

West Virginia Investment Management Board

2024 AUDITED FINANCIAL STATEMENTS*

*THE EXPECTED RELEASE DATE OF THE PRIVATE MARKETS POOL IS SEPTEMBER 16, 2024

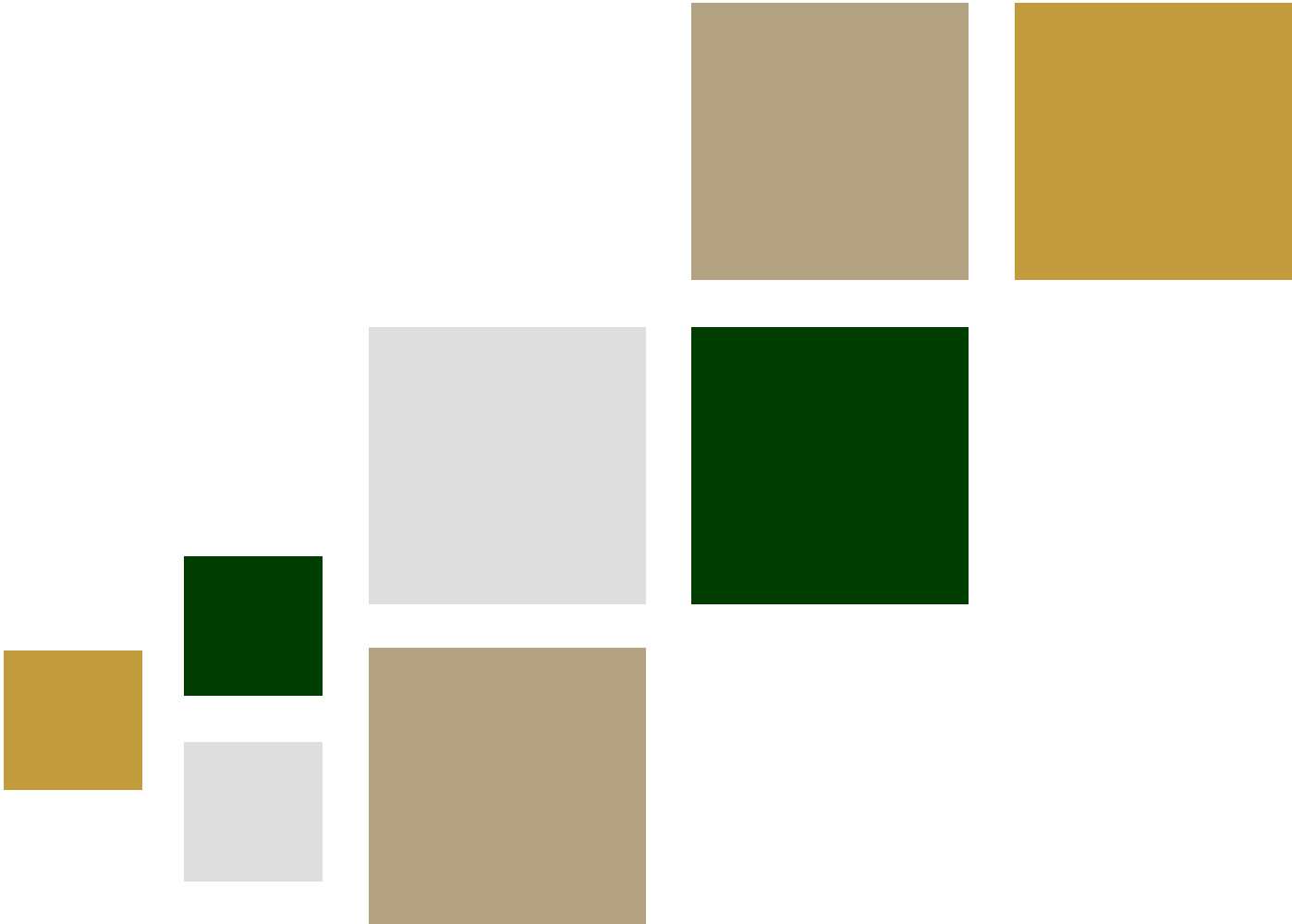
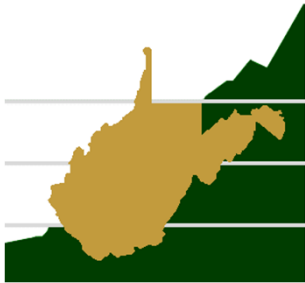


Table of Contents

Investment Pools Audited Financial Statements

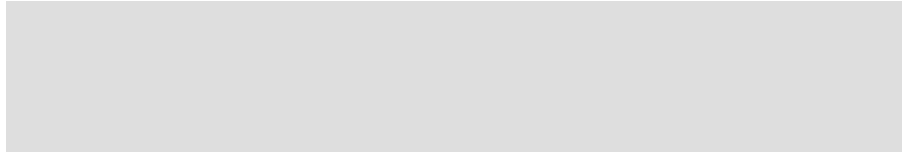
| | |
|---|----|
| Portable Alpha Pool | A |
| Large Cap Domestic Equity Pool | B |
| Non-Large Cap Domestic Equity Pool..... | C |
| International Qualified Pool | D |
| International Nonqualified Pool | E |
| International Equity Pool..... | F |
| Short-Term Fixed Income Pool..... | G |
| Total Return Fixed Income Pool | H |
| Core Fixed Income Pool..... | I |
| TIPS Pool | J |
| Private Markets Pool | *K |
| Hedge Fund Pool..... | L |

**The expected release date for the Private Markets Pool is September 16, 2024.*

Administrative Fund Audited Financial Statements



AUDITED FINANCIAL STATEMENTS

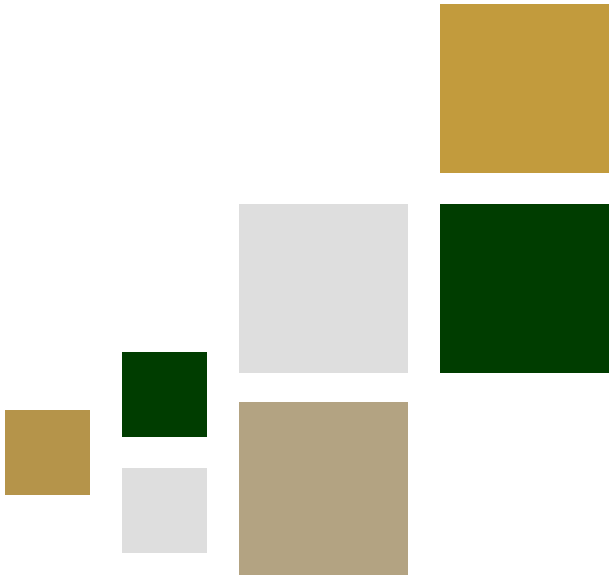


INVESTMENT POOLS
Year Ended June 30, 2024

AUDITED FINANCIAL STATEMENTS
June 30, 2024

A

PORTABLE ALPHA POOL



Portable Alpha Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis A-1

Statement of Net Position A-3

Statement of Changes in Net Position A-4

Notes to Financial Statements A-5



Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Portable Alpha Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Portable Alpha Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages A-1 through A-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

Portable Alpha Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's Portable Alpha (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The Pool's objective is to exceed, net of external investment management fees, the 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 which is comprised of fixed income securities and a money market mutual fund, 2) a portfolio of alternative risk premia funds, and 3) a domestic large capitalization equity index manager.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 5,831,792 | \$ 5,072,107 |
| Derivatives | 5,010 | 102,127 |
| Other assets | 95,213 | 180,408 |
| Total assets | 5,932,015 | 5,354,642 |
| Total liabilities | (100,596) | (59,006) |
| Net position | \$ 5,831,419 | \$ 5,295,636 |

Portable Alpha Pool

Management's Discussion and Analysis (Unaudited)

The net position of the Pool is primarily impacted by the overall performance of the U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$535,783 results from net investment income of \$1,245,771 and a net decrease from unit transactions of \$709,988.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 1,248,755 | \$ 859,207 |
| Expenses | (2,984) | (2,762) |
| Net investment income | 1,245,771 | 856,445 |
| Net units redeemed | (709,988) | (311,222) |
| Increase in net position | 535,783 | 545,223 |
| Net position, beginning of year | 5,295,636 | 4,750,413 |
| Net position, end of year | \$ 5,831,419 | \$ 5,295,636 |

The investment income of the Pool is primarily from the net increase in fair value of investments, interest received on fixed income securities, and dividends received on the money market mutual fund.

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 25.5 percent, up from 17.7 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 52.48 | \$ 44.61 |
| Net investment income | 13.37 | 7.87 |
| Net position, end of year | \$ 65.85 | \$ 52.48 |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.06% | 0.06% |
|---|-------|-------|

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

Portable Alpha Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | |
|---|------------------|
| Investments, at fair value: | |
| Alternative risk premia funds | \$ 2,036,656 |
| Commingled equity fund | 2,283,854 |
| Fixed income investments | 858,402 |
| Derivative instruments | 5,010 |
| Money market mutual fund | 652,880 |
| Advance on investments in alternative risk premia funds | 75,000 |
| Receivables: | |
| Interest and dividends | 7,692 |
| Investments sold | 12,521 |
| | <hr/> |
| Total assets | 5,932,015 |

Liabilities

| | |
|-----------------------------------|----------------|
| Cash due to broker | 21,012 |
| Accrued expenses | 560 |
| Payable for investments purchased | 79,024 |
| | <hr/> |
| Total liabilities | 100,596 |

Net position \$ 5,831,419

Unit data

| | |
|--------------------------|------------------------|
| Units outstanding | 88,558,300 |
| Net position, unit price | <u><u>\$ 65.85</u></u> |

See accompanying notes to financial statements.

Portable Alpha Pool

Statement of Changes in Net Position
Year Ended June 30, 2024
(Amounts in thousands)

Investment income

| | |
|---|---------------|
| Net increase in fair value of investments | \$ 1,193,134 |
| Interest and dividends | <u>55,621</u> |
| Total investment income | 1,248,755 |

Expenses

| | |
|-------------------------------------|----------------|
| Investment advisor fees | (1,128) |
| Custodian bank fees | (23) |
| Management and other allocated fees | (1,604) |
| Professional service fees - direct | <u>(229)</u> |
| Total expenses | <u>(2,984)</u> |
| Net investment income | 1,245,771 |

Unit transactions

| | |
|--|----------------------------|
| Proceeds from sale of units | 332,011 |
| Amount paid for repurchase of units | <u>(1,041,999)</u> |
| Net decrease from unit transactions | <u>(709,988)</u> |
| Increase in net position | 535,783 |
| Net position, beginning of year | <u>5,295,636</u> |
| Net position, end of year | <u><u>\$ 5,831,419</u></u> |

See accompanying notes to financial statements.

Portable Alpha Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 (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 has been retained by the WVIMB 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 Index.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

Fair value of the Pool's investments 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 (RIC) 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

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Investments in alternative risk premia (ARP) funds are generally securities for which market quotations are not readily available. The WVIMB 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 WVIMB's interests in the funds. The WVIMB believes that the net asset value of such investments is a reasonable estimate of fair value as of June 30, 2024.

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 WVIMB's established procedures.

Cash Due to/from Broker - The Pool records cash amounts due to or from brokers on the Statement of Net Position as Cash due to/from broker. Such amounts are required by brokers for margin on centrally cleared futures, considered restricted, and reported net.

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 WVIMB is required to pledge collateral 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 WVIMB'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.

Structured Securities - The Pool invests in asset-backed securities (ABS) 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.

Portable Alpha Pool

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 WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments and money market mutual fund investment. The WVIMB limits the exposure to credit risk in the Pool by requiring securities purchased to have a minimum long-term credit rating of BBB (investment grade) and/or a short-term credit rating of A-2 (Tier-II) as defined by a nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The Pool held some securities that have not received a rating from the aforementioned rating organizations. These securities have been listed as not rated in the table below. The absence or lack of a rating does not necessarily indicate a greater degree of risk. The money market mutual fund has the highest credit rating. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2024:

| Rating | Fair Value |
|--------------------------------|------------|
| <i>Long-term</i> | |
| AAA | \$ 508,240 |
| AA | 9,237 |
| A | 20,999 |
| BBB | 10,659 |
| <i>Short-term</i> | |
| A-1 | 265,183 |
| A-2 | 4,495 |
| Total rated | 818,813 |
| Not Rated | 39,589 |
| Total fixed income investments | \$ 858,402 |

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2024, the Pool was in compliance with this restriction and not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2024, the Pool held no securities or cash balances that were subject to custodial credit risk. Investments in alternative risk premia funds, the commingled equity fund, and the money market mutual fund are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian, or by the counterparty if the securities were pledged as non-cash collateral on derivative instruments, in the name of the WVIMB and thus not subject to custodial credit risk.

Portable Alpha Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments and money market mutual fund investment. As of June 30, 2024, the money market mutual fund had a weighted average maturity of 35 days. The WVIMB monitors the interest rate risk of the Pool's fixed income investments by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation makes assumptions regarding the most likely timing of variable cash flows, which is particularly useful for measuring the interest rate risk of callable bonds, asset-backed securities, and variable-rate debt. The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30, 2024:

| Investment Type | Fair Value | Effective Duration (years) |
|--------------------------------|-------------------|----------------------------|
| Certificates of deposit | \$ 16,480 | 0.1 |
| Commercial paper | 230,598 | 0.2 |
| Corporate ABS | 41,692 | 0.8 |
| Foreign corporate bonds | 15,580 | 0.4 |
| U.S. corporate bonds | 24,081 | 0.9 |
| U.S. Government agency bonds | 29,336 | 0.5 |
| U.S. Treasury issues | 500,635 | 5.8 |
| Total fixed income investments | <u>\$ 858,402</u> | |

The Pool invests in asset-backed securities. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2024, the Pool held \$41,692 of these securities. This represents approximately 5 percent of the value of the Pool's fixed income securities and less than 1 percent of the value of the Pool's total investments.

Foreign Currency Risk

As of June 30, 2024, all of the Pool's foreign investments were denominated in U.S. dollars. As such, the Pool was not exposed to foreign currency risk.

NOTE 4. DERIVATIVE INSTRUMENTS

Derivative 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 instruments outstanding as of and for the period ended June 30, 2024:

| Derivative Type | Fair Value | Net Increase (Decrease) in Fair Value of Investments | Notional Value |
|---------------------------|-----------------|--|---------------------|
| Futures contracts: | | | |
| Equity index futures long | <u>\$ 5,010</u> | <u>\$ 585,256</u> | <u>\$ 3,609,405</u> |

Portable Alpha Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 5. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (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 June 30, 2024. The Pool's investments in ARP funds that were valued using the NAV, except for those that are a RIC, have not been categorized in the fair value hierarchy.

| Assets | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|---------------------|-------------------|-------------|---------------------|
| ARP fund (RIC) | \$ 241,699 | \$ - | \$ - | \$ 241,699 |
| Certificates of deposit | - | 16,480 | - | 16,480 |
| Commercial paper | - | 230,598 | - | 230,598 |
| Commingled equity fund | 2,283,854 | - | - | 2,283,854 |
| Corporate ABS | - | 41,692 | - | 41,692 |
| Foreign corporate bonds | - | 15,580 | - | 15,580 |
| Futures contracts | 5,010 | - | - | 5,010 |
| Money market mutual fund | 652,880 | - | - | 652,880 |
| U.S. corporate bonds | - | 24,081 | - | 24,081 |
| U.S. Government agency bonds | - | 29,336 | - | 29,336 |
| U.S. Treasury issues | - | 500,635 | - | 500,635 |
| Total | <u>\$ 3,183,443</u> | <u>\$ 858,402</u> | <u>\$ -</u> | <u>\$ 4,041,845</u> |
| ARP funds | | | | 1,794,957 |
| Total | | | | <u>\$ 5,836,802</u> |

The following table presents information on investments measured at the NAV as of June 30, 2024:

| ARP Fund Strategies | Fair Value | Redemption Frequency | Redemption Notice Period |
|---------------------|---------------------|-------------------------------|--------------------------|
| Directional (a) | \$ 459,134 | Daily, Monthly | 1 to 30 days |
| Multi-Premia (b) | 1,029,277 | Weekly, Semi-monthly, Monthly | 3 to 30 days |
| Relative-Value (c) | 306,546 | Monthly | 30 to 60 days |
| | <u>\$ 1,794,957</u> | | |

Portable Alpha Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. FAIR VALUE MEASUREMENTS (continued)

- (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.
- (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 6. ADVANCE ON INVESTMENTS IN ALTERNATIVE RISK PREMIA FUNDS

The subscription terms of alternative risk premia funds often require contributions to be received in advance of the subscription date. Prior to June 30, 2024, the IMB funded \$75,000 to alternative risk premia funds that had a subscription date of July 1, 2024. As of June 30, 2024, these amounts have been recorded as an advance on investments in alternative risk premia funds.

NOTE 7. SCHEDULE OF PARTICIPATION

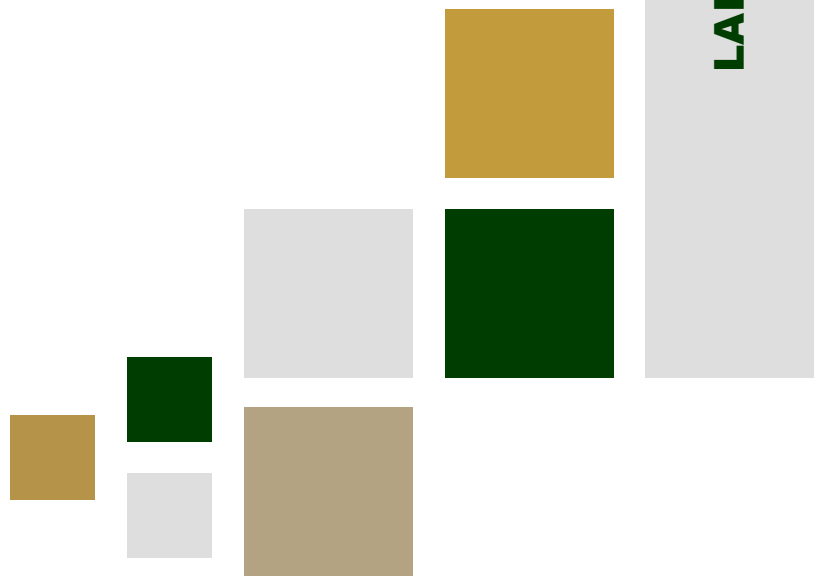
The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 2,482,176 |
| Public Employees' Retirement System | 2,258,356 |
| West Virginia Retiree Health Benefit Trust Fund | 483,375 |
| State Police Death, Disability and Retirement Fund | 205,425 |
| State Police Retirement System | 90,614 |
| Deputy Sheriff's Retirement System | 87,544 |
| Judges' Retirement System | 76,297 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 61,177 |
| Emergency Medical Services Retirement System | 35,368 |
| Wildlife Endowment Fund | 18,553 |
| West Virginia State Parks and Recreation Endowment Fund | 11,572 |
| Municipal Police Officers' and Firefighters' Retirement System | 11,330 |
| Natural Resources Police Officer Retirement System | 7,940 |
| Berkeley County Development Authority | 1,692 |
| Total | <u>\$ 5,831,419</u> |

AUDITED FINANCIAL STATEMENTS
June 30, 2024

B

LARGE CAP DOMESTIC EQUITY POOL



Large Cap Domestic Equity Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis B-1

Statement of Net Position B-3

Statement of Changes in Net Position B-4

Notes to Financial Statements B-5



Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Large Cap Domestic Equity Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Large Cap Domestic Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages B-1 through B-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

Large Cap Domestic Equity Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's Large Cap Domestic Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The Pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Index over three- to five-year periods.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 335,087 | \$ 317,028 |
| Other assets | 4 | 1 |
| Total assets | 335,091 | 317,029 |
| Total liabilities | (18) | (16) |
| Net position | <u>\$ 335,073</u> | <u>\$ 317,013</u> |

Large Cap Domestic Equity Pool

Management's Discussion and Analysis (Unaudited)

The net position of the Pool is primarily impacted by the overall performance of the large-cap U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$18,060 results from net investment income of \$70,504 and a net decrease from unit transactions of \$52,444.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 70,622 | \$ 53,897 |
| Expenses | (118) | (115) |
| Net investment income | 70,504 | 53,782 |
| Net units redeemed | (52,444) | (45,587) |
| Increase in net position | 18,060 | 8,195 |
| Net position, beginning of year | 317,013 | 308,818 |
| Net position, end of year | \$ 335,073 | \$ 317,013 |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 24.5 percent, up from 19.4 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 52.49 | \$ 43.95 |
| Net investment income | 12.87 | 8.54 |
| Net position, end of year | \$ 65.36 | \$ 52.49 |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.04% | 0.04% |
|---|-------|-------|

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

Large Cap Domestic Equity Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | |
|-----------------------------|----------------|
| Investments, at fair value: | |
| Commingled equity fund | \$ 327,287 |
| Money market mutual fund | 7,800 |
| Dividends receivable | <u>4</u> |
| Total assets | 335,091 |

Liabilities

| | |
|---------------------|--------------------------|
| Accrued expenses | <u>18</u> |
| Net position | <u>\$ 335,073</u> |

Unit data

| | |
|--------------------------|------------------------|
| Units outstanding | 5,126,380 |
| Net position, unit price | <u><u>\$ 65.36</u></u> |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Statement of Changes in Net Position Year Ended June 30, 2024 *(Amounts in thousands)*

Investment income

| | | |
|---|----|---------------|
| Net increase in fair value of investments | \$ | 70,600 |
| Dividends | | <u>22</u> |
| Total investment income | | 70,622 |

Expenses

| | | |
|-------------------------------------|--|---------------------|
| Investment advisor fees | | (24) |
| Custodian bank fees | | (1) |
| Management and other allocated fees | | <u>(93)</u> |
| Total expenses | | <u>(118)</u> |
| Net investment income | | 70,504 |

Unit transactions

| | | |
|--|-----------|------------------------------|
| Proceeds from sale of units | | 25,492 |
| Amount paid for repurchase of units | | <u>(77,936)</u> |
| Net decrease from unit transactions | | <u>(52,444)</u> |
| Increase in net position | | 18,060 |
| Net position, beginning of year | | <u>317,013</u> |
| Net position, end of year | \$ | <u><u>335,073</u></u> |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 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 Index.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

Open-end regulated investment companies 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 WVIMB'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 WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares of a commingled equity fund that invests in equities included in the S&P 500 Index. The value of this investment at June 30, 2024, was \$327,287. The Pool is exposed to credit risk and interest rate risk from its money market mutual fund investment. As of June 30, 2024, the money market mutual fund has the highest credit rating and has a weighted average maturity of 35 days. The Pool is not exposed to concentration of credit risk, custodial credit risk, or foreign currency risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2024:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|------------|---------|---------|------------|
| Commingled equity fund | \$ 327,287 | \$ - | \$ - | \$ 327,287 |
| Money market mutual fund | 7,800 | - | - | 7,800 |
| Total | \$ 335,087 | \$ - | \$ - | \$ 335,087 |

Large Cap Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. SCHEDULE OF PARTICIPATION

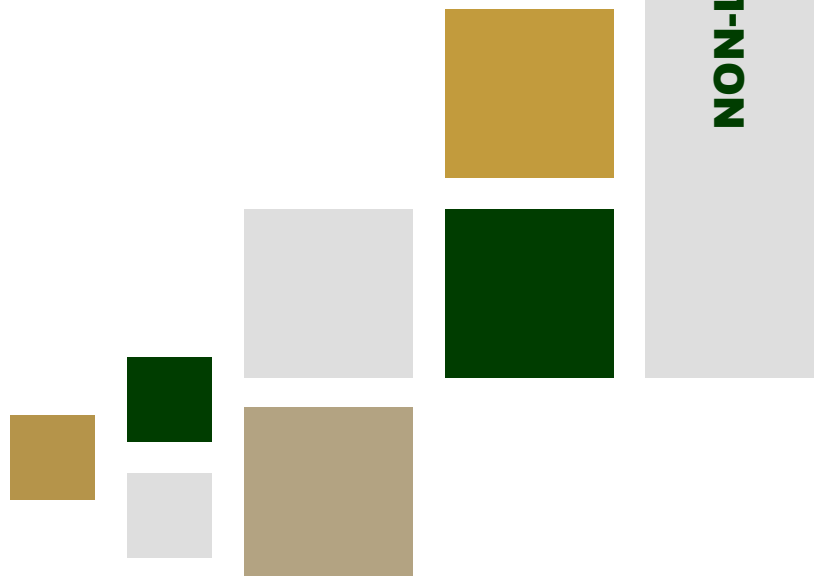
The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Workers' Compensation Old Fund | \$ 118,930 |
| Revenue Shortfall Reserve Fund - Part B | 54,279 |
| West Virginia Department of Environmental Protection Agency | 50,906 |
| Revenue Shortfall Reserve Fund | 33,554 |
| Coal Workers' Pneumoconiosis Fund | 28,539 |
| Public Employees Insurance Agency | 16,579 |
| Board of Risk and Insurance Management | 12,791 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 7,165 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 5,688 |
| West Virginia Department of Environmental Protection Trust | 3,106 |
| Workers' Compensation Uninsured Employers' Fund | 2,609 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 927 |
| Total | <u>\$ 335,073</u> |

AUDITED FINANCIAL STATEMENTS
June 30, 2024

C

NON-LARGE CAP DOMESTIC EQUITY POOL



Non-Large Cap Domestic Equity Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis C-1

Statement of Net Position C-3

Statement of Changes in Net Position C-4

Notes to Financial Statements C-5



Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Non-Large Cap Domestic Equity Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Non-Large Cap Domestic Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages C-1 through C-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

August 26, 2024

Non-Large Cap Domestic Equity Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's Non-Large Cap Domestic Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The Pool's objective is to exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 1,194,529 | \$ 1,155,544 |
| Other assets | 32,082 | 11,420 |
| Total assets | 1,226,611 | 1,166,964 |
| Total liabilities | (86,748) | (126,836) |
| Net position | \$ 1,139,863 | \$ 1,040,128 |

Non-Large Cap Domestic Equity Pool

Management's Discussion and Analysis (Unaudited)

The net position of the Pool is primarily impacted by the overall performance of the small- and mid-cap U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$99,735 results from net investment income of \$146,921 and a net decrease from unit transactions of \$47,186.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 161,968 | \$ 227,497 |
| Expenses | (15,047) | (14,453) |
| Net investment income | 146,921 | 213,044 |
| Net units redeemed | (47,186) | (26,719) |
| Increase in net position | 99,735 | 186,325 |
| Net position, beginning of year | 1,040,128 | 853,803 |
| Net position, end of year | \$ 1,139,863 | \$ 1,040,128 |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 13.6 percent, down from 24.4 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 53.17 | \$ 42.74 |
| Net investment income | 7.23 | 10.43 |
| Net position, end of year | \$ 60.40 | \$ 53.17 |

| Supplemental Data: | | |
|-----------------------------------|-------|-------|
| Ratio to average net position (a) | | |
| Performance based advisor fees | 0.65% | 0.57% |
| Other expenses | 0.36% | 0.37% |
| Total expenses | 1.01% | 0.94% |

(a) The ratios are for the fiscal year and exclude securities lending expenses.

Non-Large Cap Domestic Equity Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | |
|---------------------------------------|--------------|
| Investments, at fair value: | |
| Equity investments | \$ 1,083,113 |
| Money market mutual fund | 44,295 |
| Securities lending collateral | 67,121 |
| Cash | 49 |
| Receivables: | |
| Dividends and other investment income | 996 |
| Investments sold | 31,037 |
| | <hr/> |
| Total assets | 1,226,611 |

Liabilities

| | |
|--|----------------------------|
| Accrued expenses | 2,715 |
| Payable for investments purchased | 16,912 |
| Payable upon return of securities loaned | 67,121 |
| | <hr/> |
| Total liabilities | 86,748 |
| | <hr/> |
| Net position | <u><u>\$ 1,139,863</u></u> |

Unit data

| | |
|--------------------------|------------------------|
| Units outstanding | 18,871,539 |
| Net position, unit price | <u><u>\$ 60.40</u></u> |

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Statement of Changes in Net Position Year Ended June 30, 2024 (Amounts in thousands)

Investment income

| | |
|---|--------------|
| Net increase in fair value of investments | \$ 146,704 |
| Dividends | 10,970 |
| Securities lending income | <u>4,294</u> |

Total investment income 161,968

Expenses

| | |
|-------------------------------------|----------------|
| Investment advisor fees | (10,723) |
| Custodian bank fees | (53) |
| Management and other allocated fees | (324) |
| Professional service fees - direct | (2) |
| Securities lending expenses | <u>(3,945)</u> |

Total expenses (15,047)

Net investment income 146,921

Unit transactions

| | |
|-------------------------------------|------------------|
| Proceeds from sale of units | 91,543 |
| Amount paid for repurchase of units | <u>(138,729)</u> |

Net decrease from unit transactions (47,186)

Increase in net position 99,735

Net position, beginning of year 1,040,128

Net position, end of year \$ 1,139,863

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 and Westfield Capital Management.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The WVIMB 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 investments 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 WVIMB's established procedures.

Securities Lending - The WVIMB, 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. 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 capital is preserved and liquidity is maintained. 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 WVIMB for any repurchase agreement investment losses.

Non-Large Cap Domestic Equity Pool

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 WVIMB has the right under the lending agreement to recover the securities from the borrower on demand. The WVIMB 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 WVIMB 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.

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.

Expenses - The WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool's money market mutual fund investment and the Cash Collateral Account are exposed to credit risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2024, the Pool was in compliance with this restriction and not exposed to concentration of credit risk.

Custodial Credit Risk

The Pool is exposed to custodial credit risk from its uninsured and uncollateralized cash balances. As of June 30, 2024, \$49 of the Pool's cash balance was exposed to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB and thus not subject to custodial credit risk.

Non-Large Cap Domestic Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its money market mutual fund investment and from the Cash Collateral Account. As of June 30, 2024, the money market mutual fund's weighted average maturity (WAM) was 35 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2024, the WAM for the Cash Collateral Account was 3 days.

Foreign Currency Risk

As of June 30, 2024, all of the Pool's foreign investments were denominated in U.S. dollars. As such, the Pool was not exposed to foreign currency risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2024:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------------------|------------------|-------------|---------------------|
| Domestic common stock | \$ 961,711 | \$ - | \$ - | \$ 961,711 |
| Foreign common stock | 121,402 | - | - | 121,402 |
| Money market mutual fund | 44,295 | - | - | 44,295 |
| Securities lending collateral | - | 67,121 | - | 67,121 |
| Total | <u>\$ 1,127,408</u> | <u>\$ 67,121</u> | <u>\$ -</u> | <u>\$ 1,194,529</u> |

Non-Large Cap Domestic Equity 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 June 30, 2024:

| | Fair Value |
|---------------------------|------------|
| Securities on loan | \$ 232,597 |
| Collateral received: | |
| Cash | \$ 67,121 |
| Non-cash | 170,957 |
| Total collateral received | 238,078 |

NT, as agent for the WVIMB, loans the WVIMB'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 WVIMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

NOTE 6. SCHEDULE OF PARTICIPATION

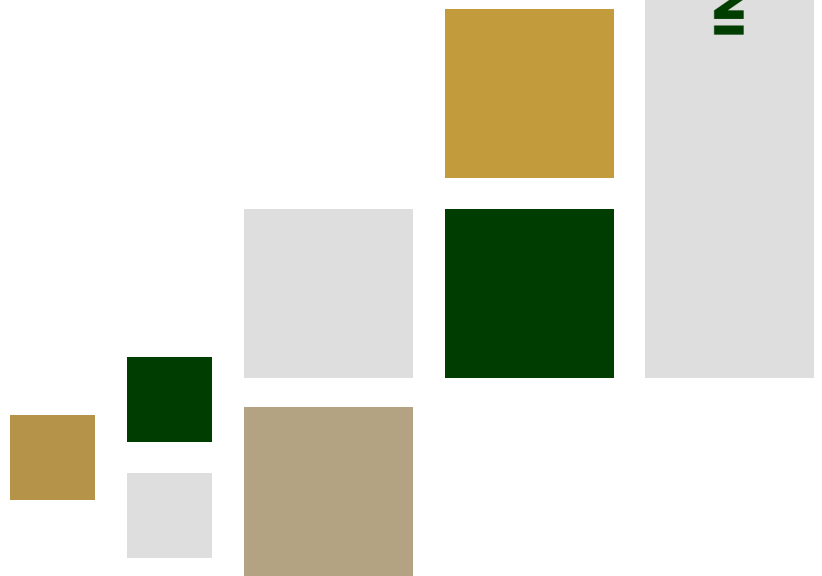
The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| Participant | Account Value |
|--|---------------|
| Teachers' Retirement System | \$ 459,759 |
| Public Employees' Retirement System | 418,286 |
| West Virginia Retiree Health Benefit Trust Fund | 89,700 |
| State Police Death, Disability and Retirement Fund | 37,940 |
| Workers' Compensation Old Fund | 21,081 |
| State Police Retirement System | 16,768 |
| Deputy Sheriff's Retirement System | 16,233 |
| Judges' Retirement System | 14,155 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 11,534 |
| Revenue Shortfall Reserve Fund - Part B | 9,717 |
| West Virginia Department of Environmental Protection Agency | 9,007 |
| Emergency Medical Services Retirement System | 6,555 |
| Revenue Shortfall Reserve Fund | 6,023 |
| Coal Workers' Pneumoconiosis Fund | 5,090 |
| Wildlife Endowment Fund | 3,436 |
| Public Employees Insurance Agency | 2,958 |
| Board of Risk and Insurance Management | 2,281 |
| West Virginia State Parks and Recreation Endowment Fund | 2,146 |
| Municipal Police Officers' and Firefighters' Retirement System | 2,098 |
| Natural Resources Police Officer Retirement System | 1,472 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 1,281 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 1,012 |
| West Virginia Department of Environmental Protection Trust | 550 |
| Workers' Compensation Uninsured Employers' Fund | 467 |
| Berkeley County Development Authority | 314 |
| Total | \$ 1,139,863 |

AUDITED FINANCIAL STATEMENTS
June 30, 2024

D

INTERNATIONAL QUALIFIED POOL



International Qualified Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis D-1

Statement of Net Position D-3

Statement of Changes in Net Position D-4

Notes to Financial Statements D-5



Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's International Qualified Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Qualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages D-1 through D-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

International Qualified Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's International Qualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The Pool was established to gain exposure to the international equity market with the objective to produce investment returns that exceed the MSCI Europe Australasia Far East Index (MSCI EAFE) by 200 basis points over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code*) may invest in the Pool.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 1,136,655 | \$ 1,263,214 |
| Total liabilities | (42) | (43) |
| Net position | <u>\$ 1,136,613</u> | <u>\$ 1,263,171</u> |

International Qualified Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$126,558 results from net investment income of \$103,095 and a net decrease from unit transactions of \$229,653.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 109,429 | \$ 203,425 |
| Expenses | (6,334) | (6,470) |
| Net investment income | 103,095 | 196,955 |
| Net units redeemed | (229,653) | (119,644) |
| Increase (decrease) in net position | (126,558) | 77,311 |
| Net position, beginning of year | 1,263,171 | 1,185,860 |
| Net position, end of year | \$ 1,136,613 | \$ 1,263,171 |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 9.5 percent, down from 17.5 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 94.17 | \$ 80.13 |
| Net investment income | 9.02 | 14.04 |
| Net position, end of year | \$ 103.19 | \$ 94.17 |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.54% | 0.54% |
|---|-------|-------|

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

International Qualified Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 1,136,655

Liabilities

Accrued expenses 42

Net position \$ 1,136,613

Unit data

Units outstanding 11,014,971

Net position, unit price \$ 103.19

See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Position Year Ended June 30, 2024 *(Amounts in thousands)*

Investment income

| | |
|---|------------|
| Net increase in fair value of investments | \$ 109,429 |
|---|------------|

Expenses

| | |
|-------------------------|---------|
| Investment advisor fees | (5,988) |
|-------------------------|---------|

| | |
|-------------------------------------|--------------|
| Management and other allocated fees | <u>(346)</u> |
|-------------------------------------|--------------|

| | |
|-----------------------|----------------|
| Total expenses | <u>(6,334)</u> |
|-----------------------|----------------|

| | |
|------------------------------|---------|
| Net investment income | 103,095 |
|------------------------------|---------|

Unit transactions

| | |
|-----------------------------|--------|
| Proceeds from sale of units | 28,721 |
|-----------------------------|--------|

| | |
|-------------------------------------|------------------|
| Amount paid for repurchase of units | <u>(258,374)</u> |
|-------------------------------------|------------------|

| | |
|--|------------------|
| Net decrease from unit transactions | <u>(229,653)</u> |
|--|------------------|

| | |
|---------------------------------|-----------|
| Decrease in net position | (126,558) |
|---------------------------------|-----------|

| | |
|--|------------------|
| Net position, beginning of year | <u>1,263,171</u> |
|--|------------------|

| | |
|----------------------------------|----------------------------|
| Net position, end of year | <u><u>\$ 1,136,613</u></u> |
|----------------------------------|----------------------------|

See accompanying notes to financial statements.

International Qualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's International Qualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 MSCI Europe Australasia Far East Index (MSCI EAFE) by 200 basis points 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 business 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 WVIMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

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

International Qualified Pool

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 WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares of a commingled equity fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2024, was \$1,136,655. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (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

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 June 30, 2024:

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 530,656 |
| Public Employees' Retirement System | 482,719 |
| State Police Death, Disability and Retirement Fund | 43,888 |
| State Police Retirement System | 19,375 |
| Deputy Sheriff's Retirement System | 18,712 |
| Judges' Retirement System | 16,309 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 13,275 |
| Emergency Medical Services Retirement System | 7,560 |
| Municipal Police Officers' and Firefighters' Retirement System | 2,421 |
| Natural Resources Police Officer Retirement System | 1,698 |
| Total | <u>\$ 1,136,613</u> |

AUDITED FINANCIAL STATEMENTS
June 30, 2024

E

INTERNATIONAL NONQUALIFIED POOL



International Nonqualified Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis E-1

Statement of Net Position E-3

Statement of Changes in Net Position E-4

Notes to Financial Statements E-5



Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's International Nonqualified Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Nonqualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages E-1 through E-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

International Nonqualified Pool

Management’s Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state’s Workers’ Compensation and Coal Workers’ Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities’ monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB’s International Nonqualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants’ interest in the Pool’s net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 188,940 | \$ 203,149 |
| Total liabilities | (7) | (7) |
| Net position | <u>\$ 188,933</u> | <u>\$ 203,142</u> |

International Nonqualified Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$14,209 results from net investment income of \$15,734 and a net decrease from unit transactions of \$29,943.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 16,931 | \$ 30,663 |
| Expenses | (1,197) | (1,151) |
| Net investment income | 15,734 | 29,512 |
| Net units redeemed | (29,943) | (9,945) |
| Increase (decrease) in net position | (14,209) | 19,567 |
| Net position, beginning of year | 203,142 | 183,575 |
| Net position, end of year | \$ 188,933 | \$ 203,142 |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 9.3 percent, down from 17.0 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 85.27 | \$ 72.88 |
| Net investment income | 8.00 | 12.39 |
| Net position, end of year | \$ 93.27 | \$ 85.27 |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.62% | 0.62% |
|---|-------|-------|

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

International Nonqualified Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | | |
|--|----|---------|
| Investment in commingled equity fund at fair value | \$ | 188,940 |
|--|----|---------|

Liabilities

| | | |
|------------------|--|----------|
| Accrued expenses | | <u>7</u> |
|------------------|--|----------|

| | | |
|---------------------|-----------|-----------------------|
| Net position | \$ | <u>188,933</u> |
|---------------------|-----------|-----------------------|

Unit data

| | | |
|-------------------|--|-----------|
| Units outstanding | | 2,025,642 |
|-------------------|--|-----------|

| | | |
|--------------------------|----|--------------|
| Net position, unit price | \$ | <u>93.27</u> |
|--------------------------|----|--------------|

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position Year Ended June 30, 2024 *(Amounts in thousands)*

Investment income

| | |
|---|-----------|
| Net increase in fair value of investments | \$ 16,931 |
|---|-----------|

Expenses

| | |
|-------------------------|---------|
| Investment advisor fees | (1,140) |
|-------------------------|---------|

| | |
|-------------------------------------|-------------|
| Management and other allocated fees | <u>(57)</u> |
|-------------------------------------|-------------|

| | |
|-----------------------|----------------|
| Total expenses | <u>(1,197)</u> |
|-----------------------|----------------|

| | |
|------------------------------|--------|
| Net investment income | 15,734 |
|------------------------------|--------|

Unit transactions

| | |
|-----------------------------|--------|
| Proceeds from sale of units | 32,490 |
|-----------------------------|--------|

| | |
|-------------------------------------|-----------------|
| Amount paid for repurchase of units | <u>(62,433)</u> |
|-------------------------------------|-----------------|

| | |
|--|-----------------|
| Net decrease from unit transactions | <u>(29,943)</u> |
|--|-----------------|

| | |
|---------------------------------|----------|
| Decrease in net position | (14,209) |
|---------------------------------|----------|

| | |
|--|----------------|
| Net position, beginning of year | <u>203,142</u> |
|--|----------------|

| | |
|----------------------------------|--------------------------|
| Net position, end of year | <u><u>\$ 188,933</u></u> |
|----------------------------------|--------------------------|

See accompanying notes to financial statements.

International Nonqualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's International Nonqualified Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 MSCI Europe Australasia Far East Index (MSCI EAFE) by 200 basis points 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 business 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 WVIMB reports its investments at fair value in accordance with GASB Statement No. 72. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

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

International Nonqualified Pool

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 WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares of a commingled equity fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2024, was \$188,940. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (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

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. SCHEDULE OF PARTICIPATION

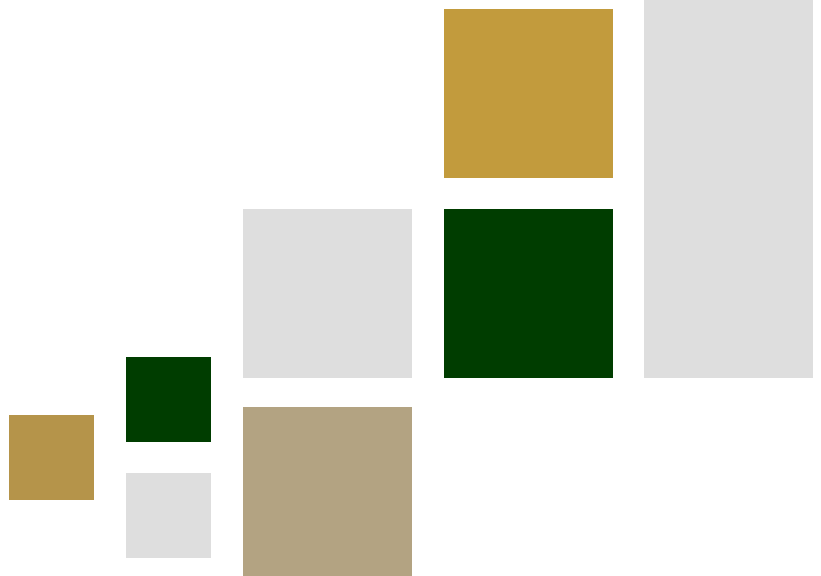
The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| West Virginia Retiree Health Benefit Trust Fund | \$ 109,096 |
| Workers' Compensation Old Fund | 25,842 |
| Revenue Shortfall Reserve Fund - Part B | 11,800 |
| West Virginia Department of Environmental Protection Agency | 11,074 |
| Revenue Shortfall Reserve Fund | 7,303 |
| Coal Workers' Pneumoconiosis Fund | 6,224 |
| Wildlife Endowment Fund | 4,187 |
| Public Employees Insurance Agency | 3,604 |
| Board of Risk and Insurance Management | 2,780 |
| West Virginia State Parks and Recreation Endowment Fund | 2,608 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 1,559 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 1,233 |
| West Virginia Department of Environmental Protection Trust | 674 |
| Workers' Compensation Uninsured Employers' Fund | 567 |
| Berkeley County Development Authority | 382 |
| Total | <u>\$ 188,933</u> |

AUDITED FINANCIAL STATEMENTS
June 30, 2024

F

INTERNATIONAL EQUITY POOL



International Equity Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis F-1

Statement of Net Position F-3

Statement of Changes in Net Position F-4

Notes to Financial Statements F-5



Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's International Equity Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024 and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages F-1 through F-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

August 26, 2024

International Equity Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's International Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The objective of the Pool is to outperform the international equity market as measured by the MSCI All Country World Index Ex U.S. (MSCI ACWI ex U.S.) over a full market cycle (three- to five-years), net of external investment management fees.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 3,131,911 | \$ 2,819,438 |
| Other assets | 43,691 | 45,431 |
| Total assets | 3,175,602 | 2,864,869 |
| Total liabilities | (71,564) | (123,538) |
| Net position | \$ 3,104,038 | \$ 2,741,331 |

International Equity Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$362,707 results from net investment income of \$474,924 and a net decrease from unit transactions of \$112,217.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 494,704 | \$ 303,951 |
| Expenses | (19,780) | (20,967) |
| Net investment income | 474,924 | 282,984 |
| Net units redeemed | (112,217) | (335,813) |
| Increase (decrease) in net position | 362,707 | (52,829) |
| Net position, beginning of year | 2,741,331 | 2,794,160 |
| Net position, end of year | \$ 3,104,038 | \$ 2,741,331 |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 17.4 percent, up from 9.0 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 37.81 | \$ 34.68 |
| Net investment income | 6.60 | 3.13 |
| Net position, end of year | \$ 44.41 | \$ 37.81 |

| Supplemental Data: | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.57% | 0.58% |

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

International Equity Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | |
|---------------------------------------|------------------|
| Investments, at fair value: | |
| Equity investments | \$ 3,036,735 |
| Money market mutual fund | 47,955 |
| Securities lending collateral | 47,221 |
| Cash (restricted: \$5,253) | 11,382 |
| Receivables: | |
| Dividends and other investment income | 22,538 |
| Investments sold | 9,771 |
| | <hr/> |
| Total assets | 3,175,602 |

Liabilities

| | |
|--|---------------------|
| Accrued capital gains taxes | 10,261 |
| Accrued expenses | 4,133 |
| Payable for investments purchased | 9,949 |
| Payable upon return of securities loaned | 47,221 |
| | <hr/> |
| Total liabilities | 71,564 |
| | <hr/> |
| Net position | \$ 3,104,038 |

Unit data

| | |
|--------------------------|------------|
| Units outstanding | 69,895,362 |
| Net position, unit price | \$ 44.41 |

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Position

Year Ended June 30, 2024

(Amounts in thousands)

Investment income

| | | |
|---|----|----------------|
| Net increase in fair value of investments | \$ | 396,241 |
| Dividends | | 94,725 |
| Securities lending income | | <u>3,738</u> |
| Total investment income | | 494,704 |

Expenses

| | | |
|-------------------------------------|--|------------------------|
| Investment advisor fees | | (14,212) |
| Custodian bank fees | | (1,322) |
| Management and other allocated fees | | (845) |
| Professional service fees - direct | | (1) |
| Securities lending expenses | | <u>(3,400)</u> |
| Total expenses | | <u>(19,780)</u> |

Net investment income 474,924

Unit transactions

| | | |
|--|--|-------------------------|
| Proceeds from sale of units | | 310,512 |
| Amount paid for repurchase of units | | <u>(422,729)</u> |
| Net decrease from unit transactions | | <u>(112,217)</u> |

Increase in net position 362,707

Net position, beginning of year 2,741,331

Net position, end of year \$ 3,104,038

See accompanying notes to financial statements.

International Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's International Equity Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 MSCI All Country World Index Ex U.S. (MSCI ACWI ex U.S.) over a full market cycle (three- to five-years), net of external investment management fees. Assets are managed by Acadian Asset Management, Axiom International Investors, LSV Asset Management, Numeric Investors, and Oberweis Asset Management.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The WVIMB 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 investments 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 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 WVIMB'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

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 WVIMB, 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 capital is preserved and liquidity is maintained. 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 WVIMB 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 WVIMB has the right under the lending agreement to recover the securities from the borrower on demand. The WVIMB 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 WVIMB 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 WVIMB 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. 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.

International Equity 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 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 WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2024.

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 WVIMB is liable for capital gains taxes, the WVIMB 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 in the fair value of investments is reported net of capital gains taxes on the Statement of Changes in Net Position.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool's money market mutual fund investment and the Cash Collateral Account are exposed to credit risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2024, the Pool was in compliance with this restriction and not exposed to concentration of credit risk.

Custodial Credit Risk

The Pool is exposed to custodial credit risk from its uninsured and uncollateralized cash balances. As of June 30, 2024, \$11,382 of the Pool's cash balance was exposed to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent for U.S. dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB and thus not subject to custodial credit risk.

Interest Rate Risk

The Pool is exposed to interest rate risk from its money market mutual fund investment and from the Cash Collateral Account. As of June 30, 2024, the money market mutual fund's weighted average maturity (WAM) was 35 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2024, the WAM for the Cash Collateral Account was 3 days.

International Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Foreign Currency Risk

The Pool has equity investments, cash, and foreign currency spot contracts that are exposed to foreign currency risk. The amounts at fair value (in U.S. dollars) of equity investments, cash, and foreign currency spot contracts as of June 30, 2024 were as follows:

| Currency | Equity Investments | Cash | Foreign Currency Spot Contracts | Total |
|-----------------------|--------------------|-----------|------------------------------------|--------------|
| Australian Dollar | \$ 72,518 | \$ 110 | \$ - | \$ 72,628 |
| Brazilian Real | 79,546 | 354 | (1) | 79,899 |
| British Pound | 196,772 | 515 | - | 197,287 |
| Canadian Dollar | 104,643 | 53 | - | 104,696 |
| Chilean Peso | - | 1 | - | 1 |
| Chinese Yuan Offshore | 56,400 | 317 | - | 56,717 |
| Chinese Yuan Onshore | - | 17 | - | 17 |
| Danish Krone | 29,388 | 7 | - | 29,395 |
| Egyptian Pound | 27 | - | - | 27 |
| Emirati Dirham | 34,887 | 7 | - | 34,894 |
| Euro Currency Unit | 430,287 | 654 | - | 430,941 |
| Hong Kong Dollar | 244,357 | 396 | - | 244,753 |
| Hungarian Forint | 4,850 | 217 | - | 5,067 |
| Indian Rupee | 292,048 | 39 | - | 292,087 |
| Indonesian Rupiah | 22,583 | 234 | - | 22,817 |
| Israeli Shekel | 7,326 | 3 | - | 7,329 |
| Japanese Yen | 320,699 | 1,469 | - | 322,168 |
| Kuwaiti Dinar | 2,454 | 134 | - | 2,588 |
| Malaysian Ringgit | 12,913 | 14 | - | 12,927 |
| Mexican Peso | 18,532 | 140 | - | 18,672 |
| New Taiwan Dollar | 309,283 | 243 | (8) | 309,518 |
| New Zealand Dollar | 56 | - | - | 56 |
| Norwegian Krone | 34,106 | 154 | - | 34,260 |
| Philippine Peso | 7,715 | 24 | - | 7,739 |
| Polish Zloty | 19,042 | - | - | 19,042 |
| Qatari Riyal | 1,248 | - | - | 1,248 |
| Russian Ruble* | - | 5,253 | - | 5,253 |
| Saudi Arabian Riyal | 36,742 | 212 | - | 36,954 |
| Singapore Dollar | 16,778 | 10 | - | 16,788 |
| South African Rand | 15,479 | 2 | - | 15,481 |
| South Korean Won | 259,245 | 24 | (1) | 259,268 |
| Swedish Krona | 50,838 | 54 | - | 50,892 |
| Swiss Franc | 85,261 | 582 | - | 85,843 |
| Thailand Baht | 35,154 | 4 | - | 35,158 |
| Turkish Lira | 19,140 | 130 | - | 19,270 |
| Total | \$ 2,820,317 | \$ 11,373 | \$ (10) | \$ 2,831,680 |
| U.S. Dollar | 216,418 | 9 | - | 216,427 |
| Total | \$ 3,036,735 | \$ 11,382 | \$ (10) | \$ 3,048,107 |

*Cash is reported as restricted on the Statement of Net Position

International Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2024:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|---------------------|------------------|-------------|---------------------|
| Common stock | \$ 3,005,519 | \$ - | \$ - | \$ 3,005,519 |
| Money market mutual fund | 47,955 | - | - | 47,955 |
| Preferred stock | 31,216 | - | - | 31,216 |
| Securities lending collateral | - | 47,221 | - | 47,221 |
| Total | <u>\$ 3,084,690</u> | <u>\$ 47,221</u> | <u>\$ -</u> | <u>\$ 3,131,911</u> |

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2024:

| | Fair Value |
|---------------------------|-------------------|
| Securities on loan | \$ 102,272 |
| Collateral received: | |
| Cash | \$ 47,221 |
| Non-cash | 60,052 |
| Total collateral received | <u>\$ 107,273</u> |

NT, as agent for the WVIMB, loans the WVIMB'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 WVIMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

International Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 6. SCHEDULE OF PARTICIPATION

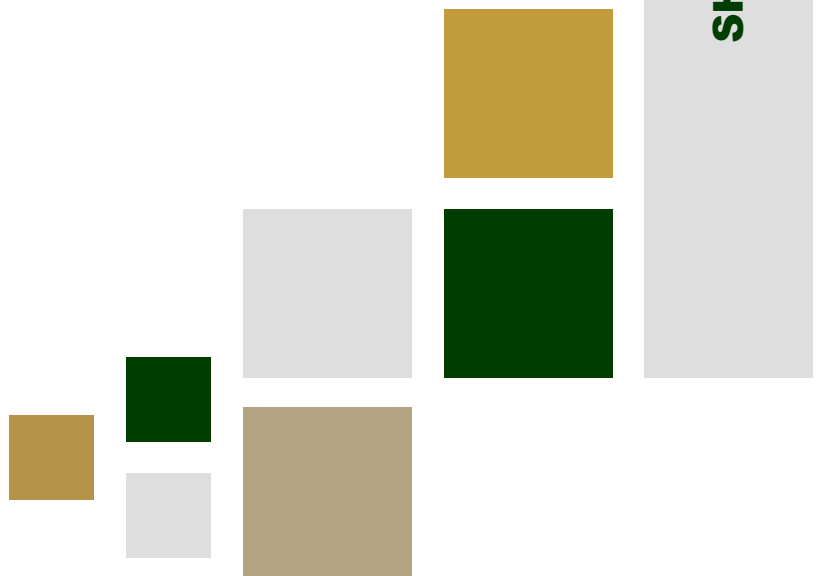
The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 1,256,842 |
| Public Employees' Retirement System | 1,142,068 |
| West Virginia Retiree Health Benefit Trust Fund | 238,435 |
| State Police Death, Disability and Retirement Fund | 104,061 |
| Workers' Compensation Old Fund | 56,736 |
| State Police Retirement System | 45,920 |
| Deputy Sheriff's Retirement System | 44,262 |
| Judges' Retirement System | 38,598 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 31,466 |
| Revenue Shortfall Reserve Fund - Part B | 25,754 |
| West Virginia Department of Environmental Protection Agency | 24,213 |
| Emergency Medical Services Retirement System | 17,917 |
| Revenue Shortfall Reserve Fund | 15,967 |
| Coal Workers' Pneumoconiosis Fund | 13,601 |
| Wildlife Endowment Fund | 9,148 |
| Public Employees Insurance Agency | 7,868 |
| Board of Risk and Insurance Management | 6,077 |
| Municipal Police Officers' and Firefighters' Retirement System | 5,738 |
| West Virginia State Parks and Recreation Endowment Fund | 5,697 |
| Natural Resources Police Officer Retirement System | 4,022 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 3,411 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 2,691 |
| West Virginia Department of Environmental Protection Trust | 1,471 |
| Workers' Compensation Uninsured Employers' Fund | 1,238 |
| Berkeley County Development Authority | 837 |
| Total | <u>\$ 3,104,038</u> |

AUDITED FINANCIAL STATEMENTS
June 30, 2024

G

SHORT-TERM FIXED INCOME POOL



Short-Term Fixed Income Pool

Audited Financial Statements June 30, 2024

Table of Contents

| | |
|--------------------------------------|-----|
| Report of Independent Auditors | |
| Management's Discussion and Analysis | G-1 |
| Statement of Net Position | G-3 |
| Statement of Changes in Net Position | G-4 |
| Notes to Financial Statements | G-5 |

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Short-Term Fixed Income Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Short-Term Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages G-1 through G-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

Short-Term Fixed Income Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's Short-Term Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The main objective of the Pool is to 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 WVIMB 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 Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 263,464 | \$ 186,609 |
| Other assets | 35 | 10 |
| Total assets | 263,499 | 186,619 |
| Total liabilities | (26) | (21) |
| Net position | \$ 263,473 | \$ 186,598 |

Short-Term Fixed Income Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the interest rates on short-term fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$76,875 results from net investment income of \$10,257, a decrease from distributions to unitholders of \$10,257, and a net increase from unit transactions of \$76,875.

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

| Condensed Changes in Net Position | Years Ended | |
|-----------------------------------|---------------|---------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 10,362 | \$ 5,831 |
| Expenses | (105) | (88) |
| Net investment income | 10,257 | 5,743 |
| Distributions to unitholders | (10,257) | (5,743) |
| Net units issued | 76,875 | 41,179 |
| Increase in net position | 76,875 | 41,179 |
| Net position, beginning of year | 186,598 | 145,419 |
| Net position, end of year | \$ 263,473 | \$ 186,598 |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 5.4 percent, up from 3.7 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|---------------------------------|---------------|---------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 1.00 | \$ 1.00 |
| Net investment income | 0.05 | 0.04 |
| Distributions to unitholders | (0.05) | (0.04) |
| Net position, end of year | \$ 1.00 | \$ 1.00 |

Supplemental Data:

| | | |
|---|---------|---------|
| Ratio of expenses to average net position | 0.05% | 0.05% |
| Weighted average maturity (WAM) | 8 days | 9 days |
| Maximum WAM per WVIMB Board guidelines | 60 days | 60 days |
| Money market yield (a) | 5.32% | 4.94% |

- (a) The money market yield represents the rate of income, net of expenses, earned over the past month divided by the average shares outstanding and is not intended to indicate future performance. The return is annualized over a 365-day or 366-day year, assuming no reinvestment of earnings.

Short-Term Fixed Income Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | | |
|---------------------------------|---------------------|---------|
| Investments, at amortized cost: | | |
| U.S. Government agency bonds | \$ | 149,920 |
| U.S. Treasury issues | | 81,814 |
| Repurchase agreement | | 31,730 |
| Cash | | 16 |
| Interest receivable | | 19 |
| | | <hr/> |
| | Total assets | 263,499 |

Liabilities

| | | |
|------------------|--------------------------|-------|
| Accrued expenses | | 26 |
| | | <hr/> |
| | Total liabilities | 26 |

Net position \$ 263,473

Unit data

| | | |
|--------------------------|----|-------------|
| Units outstanding | | 263,473,222 |
| Net position, unit price | \$ | 1.00 |
| | | <hr/> <hr/> |

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Changes in Net Position
Year Ended June 30, 2024
(Amounts in thousands)

Investment income

Interest \$ 10,362

Expenses

Investment advisor fees (97)

Custodian bank fees (8)

Total expenses (105)

Net investment income 10,257

Distributions to unitholders (10,257)

Unit transactions

Proceeds from sale of units 1,851,006

Reinvestment of distributions 10,257

Amount paid for repurchase of units (1,784,388)

Net increase from unit transactions 76,875

Increase in net position 76,875

Net position, beginning of year 186,598

Net position, end of year \$ 263,473

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's Short-Term Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 WVIMB 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 Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index. JP Morgan Investment Advisors manages the Pool.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The WVIMB 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 as such securities would not ordinarily be expected to fluctuate significantly in value. The Pool values its securities at amortized cost so long as the deviation between the amortized cost and current market value remains minimal and results in the computation of a share price that represents fairly the stable net position value per share of \$1. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the WVIMB'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 WVIMB 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.

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. Management's policy is for the Pool to maintain a stable unit price of \$1 per unit. If the calculated unit price rounds to \$1, then participant transactions are executed at this price.

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

Expenses - The WVIMB'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 WVIMB pays all expenses on behalf of the Pool.

Income Taxes - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The WVIMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the Pool must have at least 10 percent of its assets in U.S. Treasury issues. At June 30, 2024, the Pool held no corporate bonds or commercial paper and approximately 31 percent of its total assets in U.S. Treasury issues. Repurchase agreements are collateralized by United States Treasury bonds. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. All of the Pool's investments had the highest credit ratings as of June 30, 2024.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2024, the Pool was in compliance with this restriction and not exposed to concentration of credit risk.

Custodial Credit Risk

The Pool is exposed to custodial credit risk from its uninsured and uncollateralized cash balances. As of June 30, 2024, \$16 of the Pool's cash balance was exposed to custodial credit risk. Repurchase agreements are collateralized at 102 percent and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB and thus not subject to custodial credit risk.

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments. The WVIMB monitors interest rate risk of the Pool by limiting the weighted average maturity (WAM) of the investments of the Pool to 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the WAM for the different asset types in the Pool as of June 30, 2024:

| Investment Type | Carrying Value | WAM (days) |
|------------------------------|----------------|------------|
| Repurchase agreement | \$ 31,730 | 1 |
| U.S. Government agency bonds | 149,920 | 5 |
| U.S. Treasury issues | 81,814 | 17 |
| Total investments | \$ 263,464 | 8 |

Foreign Currency Risk

The Pool is not subject to foreign currency risk.

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investments in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2024:

| <u>Assets</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------|----------------|-------------------|----------------|-------------------|
| Repurchase agreement | \$ - | \$ 31,730 | \$ - | \$ 31,730 |
| U.S. Government agency bonds | - | 149,920 | - | 149,920 |
| U.S. Treasury issues | - | 81,814 | - | 81,814 |
| Total | <u>\$ -</u> | <u>\$ 263,464</u> | <u>\$ -</u> | <u>\$ 263,464</u> |

Short-Term Fixed Income Pool

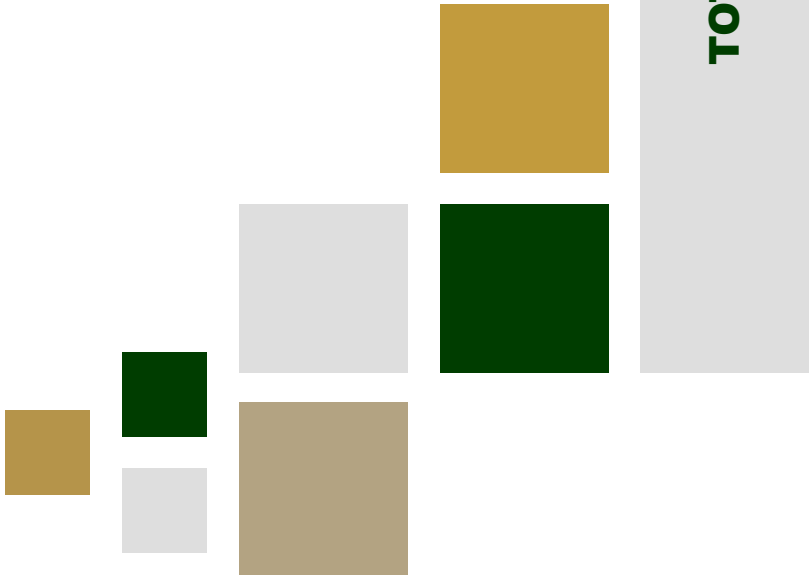
Notes to Financial Statements (Amounts in thousands)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 115,303 |
| Revenue Shortfall Reserve Fund | 60,042 |
| Workers' Compensation Old Fund | 33,259 |
| Public Employees' Retirement System | 26,602 |
| Coal Workers' Pneumoconiosis Fund | 8,437 |
| Board of Risk and Insurance Management | 4,455 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 2,299 |
| State Police Retirement System | 2,151 |
| Deputy Sheriff's Retirement System | 1,958 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 1,938 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 1,304 |
| Emergency Medical Services Retirement System | 1,185 |
| Workers' Compensation Uninsured Employers' Fund | 997 |
| State Police Death, Disability and Retirement Fund | 983 |
| Municipal Police Officers' and Firefighters' Retirement System | 900 |
| West Virginia State Parks and Recreation Endowment Fund | 667 |
| Judges' Retirement System | 444 |
| Natural Resources Police Officer Retirement System | 412 |
| Wildlife Endowment Fund | 134 |
| Public Employees Insurance Agency | 1 |
| Revenue Shortfall Reserve Fund - Part B | 1 |
| West Virginia Department of Environmental Protection Agency | 1 |
| Total | <u>\$ 263,473</u> |

AUDITED FINANCIAL STATEMENTS
June 30, 2024



TOTAL RETURN FIXED INCOME POOL

Total Return Fixed Income Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis H-1

Statement of Net Position H-3

Statement of Changes in Net Position H-4

Notes to Financial Statements H-5

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board’s Total Return Fixed Income Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Total Return Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages H-1 through H-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

Total Return Fixed Income Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's Total Return Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|---------------------------------------|----------------------|----------------------|
| Investments | \$ 2,769,352 | \$ 2,382,426 |
| Derivatives | 39,015 | 48,027 |
| Other assets | 74,654 | 46,856 |
| Total assets | 2,883,021 | 2,477,309 |
| Derivatives and securities sold short | (58,852) | (57,890) |
| Other liabilities | (296,803) | (133,291) |
| Total liabilities | (355,655) | (191,181) |
| Net position | \$ 2,527,366 | \$ 2,286,128 |

Total Return Fixed Income Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$241,238 results from net investment income of \$131,454 and a net increase from unit transactions of \$109,784.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 141,014 | \$ 52,286 |
| Expenses | (9,560) | (9,858) |
| Net investment income | 131,454 | 42,428 |
| Net units issued (redeemed) | 109,784 | (511,535) |
| Increase (decrease) in net position | 241,238 | (469,107) |
| Net position, beginning of year | 2,286,128 | 2,755,235 |
| Net position, end of year | <u>\$ 2,527,366</u> | <u>\$ 2,286,128</u> |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 5.8 percent, up from 2.6 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 16.08 | \$ 15.68 |
| Net investment income | 0.93 | 0.40 |
| Net position, end of year | <u>\$ 17.01</u> | <u>\$ 16.08</u> |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.26% | 0.25% |
|---|-------|-------|

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

Total Return Fixed Income Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | |
|--|------------------|
| Investments, at fair value: | |
| Fixed income investments | \$ 2,649,847 |
| Derivative instruments | 39,015 |
| Equity investments | 12,847 |
| Money market mutual fund | 58,044 |
| Securities lending collateral | 48,614 |
| Cash (restricted: \$767) | 11,115 |
| Cash due from broker, net | 17,870 |
| Receivables: | |
| Interest, dividends, and other investment income | 13,942 |
| Investments sold | 31,727 |
| | <hr/> |
| Total assets | 2,883,021 |

Liabilities

| | |
|---|---------------------|
| Investments in derivative instruments at fair value | 32,798 |
| Securities sold short at fair value | 26,054 |
| Accrued expenses | 1,474 |
| Payable for investments purchased | 246,715 |
| Payable upon return of securities loaned | 48,614 |
| | <hr/> |
| Total liabilities | 355,655 |
| | <hr/> |
| Net position | \$ 2,527,366 |

Unit data

| | |
|--------------------------|------------------------|
| Units outstanding | 148,611,946 |
| Net position, unit price | <u><u>\$ 17.01</u></u> |

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Position

Year Ended June 30, 2024

(Amounts in thousands)

Investment income

| | |
|---|--------------|
| Net increase in fair value of investments | \$ 32,201 |
| Interest and dividends | 104,967 |
| Securities lending income | <u>3,846</u> |

Total investment income 141,014

Expenses

| | |
|-------------------------------------|----------------|
| Investment advisor fees | (5,266) |
| Custodian bank fees | (146) |
| Management and other allocated fees | (717) |
| Professional service fees - direct | (9) |
| Securities lending expenses | <u>(3,422)</u> |

Total expenses (9,560)

Net investment income 131,454

Unit transactions

| | |
|-------------------------------------|------------------|
| Proceeds from sale of units | 270,499 |
| Amount paid for repurchase of units | <u>(160,715)</u> |

Net increase from unit transactions 109,784

Increase in net position 241,238

Net position, beginning of year 2,286,128

Net position, end of year \$ 2,527,366

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's Total Return Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

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

Fair value of the Pool's investments 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 WVIMB's established procedures.

Total Return Fixed Income Pool

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 cash amounts due to or from brokers on the Statement of Net Position as Cash due to/from broker. Such amounts are required by brokers for collateral on certain derivative instruments and/or on forward-settling mortgage-backed securities, considered restricted, and reported net.

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 WVIMB, 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 capital is preserved and liquidity is maintained. 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 WVIMB 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 WVIMB has the right under the lending agreement to recover the securities from the borrower on demand. The WVIMB 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 WVIMB 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.

Option Contracts - The WVIMB 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.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 WVIMB 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 WVIMB maintains sufficient levels of cash or cash equivalents to meet cash flow obligations.

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 WVIMB is required to pledge collateral 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 WVIMB'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 WVIMB enters into foreign currency spot contracts that correspond to investment transactions trading in foreign currencies and to repatriate income. The WVIMB 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.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the WVIMB'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 WVIMB may be delayed or limited.

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

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 any combination of collateralized mortgage obligations (CMO), including interest-only (IO) and/or principal-only (PO) tranches, asset-backed securities (ABS), mortgage-backed securities (MBS), forward-settling MBS that are commonly known as to-be-announced securities (TBAs), 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 WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2024.

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 WVIMB is liable for capital gains taxes, the WVIMB 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. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average long-term credit rating of BBB (investment grade) and/or a short-term credit rating of A-2 (Tier II) as defined by a nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The Pool held some securities in which the aforementioned rating agencies withdrew their credit rating and other securities that did not receive a credit rating. These securities have been listed as withdrawn or not rated, as applicable, in the table below. Credit ratings can be withdrawn for a variety of reasons including incorrect or insufficient information is available from the issuer to support the rating, bankruptcy or default, the size of a structured security falls below a level specified in the rating agencies methodology, or for business reasons of the rating agency. Business reasons generally do not reflect any concerns about a security's creditworthiness and the absence or lack of a rating does not necessarily indicate a greater degree of risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2024:

| Rating | Fair Value |
|--------------------------------|--------------|
| <i>Long-term</i> | |
| AAA | \$ 58,419 |
| AA | 1,278,656 |
| A | 111,303 |
| BBB | 491,247 |
| BB | 325,290 |
| B | 119,098 |
| CCC | 27,439 |
| CC | 9,868 |
| D | 3,080 |
| <i>Short-term</i> | |
| A-1 | 149,038 |
| Total rated | 2,573,438 |
| Not rated | 69,460 |
| Withdrawn | 6,949 |
| Total fixed income investments | \$ 2,649,847 |

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2024, the Pool was in compliance with this restriction and not exposed to concentration of credit risk.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Custodial Credit Risk

The Pool is exposed to custodial credit risk from its uninsured and uncollateralized cash balances, including cash pledged as collateral on derivative instruments. As of June 30, 2024, \$29,139 of the Pool's cash balance was exposed to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. Securities on loan are collateralized to a minimum of 102 percent for U.S. dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. Investments in commingled debt funds, money market mutual funds, and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian, or by the counterparty if the securities were pledged as non-cash collateral on derivative instruments, in the name of the WVIMB and thus not subject to custodial credit risk.

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. As of June 30, 2024, the money market mutual fund had a weighted average maturity (WAM) of 35 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2024, the WAM for the Cash Collateral Account was 3 days.

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation makes assumptions regarding the most likely timing of variable cash flows, which is particularly useful for measuring the interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, collateralized mortgage obligations, and variable-rate debt. The following table provides the weighted average effective duration for the various asset types in the Pool as of June 30, 2024:

| Investment Type | Fair Value | Effective Duration (years) |
|---|---------------------|----------------------------|
| Bank loans | \$ 3,120 | 1.8 |
| Commingled debt funds | 165,991 | 2.9 |
| Corporate ABS | 53,932 | 1.9 |
| Corporate CMO | 71,968 | 1.5 |
| Foreign ABS | 112,946 | (0.1) |
| Foreign corporate bonds | 273,674 | 4.5 |
| Foreign government bonds | 233,006 | 5.1 |
| Municipal bonds | 12,057 | 6.5 |
| Repurchase agreement | 21,000 | 0.0* |
| U.S. corporate bonds | 306,350 | 4.6 |
| U.S. Government agency bonds | 2,035 | 0.0* |
| U.S. Government agency CMO | 93,028 | 1.2 |
| U.S. Government agency CMO IO | 9,974 | 2.7 |
| U.S. Government agency MBS | 543,408 | 5.7 |
| U.S. Government agency TBAs | 216,730 | 6.5 |
| U.S. Treasury issues | 518,814 | 9.4 |
| U.S. Treasury inflation protected securities (TIPS) | 11,814 | 12.6 |
| Total fixed income investments | <u>\$ 2,649,847</u> | |

*Rounds to less than 0.05

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2024, the Pool held \$1,101,986 of these securities, which represents approximately 42 percent of the value of the Pool's fixed income securities.

Foreign Currency Risk

The Pool has foreign fixed income investments, foreign equity investments, and cash that is denominated in foreign currencies that are exposed to foreign currency risk. Foreign denominated derivative instruments are disclosed in Note 4. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain commingled debt funds. Approximately \$37,134, or 22 percent, of the commingled debt funds hold substantially all of their investments in securities denominated in foreign currencies. This represents approximately 1 percent of the value of the Pool's fixed income securities.

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2024, are as follows:

| Currency | Foreign Fixed Income | Common Stock | Cash | Net Cash Due To/From Broker | Total |
|--------------------|-------------------------|-----------------|-----------|-----------------------------------|------------|
| Argentine Peso | \$ - | \$ - | \$ 6 | \$ - | \$ 6 |
| Australian Dollar | - | - | 1,536 | 431 | 1,967 |
| Brazilian Real | 55,230 | - | - | - | 55,230 |
| British Pound | - | 369 | 1,726 | 298 | 2,393 |
| Canadian Dollar | - | - | 1,080 | - | 1,080 |
| Colombian Peso | 3,421 | - | - | - | 3,421 |
| Dominican Peso | 4,372 | - | - | - | 4,372 |
| Egyptian Pound | 2,130 | - | - | - | 2,130 |
| Euro Currency Unit | 30,842 | - | 2,005 | 253 | 33,099 |
| Georgian Lari | 720 | - | - | - | 720 |
| Hungarian Forint | 1,795 | - | - | - | 1,795 |
| Indonesian Rupiah | 1,615 | - | - | - | 1,615 |
| Jamaican Dollar | 2,189 | - | - | - | 2,189 |
| Japanese Yen | 4,339 | - | 1,219 | 2,048 | 7,606 |
| Kazakhstani Tenge | 4,498 | - | - | - | 4,498 |
| Mexican Peso | 36,585 | - | 2,305 | 3,881 | 42,771 |
| New Zealand Dollar | - | - | 742 | - | 742 |
| Peruvian Nuevo Sol | 2,343 | - | - | - | 2,343 |
| Polish Zloty | 3,047 | - | - | - | 3,047 |
| Russian Ruble* | - | - | 767 | - | 767 |
| South African Rand | 10,324 | - | 3 | - | 10,327 |
| Swedish Krona | - | - | 420 | - | 420 |
| Uruguayan Peso | 2,629 | - | - | - | 2,629 |
| Uzbekistani Som | 3,681 | - | - | - | 3,681 |
| Total | \$ 169,760 | \$ 369 | \$ 11,809 | \$ 6,911 | \$ 188,848 |
| U.S. Dollar | 452,986 | - | (694) | 10,959 | 463,251 |
| Total | \$ 622,746 | \$ 369 | \$ 11,115 | \$ 17,870 | \$ 652,099 |

* Cash is reported as restricted on the Statement of Net Position

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. DERIVATIVE INSTRUMENTS

Derivative 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 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 instruments include interest rate, foreign exchange rate, and market price risks. See Note 2 for additional information on the Pool's purpose for entering into derivatives and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value, the net increase (decrease) in fair value, and the notional amount of derivative instruments as of and for the year ended June 30, 2024:

| Derivative Type | Fair Value | Net Increase (Decrease) in Fair Value of Investments | Notional Value (in USD) |
|--|------------|---|----------------------------|
| Forwards: | | | |
| Foreign currency forward contracts | \$ 4,581 | \$ 5,136 | \$ 152,327 |
| Futures contracts: | | | |
| Fixed income futures long | (601) | (23,156) | 1,441,502 |
| Fixed income futures short | 268 | 24,797 | (808,732) |
| Options contracts: | | | |
| Fixed income options purchased | 1,869 | (18,480) | 454,247 |
| Fixed income options written | (2,884) | 25,494 | (511,505) |
| Credit default swaptions purchased | - | (403) | - |
| Credit default swaptions written | - | 497 | - |
| Interest rate swaptions purchased | 121 | 141 | (2,314) |
| Interest rate swaptions written | (115) | 398 | 5,435 |
| Swaps: | | | |
| Credit default swaps protection buyer | (515) | 185 | 29,871 |
| Credit default swaps protection seller | 369 | 240 | 11,629 |
| Interest rate swaps | 3,316 | 21,414 | 1,003,005 |
| Total return swaps | (192) | (192) | 11,368 |
| Total derivatives | \$ 6,217 | \$ 36,071 | |

Credit Risk

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 a 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 year-end that were entered into pursuant to agreements that allow for such netting.

For financial reporting purposes, the Pool does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Net Position. The following table presents the Pool's derivative assets net of amounts available for offset under a netting provision and net of related collateral received by the Pool as of June 30, 2024:

| 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 | \$ 4,010 | \$ (68) | \$ (3,114) | \$ (553) | \$ 275 |
| Swaptions | 121 | (121) | - | - | - |
| Swaps | 21 | (21) | - | - | - |
| | \$ 4,152 | \$ (210) | \$ (3,114) | \$ (553) | \$ 275 |

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. DERIVATIVE INSTRUMENTS (continued)

Foreign currency forward contracts, certain swaps, and swaptions are exposed to counterparty credit risk. The WVIMB 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 instruments that are subject to counterparty credit risk as of June 30, 2024:

| Derivative Type | Counterparty Rating | Fair Value |
|--|---------------------|------------|
| Foreign currency forward contracts | A | \$ 5,079 |
| Foreign currency forward contracts | BBB | 747 |
| Interest rate swaptions purchased | A | 121 |
| Credit default swaps protection seller | A | 19 |

Interest Rate Risk

The following table provides the time to maturity for derivative instruments that are subject to interest rate risk as of June 30, 2024:

| Derivative Type | Fair Value | Investment Maturities (in years) | | | |
|-----------------------------------|-----------------|----------------------------------|-------------------|-------------------|-----------------|
| | | Under-1 | 1-5 | 6-10 | 10+ |
| Futures contracts: | | | | | |
| Fixed income futures long | \$ (601) | \$ 2,424 | \$ (3,025) | \$ - | \$ - |
| Fixed income futures short | 268 | (1,811) | 2,079 | - | - |
| Options contracts: | | | | | |
| Fixed income options purchased | 1,869 | 1,869 | - | - | - |
| Fixed income options written | (2,884) | (2,884) | - | - | - |
| Interest rate swaptions purchased | 121 | 121 | - | - | - |
| Interest rate swaptions written | (115) | (115) | - | - | - |
| Swaps: | | | | | |
| Interest rate swaps | 3,316 | (290) | (57) | (3,731) | 7,394 |
| | <u>\$ 1,974</u> | <u>\$ (686)</u> | <u>\$ (1,003)</u> | <u>\$ (3,731)</u> | <u>\$ 7,394</u> |

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

At June 30, 2024, 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 | \$ (290) |
| 3/18/2030 | Receive Fixed 3.65%, Pay Floating SOFR | 261,363 | (1,974) |
| 2/15/2048 | Receive Floating SOFR, Pay Fixed 3.05% | 43,390 | 5,148 |
| 5/15/2048 | Receive Floating SOFR, Pay Fixed 3.15% | 13,552 | 1,397 |
| 5/15/2032 | Receive Floating SOFR, Pay Fixed 3.22% | 59,282 | 2,896 |
| 3/18/2055 | Receive Floating SOFR, Pay Fixed 3.51% | 65,449 | 1,254 |
| 2/28/2031 | Receive Floating SOFR, Pay Fixed 3.87% | 96,896 | 586 |
| 4/30/2031 | Receive Floating SOFR, Pay Fixed 4.20% | 102,461 | (1,628) |
| | | <u>\$ 909,098</u> | <u>\$ 7,389</u> |

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. DERIVATIVE INSTRUMENTS (continued)

At June 30, 2024, the open positions in interest rate swaps denominated in foreign currencies were as follows:

| Maturity Date | Reference Rate | Notional (in USD) | Fair Value |
|---------------|---|----------------------|------------|
| 7/20/2029 | Receive Fixed 7.44%, Pay Floating MXN TIE | \$ 21,862 | \$ (1,847) |
| 7/18/2029 | Receive Fixed 7.45%, Pay Floating MXN TIE | 21,002 | (1,764) |
| 4/16/2029 | Receive Fixed 9.49%, Pay Floating MXN TIE | 22,641 | (57) |
| 10/27/2053 | Receive Floating JPY TONAR, Pay Fixed 1.75% | 28,402 | (405) |
| | | \$ 93,907 | \$ (4,073) |

Reference Rate Index Definitions:

SOFR: Secured Overnight Financing Rate

MXN TIE: Mexican Interbank Deposit Rate

JPY TONAR: Bank of Japan Unsecured Overnight Call Rate

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 instruments in foreign currencies as of June 30, 2024, are as follows:

| Currency | Foreign Currency Forward Contracts | Futures Contracts | Swap Contracts | Total |
|---------------------------------------|---|----------------------|-------------------|----------|
| Australian Dollar | \$ (47) | \$ (38) | \$ - | \$ (85) |
| Brazilian Real | 3,226 | - | - | 3,226 |
| British Pound | (11) | 72 | - | 61 |
| Canadian Dollar | 4 | - | - | 4 |
| Euro Currency Unit | 374 | (77) | (5) | 292 |
| Japanese Yen | 225 | 182 | (405) | 2 |
| Mexican Peso | 1,026 | - | (3,668) | (2,642) |
| South African Rand | (216) | - | - | (216) |
| Total foreign denominated derivatives | \$ 4,581 | \$ 139 | \$ (4,078) | \$ 642 |
| U.S. Dollar | - | (472) | 7,056 | 6,584 |
| Total | \$ 4,581 | \$ (333) | \$ 2,978 | \$ 7,226 |

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (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 June 30, 2024. The Pool's investments in commingled debt funds were valued using the NAV, and 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 5. FAIR VALUE MEASUREMENTS (continued)

| Assets | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|-------------------|---------------------|-----------------|---------------------|
| Bank loans | \$ - | \$ - | \$ 3,120 | \$ 3,120 |
| Corporate ABS residual | - | 1,094 | - | 1,094 |
| Corporate ABS | - | 53,932 | - | 53,932 |
| Corporate CMO | - | 71,968 | - | 71,968 |
| Corporate preferred securities | 11,384 | - | - | 11,384 |
| Foreign ABS | - | 111,833 | 1,113 | 112,946 |
| Foreign corporate bonds | - | 273,674 | - | 273,674 |
| Foreign currency forward contracts | - | 5,826 | - | 5,826 |
| Foreign equity investments | 369 | - | - | 369 |
| Foreign government bonds | - | 231,346 | 1,660 | 233,006 |
| Futures contracts | 6,271 | - | - | 6,271 |
| Money market mutual fund | 58,044 | - | - | 58,044 |
| Municipal bonds | - | 12,057 | - | 12,057 |
| Options contracts purchased | 1,869 | 121 | - | 1,990 |
| Repurchase agreement | - | 21,000 | - | 21,000 |
| Securities lending collateral | - | 48,614 | - | 48,614 |
| Swaps | - | 24,928 | - | 24,928 |
| U.S. corporate bonds | - | 306,350 | - | 306,350 |
| U.S. Government agency bonds | - | 2,035 | - | 2,035 |
| U.S. Government agency CMO | - | 93,028 | - | 93,028 |
| U.S. Government agency CMO IO | - | 9,974 | - | 9,974 |
| U.S. Government agency MBS | - | 543,408 | - | 543,408 |
| U.S. Government agency TBAs | - | 216,730 | - | 216,730 |
| U.S. Treasury issues | - | 518,814 | - | 518,814 |
| U.S. TIPS | - | 11,814 | - | 11,814 |
| Total | <u>\$ 77,937</u> | <u>\$ 2,558,546</u> | <u>\$ 5,893</u> | <u>\$ 2,642,376</u> |
| Commingled debt funds | | | | 165,991 |
| Total | | | | <u>\$ 2,808,367</u> |
| | | | | |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Foreign currency forward contracts | \$ - | \$ (1,245) | \$ - | \$ (1,245) |
| Futures contracts | (6,604) | - | - | (6,604) |
| Options contracts written | (2,884) | (115) | - | (2,999) |
| Securities sold short | - | (26,054) | - | (26,054) |
| Swaps | - | (21,950) | - | (21,950) |
| Total | <u>\$ (9,488)</u> | <u>\$ (49,364)</u> | <u>\$ -</u> | <u>\$ (58,852)</u> |

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2024. 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 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2024:

| | Fair Value |
|---------------------------|------------|
| Securities on loan | \$ 176,186 |
| Collateral received: | |
| Cash | \$ 48,614 |
| Non-cash | 133,125 |
| Total collateral received | \$ 181,739 |

NT, as agent for the WVIMB, loans the WVIMB'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 WVIMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

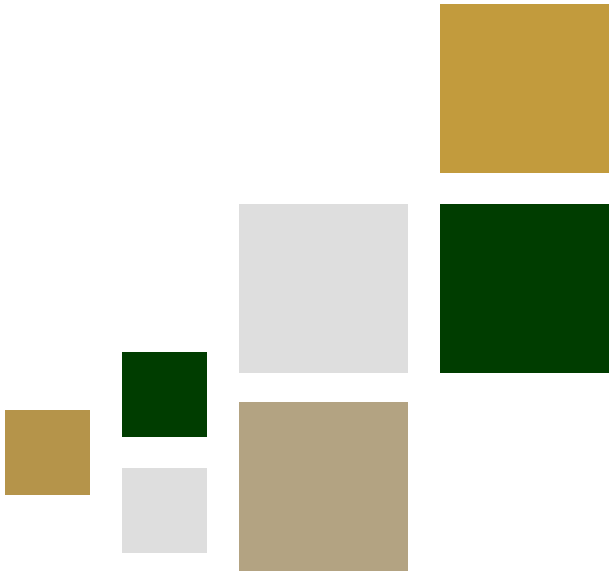
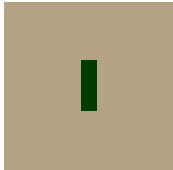
NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| Participant | Account Value |
|--|---------------|
| Teachers' Retirement System | \$ 746,505 |
| Public Employees' Retirement System | 680,728 |
| Workers' Compensation Old Fund | 198,702 |
| Revenue Shortfall Reserve Fund - Part B | 191,717 |
| Revenue Shortfall Reserve Fund | 170,429 |
| West Virginia Retiree Health Benefit Trust Fund | 150,092 |
| West Virginia Department of Environmental Protection Agency | 69,699 |
| State Police Death, Disability and Retirement Fund | 60,927 |
| Coal Workers' Pneumoconiosis Fund | 48,018 |
| Public Employees Insurance Agency | 39,377 |
| State Police Retirement System | 27,665 |
| Deputy Sheriff's Retirement System | 26,332 |
| Judges' Retirement System | 23,421 |
| Board of Risk and Insurance Management | 21,407 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 19,144 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 11,992 |
| Emergency Medical Services Retirement System | 10,603 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 9,483 |
| Wildlife Endowment Fund | 5,759 |
| Workers' Compensation Uninsured Employers' Fund | 4,378 |
| West Virginia State Parks and Recreation Endowment Fund | 3,582 |
| Municipal Police Officers' and Firefighters' Retirement System | 3,395 |
| Natural Resources Police Officer Retirement System | 2,339 |
| West Virginia Department of Environmental Protection Trust | 1,148 |
| Berkeley County Development Authority | 524 |
| Total | \$ 2,527,366 |

AUDITED FINANCIAL STATEMENTS

June 30, 2024



Core Fixed Income Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis I-1

Statement of Net Position I-3

Statement of Changes in Net Position I-4

Notes to Financial Statements I-5

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statement of the West Virginia Investment Management Board's Core Fixed Income Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Core Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages I-1 through I-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

Core Fixed Income Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's Core Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 2,191,023 | \$ 1,899,125 |
| Other assets | 16,184 | 15,025 |
| Total assets | 2,207,207 | 1,914,150 |
| Total liabilities | (121,495) | (119,093) |
| Net position | \$ 2,085,712 | \$ 1,795,057 |

Core Fixed Income Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$290,655 results from net investment income of \$63,175 and a net increase from unit transactions of \$227,480.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 72,209 | \$ 2,420 |
| Expenses | (9,034) | (4,559) |
| Net investment income (loss) | 63,175 | (2,139) |
| Net units issued | 227,480 | 608,551 |
| Increase in net position | 290,655 | 606,412 |
| Net position, beginning of year | 1,795,057 | 1,188,645 |
| Net position, end of year | <u>\$ 2,085,712</u> | <u>\$ 1,795,057</u> |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 3.4 percent, up from (0.1) percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 11.65 | \$ 11.66 |
| Net investment income (loss) | 0.40 | (0.01) |
| Net position, end of year | <u>\$ 12.05</u> | <u>\$ 11.65</u> |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.18% | 0.18% |
|---|-------|-------|

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

Core Fixed Income Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | |
|--|------------------|
| Investments, at fair value: | |
| Fixed income investments | \$ 2,080,873 |
| Money market mutual fund | 17,014 |
| Securities lending collateral | 93,136 |
| Receivables: | |
| Interest, dividends, and other investment income | 15,866 |
| Investments sold | 318 |
| | <hr/> |
| Total assets | 2,207,207 |

Liabilities

| | |
|--|---------------------|
| Accrued expenses | 842 |
| Payable for investments purchased | 27,517 |
| Payable upon return of securities loaned | 93,136 |
| | <hr/> |
| Total liabilities | 121,495 |
| | <hr/> |
| Net position | \$ 2,085,712 |

Unit data

| | |
|--------------------------|-------------|
| Units outstanding | 173,102,919 |
| Net position, unit price | \$ 12.05 |

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Changes in Net Position
Year Ended June 30, 2024
(Amounts in thousands)

Investment income (loss)

| | |
|---|--------------|
| Net decrease in fair value of investments | \$ (11,618) |
| Interest and dividends | 77,974 |
| Securities lending income | <u>5,853</u> |

Total investment income 72,209

Expenses

| | |
|-------------------------------------|----------------|
| Investment advisor fees | (2,873) |
| Custodian bank fees | (47) |
| Management and other allocated fees | (584) |
| Professional service fees - direct | (7) |
| Securities lending expenses | <u>(5,523)</u> |

Total expenses (9,034)

Net investment income 63,175

Unit transactions

| | |
|-------------------------------------|------------------|
| Proceeds from sale of units | 358,569 |
| Amount paid for repurchase of units | <u>(131,089)</u> |

Net increase from unit transactions 227,480

Increase in net position 290,655

Net position, beginning of year 1,795,057

Net position, end of year \$ 2,085,712

See accompanying notes to financial statements.

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's Core Fixed Income Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 U.S. Aggregate Bond Index over three- to five-year periods, net of external investment management fees. JP Morgan Investment Advisors manages this Pool.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The WVIMB 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 investments 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.

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 WVIMB's established procedures.

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Lending - The WVIMB, 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. 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 capital is preserved and liquidity is maintained. 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 WVIMB 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 WVIMB has the right under the lending agreement to recover the securities from the borrower on demand. The WVIMB 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 WVIMB 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 (IO) and/or principal-only (PO) tranches, asset-backed securities (ABS), 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 WVIMB'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 WVIMB pays all expenses on behalf of the Pool.

Income Taxes - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average credit rating of BBB (investment grade) as defined by a nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The Pool held some securities in which the aforementioned rating agencies withdrew their credit rating and other securities that did not receive a credit rating. These securities have been listed as withdrawn or not rated, as applicable, in the table below. Credit ratings can be withdrawn for a variety of reasons including incorrect or insufficient information is available from the issuer to support the rating, bankruptcy or default, the size of a structured security falls below a level specified in the rating agencies methodology, or for business reasons of the rating agency. Business reasons generally do not reflect any concerns about a security's creditworthiness and the absence or lack of a rating does not necessarily indicate a greater degree of risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2024:

| Rating | Fair Value |
|--------------------------------|--------------|
| AAA | \$ 76,420 |
| AA | 1,265,263 |
| A | 219,003 |
| BBB | 383,552 |
| BB | 8,036 |
| B | 1,037 |
| CCC | 114 |
| C | 646 |
| Total rated | 1,954,071 |
| Not rated | 125,305 |
| Withdrawn | 1,497 |
| Total fixed income investments | \$ 2,080,873 |

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2024, the Pool was in compliance with this restriction and not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2024, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB and thus not subject to custodial credit risk.

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. As of June 30, 2024, the money market mutual fund had a weighted average maturity (WAM) of 35 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2024, the WAM for the Cash Collateral Account was 3 days.

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation makes assumptions regarding the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, collateralized mortgage obligations, and variable-rate debt. The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30, 2024:

| Investment Type | Fair Value | Effective Duration (years) |
|--------------------------------|---------------------|----------------------------|
| Corporate ABS | \$ 234,021 | 2.1 |
| Corporate CMO | 87,553 | 2.2 |
| Corporate CMO IO | 105 | 1.6 |
| Corporate CMO PO | 5,380 | 0.5 |
| Foreign ABS | 2,346 | 0.0* |
| Foreign corporate bonds | 166,741 | 4.1 |
| Foreign government bonds | 5,786 | 9.3 |
| Municipal bonds | 8,480 | 9.0 |
| U.S. corporate bonds | 365,052 | 7.3 |
| U.S. Government agency CMO | 116,733 | 5.1 |
| U.S. Government agency CMO IO | 1,173 | 8.5 |
| U.S. Government agency CMO PO | 1,746 | 5.2 |
| U.S. Government agency MBS | 480,710 | 6.1 |
| U.S. Treasury issues | 605,047 | 8.2 |
| Total fixed income investments | <u>\$ 2,080,873</u> | |

*Rounds to less than 0.05

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2024, the Pool held \$929,767 of these securities. This represents approximately 45 percent of the value of the Pool's fixed income securities.

Foreign Currency Risk

As of June 30, 2024, all of the Pool's foreign investments were denominated in U.S. dollars. As such, the Pool was not exposed to foreign currency risk.

Core Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2024:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|------------------|---------------------|-------------|---------------------|
| Corporate ABS | \$ - | \$ 234,021 | \$ - | \$ 234,021 |
| Corporate CMO | - | 87,553 | - | 87,553 |
| Corporate CMO IO | - | 105 | - | 105 |
| Corporate CMO PO | - | 5,380 | - | 5,380 |
| Foreign ABS | - | 2,346 | - | 2,346 |
| Foreign corporate bonds | - | 166,741 | - | 166,741 |
| Foreign government bonds | - | 5,786 | - | 5,786 |
| Money market mutual fund | 17,014 | - | - | 17,014 |
| Municipal bonds | - | 8,480 | - | 8,480 |
| Securities lending collateral | - | 93,136 | - | 93,136 |
| U.S. corporate bonds | - | 365,052 | - | 365,052 |
| U.S. Government agency CMO | - | 116,733 | - | 116,733 |
| U.S. Government agency CMO IO | - | 1,173 | - | 1,173 |
| U.S. Government agency CMO PO | - | 1,746 | - | 1,746 |
| U.S. Government agency MBS | - | 480,710 | - | 480,710 |
| U.S. Treasury issues | - | 605,047 | - | 605,047 |
| Total | <u>\$ 17,014</u> | <u>\$ 2,174,009</u> | <u>\$ -</u> | <u>\$ 2,191,023</u> |

Core 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 June 30, 2024:

| | Fair Value |
|---------------------------|------------|
| Securities on loan | \$ 198,232 |
| Collateral received: | |
| Cash | \$ 93,136 |
| Non-cash | 111,428 |
| Total collateral received | \$ 204,564 |

NT, as agent for the WVIMB, loans the WVIMB'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 WVIMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

NOTE 6. SCHEDULE OF PARTICIPATION

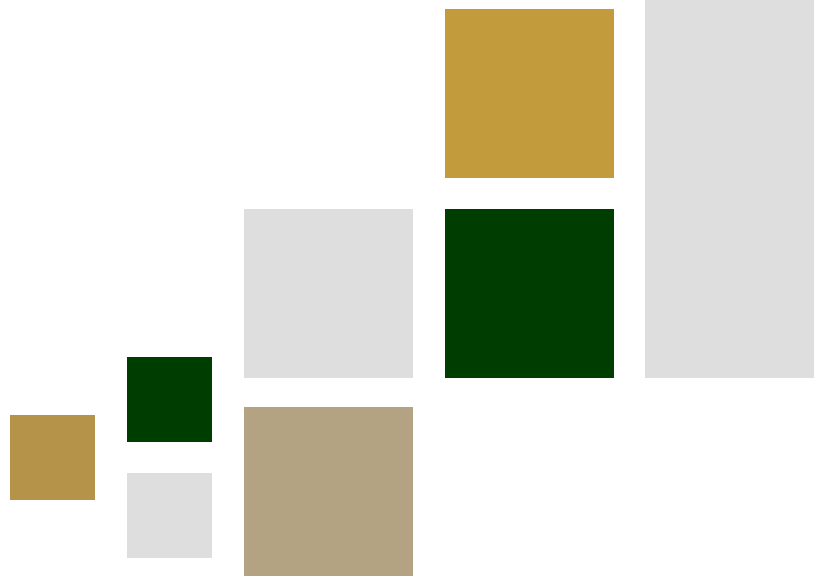
The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| Participant | Account Value |
|--|---------------|
| Teachers' Retirement System | \$ 744,061 |
| Public Employees' Retirement System | 678,518 |
| West Virginia Retiree Health Benefit Trust Fund | 149,896 |
| Workers' Compensation Old Fund | 85,601 |
| Revenue Shortfall Reserve Fund - Part B | 82,559 |
| Revenue Shortfall Reserve Fund | 73,307 |
| State Police Death, Disability and Retirement Fund | 60,869 |
| West Virginia Department of Environmental Protection Agency | 29,926 |
| State Police Retirement System | 27,646 |
| Deputy Sheriff's Retirement System | 26,294 |
| Judges' Retirement System | 23,357 |
| Coal Workers' Pneumoconiosis Fund | 20,619 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 19,120 |
| Public Employees Insurance Agency | 16,932 |
| Emergency Medical Services Retirement System | 10,587 |
| Board of Risk and Insurance Management | 9,207 |
| Wildlife Endowment Fund | 5,760 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 5,162 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 4,084 |
| West Virginia State Parks and Recreation Endowment Fund | 3,585 |
| Municipal Police Officers' and Firefighters' Retirement System | 3,387 |
| Natural Resources Police Officer Retirement System | 2,336 |
| Workers' Compensation Uninsured Employers' Fund | 1,880 |
| Berkeley County Development Authority | 524 |
| West Virginia Department of Environmental Protection Trust | 495 |
| Total | \$ 2,085,712 |

AUDITED FINANCIAL STATEMENTS
June 30, 2024

J

TIPS POOL



TIPS Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis J-1

Statement of Net Position J-3

Statement of Changes in Net Position J-4

Notes to Financial Statements J-5

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's TIPS Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the TIPS Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages J-1 through J-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

August 26, 2024

TIPS Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's TIPS Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The Pool was established to offer an additional level of diversification over and above nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg 1-10 Year Treasury Inflation Protected Securities Index on an annualized basis over rolling three- to five-year periods, gross of fees.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 512,059 | \$ 396,328 |
| Other assets | 11,347 | 12,197 |
| Total assets | 523,406 | 408,525 |
| Total liabilities | (9,713) | (6,737) |
| Net position | \$ 513,693 | \$ 401,788 |

TIPS Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the movement of interest rates of the U.S. Treasury securities held in the index referenced above. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$111,905 results from net investment income of \$20,750 and a net increase from unit transactions of \$91,155.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income (loss) | \$ 20,970 | \$ (6,634) |
| Expenses | (220) | (206) |
| Net investment income (loss) | 20,750 | (6,840) |
| Net units issued (redeemed) | 91,155 | (32,100) |
| Increase (decrease) in net position | 111,905 | (38,940) |
| Net position, beginning of year | 401,788 | 440,728 |
| Net position, end of year | <u>\$ 513,693</u> | <u>\$ 401,788</u> |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 4.2 percent, up from (1.4) percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 12.92 | \$ 13.11 |
| Net investment income (loss) | 0.55 | (0.19) |
| Net position, end of year | <u>\$ 13.47</u> | <u>\$ 12.92</u> |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.04% | 0.05% |
|---|-------|-------|

- (a) The ratio is for the fiscal year and excludes securities lending expenses. The ratio for fiscal year 2023 does not reflect the Pool's proportionate share of expenses of the underlying investee fund.

TIPS Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:

U.S. Treasury inflation protected securities \$ 511,976

Money market mutual fund 83

Receivables:

Interest, dividends, and other investment income 1,668

Investments sold 9,679

Total assets 523,406

Liabilities

Accrued expenses 35

Payable for investments purchased 9,678

Total liabilities 9,713

Net position \$ 513,693

Unit data

Units outstanding 38,139,000

Net position, unit price \$ 13.47

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Position
Year Ended June 30, 2024
(Amounts in thousands)

Investment income

| | |
|---|-----------|
| Net increase in fair value of investments | \$ 16,942 |
| Interest and dividend income | 3,961 |
| Securities lending income | <u>67</u> |

Total investment income 20,970

Expenses

| | |
|-------------------------------------|-------------|
| Investment advisor fees | (60) |
| Custodian bank fees | (3) |
| Management and other allocated fees | (142) |
| Securities lending expenses | <u>(15)</u> |

Total expenses (220)

Net investment income 20,750

Unit transactions

| | |
|-------------------------------------|-----------------|
| Proceeds from sale of units | 116,802 |
| Amount paid for repurchase of units | <u>(25,647)</u> |

Net increase from unit transactions 91,155

Increase in net position 111,905

Net position, beginning of year 401,788

Net position, end of year \$ 513,693

See accompanying notes to financial statements.

TIPS Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's TIPS Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 1-10 Year Treasury Inflation Protected Securities (TIPS) Index on an annualized basis over rolling three- to five-year periods, gross of fees. Assets are managed by Northern Trust Investments.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The WVIMB 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 investments 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 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 WVIMB's established procedures.

Securities Lending - The WVIMB, 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 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.

TIPS Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash collateral, if 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 capital is preserved and liquidity is maintained. 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 WVIMB 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 WVIMB has the right under the lending agreement to recover the securities from the borrower on demand. The WVIMB 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 WVIMB 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.

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 WVIMB'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 WVIMB pays all expenses on behalf of the Pool.

Income Taxes - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The WVIMB limits the exposure to credit risk in the Pool's fixed income investments by primarily investing in U.S. TIPS. The Pool is exposed to credit risk from its money market mutual fund investment. The WVIMB reviews available credit ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. As of June 30, 2024, all of the Pool's U.S. TIPS investments had a credit rating of AA. The money market mutual fund has the highest credit rating.

TIPS Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Concentration of Credit Risk

The Pool is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2024, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund is not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB and thus not subject to custodial credit risk.

Interest Rate Risk

The Pool is exposed to interest rate risk through its fixed income investments and money market mutual fund investment. The WVIMB monitors the interest rate risk of U.S. TIPS by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. As of June 30, 2024, the effective duration for the U.S. TIPS investments was 3.3 years. As of June 30, 2024, the money market mutual fund had a weighted average maturity of 35 days.

Foreign Currency Risk

The Pool is not subject to foreign currency risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2024:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|------------|---------|------------|
| Money market mutual fund | \$ 83 | \$ - | \$ - | \$ 83 |
| U.S. TIPS | - | 511,976 | - | 511,976 |
| Total | \$ 83 | \$ 511,976 | \$ - | \$ 512,059 |

TIPS 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 June 30, 2024:

| | <u>Fair Value</u> |
|---------------------------|-------------------|
| Securities on loan | \$ 37,377 |
| Collateral received: | |
| Cash | \$ - |
| Non-cash | 38,847 |
| Total collateral received | <u>\$ 38,847</u> |

NT, as agent for the WVIMB, loans the WVIMB'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 WVIMB has elected not to offset the fair value of the securities on loan against the liability for the return of the collateral on the Statement of Net Position.

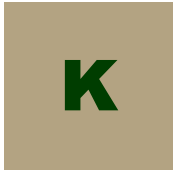
NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

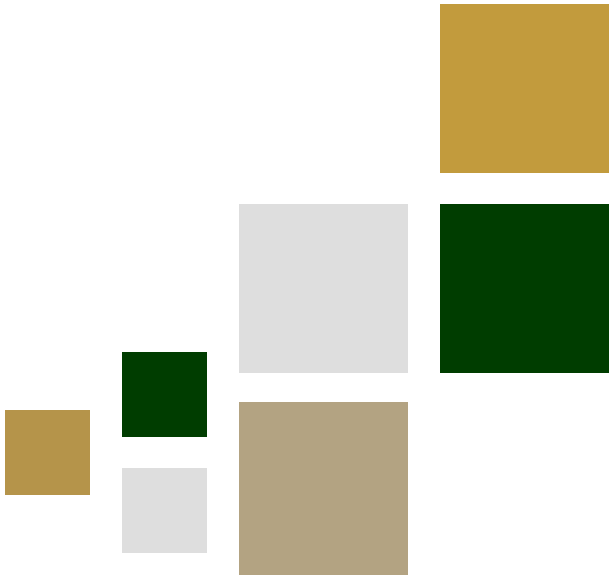
| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Revenue Shortfall Reserve Fund | \$ 243,057 |
| Revenue Shortfall Reserve Fund - Part B | 124,235 |
| Workers' Compensation Old Fund | 84,094 |
| Public Employees Insurance Agency | 22,135 |
| Coal Workers' Pneumoconiosis Fund | 20,243 |
| Board of Risk and Insurance Management | 9,019 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 5,068 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 4,000 |
| Workers' Compensation Uninsured Employers' Fund | 1,842 |
| Total | <u>\$ 513,693</u> |

AUDITED FINANCIAL STATEMENTS*

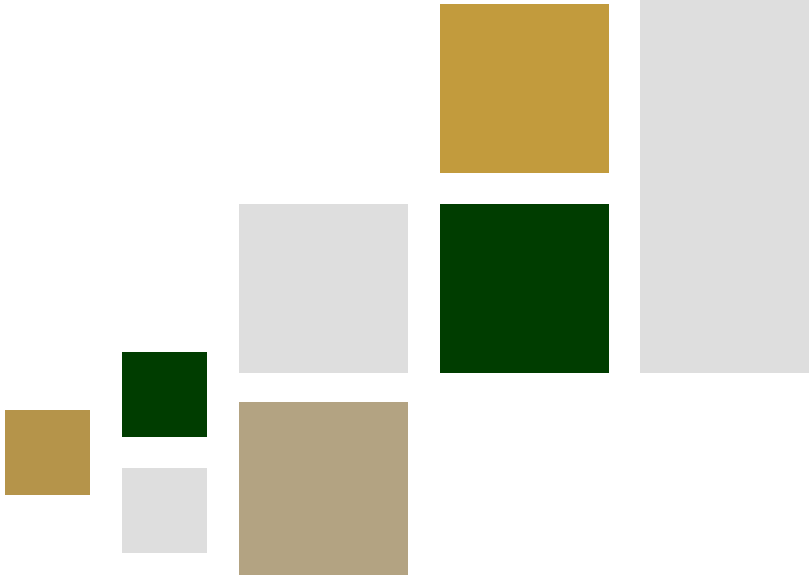
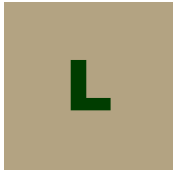
June 30, 2024



*THE EXPECTED RELEASE DATE IS SEPTEMBER 16, 2024



AUDITED FINANCIAL STATEMENTS
June 30, 2024



Hedge Fund Pool

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis L-1

Statement of Net Position L-3

Statement of Changes in Net Position L-4

Notes to Financial Statements L-5



Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Hedge Fund Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2024, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Hedge Fund Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2024, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages L-1 through L-2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

August 26, 2024

Hedge Fund Pool

Management's Discussion and Analysis (Unaudited)

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public body corporate created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Coal Workers' Pneumoconiosis funds, and certain other state government funds. The WVIMB operates on a fiscal year beginning July 1 and ending June 30. To effectuate its purpose, the WVIMB has constructed a series of investment pools in which to invest participating entities' monies.

The following information and the accompanying financial statements reflect only the investments and investment related operations of the WVIMB's Hedge Fund Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, or any other assets or liabilities, or restrictions thereon, or the various investment pool participants. Accordingly, the information contained in this Management Discussion and Analysis and the following financial statements are not intended to and do not present the comprehensive financial position and operations of the WVIMB or any of the investment pool participants. The Management Discussion and Analysis information should be considered in conjunction with the information contained in the audited financial statements which follow this section.

Financial Statement Overview

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

Pool Strategy

The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index plus 500 basis points.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2024 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

| Condensed Net Position | June 30, 2024 | June 30, 2023 |
|-------------------------------|----------------------|----------------------|
| Investments | \$ 2,847,924 | \$ 2,477,593 |
| Other assets | 54,210 | 3,656 |
| Total assets | 2,902,134 | 2,481,249 |
| Total liabilities | (229) | (166) |
| Net position | \$ 2,901,905 | \$ 2,481,083 |

Hedge Fund Pool

Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the global investment markets. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$420,822 results from net investment income of \$339,820 and a net increase from unit transactions of \$81,002.

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

| Condensed Changes in Net Position | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Investment income | \$ 341,190 | \$ 124,154 |
| Expenses | (1,370) | (1,233) |
| Net investment income | 339,820 | 122,921 |
| Net units issued | 81,002 | 61,751 |
| Increase in net position | 420,822 | 184,672 |
| Net position, beginning of year | 2,481,083 | 2,296,411 |
| Net position, end of year | <u>\$ 2,901,905</u> | <u>\$ 2,481,083</u> |

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2024 was 13.7 percent, up from 5.1 percent for the year ended June 30, 2023.

Select financial highlights for the Pool are as follows:

| Per Unit Operating Performance: | Years Ended | |
|--|----------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Net position, beginning of year | \$ 19.35 | \$ 18.41 |
| Net investment income | 2.64 | 0.94 |
| Net position, end of year | <u>\$ 21.99</u> | <u>\$ 19.35</u> |

Supplemental Data:

| | | |
|---|-------|-------|
| Ratio of expenses to average net position (a) | 0.05% | 0.05% |
|---|-------|-------|

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

Hedge Fund Pool

Statement of Net Position

June 30, 2024

(Amounts in thousands, except unit data)

Assets

| | |
|---------------------------------------|------------------|
| Investments, at fair value: | |
| Hedge funds | \$ 2,846,583 |
| Money market mutual fund | 1,341 |
| Advance on investments in hedge funds | 50,000 |
| Receivables: | |
| Interest and dividends | 154 |
| Investment funds redeemed | <u>4,056</u> |
| Total assets | 2,902,134 |

Liabilities

| | |
|---------------------|----------------------------|
| Accrued expenses | <u>229</u> |
| Net position | <u>\$ 2,901,905</u> |

Unit data

| | |
|--------------------------|------------------------|
| Units outstanding | 131,940,479 |
| Net position, unit price | <u><u>\$ 21.99</u></u> |

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Position
Year Ended June 30, 2024
(Amounts in thousands)

Investment income

| | |
|---|------------|
| Net increase in fair value of investments | \$ 340,293 |
| Interest and dividend income | <u>897</u> |
| Total investment income | 341,190 |

Expenses

| | |
|-------------------------------------|----------------|
| Professional service fees - direct | (584) |
| Custodian bank fees | (1) |
| Management and other allocated fees | <u>(785)</u> |
| Total expenses | <u>(1,370)</u> |
| Net investment income | 339,820 |

Unit transactions

| | |
|--|----------------------------|
| Proceeds from sale of units | 208,597 |
| Amount paid for repurchase of units | <u>(127,595)</u> |
| Net increase from unit transactions | <u>81,002</u> |
| Increase in net position | 420,822 |
| Net position, beginning of year | <u>2,481,083</u> |
| Net position, end of year | <u><u>\$ 2,901,905</u></u> |

See accompanying notes to financial statements.

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

The West Virginia Investment Management Board (WVIMB) 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 WVIMB. 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 WVIMB 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 WVIMB's Hedge Fund Pool (Pool). They do not reflect activity of the other investment pools under the control of the WVIMB or the Administrative Fund of the WVIMB, 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 WVIMB or any of the investment pool participants.

The WVIMB 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 WVIMB'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 Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index plus 500 basis points. Albourne America has been retained by the WVIMB to provide consulting services for this investment strategy.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The WVIMB 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 investments is determined on the last business day of each month as follows:

- Investments in hedge funds are securities for which market quotations are not readily available. The WVIMB 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 WVIMB'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 WVIMB 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 WVIMB believes that the net asset value of such investments is a reasonable estimate of fair value as of June 30, 2024.

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Open-end regulated investment companies 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 WVIMB's established procedures.

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

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

Unit Valuation and Participant Transactions - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant 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 WVIMB'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 WVIMB 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 WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2024.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares in hedge funds and shares of a money market mutual fund. As of June 30, 2024, the money market mutual fund has the highest credit rating and has a weighted average maturity of 35 days. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10 percent of the value of the Pool with any single manager. At June 30, 2024, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

GASB Statement No. 72 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Hedge Fund Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

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

Level 3 Unobservable pricing inputs for assets and liabilities 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 June 30, 2024. All of the Pool's investments in hedge funds were valued using the NAV, and as such, they have not been categorized in the fair value hierarchy.

| Assets | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|----------|---------|---------|---------------------|
| Money market mutual fund | \$ 1,341 | \$ - | \$ - | \$ 1,341 |
| Hedge funds | | | | 2,846,583 |
| Total | | | | <u>\$ 2,847,924</u> |

The following table presents information on investments measured at the NAV as of June 30, 2024:

| Hedge Fund Strategies | Fair Value | Redemption Frequency | Redemption Notice Period |
|---------------------------------------|---------------------|-----------------------------------|--------------------------|
| Directional (a) | \$ 272,735 | Monthly, Quarterly | 5 to 65 days |
| Equity long/short (b) | 515,378 | Quarterly | 45 to 90 days |
| Event-driven (c) | 230,051 | Quarterly | 180 days |
| Long-biased (d) | 93,166 | Monthly | 90 days |
| Multi-strategy (e) | 1,421,905 | Monthly, Quarterly, Semi-annually | 45 to 90 days |
| Relative-value (f) | 285,057 | Weekly, Quarterly | 5 to 60 days |
| | 2,818,292 | | |
| In liquidation (g) | 28,291 | | |
| Total investments measured at the NAV | <u>\$ 2,846,583</u> | | |

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

- (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. Investments representing approximately 34 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (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 75 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 78 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (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 53 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 5. ADVANCE ON INVESTMENTS IN HEDGE FUNDS

The subscription terms of hedge funds often require contributions to be received in advance of the subscription date. Prior to June 30, 2024, the IMB funded \$50,000 to hedge funds that had a subscription date of July 1, 2024. As of June 30, 2024 these amounts have been recorded as an advance on investments in hedge funds.

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands)

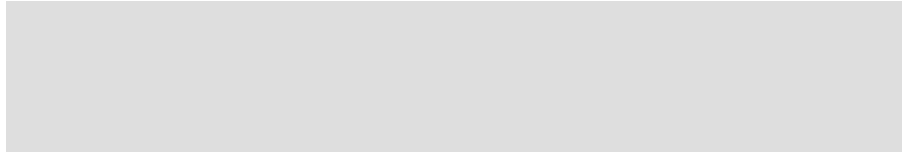
NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2024:

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 1,096,275 |
| Public Employees' Retirement System | 997,263 |
| West Virginia Retiree Health Benefit Trust Fund | 213,438 |
| Workers' Compensation Old Fund | 138,677 |
| State Police Death, Disability and Retirement Fund | 90,690 |
| West Virginia Department of Environmental Protection Agency | 57,511 |
| State Police Retirement System | 40,036 |
| Deputy Sheriff's Retirement System | 38,662 |
| Judges' Retirement System | 33,695 |
| Coal Workers' Pneumoconiosis Fund | 33,401 |
| Public Employees Insurance Agency | 32,541 |
| Revenue Shortfall Reserve Fund - Part B | 30,371 |
| Municipal Policemen's or Firemen's Pension and Relief Funds | 27,033 |
| Emergency Medical Services Retirement System | 15,621 |
| Board of Risk and Insurance Management | 14,918 |
| Workers' Compensation Self-Insured Employer Security Risk Pool | 8,364 |
| Wildlife Endowment Fund | 8,191 |
| Workers' Compensation Self-Insured Employer Guaranty Risk Pool | 6,616 |
| West Virginia State Parks and Recreation Endowment Fund | 5,105 |
| Municipal Police Officers' and Firefighters' Retirement System | 5,005 |
| Natural Resources Police Officer Retirement System | 3,507 |
| Workers' Compensation Uninsured Employers' Fund | 3,047 |
| West Virginia Department of Environmental Protection Trust | 1,191 |
| Berkeley County Development Authority | 747 |
| Total | <u>\$ 2,901,905</u> |

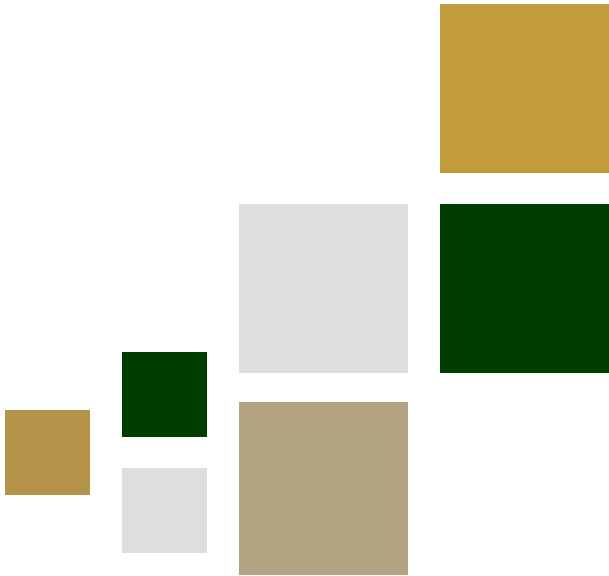


AUDITED FINANCIAL STATEMENTS



ADMINISTRATIVE FUND
Year Ended June 30, 2024

AUDITED FINANCIAL STATEMENTS
June 30, 2024



Administrative Fund

Audited Financial Statements June 30, 2024

Table of Contents

Report of Independent Auditors

Management's Discussion and Analysis i

Statement of Net Position 1

Statement of Revenues, Expenses, and Changes in Net Position 2

Statement of Cash Flows 3

Notes to Financial Statements 4



Ernst & Young LLP
99 S Wood Ave
Iselin, New Jersey 08830

Tel: +1 732 516 4200
Fax: +1 732 516 4429
ey.com

Report of Independent Auditors

The Board of Trustees
The West Virginia Investment Management Board

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Virginia Investment Management Board Administrative Fund, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the West Virginia Investment Management Board Administrative Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the West Virginia Investment Management Board Administrative Fund at June 30, 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the West Virginia Investment Management Board Administrative Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Presentation

As described in Note 1, the financial statements present only the Administrative Fund of the West Virginia Investment Management Board and do not include the financial position and results of operations of the West Virginia Investment Management Board for any of their investment pools. These financial statements do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board for any of their investment pools at June 30, 2024, and changes in its financial position, and cash flows thereof, for the year ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the West Virginia Investment Management Board Administrative Fund's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance

with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the West Virginia Investment Management Board Administrative Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the West Virginia Investment Management Board Administrative Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst & Young LLP

August 26, 2024

Administrative Fund

Management's Discussion and Analysis

This discussion and analysis of the West Virginia Investment Management Board's (WVIMB) financial performance provides an overview of the WVIMB's administrative financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the WVIMB Administrative Fund basic financial statements, which follow this discussion. The WVIMB operates investment pools and issues separate audited financial statements on the investment pools.

FINANCIAL HIGHLIGHTS

- The WVIMB is required by law to charge a fee sufficient to cover the cost of providing investment management services. Investment service fee revenues were \$53.9 million, as compared to \$51.1 million for the previous fiscal year. The change primarily results from increases of \$2.1 million in advisor fees, \$54,000 in custodian fees, \$223,000 in professional service fees, and \$479,000 in administrative expenses. Average assets under management (AUM) of the investment pools increased by \$1.6 billion from the previous year.
- Outside investment advisor fees increased \$2.1 million over the previous year. The average expense ratio for investment advisor fees across all pools was 17.0 basis points for the year, as compared to 17.3 basis points for the previous year. The reasons for the increase in advisor fees are as follows:
 - Base fees increased \$624,000 or 2 percent with a corresponding increase in average AUM of \$1.6 billion or 7 percent.
 - Performance fees increased \$1.3 million because of stronger relative performance compared to benchmark indices and an increase in average AUM in the Non-Large Cap Domestic Equity Pool, increased \$482,000 due to an increase in average AUM in the Core Fixed Income Pool, and decreased \$355,000 because of poorer relative performance compared to the benchmark in the Private Markets Pool.
- Custodian fees increased \$54,000 over the previous year. This increase was mainly driven by increased costs in the Non-Large Cap Domestic Equity Pool, the International Equity Pool, and the Core Fixed Income Pool.
- Professional services fees increased \$223,000 over the previous year primarily attributable to an increase in legal and consulting fees.
- Administrative expenses increased by \$479,000 from the previous year. The expense ratio for administrative expenses remained unchanged from the prior year at 2.4 basis points of average AUM. Salaries increased by \$315,000 to \$3.4 million. In total, administrative expenses were \$1.3 million lower than the expenses included in the fiscal year budget approved by the Board of Trustees.

THE FINANCIAL REPORTS

This financial report consists of three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements include all assets and liabilities of the WVIMB Administrative Fund using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting takes into account all revenues and expenses regardless of when cash is received or paid. These statements give an overall perspective of the WVIMB Administrative Fund's financial position and the changes in the financial position during the current fiscal year.

The Statement of Net Position presents the WVIMB Administrative Fund's assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position describes how the WVIMB Administrative Fund's net position changed during the fiscal year. The Statement of Cash Flows identifies the sources of cash received by the WVIMB Administrative Fund and how that cash was used in the WVIMB Administrative Fund's activities during the year. The ending cash presented in this statement is a significant portion of the WVIMB Administrative Fund's assets as reported in the Statement of Net Position. This statement also contains a reconciliation of the operating income as reported in the Statement of Revenues, Expenses, and Changes in Net Position to the cash provided by the WVIMB Administrative Fund's operating activities during the year.

Administrative Fund

Management's Discussion and Analysis

FINANCIAL ANALYSIS

The WVIMB Administrative Fund's total assets as of June 30, 2024, were \$18.3 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. Total assets were \$1.5 million more than the previous year.

Total liabilities as of June 30, 2024, were \$12.9 million, and were mostly comprised of invoices payable and accrued liabilities for investment management and consulting fees, custodial fees, and administrative expenses. Total liabilities were \$1.1 million more than the previous year.

The increase in assets and liabilities is primarily attributed to higher fees payable to investment advisors. This in turn results in higher receivables from the investment pools.

| Table 1 Net Position and Assets Under Management (In thousands) | June 30, 2024 | June 30, 2023 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 6,098 | \$ 5,704 |
| Receivables | 10,880 | 9,602 |
| Other assets | 1,329 | 1,472 |
| Total assets | <u>18,307</u> | <u>16,778</u> |
| Total liabilities | <u>(12,941)</u> | <u>(11,774)</u> |
| Net position | <u>\$ 5,366</u> | <u>\$ 5,004</u> |
| Composition of net position: | | |
| Net investment in capital assets | \$ 107 | \$ 87 |
| Unrestricted | 5,259 | 4,917 |
| Assets under management* | \$ 26,296,842 | \$ 24,195,759 |

| Table 2 Changes in Net Position (In thousands) | Year Ended June 30, 2024 | Year Ended June 30, 2023 | Percent Change |
|---|---|---|---------------------------------|
| Revenues | \$ 53,930 | \$ 51,102 | 5.5% |
| Expenses: | | | |
| Advisor fees | (42,418) | (40,316) | 5.2% |
| Custodian fees | (1,635) | (1,581) | 3.4% |
| Trustee fees | (50) | (54) | (8.3%) |
| Fiduciary bond expense | (26) | (26) | 0.0% |
| Professional service fees | (3,688) | (3,465) | 6.4% |
| Administrative expenses | <u>(6,047)</u> | <u>(5,568)</u> | 8.6% |
| Total expenses | (53,864) | (51,010) | 5.6% |
| Operating income | 66 | 92 | n/a |
| Nonoperating revenues (expenses) | 296 | 174 | n/a |
| Increase in net position | <u>362</u> | <u>266</u> | n/a |
| Net position – beginning of year | 5,004 | 4,738 | 5.6% |
| Net position – end of year | <u>\$ 5,366</u> | <u>\$ 5,004</u> | 7.2% |

* Amounts reflect preliminary estimated balances for private market investments.

Administrative Fund

Management's Discussion and Analysis

CAPITAL ASSETS

The WVIMB Administrative Fund made acquisitions of capital assets totaling \$87,334 during the current fiscal year. There were disposals of fully depreciated capital assets totaling \$27,805.

CONTACTING THE WVIMB

This financial report is designed to provide its readers with a general overview of the WVIMB Administrative Fund's finances. If you have any questions about this report or need additional information including the audited financial statements of the WVIMB Investment Pools, contact the WVIMB at 500 Virginia Street, East, Suite 200, Charleston, WV 25301-2164, or visit us at www.wvimb.org.

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Administrative Fund

Statement of Net Position June 30, 2024

Assets

Current assets:

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 6,097,525 |
| Accounts receivable | 10,880,245 |
| Prepaid expenses | 80,053 |
| Dividend receivable | <u>30,582</u> |

Total current assets 17,088,405

Capital assets:

| | |
|--|--------------------|
| Equipment | 324,224 |
| Office furniture | 218,749 |
| Other depreciable property | 444,150 |
| Leasehold improvements | 258,726 |
| Right-to-use lease asset | 1,580,573 |
| Work in progress | 84,312 |
| Less accumulated depreciation and amortization | <u>(1,692,050)</u> |

Total capital assets (net of accumulated depreciation and amortization) 1,218,684

Total assets 18,307,089

Liabilities

Current liabilities:

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | 11,828,679 |
| Right-to-use lease liability | <u>175,598</u> |

Total current liabilities 12,004,277

Long-term liabilities:

| | |
|------------------------------|----------------|
| Right-to-use lease liability | <u>936,479</u> |
|------------------------------|----------------|

Total long-term liabilities 936,479

Total liabilities 12,940,756

Net position

| | |
|----------------------------------|------------------|
| Net investment in capital assets | 106,607 |
| Unrestricted | <u>5,259,726</u> |

Total net position \$ 5,366,333

See accompanying notes to financial statements.

Administrative Fund

Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2024

Operating revenues

| | |
|-------------------------|---------------|
| Investment service fees | \$ 53,930,677 |
| Miscellaneous income | <u>54</u> |

Total operating revenues 53,930,731

Operating expenses

| | |
|---------------------------|------------------|
| Advisor fees | 42,418,365 |
| Custodian fees | 1,635,463 |
| Trustee fees | 49,500 |
| Fiduciary bond expenses | 25,875 |
| Professional service fees | 3,688,174 |
| Administrative expenses | <u>6,047,027</u> |

Total operating expenses 53,864,404

Operating income 66,327

Nonoperating revenues (expenses)

| | |
|------------------|-----------------|
| Dividend income | 355,385 |
| Interest expense | <u>(59,343)</u> |

Total nonoperating revenues (expenses) 296,042

Increase in net position 362,369

Net position, beginning of year 5,003,964

Net position, end of year \$ 5,366,333

See accompanying notes to financial statements.

Administrative Fund

Statement of Cash Flows Year Ended June 30, 2024

Cash flows from operating activities

| | |
|--|--------------------|
| Cash received from customers and other third parties | \$ 52,652,644 |
| Cash paid to suppliers | (47,457,234) |
| Cash paid to employees | <u>(4,844,805)</u> |
| Net cash provided by operating activities | 350,605 |

Cash flows from capital and related financing activities

| | |
|---|------------------|
| Acquisition of capital assets | (87,334) |
| Principal paid on right-to-use lease agreement | (161,723) |
| Interest paid on right-to-use lease agreement | <u>(60,017)</u> |
| Net cash used for capital and related financing activities | (309,074) |

Cash flows from investing activities

| | |
|---|-----------------------------------|
| Dividends on investments | <u>351,728</u> |
| Net cash provided by investing activities | <u>351,728</u> |
| Net increase in cash and cash equivalents | 393,259 |
| Cash and cash equivalents, beginning of year | <u>5,704,266</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 6,097,525</u></u> |

Reconciliation of operating income to net cash provided by operating activities:

| | |
|---|---------------------------------|
| Operating income | \$ 66,327 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 229,732 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | (1,278,087) |
| Decrease in prepaid expenses | 3,285 |
| Increase in accounts payable and accrued expenses | <u>1,329,348</u> |
| Total adjustments | <u>284,278</u> |
| Net cash provided by operating activities | <u><u>\$ 350,605</u></u> |

See accompanying notes to financial statements.

Administrative Fund

Notes to Financial Statements

NOTE 1. NATURE OF ORGANIZATION

The West Virginia Investment Management Board (WVIMB) was organized on April 25, 1997, as a public corporation created by *West Virginia Code §12-6-1* to provide prudent fiscal administration and investment management services to designated state pension funds, the state's Workers' Compensation and Pneumoconiosis funds, and certain other state government funds. The WVIMB has established distinct investment pools to efficiently invest the entrusted funds. Separate financial statements are issued for these investment pools. The WVIMB Administrative Fund's financial statements are included as an internal service fund of the State of West Virginia in the State's financial statements and are presented as a blended component unit.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the WVIMB Administrative Fund conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash held in checking and money market accounts. Management believes the WVIMB Administrative Fund is not exposed to any significant credit or market risk on cash and cash equivalents. Cash equivalents are maintained with a financial institution in an institutional Treasury Money Market Fund which has an average maturity of less than 90 days.

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

The WVIMB Administrative Fund's cash equivalents are invested in an institutional Treasury Money Market fund valued at \$6,020,006 as of June 30, 2024, using quoted market prices (Level 1 inputs).

Capital Assets - Purchased assets, when they meet the thresholds defined in the capitalization policy, are recorded at cost. Threshold requirements are \$10,000 for office equipment, furniture, fixtures, computer hardware, and software, and \$20,000 for buildings, building improvements, land improvements, infrastructure, and leasehold improvements. Land is capitalized irrespective of cost. Contracts that provide for the right to use another entity's nonfinancial assets, as specified in a contract, for a period of time in an exchange or exchange-like transaction are recorded as right-to-use lease assets.

Depreciation on purchased assets is provided for over the estimated useful lives of the assets, ranging from three years to ten years using the straight-line method. Right-to-use lease assets and leasehold improvements are amortized over the life of the lease.

Revenues and Expenses - The WVIMB's Board of Trustees adopts an annual budget and fee schedule for services to be provided to the investment pools. Revenues of the WVIMB Administrative Fund are derived from the allocation of fees to the investment pools per the fee schedule and are classified as operating revenue. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. Revenues and expenses are recorded when earned or incurred in accordance with the economic resources measurement focus and the accrual basis of accounting. The carrying value of investment service fees receivable approximates its fair value. Earnings on cash equivalents are classified as non-operating revenue.

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

Administrative Fund

Notes to Financial Statements

NOTE 3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2024 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------|--------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Work in progress | \$ 99,799 | \$ 87,334 | \$ (102,821) | \$ 84,312 |
| Total capital assets, not being depreciated | 99,799 | 87,334 | (102,821) | 84,312 |
| Capital assets, being depreciated: | | | | |
| Office equipment | 352,029 | - | (27,805) | 324,224 |
| Office furniture | 218,749 | - | - | 218,749 |
| Other depreciable property | 341,329 | 102,821 | - | 444,150 |
| Leasehold improvements | 258,726 | - | - | 258,726 |
| Right-to-use lease asset | 1,580,573 | - | - | 1,580,573 |
| Total capital assets, being depreciated | 2,751,406 | 102,821 | (27,805) | 2,826,422 |
| Less accumulated depreciation and amortization for: | | | | |
| Office equipment | (339,777) | (4,201) | 27,805 | (316,173) |
| Office furniture | (215,385) | (3,363) | - | (218,748) |
| Other depreciable property | (304,336) | (36,218) | - | (340,554) |
| Leasehold improvements | (258,726) | - | - | (258,726) |
| Right-to-use lease asset | (371,899) | (185,950) | - | (557,849) |
| Total accumulated depreciation and amortization | (1,490,123) | (229,732) | 27,805 | (1,692,050) |
| Capital assets, net | \$ 1,361,082 | \$ (39,577) | \$ (102,821) | \$ 1,218,684 |

Depreciation and amortization expense of \$229,732 was charged to investment management activity and is included in the administrative expenses.

On September 19, 2019, the WVIMB executed an amendment to renew its long-term lease, originally dated August 26, 2002, and previously amended on December 7, 2006 and July 9, 2012, for a period of ten years beginning on January 1, 2020. The monthly cost for the first five years is \$18,478; thereafter, the monthly cost for the remaining five years increases to \$19,402. Under the original and amended lease, beginning on January 1, 2020, and continuing throughout the term, the WVIMB shall pay as additional rent a portion of the increase in utility costs and taxes over the base year 2019 amounts; for the year ended June 30, 2024, this amount was \$237.

Administrative Fund

Notes to Financial Statements

NOTE 3. CAPITAL ASSETS (continued)

The following is a schedule of future minimum rental payments required under this lease:

Fiscal years ending June 30:

| | Right-to-use Lease Liability | Interest | Total |
|------------|---------------------------------|-------------------|---------------------|
| 2025 | \$ 175,598 | \$ 51,685 | \$ 227,283 |
| 2026 | 190,325 | 42,502 | 232,827 |
| 2027 | 200,063 | 32,764 | 232,827 |
| 2028 | 210,298 | 22,529 | 232,827 |
| 2029 | 221,058 | 11,769 | 232,827 |
| Thereafter | 114,735 | 1,679 | 116,414 |
| Total | <u>\$ 1,112,077</u> | <u>\$ 162,928</u> | <u>\$ 1,275,005</u> |

NOTE 4. EMPLOYEE BENEFIT PLANS

Retirement - The WVIMB provides a defined contribution money purchase pension plan (Pension Plan) covering all of its employees. An employee becomes eligible to participate in the Pension Plan on the earlier of the January 1 or July 1 coinciding with or following the employee's hire date. The Pension Plan is solely funded by the WVIMB, which contributes 10 percent of each covered employee's salary. Contributions for the year ended June 30, 2024 totaled \$341,931. The plan provides for a five-year vesting schedule with vesting increasing 20 percent per year.

The WVIMB provides a 457(b) plan that employees may elect to participate in. An employee becomes eligible to participate in the 457(b) plan on the first day of employment. All contributions are employee-funded on a pretax basis and are limited to the maximum amount allowed under the Internal Revenue Code. Employees are always 100 percent vested in their account balances.

Healthcare - On November 1, 2011, the WVIMB established the Defined Contribution Medical Plan (the Plan). The Plan is maintained for the exclusive benefit of employees and is a medical reimbursement plan under *Internal Revenue Service Code Section 105(h)*. The Plan identifies the WVIMB as the Plan Administrator and authorizes the WVIMB to amend the Plan as needed.

On November 1 of each plan year, the WVIMB determines an amount to credit each eligible employee that is allocated to a Health Reimbursement Arrangement (HRA) account for each participant. Current annual credits are \$3,700 for single employees and \$7,400 for employees with qualifying spouses or dependents. These credits are to be used to reimburse participants for out-of-pocket medical expenses not covered by any other source. Medical expenses shall be defined under *Internal Revenue Service Code Section 213(d)*. Any amount remaining in a participant's HRA account at the end of the plan year shall be credited to the participant's account for the following year, in addition to the annual contribution. Upon separation from employment or retirement, a former employee or dependent will not continue to receive the annual credit but may use the remaining balance accumulated in the HRA account.

The WVIMB may at its discretion, through resolution of its Board of Trustees, discontinue funding the annual credits or terminate the Plan at any time without liability for such discontinuance or termination.

Contributions made to the Plan by the WVIMB for the year ended June 30, 2024 totaled \$167,911.

NOTE 5. CASH AND INVESTMENT RISK

At June 30, 2024, all of the WVIMB Administrative Fund's cash equivalents are invested in an institutional Treasury Money Market fund. This investment fund is rated Aaa by Moody's and AAA by Standard & Poor's and has no significant custodial credit risk or interest rate risk. The investment fund invests in U.S. Treasuries and is not exposed to a concentration of credit risk or any foreign currency risk. Cash balances are held in a FDIC insured bank account, the balance of which is below the \$250,000 insurance limit at all times.