that correspond to investment transactions trading in foreign currencies and to repatriate income. 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 that mirror foreign market settlement cycles 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

# International Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

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

**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 U.S. federal or state income taxes is required as of December 31, 2022.

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, when applicable, 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)

### 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 December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,014,843	\$ -	\$ -	\$ 3,014,843
ETF	63,174	-	-	63,174
Money market mutual fund	21,686	-	-	21,686
Preferred stock	25,579	-	-	25,579
Securities lending collateral	154,112	-	-	154,112
Total	<u>\$ 3,279,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,279,394</u>

### NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at December 31, 2022:

	Fair Value
Securities on loan	\$ 184,933
Collateral received:	
Cash	\$ 154,112
Non-cash	40,557
Total collateral received	<u>\$ 194,669</u>

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under a Securities Lending Authorization Agreement (SLAA) which permits NT 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 the SLAA 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

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,296,929
Public Employees' Retirement System	1,168,086
West Virginia Retiree Health Benefit Trust Fund	218,059
State Police Death, Disability and Retirement Fund	110,801
Workers' Compensation Old Fund	61,375
Deputy Sheriff's Retirement System	43,106
State Police Retirement System	43,069
Judges' Retirement System	38,265
Municipal Policemen's or Firemen's Pension and Relief Funds	26,378
Revenue Shortfall Reserve Fund - Part B	25,406
West Virginia Department of Environmental Protection Agency	22,908
Emergency Medical Services Retirement System	16,614
Coal Workers' Pneumoconiosis Fund	14,660
Board of Risk and Insurance Management	11,792
Wildlife Endowment Fund	10,179
Revenue Shortfall Reserve Fund	9,715
Public Employees Insurance Agency	8,178
Municipal Police Officers' and Firefighters' Retirement System	4,280
Natural Resources Police Officer Retirement System	3,657
Workers' Compensation Self-Insured Employer Security Risk Pool	3,465
West Virginia State Parks and Recreation Endowment Fund	3,373
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	2,581
West Virginia Department of Environmental Protection Trust	2,015
Workers' Compensation Uninsured Employers' Fund	1,144
Berkeley County Development Authority	1,143
Total	<u>\$ 3,147,178</u>

**Financial Statements - Unaudited**

**December 31, 2022**



# Short-Term Fixed Income Pool

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## Financial Statements - Unaudited December 31, 2022

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# Short-Term Fixed Income Pool

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## Statement of Net Position - Unaudited

December 31, 2022

(Amounts in thousands, except unit data)

### Assets

Investments, at amortized cost:	
U.S. Treasury and government agency bonds	\$ 209,585
Commercial paper	5,994
Repurchase agreement	20,887
Money market mutual fund	15
Receivables:	
Investments sold	6
Receivable for interest and dividends	10
	<hr/>
<b>Total assets</b>	236,497

### Liabilities

Accrued expenses	<hr/> 22
	<hr/>
<b>Net position</b>	<u><u>\$ 236,475</u></u>

### Unit data

Units outstanding	236,474,837
Net position, unit price	<u><u>\$ 1.00</u></u>

See accompanying notes to financial statements.

## Short-Term Fixed Income Pool

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**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income</b>	\$ 704	\$ 2,260
<b>Expenses</b>		
Investment advisor fees	(9)	(42)
Custodian bank fees	(1)	(3)
<b>Total expenses</b>	(10)	(45)
<b>Net investment income</b>	694	2,215
<b>Distributions to unitholders</b>	(694)	(2,215)
<b>Unit transactions</b>		
Proceeds from sale of units	224,255	929,448
Reinvestment of distributions	694	2,215
Amount paid for repurchase of units	(87,225)	(840,607)
<b>Net increase from unit transactions</b>	137,724	91,056
<b>Increase in net position</b>	137,724	91,056
<b>Net position, beginning of period</b>	98,751	145,419
<b>Net position, end of period</b>	\$ 236,475	\$ 236,475

*\*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

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## Notes to Financial Statements

(Amounts in thousands)

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

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

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

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

The main objective of the Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other IMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investment management fees, is the FTSE 3 Month US T-Bill Index. JP Morgan Investment Advisors, Inc. manages the Pool.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at amortized cost provided such amounts approximate fair value in accordance with GASB Statements No. 72 and No. 79. The basic premise underlying the use of the amortized cost method of valuation is that high-quality, short-term debt securities held until maturity will eventually return to their amortized cost value, regardless of any current disparity between the amortized cost value and market value, and would not ordinarily be expected to fluctuate significantly in value. The Pool values its securities at amortized cost so long as the deviation between the amortized cost and current market value remains minimal and results in the computation of a share price that represents fairly the stable net position value per share of \$1. Refer to Note 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, including the accretion of discounts and amortization of premiums, is accrued daily as earned. Dividend income is recognized on the ex-dividend date.

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



# Short-Term Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands)

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

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

**Distributions to Participants** – Daily net investment income is declared as a dividend and distributed to the participants of the Pool on the last day of the month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to unitholders and reinvestment of distributions as presented on the Statement of Changes in Net Position. The Pool does not distribute net investment losses.

**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. The Pool is only charged for its direct investment-related costs. 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 December 31, 2022.

### 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 investments in accordance with GASB Statement No. 72 fair value hierarchy levels as of December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Commercial paper	\$ -	\$ 5,994	\$ -	\$ 5,994
Money market mutual fund	15	-	-	15
Repurchase agreement	-	20,887	-	20,887
U.S. Government agency bonds	-	176,635	-	176,635
U.S. Treasury bonds	-	32,950	-	32,950
Total	<u>\$ 15</u>	<u>\$ 236,466</u>	<u>\$ -</u>	<u>\$ 236,481</u>

## Short-Term Fixed Income Pool

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### Notes to Financial Statements

(Amounts in thousands)

#### NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 100,225
Workers' Compensation Old Fund	42,987
Revenue Shortfall Reserve Fund	31,761
Public Employees Insurance Agency	30,067
Board of Risk and Insurance Management	15,248
Coal Workers' Pneumoconiosis Fund	7,897
Workers' Compensation Self-Insured Employer Security Risk Pool	2,089
West Virginia State Parks and Recreation Endowment Fund	1,707
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,700
Workers' Compensation Uninsured Employers' Fund	800
Municipal Policemen's or Firemen's Pension and Relief Funds	631
State Police Death, Disability and Retirement Fund	327
Deputy Sheriff's Retirement System	300
Judges' Retirement System	295
Wildlife Endowment Fund	143
Emergency Medical Services Retirement System	101
State Police Retirement System	83
Natural Resources Police Officer Retirement System	52
Teachers' Retirement System	25
Public Employees' Retirement System	19
Municipal Police Officers' and Firefighters' Retirement System	18
Total	<u>\$ 236,475</u>

**Financial Statements - Unaudited**

**December 31, 2022**



# Total Return Fixed Income Pool

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## Financial Statements - Unaudited December 31, 2022

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# Total Return Fixed Income Pool

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## Statement of Net Position - Unaudited

December 31, 2022

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Fixed income investments	\$ 2,347,603
Derivative instruments	82,900
Equity investments	13,522
Money market mutual fund	74,285
Securities lending collateral	85,339
Cash (restricted: \$947)	14,620
Cash due from broker	14,758
Receivables:	
Interest, dividends, and other investment income	22,101
Investments sold	86,734
	<hr/>
<b>Total assets</b>	<b>2,741,862</b>

### Liabilities

Investments in derivative instruments at fair value	62,986
Securities sold short at fair value	79,593
Accrued expenses	1,388
Payable for investments purchased	147,915
Payable upon return of securities loaned	85,339
	<hr/>
<b>Total liabilities</b>	<b>377,221</b>
	<hr/>
<b>Net position</b>	<b>\$ 2,364,641</b>

### Unit data

Units outstanding	151,969,978
Net position, unit price	<u><u>\$ 15.56</u></u>

See accompanying notes to financial statements.

## Total Return Fixed Income Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net decrease in fair value of investments	\$ (7,407)	\$ (76,481)
Interest and dividends	8,342	49,309
Securities lending income	342	1,725
<b>Total investment income (loss)</b>	1,277	(25,447)
<b>Expenses</b>		
Investment advisor fees	(430)	(2,599)
Custodian bank fees	(9)	(61)
Management and other allocated fees	(64)	(388)
Securities lending expenses	(304)	(1,571)
<b>Total expenses</b>	(807)	(4,619)
<b>Net investment income (loss)</b>	470	(30,066)
<b>Unit transactions</b>		
Proceeds from sale of units	152,804	254,031
Amount paid for repurchase of units	(104)	(614,559)
<b>Net increase (decrease) from unit transactions</b>	152,700	(360,528)
<b>Increase (decrease) in net position</b>	153,170	(390,594)
<b>Net position, beginning of period</b>	2,211,471	2,755,235
<b>Net position, end of period</b>	\$ 2,364,641	\$ 2,364,641

*\*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

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 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, commingled debt funds, and 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, interest rate, and total return swaps are valued at the last settlement price established each day by the exchange on which they are traded, are based on market values received from third parties, or are determined by valuation models.
- Foreign currency forward contracts are valued at the prevailing market exchange rates at month-end.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.

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



# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands)

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

**Cash** - Cash consists of cash on deposit with financial institutions. Balances subject to withdrawal restrictions are noted parenthetically on the Statement of Net Position.

**Cash Due to/from Broker** - The Pool records restricted cash, if any, on the Statement of Net Position as Cash due to/from broker. These amounts are reported net and include cash balances required by brokers for collateral on derivative contracts, variation margin on futures and centrally cleared swaps, and forward-settling mortgage-backed securities.

**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 on the following basis:

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

**Option Contracts** - The IMB may purchase or write bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser (seller) of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying the contract at an agreed upon price (strike price) during, or at the conclusion of, a specified period of time.

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

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

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

**Securities Lending** - The IMB, through its lending agent, Northern Trust (NT), 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 the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses.

# Total Return Fixed Income Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

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

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.

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 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 IMB enters into foreign currency spot contracts that correspond to investment transactions trading in foreign currencies and to repatriate income. The IMB enters into forward 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. Spot contracts have relatively short durations that mirror foreign market settlement cycles, while forward contracts are often entered into with durations up to 3- to 4-months. Foreign currency 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, in net increase (decrease) in fair value of investments.

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands)

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

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

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

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

**Structured Securities** - The Pool invests in various collateralized mortgage obligations (CMO), including interest-only and/or principal-only tranches, asset-backed securities, mortgage-backed securities (MBS), and structured corporate debt. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

**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 U.S. federal or state income taxes is required as of December 31, 2022.

# Total Return Fixed Income Pool

## Notes to Financial Statements

*(Amounts in thousands)*

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

In certain foreign countries, the Pool's interest income and capital gains may be taxable. Taxes on interest income are generally withheld from the payments and as a result there is no provision recorded for these taxes. In certain cases, there may be a full or partial reclaim available for the withheld taxes. Capital gains taxes, if any, on sales of securities may be assessed and paid concurrent with the sale or upon the filing of a return with the taxing authority. In countries where the IMB is liable for capital gains taxes, the IMB will estimate and accrue a capital gains tax liability for unrealized gains on securities held in such countries. The outstanding reclaims and accrued capital gains taxes, when applicable, 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 include foreign currency forward contracts, futures, options, credit default swaps, interest rate swaps, and total return swaps. None of these derivative financial instruments are designated as hedging instruments under GASB Statement No. 53; they are used to implement portfolio strategy, capture valuation opportunities, and to exploit market inefficiencies. The primary risks managed by using these derivative financial instruments include interest rate, foreign exchange rate, and market price risks. See Note 2 for additional information on the Pool's purpose for entering into derivatives and for discussion on the risks associated with investing in these derivatives.

The Pool, through its investment managers, is a party to International Swap and Derivative Association, Inc. (ISDA) Master Agreements (MA) that may allow the netting of counterparty's obligations against those of the Pool in the event of a default by the counterparty. The Pool is required to disclose the positions held at period-end that were entered into pursuant to agreements that allow for such netting.

The table below presents the fair value and the net increase (decrease) in fair value as of and for the period ended December 31, 2022:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments
Forwards:		
Foreign currency forward contracts	\$ (1,655)	\$ (1,806)
Futures contracts:		
Fixed income futures long	(10,678)	(53,394)
Fixed income futures short	11,771	26,416
Options contracts:		
Fixed income options purchased	1,363	(17,449)
Fixed income options written	(3,000)	32,523
Credit default swaptions purchased	53	(97)
Credit default swaptions written	(20)	332
Interest rate swaptions purchased	-	(3,813)
Interest rate swaptions written	-	6,693
Swaps:		
Credit default swaps protection buyer	8	(3,028)
Credit default swaps protection seller	8	352
Interest rate swaps	22,064	6,011
Total return swaps	-	(2,041)
Total	<u>\$ 19,914</u>	<u>\$ (9,301)</u>

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

##### Credit Risk

For financial reporting purposes, the Pool does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Net Position. The following table presents the Pool's derivative assets net of amounts available for offset under a netting provision and net of related collateral received by the Pool as of December 31, 2022:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency forward contracts	\$ 191	\$ (191)	\$ -	\$ -	\$ -
Swaptions	53	(22)	(31)	-	-
Swaps	8	(8)	-	-	-
Total	<u>\$ 252</u>	<u>\$ (221)</u>	<u>\$ (31)</u>	<u>\$ -</u>	<u>\$ -</u>

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

The following table provides the credit ratings for the Pool's derivative investments that are subject to counterparty credit risk as of December 31, 2022:

Derivative Type	Counterparty Rating	Fair Value
Foreign currency forward contracts	A	\$ 217
Foreign currency forward contracts	BBB	67
Credit default swaptions purchased	A	53
Credit default swaps protection seller	A	8

##### Interest Rate Risk

The following table provides the time to maturity for investment derivatives that are subject to interest rate risk as of December 31, 2022:

Derivative Type	Investment Maturities (in years)				
	Fair Value	Under-1	1-5	6-10	10+
Futures contracts:					
Fixed income futures long	\$ (10,678)	\$ (10,649)	\$ (29)	\$ -	\$ -
Fixed income futures short	11,771	9,578	2,193	-	-
Options contracts:					
Fixed income options purchased	1,363	1,363	-	-	-
Fixed income options written	(3,000)	(3,000)	-	-	-
Swaps:					
Interest rate swaps	22,064	-	(27,495)	11,045	38,514
Total	<u>\$ 21,520</u>	<u>\$ (2,708)</u>	<u>\$ (25,331)</u>	<u>\$ 11,045</u>	<u>\$ 38,514</u>

Interest rate 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.

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

At December 31, 2022, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Maturity Date	Reference Rate	Notional	Fair Value
7/11/2024	Receive Fixed 1.32%, Pay Floating SOFR	\$ 266,705	\$ (13,151)
7/11/2027	Receive Fixed 1.60%, Pay Floating SOFR	46,560	(4,224)
8/10/2025	Receive Fixed 2.73%, Pay Floating SOFR	389,312	(8,882)
3/16/2027	Receive Fixed 3.55%, Pay Floating SOFR	126,320	(1,238)
8/15/2028	Receive Floating SOFR, Pay Fixed 1.13%	34,164	4,350
8/15/2028	Receive Floating SOFR, Pay Fixed 1.22%	15,197	1,867
2/15/2047	Receive Floating SOFR, Pay Fixed 1.52%	19,934	5,855
5/15/2047	Receive Floating SOFR, Pay Fixed 1.63%	26,740	7,404
8/15/2047	Receive Floating SOFR, Pay Fixed 1.65%	37,433	10,266
7/11/2052	Receive Floating SOFR, Pay Fixed 1.78%	9,460	2,562
7/11/2032	Receive Floating SOFR, Pay Fixed 1.80%	24,730	3,494
3/18/2032	Receive Floating SOFR, Pay Fixed 2.00%	7,385	879
8/10/2033	Receive Floating SOFR, Pay Fixed 2.48%	86,748	6,635
2/15/2048	Receive Floating SOFR, Pay Fixed 2.60%	4,128	480
2/15/2029	Receive Floating SOFR, Pay Fixed 2.85%	13,001	741
2/15/2048	Receive Floating SOFR, Pay Fixed 3.05%	6,533	267
5/15/2032	Receive Floating SOFR, Pay Fixed 3.22%	36,392	875
4/30/2029	Receive Floating SOFR, Pay Fixed 3.27%	75,466	1,475
6/30/2029	Receive Floating SOFR, Pay Fixed 3.85%	3,285	(46)
		\$ 1,229,493	\$ 19,609

At December 31, 2022, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Maturity Date	Reference Rate	Notional (USD)	Fair Value
7/20/2029	Receive Fixed 7.44%, Pay Floating MXN TIE	\$ 20,513	\$ (1,327)
7/18/2029	Receive Fixed 7.45%, Pay Floating MXN TIE	19,707	(1,264)
4/19/2047	Receive Floating JPY TONAR plus 0.06%, Pay Fixed 0.79%	41,384	5,046
		\$ 81,604	\$ 2,455

Reference Index Definitions:

SOFR: Secured Overnight Financing Rate

MXN TIE: Mexican Interbank Deposit Rate

JPY TONAR: Bank of Japan Unsecured Overnight Call Rate

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 3. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

##### Foreign Currency Risk

The Pool has foreign currency forward contracts, futures contracts, and swap contracts that are denominated in foreign currencies and exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of derivative investments in foreign currencies as of December 31, 2022, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ (73)	\$ (1,046)	\$ -	\$ (1,119)
British Pound	(64)	(458)	-	(522)
Canadian Dollar	(1)	-	-	(1)
Chinese Yuan Renminb	(166)	-	-	(166)
Euro Currency Unit	(437)	2,069	(51)	1,581
Indonesian Rupiah	164	-	-	164
Japanese Yen	(99)	521	5,046	5,468
Mexican Peso	(979)	-	(2,591)	(3,570)
Total foreign denominated derivatives	(1,655)	1,086	2,404	1,835
U.S. Dollar	-	7	19,676	19,683
Total	<u>\$ (1,655)</u>	<u>\$ 1,093</u>	<u>\$ 22,080</u>	<u>\$ 21,518</u>

#### 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 (NAV) as a 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 December 31, 2022. The Pool's investments in commingled debt 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)

#### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

Assets	Level 1	Level 2	Level 3	Total
Bank Loans	\$ -	\$ 2,901	\$ -	\$ 2,901
Corporate ABS residual	-	1,643	-	1,643
Corporate asset backed issues	-	48,031	-	48,031
Corporate CMO	-	69,682	-	69,682
Corporate preferred securities	11,046	-	-	11,046
Foreign asset backed issues	-	76,668	-	76,668
Foreign corporate bonds	-	330,366	-	330,366
Foreign currency forward contracts	-	284	-	284
Foreign equity investments	833	-	-	833
Foreign government bonds	-	194,271	-	194,271
Futures contracts	12,279	-	-	12,279
Money market mutual fund	74,285	-	-	74,285
Municipal bonds	-	19,970	-	19,970
Options contracts purchased	1,363	53	-	1,416
Securities lending collateral	85,339	-	-	85,339
Swaps	-	68,921	-	68,921
U.S. corporate bonds	-	489,750	-	489,750
U.S. Government agency bonds	-	6,053	-	6,053
U.S. Government agency CMO	-	70,547	-	70,547
U.S. Government agency CMO interest-only	-	3,995	-	3,995
U.S. Government agency MBS	-	440,983	-	440,983
U.S. Government agency TBAs	-	98,893	-	98,893
U.S. Treasury bonds	-	323,345	-	323,345
Total	<u>\$ 185,145</u>	<u>\$ 2,246,356</u>	<u>\$ -</u>	<u>\$ 2,431,501</u>
Commingled debt funds				172,148
Total				<u>\$ 2,603,649</u>
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	\$ -	\$ (1,939)	\$ -	\$ (1,939)
Futures contracts	(11,186)	-	-	(11,186)
Options contracts written	(3,000)	(20)	-	(3,020)
Securities sold short	-	(79,593)	-	(79,593)
Swaps	-	(46,841)	-	(46,841)
Total	<u>\$ (14,186)</u>	<u>\$ (128,393)</u>	<u>\$ -</u>	<u>\$ (142,579)</u>

The Pool's investments in commingled debt funds were measured at the NAV as of December 31, 2022. These commingled debt funds invest in certain niche sectors, particularly those that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.



## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at December 31, 2022:

	Fair Value
Securities on loan	\$ 213,672
Collateral received:	
Cash	\$ 85,339
Non-cash	134,388
Total collateral received	\$ 219,727

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under a Securities Lending Authorization Agreement (SLAA) which permits NT 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 the SLAA 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 December 31, 2022:

Participant	Account Value
Teachers' Retirement System	\$ 734,554
Public Employees' Retirement System	666,217
Workers' Compensation Old Fund	194,263
Revenue Shortfall Reserve Fund - Part B	170,023
West Virginia Retiree Health Benefit Trust Fund	130,775
Revenue Shortfall Reserve Fund	90,287
State Police Death, Disability and Retirement Fund	61,505
West Virginia Department of Environmental Protection Agency	59,038
Coal Workers' Pneumoconiosis Fund	46,573
Board of Risk and Insurance Management	39,346
Public Employees Insurance Agency	37,301
State Police Retirement System	25,257
Deputy Sheriff's Retirement System	24,978
Judges' Retirement System	22,035
Municipal Policemen's or Firemen's Pension and Relief Funds	15,425
Workers' Compensation Self-Insured Employer Security Risk Pool	11,051
Emergency Medical Services Retirement System	9,646
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	8,272
Wildlife Endowment Fund	6,105
Workers' Compensation Uninsured Employers' Fund	3,677
Municipal Police Officers' and Firefighters' Retirement System	2,500
Natural Resources Police Officer Retirement System	2,120
West Virginia State Parks and Recreation Endowment Fund	2,015
West Virginia Department of Environmental Protection Trust	994
Berkeley County Development Authority	684
Total	\$ 2,364,641



**Financial Statements - Unaudited**

**December 31, 2022**



# Core Fixed Income Pool

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## Financial Statements - Unaudited December 31, 2022

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# Core Fixed Income Pool

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**Statement of Net Position - Unaudited**  
**December 31, 2022**  
*(Amounts in thousands, except unit data)*

**Assets**

Investments, at fair value:		
Fixed income investments	\$	992,051
Money market mutual fund		8,836
Securities lending collateral		48,280
Receivables:		
Interest, dividends, and other investment income		5,313
Investments sold		140
Other		229
		<hr/>
<b>Total assets</b>		<b>1,054,849</b>

**Liabilities**

Accrued expenses		528
Payable for investments purchased		2,967
Payable upon return of securities loaned		48,280
		<hr/>
<b>Total liabilities</b>		<b>51,775</b>
		<hr/>
<b>Net position</b>	\$	<b>1,003,074</b>

**Unit data**

Units outstanding		88,494,628
Net position, unit price	\$	11.33

*See accompanying notes to financial statements.*

## Core Fixed Income Pool

**Statement of Change in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net decrease in fair value of investments	\$ (5,703)	\$ (49,239)
Interest and dividends	2,879	16,329
Securities lending income	175	804
<b>Total investment loss</b>	(2,649)	(32,106)
<b>Expenses</b>		
Investment advisor fees	(125)	(760)
Custodian bank fees	(2)	(17)
Management and other allocated fees	(28)	(166)
Securities lending expenses	(164)	(741)
<b>Total expenses</b>	(319)	(1,684)
<b>Net investment loss</b>	(2,968)	(33,790)
<b>Unit transactions</b>		
Proceeds from sale of units	70,030	117,090
Amount paid for repurchase of units	-	(268,871)
<b>Net increase (decrease) from unit transactions</b>	70,030	(151,781)
<b>Increase (decrease) in net position</b>	67,062	(185,571)
<b>Net position, beginning of period</b>	936,012	1,188,645
<b>Net position, end of period</b>	\$ 1,003,074	\$ 1,003,074

*\*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

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 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:

- 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.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.

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



# Core Fixed Income Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

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

**Securities Lending** - The IMB, through its lending agent, Northern Trust (NT), 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 and foreign securities denominated in U.S. Dollars, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income.

Cash collateral received is invested in the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. 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.

**Structured Securities** - The Pool invests in various collateralized mortgage obligations (CMO), including interest-only and/or principal-only tranches, asset-backed securities, mortgage-backed securities (MBS), and structured corporate debt. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

**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 December 31, 2022.

# Core Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands)

### 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 December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 114,548	\$ -	\$ 114,548
Corporate CMO	-	77,223	-	77,223
Corporate CMO interest-only	-	132	-	132
Corporate CMO principal-only	-	25	-	25
Foreign asset backed issues	-	2,429	-	2,429
Foreign corporate bonds	-	69,735	-	69,735
Foreign government bonds	-	2,646	-	2,646
Money market mutual fund	8,836	-	-	8,836
Municipal bonds	-	8,274	-	8,274
Securities lending collateral	48,280	-	-	48,280
U.S. corporate bonds	-	156,126	-	156,126
U.S. Government agency CMO	-	87,164	-	87,164
U.S. Government agency CMO interest-only	-	1,579	-	1,579
U.S. Government agency CMO principal-only	-	1,914	-	1,914
U.S. Government agency MBS	-	171,800	-	171,800
U.S. Treasury bonds	-	298,456	-	298,456
Total	\$ 57,116	\$ 992,051	\$ -	\$ 1,049,167

## Core Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at December 31, 2022:

	Fair Value
Securities on loan	\$ 74,628
Collateral received:	
Cash	\$ 48,280
Non-cash	28,521
Total collateral received	\$ 76,801

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under a Securities Lending Authorization Agreement (SLAA) which permits NT 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 the SLAA 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 December 31, 2022:

Participant	Account Value
Teachers' Retirement System	\$ 311,415
Public Employees' Retirement System	282,534
Workers' Compensation Old Fund	82,544
Revenue Shortfall Reserve Fund - Part B	72,160
West Virginia Retiree Health Benefit Trust Fund	55,447
Revenue Shortfall Reserve Fund	38,238
State Police Death, Disability and Retirement Fund	26,076
West Virginia Department of Environmental Protection Agency	25,107
Coal Workers' Pneumoconiosis Fund	19,772
Board of Risk and Insurance Management	16,696
Public Employees Insurance Agency	15,870
State Police Retirement System	10,716
Deputy Sheriff's Retirement System	10,592
Judges' Retirement System	9,345
Municipal Policemen's or Firemen's Pension and Relief Funds	6,549
Workers' Compensation Self-Insured Employer Security Risk Pool	4,703
Emergency Medical Services Retirement System	4,091
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,518
Wildlife Endowment Fund	2,594
Workers' Compensation Uninsured Employers' Fund	1,566
Municipal Police Officers' and Firefighters' Retirement System	1,063
Natural Resources Police Officer Retirement System	900
West Virginia State Parks and Recreation Endowment Fund	863
West Virginia Department of Environmental Protection Trust	425
Berkeley County Development Authority	290
Total	\$ 1,003,074



**Financial Statements - Unaudited**

**December 31, 2022**



# TIPS Pool

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## Financial Statements - Unaudited December 31, 2022

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# TIPS Pool

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**Statement of Net Position - Unaudited**  
**December 31, 2022**  
*(Amounts in thousands, except unit data)*

**Assets**

Investment in commingled bond fund at fair value \$ 388,276

**Liabilities**

Accrued expenses 38

**Net position** \$ 388,238

**Unit data**

Units outstanding 30,630,659

Net position, unit price \$ 12.67

*See accompanying notes to financial statements.*



## TIPS Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net decrease in fair value of investments	\$ (4,665)	\$ (14,288)
Dividend income	-	3
	(4,665)	(14,285)
<b>Total investment loss</b>		
	(4,665)	(14,285)
<b>Expenses</b>		
Investment advisor fees	(6)	(36)
Custodian bank fees	(1)	(1)
Management and other allocated fees	(10)	(68)
	(17)	(105)
<b>Total expenses</b>		
	(17)	(105)
<b>Net investment loss</b>		
	(4,682)	(14,390)
<b>Unit transactions</b>		
Proceeds from sale of units	10	2,830
Amount paid for repurchase of units	-	(40,930)
	10	(38,100)
<b>Net increase (decrease) from unit transactions</b>		
	10	(38,100)
<b>Decrease in net position</b>		
	(4,672)	(52,490)
<b>Net position, beginning of period</b>		
	392,910	440,728
<b>Net position, end of period</b>		
	\$ 388,238	\$ 388,238

*\*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

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 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.

**Investment Transactions** - Investment transactions are accounted for on a trade date 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

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

# TIPS Pool

## Notes to Financial Statements (Amounts in thousands)

### 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 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 December 31, 2022.

### 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 December 31, 2022:

Assets	Level 1	Level 2	Level 3	Total
Commingled bond fund	\$ 388,276	\$ -	\$ -	\$ 388,276

# TIPS Pool

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## Notes to Financial Statements *(Amounts in thousands)*

### NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
Revenue Shortfall Reserve Fund	\$ 129,279
Revenue Shortfall Reserve Fund - Part B	108,857
Workers' Compensation Old Fund	83,087
Public Employees Insurance Agency	20,368
Coal Workers' Pneumoconiosis Fund	19,824
Board of Risk and Insurance Management	17,119
Workers' Compensation Self-Insured Employer Security Risk Pool	4,678
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,480
Workers' Compensation Uninsured Employers' Fund	1,546
Total	<u>\$ 388,238</u>

**Financial Statements - Unaudited**

**December 31, 2022**



# Private Markets Pool

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## Financial Statements - Unaudited December 31, 2022

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# Private Markets Pool

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**Statement of Net Position - Unaudited**  
**December 31, 2022**  
*(Amounts in thousands, except unit data)*

**Assets**

Investments, at fair value:	
Alternative investments	\$ 5,762,292
Equity investments	217,342
Fixed income investments	13,032
Money market mutual fund	79,408
Securities lending collateral	24,324
Cash	73
Receivables:	
Income distributions from real estate limited partnerships and funds	274
Interest, dividends, and other investment income	2,902
	<hr/>
<b>Total assets</b>	<b>6,099,647</b>

**Liabilities**

Accrued expenses	940
Payable upon return of securities loaned	24,324
	<hr/>
<b>Total liabilities</b>	<b>25,264</b>
	<hr/>
<b>Net position</b>	<b>\$ 6,074,383</b>

**Unit data**

Units outstanding	200,553,991
Net position, unit price	\$ 30.29

*See accompanying notes to financial statements.*



## Private Markets Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income (loss)</b>		
Net decrease in fair value of investments	\$ (48,910)	\$ (75,510)
Income from partnerships and funds	5,559	55,146
Interest and dividends	3,052	8,577
Fund closing interest	3	134
Securities lending income	56	316
<b>Total investment loss</b>	(40,240)	(11,337)
<b>Expenses</b>		
Investment advisor fees	(79)	(545)
Custodian bank fees	(3)	(16)
Management and other allocated fees	(166)	(999)
Professional service fees - direct	(125)	(749)
Management fees - external	(200)	(2,940)
Securities lending expenses	(45)	(139)
<b>Total expenses</b>	(618)	(5,388)
<b>Net investment loss</b>	(40,858)	(16,725)
<b>Unit transactions</b>		
Proceeds from sale of units	8,134	351,460
Amount paid for repurchase of units	(4,837)	(349,127)
<b>Net increase from unit transactions</b>	3,297	2,333
<b>Decrease in net position</b>	(37,561)	(14,392)
<b>Net position, beginning of period</b>	6,111,944	6,088,775
<b>Net position, end of period</b>	\$ 6,074,383	\$ 6,074,383

*\*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)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The objective of the Pool is to enhance the diversification and stability of the portfolio, while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk-reduction through diversification. The Pool primarily holds the IMB's investments in private credit & income funds, private equity funds, real estate investment trusts (REITs), and real estate limited partnerships and funds. Franklin Park, StepStone Group LP, and Verus have been retained by the IMB to provide consulting services related to the selection of limited partnerships and funds. Publicly traded assets are managed by CBRE Investment Management and Security Capital Research & Management Inc.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 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 credit & income funds, private equity partnerships, real estate limited partnerships and funds, and other private funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the general partners or fund administrators approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the IMB's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value as of December 31, 2022.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. Dollars using period end spot market exchange rates as supplied by the Pool's custodian.

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

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

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

**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 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.

**Securities Lending** - The IMB, through its lending agent, Northern Trust (NT), 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 the West Virginia Custom Account (Cash Collateral Account). The Cash Collateral Account's investment objective is to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. The Cash Collateral Account seeks to maintain a constant net asset value of \$1.00 per share by following strict credit quality, maturity, liquidity, and diversification requirements. Except for underlying repurchase agreement transactions, the Pool is liable for investment losses in the Cash Collateral Account. The lending agent contractually indemnifies the IMB for any repurchase agreement investment losses.

Investments made with cash are reported at fair value on the Statement of Net Position. Securities loaned remain on the Statement of Net Position. The IMB has the right under the lending agreement to recover the securities from the borrower on demand. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. Securities lending income and expenses are recorded in the Statement of Changes in Net Position. The IMB also continues to receive interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the Statement of Changes in Net Position as a net increase (decrease) in fair value of investments.

**Foreign Currency Spot Contracts** - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The IMB enters into foreign currency spot contracts that correspond to investment transactions trading in foreign currencies and to repatriate income. 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 that mirror foreign market settlement cycles and are valued at the prevailing market exchange rates at month end.

# Private Markets Pool

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## Notes to Financial Statements *(Amounts in thousands)*

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

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

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

**Income from Partnerships** - Income from private equity partnerships, real estate partnerships, private credit & 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

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

**Expenses** - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. Direct investment-related costs include fees charged by external managers that are outside of their respective partnership or fund, the custodian bank, legal counsel, and the consultant. Other expenses are allocated to the individual pools based on asset size.

The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

**Income Taxes** - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal and state income taxes is required as of December 31, 2022.

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)

### 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 a 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 December 31, 2022. All of the Pool's investments in private credit & income funds, private equity partnerships, real estate limited partnerships and funds, and other private funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy table.

Assets	Level 1	Level 2	Level 3	Total
Foreign common stock	\$ 37,639	\$ -	\$ -	\$ 37,639
Money market mutual fund	79,408	-	-	79,408
Securities lending collateral	24,324	-	-	24,324
U.S. common stock	169,278	-	-	169,278
U.S. corporate bonds	-	13,032	-	13,032
U.S. preferred stock	10,425	-	-	10,425
Total	<u>\$ 321,074</u>	<u>\$ 13,032</u>	<u>\$ -</u>	<u>\$ 334,106</u>
Private credit & income funds				811,442
Private equity partnerships				2,648,827
Real estate limited partnerships and funds				2,302,023
Total				<u>\$ 6,096,398</u>

## Private Markets Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 3. FAIR VALUE MEASUREMENTS (continued)

The following table presents information on investments measured at the NAV as of December 31, 2022:

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range	Redemption Frequency (a)	Redemption Notice Period
Private credit & income funds:					
Commercial Debt (b)	\$ 462,926	\$ 165,186	2026 to 2029	N/A	N/A
Real Estate Debt (c)	348,516	237,364	2023 to 2031	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	1,655,108	548,626	2023 to 2035	N/A	N/A
Corporate Finance - Distressed Debt (e)	39,286	16,263	2023	N/A	N/A
Corporate Finance - Growth Equity (f)	139,809	59,063	2023 to 2031	N/A	N/A
Corporate Finance - Hard Assets (g)	142,786	22,414	2023 to 2028	N/A	N/A
Corporate Finance - Mezzanine (h)	1,829	480	N/A	N/A	N/A
Corporate Finance - Structured Capital (i)	73,099	27,296	2023 to 2028	N/A	N/A
Corporate Finance - Turnaround (j)	110,860	68,367	2024 to 2032	N/A	N/A
Venture Capital (k)	486,050	54,798	2023 to 2034	N/A	N/A
Real estate limited partnerships and funds:					
Core (l)	1,332,255	10,227	N/A	Quarterly	45-60 days
Opportunistic (m)	274,827	319,271	2023 to 2034	N/A	N/A
Value (n)	694,941	636,246	2023 to 2033	Quarterly	90 days
Total	<u>\$ 5,762,292</u>	<u>\$ 2,165,601</u>			

- (a) Investments without standard redemption frequencies cannot be redeemed until termination of the partnership.
- (b) Commercial Debt funds seek to generate income while preserving capital through investments primarily in senior-secured loans to business enterprises.
- (c) Real Estate Debt funds seek to generate income while preserving capital through investments in real estate mortgage and debt investments.
- (d) Corporate Finance - Buyout funds acquire controlling or influential interests in companies.
- (e) Corporate Finance - Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.
- (f) Corporate Finance - Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.
- (g) Corporate Finance - Hard Assets funds acquire controlling or influential interests in companies operating in natural resources or infrastructure.
- (h) Corporate Finance - Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another fund.
- (i) Corporate Finance - Structured Capital funds combine common equity, preferred equity, fixed-income, and/or customized debt instruments to offer capital appreciation with downside protection.
- (j) 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.
- (k) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.
- (l) 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. Assets within these strategies 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.

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. FAIR VALUE MEASUREMENTS (continued)

- (m) 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.
- (n) Value funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manager believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

### NOTE 4. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at December 31, 2022:

	Fair Value
Securities on loan	\$ 29,699
Collateral received:	
Cash	\$ 24,324
Non-cash	6,300
Total collateral received	<u>\$ 30,624</u>

NT, as agent for the IMB, loans the IMB's securities to various counterparties. These transactions are executed under a Securities Lending Authorization Agreement (SLAA) which permits NT 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 the SLAA on a net payment basis. The IMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 2,552,135
Public Employees' Retirement System	2,295,443
West Virginia Retiree Health Benefit Trust Fund	438,661
State Police Death, Disability and Retirement Fund	217,491
Workers' Compensation Old Fund	95,160
Deputy Sheriff's Retirement System	84,902
State Police Retirement System	84,696
Judges' Retirement System	75,145
Municipal Policemen's or Firemen's Pension and Relief Funds	51,752
Emergency Medical Services Retirement System	32,710
Revenue Shortfall Reserve Fund - Part B	27,879
Coal Workers' Pneumoconiosis Fund	22,755
Wildlife Endowment Fund	20,377
Board of Risk and Insurance Management	19,082
West Virginia Department of Environmental Protection Agency	12,470
Municipal Police Officers' and Firefighters' Retirement System	8,386
Public Employees Insurance Agency	7,836
Natural Resources Police Officer Retirement System	7,212
West Virginia State Parks and Recreation Endowment Fund	6,803
Workers' Compensation Self-Insured Employer Security Risk Pool	5,388
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,020
Berkeley County Development Authority	2,294
Workers' Compensation Uninsured Employers' Fund	1,786
Total	<u>\$ 6,074,383</u>



**Financial Statements - Unaudited**

**December 31, 2022**



# Hedge Fund Pool

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## Financial Statements - Unaudited December 31, 2022

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# Hedge Fund Pool

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**Statement of Net Position - Unaudited**  
**December 31, 2022**  
*(Amounts in thousands, except unit data)*

**Assets**

Investments, at fair value:	
Hedge funds	\$ 2,476,063
Money market mutual fund	338
Receivables:	
Investment funds redeemed	7,517
Interest and dividends	<u>137</u>
<b>Total assets</b>	<b>2,484,055</b>

**Liabilities**

Accrued expenses	<u>210</u>
<b>Net position</b>	<b><u>\$ 2,483,845</u></b>

**Unit data**

Units outstanding	130,378,272
Net position, unit price	<u><u>\$ 19.05</u></u>

*See accompanying notes to financial statements.*

## Hedge Fund Pool

**Statement of Changes in Net Position - Unaudited**  
**Period Ended December 31, 2022\***  
*(Amounts in thousands)*

	<b>Month</b>	<b>Year To Date</b>
<b>Investment income</b>		
Net increase in fair value of investments	\$ 40,225	\$ 84,018
Interest and dividend income	1	630
<b>Total investment income</b>	40,226	84,648
<b>Expenses</b>		
Professional service fees - direct	(37)	(251)
Management and other allocated fees	(66)	(408)
<b>Total expenses</b>	(103)	(659)
<b>Net investment income</b>	40,123	83,989
<b>Unit transactions</b>		
Proceeds from sale of units	204	285,091
Amount paid for repurchase of units	(132,810)	(181,646)
<b>Net increase (decrease) from unit transactions</b>	(132,606)	103,445
<b>Increase (decrease) in net position</b>	(92,483)	187,434
<b>Net position, beginning of period</b>	2,576,328	2,296,411
<b>Net position, end of period</b>	\$ 2,483,845	\$ 2,483,845

*\*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

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool was established to hold the IMB's investments in hedge funds. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the FTSE 3 Month US T-Bill Index plus 500 basis points. Albourne America, LLC has been retained by the IMB to provide consulting services for this investment strategy.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

**Investment Valuation** - The IMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 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 December 31, 2022.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

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

# Hedge Fund Pool

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## Notes to Financial Statements (Amounts in thousands)

### 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 accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month end unit price.

**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 December 31, 2022.

### 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)

### 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 a 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 December 31, 2022. 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	\$ 338	\$ -	\$ -	\$ 338
Hedge funds				2,476,063
Total				<u>\$ 2,476,401</u>

The following table presents information on investments measured at the NAV as of December 31, 2022:

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 248,229	Monthly, Quarterly	5 to 30 days
Equity long/short (b)	444,373	Quarterly	45 to 90 days
Event-driven (c)	133,404	Quarterly	180 days
Long-biased (d)	75,972	Monthly	90 days
Multi-strategy (e)	1,290,012	Monthly, Quarterly, Semiannually	45 to 90 days
Relative-value (f)	241,815	Weekly, Quarterly	5 to 60 days
	<u>\$ 2,433,805</u>		
In liquidation (g)	42,258		
Total	<u>\$ 2,476,063</u>		

- (a) Directional funds employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) Equity long/short funds involve 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 66 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (c) Event-driven funds maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.
- (d) Long-biased funds employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.
- (e) Multi-strategy funds combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 84 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)

### NOTE 3. FAIR VALUE MEASUREMENTS (continued)

- (f) Relative-value funds maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 59 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (g) Funds currently in liquidation are no longer managed to a defined strategy. As the remaining underlying assets of these funds are monetized, their proceeds are distributed to shareholders. The timing of these future distributions is unknown.

### NOTE 4. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at December 31, 2022:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 944,587
Public Employees' Retirement System	849,599
West Virginia Retiree Health Benefit Trust Fund	162,388
Workers' Compensation Old Fund	131,803
State Police Death, Disability and Retirement Fund	80,480
West Virginia Department of Environmental Protection Agency	46,119
Coal Workers' Pneumoconiosis Fund	31,523
Deputy Sheriff's Retirement System	31,428
State Police Retirement System	31,355
Public Employees Insurance Agency	28,958
Judges' Retirement System	27,817
Board of Risk and Insurance Management	26,360
Revenue Shortfall Reserve Fund - Part B	25,759
Municipal Policemen's or Firemen's Pension and Relief Funds	19,159
Emergency Medical Services Retirement System	12,109
Wildlife Endowment Fund	7,543
Workers' Compensation Self-Insured Employer Security Risk Pool	7,467
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	5,574
Municipal Police Officers' and Firefighters' Retirement System	3,105
Natural Resources Police Officer Retirement System	2,670
West Virginia State Parks and Recreation Endowment Fund	2,523
Workers' Compensation Uninsured Employers' Fund	2,476
West Virginia Department of Environmental Protection Trust	2,194
Berkeley County Development Authority	849
Total	<u>\$ 2,483,845</u>