



West Virginia

# **Consolidated Public Retirement Board**

**Component Unit of the State of West Virginia**



**C**omprehensive  
**A**nnual  
**F**inancial  
**R**eport

Fiscal Year Ending  
**June 30, 2012**



# **West Virginia Consolidated Public Retirement Board**

Component Unit of the State of West Virginia

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For the Fiscal Year Ended June 30, 2012*

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**The West Virginia Consolidated Public Retirement Board  
Administers the Following Retirement Plans:**

Public Employees' Retirement System  
Teachers' Retirement System  
Public Safety, Death, Disability and Retirement System  
State Police Retirement System  
Deputy Sheriff Retirement System  
Judges' Retirement System  
Emergency Medical Services Retirement System  
Municipal Police Officers & Firefighters Retirement System  
Teachers' Defined Contribution Retirement System

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### **Contact Information:**

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Blackwater Falls

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# **INTRODUCTORY SECTION**



New River Gorge Bridge

**Board Members**

Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

Executive Director  
Jeffrey E. Fleck

**State of West Virginia  
Consolidated Public Retirement Board**

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[www.wvretirement.com](http://www.wvretirement.com)

**Board Members**

David L. Wyant, Chairman  
Thomas Bradley  
Joseph Bunn  
Captain Michael G. Corsaro  
Drema B. Evans  
Joe Lynch  
D. Todd Murray  
Tony Payne  
Andrew Richardson

February 28, 2013

The Board of Directors  
The West Virginia Consolidated Public  
Retirement Board  
4101 MacCorkle Ave, S.E.  
Charleston, WV 25304

Dear Board Members:

It is with distinct pleasure and honor that we submit our inaugural Comprehensive Annual Financial Report (CAFR) of the West Virginia Consolidated Public Retirement Board (WVCPRB) for the fiscal year ended June 30, 2012. The West Virginia Consolidated Public Retirement Board includes the Public Employees Retirement System (PERS), the Teachers Retirement System (TRS), the Teachers Defined Contribution Retirement System (TDC), the Public Safety Death, Disability and Retirement System (PSDDRS), the State Police Retirement System (SPRS), the Deputy Sheriff Retirement System (DSRS), the Judges Retirement System (JRS), the Emergency Medical Service Retirement System (EMRS), and the Municipal Police Officers & Firefighters Retirement System (MPOFRS). Each system is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, the financial information contained in this report is also included in the State of West Virginia's Comprehensive Annual Financial Report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including all disclosures, rests with the management of the WVCPRB. Sufficient internal controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. We trust that you and the members of the Systems will find this report helpful in understanding your retirement systems.

**Administration and Plan History**

The PERS, TRS, TDC, PSDDRS, DSRS, EMRS, MPOFRS, SPRS and JRS operate under common management and are collectively administered by The West Virginia Consolidated Public Retirement Board. In addition to executive management, these plans share accounting and information services, the costs of which are allocated to the funds on an equitable basis. The plans were established under various provisions of the Legislature to provide benefits to qualified persons employed by the State of West Virginia, State-supported institutions, entities and local governments. Additional information regarding the administration and history of each system, including laws establishing the plan and services provided, can be found in the *Financial Section-Notes to the Financial Statements* portion of this report.

## **Financial Information**

### *Accounting Method*

As required by Generally Accepted Accounting Principles (GAAP), the financial information of the PERS, TRS, PSDDRS, TDC, DSRS, EMSRS, MPOFRS, SPRS and JRS is reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the corresponding liability is incurred. Investments are reported at fair value.

### *Internal Controls*

The management of the West Virginia Consolidated Public Retirement Board is responsible for maintaining the system of internal controls (system). The system provides management with reasonable, but not absolute assurance regarding the safeguarding of assets against loss of unauthorized disposition and the reliability of the financial records from which the financial reports are prepared. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefits. Management places a high priority on maintaining the system of internal controls and has employed an internal auditor and a compliance officer to monitor the system.

### *Summary Comparative Data*

Management's Discussion and Analysis (MD&A) includes a narrative introduction, an overview of the financial statements, including the notes and required supplementary information, and summary comparative data for fiscal years 2012 and 2011. Also, an analysis of significant variances between fiscal years 2012 and 2011 is provided in the MD&A.

## **Plan Financial Condition**

The funding objective of the WVCPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Historical information concerning funding progress is presented in the *Required Supplementary Information – "Schedule of Funding Progress"* in the Financial Section.

## **Investment Activity**

Total investments for the WVCPRB increased in fiscal year 2012, primarily due to both an increase in the fair market value of the investments and the income they produced. The investment balances for PERS, TRS, PSDDRS, SPRS, DSRS, JRS, EMSRS, MPOFRS and TDC at June 30, 2012 were \$4.523 billion, \$5.144 billion, \$477.3 million, \$78.7 million, \$117.5 million, \$126.2 million, \$35.4 million, \$202 thousand and \$319.4 million respectively, compared to investment balances for the PERS, TRS, PSDDRS, SPRS, DSRS, JRS, EMSRS, MPOFRS and TDC of \$4.544 billion, \$5.074 billion, \$482 million, \$70.75 million, \$113.57 million, \$124.58 million, \$32.37 million, \$65 thousand and \$308.22 million, respectively, for the fiscal year ended June 30, 2011.

Interest and dividend income for the PERS, TRS, PSDDRS, SPRS, DSRS, JRS, EMSRS, MPOFRS and TDC for the fiscal year ended June 30, 2012, was \$34.68 million, \$36.44 million, \$3.75 million, \$596 thousand, \$951 thousand, \$989 thousand, \$269 thousand, \$0 and \$0\$, respectively, compared to \$35.25 million, \$33.70 million, \$3.75 million, \$545 thousand, \$901 thousand, \$995 thousand, \$238 thousand, \$0 and \$0, respectively, for the fiscal year ended June 30, 2011. The increase in fair value of investments for the PERS, TRS, PSDDRS, SPRS, DSRS, JRS, EMSRS, MPOFRS and TDC for the fiscal year 2012 was \$11.43 million, \$9.67 million, \$630 thousand, \$228 thousand, \$302 thousand, \$262 thousand, \$92 thousand, \$4 thousand and \$4.12 million, respectively, compared to the increase in fair value of investments of \$722.04 million, \$795.23 million, \$78.48 million, \$10.68 million, \$18.17 million, \$20.22 million, \$4.87 million, \$0 and \$40.59 million, respectively, for fiscal year 2011. Additional information concerning investments, including investment policies and procedures, is located in the investment section of this Comprehensive Annual Financial Report.

## **Management's Discussion and Analysis**

Governmental Accounting Standards Board (GASB) Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the Financial Statements in the form of MD&A. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report in the Financial Section.

## **Professional Services**

Professional consultants are engaged by the Board to perform certain professional services that are essential to the effective operation of the respective plans. The Certifications from our internal actuary, are included in this report. The professional consultants engaged by the Board are listed in the Introductory Section of this report.

## **Financial Statement Audit**

Gibbons and Kawash, A.C., Certified Public Accountants, issued an unqualified ("clean") opinion on the West Virginia Consolidated Public Retirement Board's financial statements for the fiscal years ended June 30, 2012 and 2011. The Independent Auditor's Report is located at the front of the Financial Section of this report.

## **Highlights and Initiatives**

Since it was created by the Legislature in 1991, the West Virginia Consolidated Public Retirement Board (CPRB) has remained steadfast in its mission and purpose to administer its plans in a discerning, honest and responsible manner and adhering to the fiduciary duty with which it has been entrusted. There have been many changes throughout the years. The most significant of which have been the addition of plans serving deputy sheriffs, emergency medical services workers and most recently, the addition of a municipal police officers and firefighters plan. With active members, retirees and beneficiaries now totaling approximately 141,000 people, the CPRB has a positive impact on almost 10% of the population of the State of West Virginia. When you take into account spouses, children and others in the household, that number increases dramatically. With a staff of 84 people, the CPRB efficiently and effectively provides the service of administering nine unique and distinctive public retirement plans.

During 2012, CPRB staff held educational outreach sessions throughout the state for potential retirees as well as employers. Staff also provided retirement estimates to over 5,000 people and processed over 3,000 retirements allowing those who have dedicated their lives to the State of West Virginia to have the financial security to enjoy their golden years.

Constantly seeking to improve our processes, the CPRB is in the beginning stages of a major overhaul of our line of business solution. During the coming year, the CPRB will embark on a new computer system project that, when completed, will enhance the experience of the members and retirees as well as improve the accuracy and consistency in the administration of the plans.

## **Acknowledgments**

This initial Comprehensive Annual Financial Report represents the CPRB's commitment to excellence and is the result of the combined efforts of the Retirement Board's staff under the direction of the Board. Our sincere appreciation is extended to all who assisted in and contributed toward the completion of this document. The purpose of this report is to provide complete and reliable information so that it serves as a basis for making management decisions, as a method for determining legal compliance, and as an educational document.

We wish to thank Governor Earl Ray Tomblin and the members of the West Virginia Legislature for their continued commitment to the financial security of the members, retirees and beneficiaries of the West Virginia Consolidated Public Retirement Board.

Finally, we would like to take this opportunity to express our sincere gratitude to those who made this report possible, especially the Information Technology department, the Accounting Manager, our Board Actuary, our Communications Department, the Board of Trustees, the West Virginia Investment Management Board, and the many people who continue to work so diligently through continued cooperative efforts to assure the successful operation and financial soundness of the retirement systems.

Sincerely,

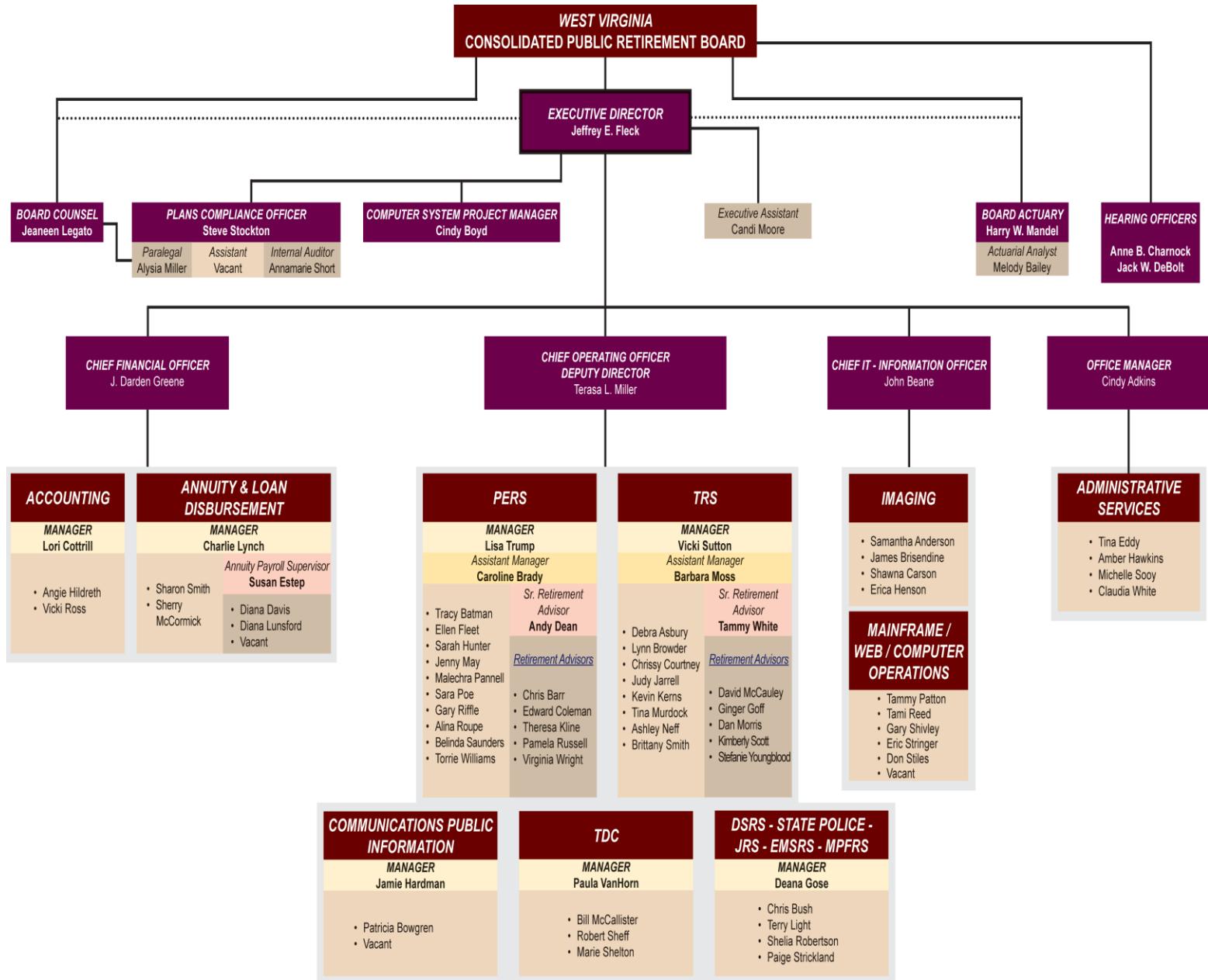


Jeffrey E. Fleck  
Executive Director



J. Darden Greene, CPA  
Chief Financial Officer

**INTRODUCTORY SECTION**  
Organization Chart



**INTRODUCTORY SECTION**

Board of Trustees

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**West Virginia Consolidated Public Retirement Board**

*Board of Trustees*

Chairman - David L. Wyant

Governor - Earl Ray Tomblin

State Auditor/Vice-Chairman - Glen B. Gainer, III

State Treasurer - John D. Perdue

Cabinet Secretary, State Department of Administration - Ross Taylor

Thomas Bradley

Joseph Bunn

Captain Michael G. Corsaro

Drema B. Evans

Joe Lynch

D. Todd Murray

SGT. Tony Payne

Andrew Richardson

## ***INTRODUCTORY SECTION***

### **Staff and Advisors**

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#### **West Virginia Consolidated Public Retirement Board**

##### *Administrative Staff*

Executive Director - Jeffrey E. Fleck  
Executive Assistant - Candi E. Moore  
Chief Operating Officer/Deputy Director - Terasa L. Miller  
Administrative Services Manager - Cindy L. Adkins  
Chief Financial Officer - J. Darden Greene  
Accounting Manager - Lori A. Cottrill  
Loan & Benefit Manager - Charles A. Lynch  
Actuary - Harry W. Mandel  
Contract Legal Counsel - Jeanean J. Legato  
TRS Manager - Vicki L. Sutton  
PERS Manager - Lisa M. Trump  
TDC Manager - Paula M. Vanhorn  
Communications/Public Information Manager - Jamie E. Hardman  
Uniformed Services Manager - Deana L. Gose  
Compliance Officer - Stephen B. Stockton  
Chief IT/Information Officer - John J. Beane

##### *Advisors*

Buck Consultants, Consulting Actuary  
West Virginia Investment Management Board, Investment Manager  
Gibbons & Kawash, A.C., Independent Certified Public Accountants



Dolly Sods

# **FINANCIAL SECTION**



Sandstone New River Falls

## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
West Virginia Consolidated Public  
Retirement Board  
Charleston, West Virginia

We have audited the accompanying statements of plan net assets for the pension funds and statement of net assets of the internal service fund of the West Virginia Consolidated Public Retirement Board (the Board), a component unit of the State of West Virginia, as of June 30, 2012 and 2011, and the related statements of changes in plan net assets of the pension funds, and statements of revenues, expenses, and changes in fund net assets, and cash flows of the internal service fund for the years then ended, which collectively comprise the Board's financial statements. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the pension funds and the internal service fund of the Board as of June 30, 2012 and 2011, and the respective changes in net assets of the pension funds, and the changes in financial position and cash flows of the internal service fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 19 and the required supplemental information on pages 62 through 67 be presented to supplement the financial statements. Such information, although not a part of the 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 auditing standards generally accepted in the United States of America, 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 financial statements, and other knowledge we obtained during our audit of the 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.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements as a whole. The introductory, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

*Gibbons & Kawash, A.C.*

December 3, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

The Management of the West Virginia Consolidated Public Retirement Board (the Board) provides this discussion and analysis as an overview of the Board's financial activities for the fiscal years ended June 30, 2012 and June 30, 2011. This section should be read in conjunction with the Independent Auditor's Report, the audited financial statements, and the accompanying notes to financial statements.

**Financial Highlights**

- The plan net assets (total assets minus total liabilities) of the Board at June 30, 2012 were \$10.82 billion, increasing nearly \$72 million (.67%) from the plan net assets at June 30, 2011. The net assets are held in trust to meet future benefit obligations.
- Contribution revenue for fiscal year 2012 totaled \$868,286,000 an increase of 2.06% compared to fiscal year 2011.
- Net investment income for fiscal year 2012 was \$104,433,000. During fiscal year 2012, the Board received a significantly lower investment return on its portfolio (down 94.09 percent compared to 2011, compared to a 51.18 percent increase in return from 2010 results to 2011 results.)
- Total benefits and refunds paid for fiscal year 2012 were \$955,411,000, an increase of 7.42 percent over fiscal year 2011 total benefits and refunds paid of \$889,385,000.
- Total administrative expenses for fiscal year 2012 were \$9,581,000, a 4.29% increase from fiscal year 2011 administrative expenses of \$9,187,000.

**Overview of the Financial Statements**

The Board's financial statements consist of the *Statement of Plan Net Assets*, the *Statement of Changes in Plan Net Assets*, and the *Notes to the Financial Statements*. In addition, *Required Supplementary Information* is presented, which includes the *Management's Discussion and Analysis*.

The *Statement of Plan Net Assets* and the *Statement of Changes in Plan Net Assets* report information about the plan net assets (total assets in excess of total liabilities) as of the end of the fiscal year and the changes in those plan net assets during the fiscal year. These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis of accounting, the current year's revenues and expenses are included in the financial activity, regardless of when cash is received or paid. The difference between the total assets and total liabilities on the *Statement of Plan Net Assets*, or net assets held in trust for pension benefits, provides a measurement of the financial position of the Board as of the end of the fiscal year. The *Statement of Changes in Plan Net Assets* provides information on the activities that caused the financial position to change during the fiscal year. Over time, increases or decreases in the plan net assets of the Board are one indicator of whether the system's financial health is improving or deteriorating.

In addition to the two financial statements, the reader should also review the *Schedule of Funding Progress* and the *Schedule of Employer Contributions* to gain an understanding of the funded status of the Board over time. This information provides an indication of the Board's ability to meet both the current and future benefit payment obligations. The *Notes to the Financial Statements* are also essential to the reader's understanding of the financial statements and provide additional information regarding the Board, such as descriptions of the plans administered by the Board, including contribution and benefit provisions, and information about the accounting policies and investment activities.

**Analysis of Assets, Liabilities, and Plan Net Assets**

At June 30, 2012, the Board had plan net assets (total assets in excess of total liabilities) of \$10.82 billion, an increase of nearly \$72 million (.67%) from \$10.75 billion at June 30, 2011, following the fiscal year 2011 increase of over \$1.8 billion (20.17%) from the \$8.9 billion of plan net assets as of June 30, 2010. The assets of the Board consist primarily of investments. The increase in plan assets is primarily the result of strong investment returns in equity and fixed income markets. Condensed financial information comparing the Board's plan net assets for the past three fiscal years follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

**Plan Net Assets (in thousands)**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	FY11-12		FY11-10	
			Percentage Change		Percentage Change	
<b><u>ASSETS</u></b>						
Cash	\$ 8,288	\$ 7,597	9.10 %	\$ 6,219	22.16 %	
Investments at fair value	10,607,896	10,490,678	1.12 %	8,708,670	20.46 %	
Contributions receivable	34,470	63,366	(45.60) %	40,477	56.55 %	
Participant loans receivable	7,303	9,682	(24.57) %	11,771	(17.75) %	
Miscellaneous revenue receivable	364	163	123.31 %	67	143.28 %	
Due from State of West Virginia	<u>165,000</u>	<u>180,000</u>	(8.33) %	<u>180,000</u>	- %	
	<u>10,823,321</u>	<u>10,751,486</u>	0.67 %	<u>8,947,204</u>	20.17 %	
<b><u>LIABILITIES AND PLAN NET ASSETS</u></b>						
Liabilities:						
Accrued expenses and other payables	<u>630</u>	<u>643</u>	(2.02) %	<u>893</u>	(28.00) %	
Net assets held in trust for pension benefits	<u>\$ 10,822,691</u>	<u>\$ 10,750,843</u>	0.67 %	<u>\$ 8,946,311</u>	20.17 %	

**Analysis of Revenues and Expenses**

Contributions to the Board had an increase of \$17.5 million (2.06%) over contributions for fiscal year 2011 due to the change in employer contribution rates effective July 1, 2011. With the decrease of net investment income of \$1.66 billion (-94.09%) for fiscal year 2012 compared to investment income for fiscal year 2011, the overall decrease in revenues for 2012 was 61.64% compared to revenues for fiscal year 2011.

Total benefits and refunds paid during the year ended June 30, 2012 were \$955,411,000, an increase of 7.42% over fiscal year 2011 total benefits and refunds paid. Total benefits and refunds paid during the year ended June 30, 2011 were \$889,385,000 an increase of 8.28% over fiscal year 2010 total benefits and refunds paid. The increase in benefit expenses for fiscal year 2012 is attributed to more retirees receiving benefits during this fiscal year. The increase in benefit expenses in fiscal year 2011 can also be attributed to more retirees receiving benefits during this fiscal year. Total refunds paid increased \$529,000 (1.88%) in fiscal year 2012 from fiscal year 2011. Total refunds paid had increased \$5,286,000 (23.10%) in fiscal year 2011 over fiscal year 2010 and were attributed to the weak economy where more terminated members are choosing to withdraw from the system instead of leaving the funds invested.

Administrative expenses for the year ended June 30, 2012 were \$9,581,000, an increase of 4.29% from fiscal year 2011 administrative expenses. The increase was primarily due to changes in the number of plan participants and budgetary increases deemed necessary for several expense areas. Administrative expenses for the year ended June 30, 2011 were \$9,187,000, a decrease of 3.36% over fiscal year 2010 administrative expenses.

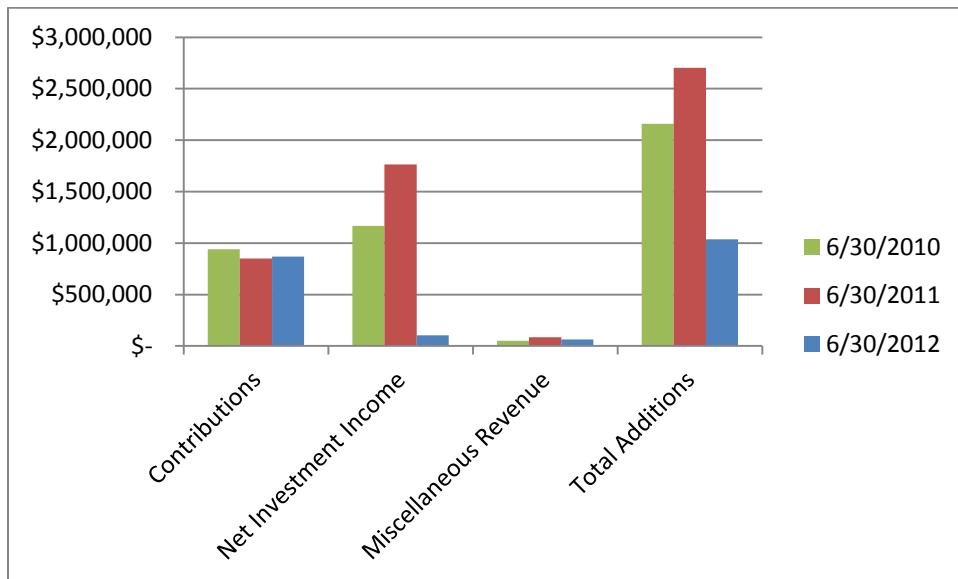
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 (Unaudited)

**Changes in Plan Net Assets (in thousands)**

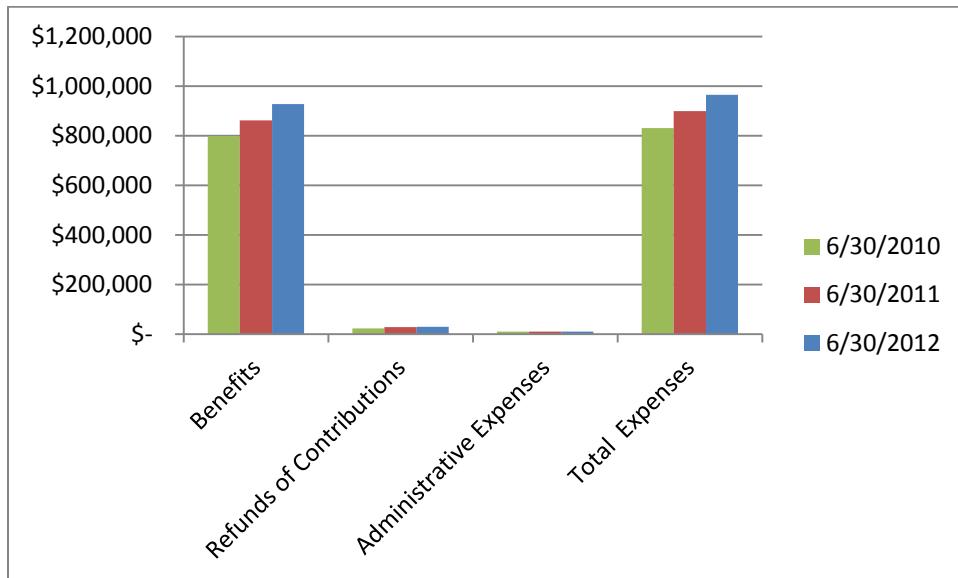
	2012	2011	FY12-Y11 Percentage Change	2010	FY11-Y10 Percentage Change
<b>Additions:</b>					
Contributions:					
Member contributions	\$ 168,466	\$ 162,116	3.92 %	\$ 177,284	(8.56) %
Employer contributions	<u>699,820</u>	<u>688,645</u>	1.62 %	<u>761,924</u>	(9.62) %
Total contributions	<u>868,286</u>	<u>850,761</u>	2.06 %	<u>939,208</u>	(9.42) %
Investment income:					
Net increase in fair value of investments	26,745	1,690,280	(98.42) %	1,110,065	52.27 %
Investment income	<u>77,688</u>	<u>75,388</u>	3.05 %	<u>57,880</u>	30.25 %
Net investment income	<u>104,433</u>	<u>1,765,668</u>	(94.09) %	<u>1,167,945</u>	51.18 %
Other income	<u>64,121</u>	<u>86,675</u>	(26.02) %	<u>52,328</u>	65.64 %
Total additions	<u>1,036,840</u>	<u>2,703,104</u>	(61.64) %	<u>2,159,481</u>	25.17 %
<b>Deductions and transfers:</b>					
Benefit expense	926,708	861,211	7.61 %	798,473	7.86 %
Refunds of contributions/withdrawals	<u>28,703</u>	<u>28,174</u>	1.88 %	<u>22,888</u>	23.10 %
Administrative expense	<u>9,581</u>	<u>9,187</u>	4.29 %	<u>9,506</u>	(3.36) %
Total deductions and transfers	<u>964,992</u>	<u>898,572</u>	7.39 %	<u>860,867</u>	8.15 %
Net increase in plan net assets	<u>71,848</u>	<u>1,804,532</u>	(96.02) %	<u>1,328,614</u>	35.82 %
Net assets held in trust for pension benefits:					
Beginning of year	<u>10,750,843</u>	<u>8,946,311</u>	20.17 %	<u>7,617,697</u>	17.44 %
End of year	<u>\$ 10,822,691</u>	<u>\$ 10,750,843</u>	0.67 %	<u>\$ 8,946,311</u>	20.17 %

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

**Revenues by Type (in thousands)**



**Expenses by Type (in thousands)**



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

**Economic Factors, Future Funding Provisions, Overall Outlooks**

***Economic Factors***

The fiscal year ending June 30, 2012 was challenging for the capital markets as the world continues to struggle with the aftermath of the credit crisis of 2008. The defined benefit pension plans are funded with the expectation that they will return 7.5 percent on the invested assets. When that return is not achieved, there is an increase in the unfunded liability. When a return greater than 7.5 percent is achieved, there is a decrease in the unfunded liability. The turmoil in the capital markets in fiscal year 2009 and the subsequent negative return for invested assets increased the unfunded liability causing an increase in employer contributions.

The return for fiscal year 2012 fell short of the 7.5 percent rate. Investment returns were approximately 1.1 percent (using the Public Employees' Retirement System as a proxy for all long-term assets) in this difficult environment. This modest return in fiscal year 2012 follows two years of excellent returns of 20.7 and 16.0 percent, respectively. In aggregate, the three years ending June 30, 2012 have produced an annualized return of 12.3 percent. The ten-year return has increased to 6.8 percent. While it still lags the 7.5 percent long-term target rate assumed by the actuary for the defined benefit pension plans, we continue to see improvement. Still, it will likely take the world's economies many years to recover from the credit crisis of 2008, creating significant challenges in achieving investment performance targets.

**Contacting the Board**

This report is designed to provide a financial overview of the Board to state legislators, members of the Board of Trustees, state officials, participating employers and any other interested parties. Questions or requests for additional information regarding the financial information presented in this report may be addressed in writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue, S.E. Charleston WV 25304.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS  
(In Thousands)

June 30, 2012

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability and Retirement System	State Police Retirement System
<b>ASSETS</b>				
Cash	\$ 492	\$ -	\$ 1	\$ -
Investments at fair value	4,352,142	5,111,557	477,386	78,735
Contributions receivable	5,779	26,176	-	-
Participant loans receivable	-	6,875	-	-
Miscellaneous revenue receivable	2	90	-	-
Due from State of West Virginia	165,000	-	-	-
Total assets	4,523,415	5,144,698	477,387	78,735
<b>LIABILITIES AND PLAN NET ASSETS</b>				
Liabilities:				
Accrued expenses and other payables	113	301	42	-
Net assets held in trust for pension benefits (see schedule of funding progress)	\$ 4,523,302	\$ 5,144,397	\$ 477,345	\$ 78,735

The accompanying notes are an integral part of these financial statements.

Deputy Sheriff Retirement System	Judges' Retirement System	Emergency Medical Services Retirement System	Municipal Police Officers & Firefighters Retirement System	Teachers' Defined Contribution Retirement System	Total
\$ 9 116,281	\$ - 126,265	\$ - 35,153	\$ - 189	\$ 7,786 310,188	\$ 8,288 10,607,896
719	-	331	13	1,452	34,470
428	-	-	-	-	7,303
89	-	-	-	183	364
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 165,000
<hr/> 117,526	<hr/> 126,265	<hr/> 35,484	<hr/> 202	<hr/> 319,609	<hr/> 10,823,321
<hr/> -	<hr/> -	<hr/> 1	<hr/> -	<hr/> 173	<hr/> 630
<hr/> \$ 117,526	<hr/> \$ 126,265	<hr/> \$ 35,483	<hr/> \$ 202	<hr/> \$ 319,436	<hr/> \$ 10,822,691

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS  
(In Thousands)

June 30, 2011

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability and Retirement System	State Police Retirement System
<b>ASSETS</b>				
Cash	\$ 577	\$ 1	\$ 1	\$ -
Investments at fair value	4,359,025	5,010,213	482,005	70,756
Contributions receivable	5,394	55,352	-	-
Participant loans receivable	-	9,244	-	-
Miscellaneous revenue receivable	5	5	-	-
Due from State of West Virginia	180,000	-	-	-
Total assets	4,545,001	5,074,815	482,006	70,756
<b>LIABILITIES AND PLAN NET ASSETS</b>				
Liabilities:				
Accrued expenses and other payables	376	150	12	-
Net assets held in trust for pension benefits (see schedule of funding progress)	\$ 4,544,625	\$ 5,074,665	\$ 481,994	\$ 70,756

The accompanying notes are an integral part of these financial statements.

**FINANCIAL SECTION**

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Deputy Sheriff Retirement System	Judges' Retirement System	Emergency Medical Services Retirement System	Municipal Police Officers & Firefighters Retirement System	Teachers' Defined Contribution Retirement System	Total
\$ -	\$ -	\$ 116	\$ -	\$ 6,902	\$ 7,597
112,488	124,587	31,963	61	299,580	10,490,678
607	-	289	4	1,720	63,366
438	-	-	-	-	9,682
58	-	-	-	95	163
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 180,000
<hr/> 113,591	<hr/> 124,587	<hr/> 32,368	<hr/> 65	<hr/> 308,297	<hr/> 10,751,486
<hr/> 17	<hr/> 4	<hr/> 2	<hr/> -	<hr/> 82	<hr/> 643
<hr/> \$ 113,574	<hr/> \$ 124,583	<hr/> \$ 32,366	<hr/> \$ 65	<hr/> \$ 308,215	<hr/> \$ 10,750,843

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS  
(In Thousands)

Years Ended June 30, 2012

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability and Retirement System	State Police Retirement System
Additions:				
Contributions:				
Member contributions	\$ 59,200	\$ 91,976	\$ 724	\$ 3,375
Employer contributions	191,012	482,236	1,207	4,544
Total contributions	<u>250,212</u>	<u>574,212</u>	<u>1,931</u>	<u>7,919</u>
Investment income:				
Net increase in fair value of investments	11,436	9,672	630	228
Investment income	34,686	36,446	3,751	596
Net investment income	46,122	46,118	4,381	824
Other income:				
Total additions	<u>1,859</u>	<u>38,874</u>	<u>22,767</u>	<u>79</u>
Deductions and transfers:				
Benefit expense	304,263	577,427	33,631	477
Refunds of contributions/withdrawals	10,844	7,783	47	327
Transfers to (from) plans	(96)	53	-	-
Administrative expenses	4,505	4,209	50	39
Total deductions and transfers	<u>319,516</u>	<u>589,472</u>	<u>33,728</u>	<u>843</u>
Net increase in plan net assets	(21,323)	69,732	(4,649)	7,979
Net assets held in trust for pension benefits:				
Beginning of year	<u>4,544,625</u>	<u>5,074,665</u>	<u>481,994</u>	<u>70,756</u>
End of year	<u>\$ 4,523,302</u>	<u>\$ 5,144,397</u>	<u>\$ 477,345</u>	<u>\$ 78,735</u>

The accompanying notes are an integral part of these financial statements.

Deputy Sheriff Retirement System	Judges' Retirement System	Emergency Medical Service Retirement System	Municipal Police Officers & Firefighters Retirement System	Teachers' Defined Contribution Retirement System	Total
\$ 3,567	\$ 706	1,838	\$ 72	7,008	\$ 168,466
5,431	3,954	2,272	72	9,092	699,820
<u>8,998</u>	<u>4,660</u>	<u>4,110</u>	<u>144</u>	<u>16,100</u>	<u>868,286</u>
302	262	92	4	4,119	26,745
951	989	269	-	-	77,688
1,253	1,251	361	4	4,119	104,433
534	-	-	-	8	64,121
<u>10,785</u>	<u>5,911</u>	<u>4,471</u>	<u>148</u>	<u>20,227</u>	<u>1,036,840</u>
5,985	4,274	651	-	-	926,708
762	-	664	10	8,266	28,703
-	(51)	-	-	94	-
86	6	39	1	646	9,581
<u>6,833</u>	<u>4,229</u>	<u>1,354</u>	<u>11</u>	<u>9,006</u>	<u>964,992</u>
3,952	1,682	3,117	137	11,221	71,848
<u>113,574</u>	<u>124,583</u>	<u>32,366</u>	<u>65</u>	<u>308,215</u>	<u>10,750,843</u>
<u>\$ 117,526</u>	<u>\$ 126,265</u>	<u>\$ 35,483</u>	<u>\$ 202</u>	<u>\$ 319,436</u>	<u>\$ 10,822,691</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS  
(In Thousands)

Years Ended June 30, 2011

	Public Employees' Retirement System	Teachers' Retirement System	Death, Disability and Retirement System	Public Safety State Police Retirement System
<b>Additions:</b>				
Contributions:				
Member contributions	\$ 57,714	\$ 87,697	\$ 833	\$ 3,065
Employer contributions	160,493	501,103	1,389	4,570
Total contributions	<u>218,207</u>	<u>588,800</u>	<u>2,222</u>	<u>7,635</u>
Investment income:				
Net increase in fair value of investments	722,044	795,227	78,478	10,677
Investment income	<u>35,258</u>	<u>33,701</u>	<u>3,750</u>	<u>545</u>
Net investment income	<u>757,302</u>	<u>828,928</u>	<u>82,228</u>	<u>11,222</u>
Other income:				
Total additions	<u>1,030</u>	<u>60,569</u>	<u>24,356</u>	<u>126</u>
Deductions and transfers:				
Benefit expense	284,587	535,010	31,206	443
Refunds of contributions/withdrawals	9,880	7,614	-	482
Transfers to (from) plans	(368)	418	-	-
Administrative expenses	<u>4,403</u>	<u>4,130</u>	<u>50</u>	<u>37</u>
Total deductions and transfers	<u>298,502</u>	<u>547,172</u>	<u>31,256</u>	<u>962</u>
Net increase in plan net assets	<u>678,037</u>	<u>931,125</u>	<u>77,550</u>	<u>18,021</u>
Net assets held in trust for pension benefits:				
Beginning of year	<u>3,866,588</u>	<u>4,143,540</u>	<u>404,444</u>	<u>52,735</u>
End of year	<u>\$ 4,544,625</u>	<u>\$ 5,074,665</u>	<u>\$ 481,994</u>	<u>\$ 70,756</u>

The accompanying notes are an integral part of these financial statements.

**FINANCIAL SECTION**

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Deputy Sheriff Retirement System	Judges' Retirement System	Emergency Medical Service Retirement System	Municipal Police Officers & Firefighters Retirement System	Teachers' Defined Contribution Retirement System	Total
\$ 3,505 4,221 <hr/> 7,726	\$ 622 3,954 <hr/> 4,576	\$ 1,894 2,264 <hr/> 4,158	\$ 31 31 <hr/> 62	\$ 6,755 10,620 <hr/> 17,375	\$ 162,116 688,645 <hr/> 850,761
18,171 901 <hr/>	20,219 995 <hr/>	4,871 238 <hr/>	- - <hr/>	40,593 - <hr/>	1,690,280 75,388 <hr/>
19,072 <hr/> 27,340	21,214 <hr/> 25,790	5,109 <hr/> 9,312	- 62 <hr/>	40,593 <hr/> 57,975	1,765,668 <hr/> 2,703,104
5,714 659 - 85 <hr/> 6,458	4,014 - - 7 <hr/> 4,021	237 376 (43) 38 <hr/> 608	- - - - <hr/> -	- 9,163 (7) 437 <hr/> 9,593	861,211 28,174 - 9,187 <hr/> 898,572
20,882 <hr/> 92,692	21,769 <hr/> 102,814	8,704 <hr/> 23,662	62 <hr/> 3	48,382 <hr/> 259,833	1,804,532 <hr/> 8,946,311
\$ 113,574 <hr/>	\$ 124,583 <hr/>	\$ 32,366 <hr/> \$ 65	\$ 308,215 <hr/> \$ 10,750,843		

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
STATEMENT OF NET ASSETS - INTERNAL SERVICE FUND  
(In Thousands)

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets:		
Cash with the State Treasurer	\$ 16,393	\$ 13,957
Miscellaneous receivable	173	82
Total current assets	<u>16,566</u>	<u>14,039</u>
Capital assets:		
Software, net of depreciation	944	723
Total assets	<u>\$ 17,510</u>	<u>\$ 14,762</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accrued expenses and other payables	\$ 389	\$ 362
Noncurrent liabilities:		
Compensated absences	181	176
Other post-employment benefits payable	2,060	1,454
Total noncurrent liabilities	<u>2,241</u>	<u>1,630</u>
Total liabilities	<u>2,630</u>	<u>1,992</u>
Net Assets:		
Net assets, unrestricted	13,936	12,047
Invested in capital assets	944	723
Total net assets	<u>\$ 14,880</u>	<u>\$ 12,770</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - INTERNAL SERVICE FUND  
(In Thousands)

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Fees received for administrative services	<u>\$ 9,582</u>	<u>\$ 9,187</u>
Operating expenses:		
Administrative	<u>7,472</u>	<u>7,479</u>
Change in net assets	<u>2,110</u>	<u>1,708</u>
Net assets, beginning of year	<u>12,770</u>	<u>11,062</u>
Net assets, end of year	<u>\$ 14,880</u>	<u>\$ 12,770</u>

The accompanying notes are an integral part of these financial statements.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND  
(In Thousands)

Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from customers and users	\$ 9,491	\$ 9,670
Cash paid to employees	(2,405)	(2,356)
Cash paid to suppliers	<u>(4,337)</u>	<u>(4,458)</u>
Net cash provided by operating activities	<u>2,749</u>	<u>2,856</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(313)</u>	<u>(290)</u>
Increase in cash and cash equivalents	2,436	2,566
Cash and cash equivalents, beginning of year	<u>13,957</u>	<u>11,391</u>
Cash and cash equivalents, end of year	<u>\$ 16,393</u>	<u>\$ 13,957</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 2,110	\$ 1,708
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	92	62
Change in assets and liabilities:		
(Increase) decrease in miscellaneous receivable	(91)	483
Increase (decrease) in accrued expenses and other payables	27	1
Decrease in compensated absences	5	(5)
Increase in other post-employment benefits payable	<u>606</u>	<u>607</u>
Net cash provided by operating activities	<u>\$ 2,749</u>	<u>\$ 2,856</u>

The accompanying notes are an integral part of these financial statements.

**WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS**

**1 - DESCRIPTION OF ORGANIZATION**

Reporting Entity

During fiscal year 1991, the West Virginia State Legislature created the Consolidated Public Retirement Board (the Board) to administer nine of the State of West Virginia's ten retirement plans. The nine retirement plans included within these financial statements are the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the Public Safety Death, Disability and Retirement System (PSDDRS), the State Police Retirement System (SPRS), the Deputy Sheriff Retirement System (DSRS), the Judges' Retirement System (JRS), the Emergency Medical Services Retirement System (EMSRS), Municipal Police Officers and Firefighters Retirement System (MPFRS) and the Teachers' Defined Contribution Retirement System (TDCRS). The Total Pension Funds column included in the statements of plan net assets and statements of changes in plan net assets is for informational purposes only. The net assets of each plan are only available to satisfy the obligations of that plan. The Board is a component unit of the State of West Virginia (the State). The Governmental Employees Deferred Compensation Plan is administered by the West Virginia State Treasurer's Office and has been excluded from these financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The Internal Service Fund (the Fund) is used for the administration of all plans administered by the Board. The Fund receives a service fee from each plan based upon the number of participants included in the plan. These fees are legally restricted for the purpose of administering the plans and are not available for any other purpose.

The Board is managed by a Board of Trustees, which consists of, by virtue of their position, the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in PERS, and one participant each from TRS, PSDDRS, SPRS, DSRS, EMSRS, MPFRS and TDCRS.

Pursuant to the West Virginia Code, the Board submits a detailed budgetary schedule of administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The fundamental purpose of budgetary control is to plan for the expected level of operations and to provide management with a tool to control deviation from such plan but does not constitute a legally adopted budget.

Basis of Accounting

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles for governmental units. The accompanying pension fund financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period when contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Internal Service Fund financial statements have also been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The Board's assets are held primarily in accounts maintained by the State Treasurer, the West Virginia Investment Management Board (the IMB), and the third-party administrator of its defined contribution plan.

**WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**1 - DESCRIPTION OF ORGANIZATION (Continued)**

Cash

The State Treasurer has statutory responsibility for the daily cash management activities of the state's agencies, departments, boards and commissions. The amounts on deposit with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

Investments

All defined benefit plan funds not required to meet disbursement needs are invested in accordance with the West Virginia Code, as well as policies established by the IMB. The IMB has established various investment pools to provide for the investment of the defined benefit plan assets. These investment pools are structured as multiparticipant variable net asset funds.

Investments of the IMB Short-term Fixed Income pool are carried at amortized cost, which approximates fair value. The investments in the other IMB pools, except as noted below, are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The IMB invests in private equity, real estate, and hedge funds, which are not publicly traded, and are carried at estimated fair value as provided by the IMB funds' management. The IMB may, in addition, consider other factors in assessing the fair value of these investments. Because these investments are not marketable, the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investment existed. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Interest rate swap values are based on market values received from third parties or are determined by valuation models. Foreign currency forward contracts are valued at either spot or forward month-end exchange rates. Investments in commingled investment pools are valued at the reported unit values of the individual funds as provided to the IMB fund's management.

The TDCRS investments are held by an investment company which also serves as the third party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are allocated to participant accounts and the participants direct the investment of their individual account balances by selecting from a list of plan mutual funds or a long term fixed investment option.

The TDCRS investments are carried at fair value as determined by a third-party pricing service utilized by an investment management company. Investment income for the TDCRS is determined monthly and distributed to the individual participant accounts.

Contributions Receivable

Contributions receivable represent funds owed to the Board from other government employer entities participating in the various retirement plans.

Participant Loans Receivable

The TRS makes loans to its members, hired prior to July 1, 2005, up to the lesser of one-half of a member's accumulated contributions or \$8,000, at an interest rate indexed to the interest rate used by the Board for determining actuarial contributions levels. TRS loans require repayment over varying terms, with a maximum term of five years.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**1 - DESCRIPTION OF ORGANIZATION (Continued)**

Participant Loans Receivable (Continued)

During the 2008 First Special Session, the West Virginia Legislature passed House Bill 101 regarding retirement benefits for teachers and educational service personnel which became effective Sunday, March 16, 2008. The legislation provided an opportunity for members of the Teachers' Defined Contribution Retirement System (TDCRS) to elect to transfer to the West Virginia Teachers' Retirement System (TRS). The transfer occurred on July 1, 2008 and a total of 15,152 TDCRS members transferred to TRS. These members were granted 75% service created under TRS for their years of service in TDCRS. These members were also granted a one time opportunity to receive a loan in order to purchase the additional 25% service credit at a 7.5% interest rate and with a maximum term of five years. The last day to receive such a loan was June 30, 2010.

The DSRS also makes loans to its members, hired prior to July 1, 2005, up to the lesser of one-half of a member's accumulated contributions or \$8,000, at an interest rate indexed to the interest rate used by the Board for determining actuarial contributions levels. DSRS loans require repayment over varying terms, with a maximum term of five years.

Accrued Expenses and Other Payables

Accrued expenses and other payables primarily represent retirement annuity amounts due to new retirees.

Compensated Absences

Liabilities for compensated absences (annual leave) are recorded for an employees' right to receive compensation for future absences. When an employee is separated from employment with the Board for reasons other than retirement, all sick leave credited to that employee is considered nonvested and no reimbursement to the employee is provided. Accrued sick leave, if any, existing for employees upon their retirement, may be used either to extend benefits provided by the West Virginia Public Employees Insurance Agency or to increase retirement benefits. Other post-employment benefits other than pensions are described in Note 5.

Capital Assets

The Board does not record any capital assets with a value of less than \$5,000 per asset. The only asset currently capitalized consists of agency developed software, which has an estimated useful life of ten years.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of actuarial accrued liabilities, contingent assets, and contingent liabilities as of the financial statement date, and the reported amounts of additions and deductions for the reporting period. Actual amounts could differ from those estimates.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**1 - DESCRIPTION OF ORGANIZATION (Continued)**

Accounting Estimates (Continued)

The various retirement plans utilize various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of plan net assets. Changes in the value of investment securities could affect the future funding status of the plans or require additional contributions to maintain the current funding status.

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION**

Funding policies for all plans have been established by and are changed from time-to-time by action of the State Legislature. While contribution rates are legislatively determined, actuarial valuations are performed to assist the Board and the State Legislature in determining contribution rates. The following information is provided for general information purposes only. Plan participants should refer to the respective West Virginia State Code Section for more complete information.

**Defined Benefit Plans**

Public Employees' Retirement System

*Plan Description* - PERS is a multiple employer defined benefit cost sharing public employee retirement system covering substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another state or municipal retirement system. The number of participating local government employers as of June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Cities and towns	105	105
Counties	55	55
Special districts	<u>371</u>	<u>370</u>
	<u>531</u>	<u>530</u>

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature. In certain circumstances, this Article also permits members of TRS to transfer accumulated service credit and member contributions into PERS.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Public Employees' Retirement System (Continued)

*Contributions* - Per Chapter 5, Article 10, members contribute 4.5% of annual earnings. State and non-state governmental employers' contribution rates were 14.5% and 12.5% of covered employees' annual earnings for fiscal years ending June 30, 2012 and 2011, respectively. Effective July 1, 2012 employer contribution rates will be reduced to 14% of members annual earnings. Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the Board. In addition, certain additional contributions of approximately \$908,000 and \$0 were made during the years ended June 30, 2012 and 2011, respectively, representing extra appropriations to pay off the unfunded liability. Employer contributions from State and non-State agencies for the fiscal years ended June 30, 2012 and 2011, were (in thousands):

	<u>2012</u>	<u>2011</u>
State	\$ 130,831	\$ 109,448
Non-State	<u>60,181</u>	<u>51,045</u>
	<u>\$ 191,012</u>	<u>\$ 160,493</u>

Teachers' Retirement System

*Plan Description* - TRS is a multiple employer defined benefit cost sharing public employee retirement system covering all full-time employees of the 55 county public school systems in the State and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991. However, effective July 1, 2005, all new employees hired for the first time are required to participate in TRS.

During the 2008 First Special Session, the West Virginia Legislature passed House Bill 101 regarding retirement benefits for teachers and educational service personnel which became effective Sunday, March 16, 2008. The legislation provided an opportunity for members of the Teachers' Defined Contribution Retirement System (TDCRS) to elect to transfer to the West Virginia Teachers' Retirement System (TRS). The transfer occurred on July 1, 2008 and a total of 15,152 TDCRS members transferred to TRS.

TRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Teachers' Retirement System (Continued)

Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

TRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined. Employers make the following contributions:

The State, county boards of education, and other employers contribute 15% of gross salary of their TRS members hired prior to July 1, 1991. The State, county boards of education, and other employers contribute 7.5% of the gross salary of their TRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who selected to transfer to TRS effective July 1, 2008. The other employers and county boards of education, utilizing funds made available through the State's School Aid Formula (SAF) contribute 7.5% of the gross salary of their TDCRS covered employees. In addition, the State contributes a certain percentage of fire insurance premiums paid by State residents to assist in extinguishing the TRS unfunded liability within 40 years of June 30, 1994. In addition, certain additional contributions of approximately \$374,711,708 and \$378,671,497 were made during the years ended June 30, 2012 and 2011, respectively, representing extra appropriations to pay off the unfunded liability.

Public Safety Death, Disability and Retirement System

*Plan Description* - PSDDRS is a single employer defined benefit public employee retirement system covering all West Virginia State Police (State Police) hired on or before March 11, 1994. This plan is closed to new entrants.

PSDDRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 50 after 20 years of contributory service, or at any age upon completion of 25 years of service. There is no vesting in the State's contributions prior to ten years of service. Benefits payable to members retiring prior to age 50 are deferred until the normal retirement date. The annual retirement benefit is 5.5% of the members' aggregate salary, but not less than \$6,000 per year. Total service related disability benefits are equal to the member's annual salary, but not less than \$15,000 per year. Aggregate salary is the total salary paid to a member during his or her period of service, which may include up to 5 years of active military service credited at the average departmental salary. Aggregate salary for purposes of determining disability benefits may include salary that would have been earned had the participant served at least 25 years notwithstanding the disability. An annual cost-of-living adjustment of 3.75% is granted to retirees and beneficiaries. For service-connected total disability retirees, the adjustment begins at age 65. A member who terminates employment is entitled to a refund of his or her contributions plus interest.

*Contributions* - PSDDRS funding policy provides for member contributions based on 9% of their annual earnings. The State makes contributions based on 15% of the annual payroll of State Police,

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Public Safety Death, Disability and Retirement System (Continued)

as well as contributing all revenue generated by the sale of traffic accident reports, criminal investigation reports and other fees. In addition, certain additional contributions of approximately \$22,051,000 and \$23,605,000 were made during the years ended June 30 2012 and 2011, respectively, representing extra appropriations to pay off the unfunded liability. Contributions, as a percentage of payroll for members and the employer, are established by State law and are not actuarially determined.

State Police Retirement System

*Plan Description* - SPRS is a single employer defined benefit public employee retirement system that was established for all State Police hired on or after March 12, 1994. SPRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 50 with 25 years of service or age 52 with 20 years of credited service. A member is eligible for a reduced benefit with 20 years of credited service and retiring before age 52. The annual regular retirement benefit, paid monthly, is equal to 2.75% of the final average salary multiplied by the years of service. Final average salary is the average of the five highest calendar years of earnings during the last ten years of earnings. Annual retirement annuity adjustments are 1.0% for regular retirement and are payable on July 1 of each year after the member reaches 63 years of age.

*Contributions* - Members contribute 13% of annual base salary. Employer contribution rates were 17.5% and 19.5% of covered employees' annual base salary for fiscal years ending June 30, 2012 and 2011, respectively. Effective July 1, 2012 employer contribution rates will be reduced to 15.5% of members' annual earnings.

Chapter 15, Article 2 and Article 2A of the West Virginia State Code assigns the authority to establish and amend the provisions of the PSDDRS and SPRS plans to the State Legislature.

Deputy Sheriff Retirement System

*Plan Description* - DSRS, a multiple employer defined benefit cost sharing public employee retirement system, was established for all deputy sheriffs hired by all 55 county governments on or after July 1, 1998. The DSRS was also made available to any deputy sheriff employed in covered employment participating in PERS on the effective date so long as he/she made notification in writing before January 31, 1999, to both the County Commission in the county in which he/she was employed and the Board of his/her desire to transfer to the DSRS. Approximately 600 deputy sheriffs elected such transfer and as a result, approximately \$28,638,000 of accumulated member and employer contributions and interest were transferred from PERS to DSRS in fiscal year 1999, in accordance with Chapter 7, Article 14D of the West Virginia State Code.

DSRS provides retirement as well as death and disability benefits. A member is eligible for normal retirement under the following circumstances:

1. Attainment of the age of 50 years and completion of 20 or more years of service
2. Member is in covered employment, has attained the age of 60 years, and has completed five or more years of service
3. Attainment of the age of 62 years and has completed five or more years of service

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Deputy Sheriff Retirement System (Continued)

The annual regular retirement benefit is equal to 2.25% of a member's final average salary multiplied by the member's years of credited service. Final average salary refers to the average of the highest annual compensation received for covered employment by the member during any five consecutive plan years within the member's last ten years of service. A member may elect to receive retirement income payments equal to his/her accrued benefit in the normal form or in a variety of annuity options. The normal form signifies a monthly annuity which is 1/12 of the amount of a member's accrued benefit which is payable for the member's life.

Benefit payments did not begin prior to January 1, 2000, except benefit payments resulting from disability.

Chapter 7, Article 14D of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - Members contribute 8.5% of monthly base salary, and the Sheriff's Office/County Commission of the County in which the member is employed contributed an additional 13% and 10.5% of the member's monthly salary during years ended June 30, 2012 and 2011, respectively. Employer contributions will remain at 13% of the member's monthly salary during the fiscal year ending June 30, 2013. In addition, the Sheriff's Office/County Commissions contribute certain fees charged for reports and other services provided by the sheriff's offices.

Judges' Retirement System

*Plan Description* - JRS is a single employer defined benefit public employee retirement system covering State judges and justices who elect to participate. JRS provides retirement as well as death and disability benefits. A member who was appointed or elected to the bench prior to July 2, 2005 is eligible for normal retirement upon the attainment of 24 years of service of which at least 12 years is as a sitting judge or justice, 16 years of service at age 65 of which at least 12 years is as a sitting judge or justice, or 8 full years of service after age 65. A member who was appointed or elected to the bench on or after July 2, 2005 is eligible for normal retirement upon the attainment of 24 years of service of which at least 14 years is as a sitting judge or justice, or 16 years of service at age 65 of which 14 years is as a sitting judge or justice. A member on the bench prior to July 2, 2005 is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 12 years of service is as a sitting judge or justice. A member on the bench on or after July 2, 2005 is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 14 years of service are as a sitting judge or justice.

The annual benefit paid to judges and justices on the bench prior to July 2, 2005 is 75% of the current annual salary of the office from which the participant retires, with surviving spouse and dependent child benefits. This benefit is proportionally increased upon increase in salary for active sitting judges and justices.

The annual benefit paid to judges and justices on the bench on or after July 2, 2005 is 75% of the member's final average salary. Final average salary means the average of the highest thirty-six

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Judges' Retirement System (Continued)

consecutive month's compensation received as a judge or justice. No increases in benefits are given by virtue of increase in salary of active sitting judges or justices.

Chapter 51, Article 9 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - JRS funding policy provides for member contributions based on 10.5% of their annual earnings. This policy also provides for periodic employer contributions at varying amounts appropriated annually by the State Legislature. However, annual appropriations are determined in consideration of the most recent actuarial valuation. Any participant who terminates before becoming eligible for benefits may elect to withdraw his or her contributions without interest.

Emergency Medical Services Retirement System (EMSRS)

*Plan Description* - The EMSRS Act was passed by the Legislature in March 2007. The legislation provided for a voluntary participation election of eligible emergency medical service officers and mandated that certain participation levels be reached by December 31, 2007, in order for the provisions of the Emergency Medical Services Retirement System to become effective. At the close of the election period, fifteen licensed EMS public employers, consisting of twelve eligible Public Employees Retirement System (PERS) political subdivisions and three eligible Non-PERS political subdivisions, passed corporate resolutions to become participating public employers of this retirement system. Statewide, over five hundred eligible Emergency Medical Services Officers elected to opt into this new retirement plan. The WV Emergency Medical Services Retirement System (EMSRS) became effective January 1, 2008.

The statute prohibited any payout of benefits from the EMSRS fund prior to January 1, 2011, with the exception of duty disability retirement. An EMSRS member is eligible for "normal" retirement when one of the following occurs:

- Attainment of age 50 and the completion of 20 years of contributory service; or
- Attainment of age 50 when age plus contributory service equals 70 while still in covered employment; or
- Attainment of age 60 and completion of 10 years contributory service while still in covered employment; or
- Attainment of age 62 and completion of 5 years of contributory service.

An EMSRS member is eligible for "early retirement" when they reach age 45 and have completed 20 years of service.

Final Average Salary (FAS) is the average of the highest annual compensation received by the member during covered employment for any 5 consecutive plan years (Jan. 1- Dec. 31) within the last 10 years of service. The accrued benefit on behalf of any member is calculated as follows:

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Emergency Medical Services Retirement System (EMSRS) (Continued)

Final Average Salary x Years of Credited Service x Benefit Percentage

Annual Retirement Benefit Formula

2.75% x FAS x Years of Service for years 1-20  
2.0% x FAS x Years of Service for years 21-25  
1.0% x FAS x Years of Service for years 26-30

In accordance with provisions in statute, upon reaching a 75% funded level as of an actuarial valuation date, the Board shall increase the annual retirement benefit multiplier from 2.6% of final average salary to 2.75% of final average salary for years one through twenty of service credited.

Chapter 16, Article 5V of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - Currently, the EMSRS employee contribution rate is 8.5% of gross monthly salary and the employer contribution rate is 10.5% of gross monthly salary.

Municipal Police Officers and Firefighters Retirement System (MPFRS)

*Plan Description* - The MPFRS Act was passed by the Legislature in November 2009, and became effective January 1, 2010. The legislation provided for any municipality or municipal subdivision employing municipal police officers or firefighters to elect to become a participating employer. MPFRS is a multiple employer defined benefit retirement system. The MPFRS had 12 participating members as of June 30, 2012. If there are fewer than 100 members on January 1, 2014, all members will be merged into the Emergency Medical Services Retirement System. All police officers and firefighters first employed in covered employment after the date the municipality or municipal subdivision elected to join MPFRS are required to be members of MPFRS.

A MPFRS member is eligible for "normal" retirement when one of the following occurs:

- Attainment of age 50 and the completion of 20 years of contributory service; or
- Attainment of age 50 when age plus contributory service equals 70 while still in covered employment; or
- Attainment of age 60 and completion of 10 years contributory service while still in covered employment; or
- Attainment of age 62 and completion of 5 years of contributory service.

Final Average Salary (FAS) is the average of the highest annual compensation received by the member during covered employment for any 5 consecutive plan years (Jan. 1 - Dec. 31) within the last 10 years of service. The accrued benefit on behalf of any member is calculated as follows, not to exceed 67%:

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Municipal Police Officers and Firefighters Retirement System (MPFRS) (Continued)

Final Average Salary x Years of Credited Service x Benefit Percentage

Annual Retirement Benefit Formula

2.6% x FAS x Years of Credited Service for years 1-20  
2.0% x FAS x Years of Credited Service for years 21-25  
1.0% x FAS x Years if Credited Service for years 26-30

Chapter 8, Article 22A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - Currently, the MPFRS employee contribution rate is 8.5% of gross monthly salary and the employer contribution rate is 8.5% of gross monthly salary. As provided in statute, the Board may recommend the employee contribution rate be increased to 10.5% if the MPFRS plan does not reach a 70% funded level by July 1, 2014.

Plan Membership

Membership in the above plans consisted of the following as of the plan valuation dates, July 1, 2011 and 2010:

As of July 1, 2011:	PERS	TRS	PSDDRS	SPRS	DSRS	JRS	EMSRS	MPFRS
Retirees and beneficiaries currently receiving benefits	22,793	31,043	689	17	272	56	20	-
Terminated members entitled to benefits but not yet receiving them	3,859	1,579	4	7	70	-	22	-
Terminated nonvested members	12,172	1,669	2	109	143	2	81	3
Active members:								
Vested	23,420	25,534	133	227	613	23	259	-
Nonvested	12,834	10,321	-	296	341	47	276	9
Total	<u>75,078</u>	<u>70,146</u>	<u>828</u>	<u>656</u>	<u>1,439</u>	<u>128</u>	<u>658</u>	<u>12</u>
As of July 1, 2010:	PERS	TRS	PSDDRS	SPRS	DSRS	JRS	EMSRS	MPFRS
Retirees and beneficiaries currently receiving benefits	22,040	30,127	684	17	260	56	-	-
Terminated members entitled to benefits but not yet receiving them	3,883	1,621	3	8	65	-	27	-
Terminated nonvested members	11,481	1,420	2	101	127	2	75	-
Active members:								
Vested	23,436	25,491	147	225	586	24	251	-
Nonvested	12,541	10,179	-	273	372	47	274	6
Total	<u>73,381</u>	<u>68,838</u>	<u>836</u>	<u>624</u>	<u>1,410</u>	<u>129</u>	<u>627</u>	<u>6</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Plan Funded Status and Funding Progress - Defined Benefit Pension Plans

*Plan Funded Status* - The funded status of each plan as of July 1, 2011 (unless otherwise noted), the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
PERS	\$ 4,322,668	\$ 5,515,252	\$ 1,192,584	78.4%	\$ 1,327,717	89.8%
TRS	5,074,665	9,445,148	4,370,483	53.7%	1,505,749	290.3%
PSDDRS	481,994	606,245	124,251	79.5%	8,001	1,552.9%
SPRS	70,756	79,036	8,280	89.5%	24,725	33.5%
DSRS	113,574	149,462	35,888	76.0%	42,366	84.7%
JRS	124,583	95,591	(28,992)	130.3%	8,860	0.0%
EMS	32,366	39,225	6,859	82.5%	22,488	30.5%
MPFRS	65	23	(42)	282.6%	343	(12.2)%

*Plan Funding Progress* - The schedules of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Significant exemptions used in determining funding progress are as follows:

	PERS	TRS	PSDDRS
Valuation date	July 1, 2011	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age normal	Entry age	Entry age
Asset valuation method	4 Year Smoothing	Fair value	Fair value
Amortization method	Level dollar	Level dollar	Level dollar
Amortization period	Through FY 2035	Through FY 2034	Through FY 2024
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	4.25-6.0%	-	-
Nonstate	4.25-6.0%	-	-
TRS:			
Teachers	-	3.75-5.25%	-
Non Teachers	-	3.4-6.50%	-
PSDDRS:	-	-	6.5% for first 2 yrs of service 6.0% for first 3 yrs of service 5.5% for the next 5 yrs and 4.75% thereafter
Inflation rate	3.0%	3.0%	3.0%

**WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

	SPRS	DSRS	JRS
Valuation date	July 1, 2011	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age normal	Entry age normal cost-aggregate level percent of payroll	Entry age
Actuarial valuation method	Fair value	Fair value	Fair value
Amortization method	Level percentage of payroll payroll	Level percentage of open group payroll plus fee deposits	Level dollar
Amortization period	Through FY 2030	Through FY 2029	Not applicable
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases	6.5% for first 2 yrs of service, 6.0% for next 3 yrs of service,  5.5% for the next 5 yrs, and 4.75% thereafter	6.5% for first 2 yrs of service, 6.0% for next 3 yrs of service,  5.5% for the next 5 yrs, and 5.0% thereafter	4.5%  Annual increase to benefits 4.5%
Inflation rate	3.0%	3.0%	3.0%
	EMSRS	MPFRS	
Valuation date	July 1, 2011	July 1, 2011	
Actuarial cost method	Entry age normal with aggregate normal cost level percentage of payroll	Entry age cost with aggregate normal cost level percent	
Actuarial valuation method	Fair value	Fair value	
Amortization method	Level dollar	Level dollar	
Amortization period	Through FY 2038	Through FY 2040	
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	
Projected salary increases	By age from 5.0% at age 30 Declining to 3.5% at age 65	By age from 5.0% at age 30 Declining to 3.5% at age 65	
Inflation rate	3.0%	3.0%	

Teachers' Defined Contribution Retirement System

*Plan Description* - TDCRS is a multiple employer defined contribution retirement system, which is a money purchase pension plan covering primarily full-time employees of the State's 55 county public school systems, the State Department of Education, and the Schools for the Deaf and Blind who were hired between July 1, 1991 and June 30, 2005. TDCRS members also include former TRS plan members, including higher education employees, who have elected to transfer into or participate in TDCRS. TDCRS benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. TDCRS closed participation to new members effective June 30, 2005.

During the 2008 First Special Session, the West Virginia Legislature passed House Bill 101 regarding retirement benefits for teachers and educational service personnel which became effective Sunday, March 16, 2008. The legislation provided an opportunity for members of the Teachers' Defined Contribution Retirement System (TDCRS) to elect to transfer to the West Virginia Teachers' Retirement System (TRS). The transfer occurred on July 1, 2008 and a total of 15,152 TDCRS members transferred to TRS.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

**Defined Benefit Plans (Continued)**

Teachers' Defined Contribution Retirement System (Continued)

The TDCRS provides members with a choice of 16 separate investment options made up of fixed income, balanced, large cap, mid cap, small cap, and international mutual funds, a money market fund and a fixed annuity.

*Contributions* - State law requires employees to contribute 4.5% of their gross compensation and the employers to contribute 7.5% of covered members' gross compensation. Employer contributions are comprised from amounts allocated to the employers through the State's School Aid Formula, forfeitures allotted from the TDC Plan and county contributions. Employer contributions for each employee (and interest allocated to the employee's account) become partially vested after six years and fully vested after 12 complete years of service. If a terminated employee does not return to active participant status within five years, the nonvested employer contributions and earnings thereon are forfeited to reduce the employer's current period contribution requirement. Any such forfeitures arising from contributions, plus earnings thereon, will be used to reduce future employer contributions.

**3 - INVESTMENTS**

The Board has adopted investment guidelines that are consistent with those specified in the West Virginia Code. Those guidelines authorize the Board to invest with IMB in obligations of the United States and certain of its agencies, certificates of deposit, direct and general obligations of states, repurchase agreements relating to certain securities, equity securities, real estate, and guaranteed investment contracts. Plan assets of defined benefit plans are invested by the IMB. Investments are managed by a third party administrator as the trustee for the TDCRS.

The IMB invests plan assets in accordance with West Virginia Code and policies established by the IMB. Individual defined benefit plan assets are invested by the IMB in the various IMB pools. Following is a summary of investments held by IMB for each plan as of June 30, 2012 and 2011 (in thousands):

June 30, 2012	PERS	TRS	PSDDRS	SPRS	DSRS	JRS	EMSRS	MPOF
Large cap equity	\$ 795,984	\$ 908,381	\$ 86,640	\$ 14,200	\$ 21,171	\$ 23,121	\$ 6,359	\$ 32
Non-large cap equity	269,212	307,418	29,507	4,779	7,158	7,802	2,147	10
International qualified	343,311	393,701	37,412	5,717	9,036	9,901	2,593	14
International equity	742,277	851,090	82,434	13,451	19,898	21,657	6,056	27
Private equity	435,948	503,734	48,464	7,821	11,695	12,702	3,525	17
Real estate	273,496	312,255	29,722	4,829	7,273	7,928	2,177	11
Total return fixed income	612,542	632,244	68,306	11,174	16,678	17,947	5,113	25
Core fixed income	294,910	300,128	32,860	5,393	8,043	8,645	2,470	11
Hedge fund	443,916	509,625	48,974	7,950	11,851	12,917	3,579	16
TRS annuity	-	53,023	-	-	-	-	-	-
Short term fixed income	26,949	210,217	718	1,417	468	367	230	22
TIPS	113,597	129,741	12,349	2,004	3,010	3,278	904	4
Total investments	<u>\$4,352,142</u>	<u>\$5,111,557</u>	<u>\$ 477,386</u>	<u>\$ 78,735</u>	<u>\$ 116,281</u>	<u>\$ 126,265</u>	<u>\$ 35,153</u>	<u>\$ 189</u>

**WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

**3 - INVESTMENTS (Continued)**

June 30, 2011	PERS	TRS	PSDDRS	SPRS	DSRS	JRS	EMSRS	MPOF
Large cap equity	\$ 810,662	\$ 902,180	\$ 88,512	\$ 13,145	\$ 20,972	\$ 23,447	\$ 6,037	\$ -
Non-large cap equity	286,555	317,860	31,093	4,525	7,329	8,158	2,173	-
International qualified	387,425	423,508	42,233	6,010	9,955	11,000	2,732	-
International equity	705,905	796,380	77,543	11,230	18,040	20,095	5,103	-
Private equity	442,041	495,625	47,325	6,340	10,808	12,061	2,938	-
Real estate	107,921	119,095	11,533	1,683	2,748	3,060	788	-
Total return fixed income	678,400	654,040	77,327	11,374	17,393	18,640	5,026	-
Core fixed income	311,640	303,827	36,707	5,384	8,203	8,765	2,384	-
Hedge fund	386,499	426,630	43,663	6,398	10,697	11,557	2,714	-
TRS annuity	-	103,845	-	-	-	-	-	-
Short term fixed income	18,733	217,903	1,309	1,094	599	1,417	449	61
TIPS	<u>223,244</u>	<u>249,320</u>	<u>24,760</u>	<u>3,573</u>	<u>5,744</u>	<u>6,387</u>	<u>1,619</u>	<u>-</u>
Total investments	<b>\$4,359,025</b>	<b>\$5,010,213</b>	<b>\$ 482,005</b>	<b>\$ 70,756</b>	<b>\$ 112,488</b>	<b>\$ 124,587</b>	<b>\$ 31,963</b>	<b>\$ 61</b>

Large Cap Equity

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Stock Index over three to five year periods. Assets are managed by Intech Investment Management, LLC, and State Street Global Advisors.

The Pool holds equity securities of U.S. companies, exchange traded stock index futures, and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's collateral reinvestment fund. At June 30, 2012, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

Non-Large Cap Equity

The Pool invests in the equities of small to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three to five year periods. Assets are managed by Aronson Johnson Ortiz, LP and Westfield Capital Management.

The Pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2012, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

International Qualified

Funds are invested in Silchester International Investors' Value Equity Group Trust. The Pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) index by 200 basis points on an annualized basis over three to five year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code*) may invest in the Pool.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

International Qualified (Continued)

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2012, was \$801,731,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2012 the IMB was in compliance with this limitation. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

International Nonqualified

Funds are invested in Silchester International Investors' Value Equity Trust. The Pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's EAFE index by 200 basis points on an annualized basis over three to five year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*).

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2012, was \$87,453,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2012 the IMB was in compliance with this limitation. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

International Equity

This Pool invests in the equities of international companies. Assets are managed by Axiom International Investors, LLC, Brandes Investment Partners, LLC, LSV Asset Management, and Pictet Asset Management Limited. The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US index over three to five year periods.

The Pool is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2012, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool. The Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2012 the IMB was in compliance with this limitation. The amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2012 are as follows (in thousands):

Currency	Equity Securities	Cash	Total
Australian Dollar	\$ 63,284	\$ 143	\$ 63,427
Brazil Real	77,642	3,441	81,083
British Pound	217,785	404	218,189
Canadian Dollar	83,701	75	83,776
Czech Crown	6,230	-	6,230

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

International Equity (Continued)

Currency	Equity Securities	Cash	Total
Danish Krone	6,858	24	6,882
Emirati Dirham	8,048	-	8,048
Euro Currency Unit	289,347	1,256	290,603
Hong Kong Dollar	152,281	697	152,978
Hungarian Forint	7,620	1	7,621
Indian Rupee	35,768	380	36,148
Indonesian Rupiah	8,313	145	8,458
Israeli Shekel	13,413	103	13,516
Japanese Yen	215,250	9,319	224,569
Malaysian Ringgit	5,067	126	5,193
Mexican Peso	22,072	24	22,096
New Taiwan Dollar	47,733	2,300	50,033
New Zealand Lira	7,513	58	7,571
Norwegian Krone	21,877	28	21,905
Pakistani Rupee	922	-	922
Philippine Peso	7,751	75	7,826
Polish Zloty	6,708	9	6,717
Singapore Dollar	20,786	46	20,832
South African Rand	51,153	57	51,210
South Korean Won	128,548	2,374	130,922
Swedish Krona	16,126	71	16,197
Swiss Franc	62,607	6	62,613
Thailand Baht	17,882	-	17,882
Turkish Lira	42,295	48	42,343
	<hr/>	<hr/>	<hr/>
	\$ 1,644,580	\$ 21,210	\$ 1,665,790

This table excludes cash and securities held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and securities is \$257,253 (in thousands) at June 30, 2012.

Short-Term Fixed Income

The main objective of the Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. manages the Pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Salomon ninety-day Treasury bill index plus fifteen basis points.

*Credit risk*

The IMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the Pool must have at least 15 percent of its assets in United States Treasury issues.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Short-Term Fixed Income (Continued)

The following table provides information on the weighted average credit ratings of the Pool's investments as of June 30, 2012 (in thousands):

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Agency discount notes	Aaa	AA+	\$ 169,173	46.2%
Agency notes	Aaa	AA+	20,096	5.5
Commercial paper	P-1	A-1	18,279	5.0
U.S. Treasury bills	Aaa	AA+	71,808	19.6
U.S. Treasury notes	Aaa	AA+	86,995	23.7
Total rated investments			\$ 366,351	100.0%

This table includes securities received as collateral for repurchase agreements with a fair value of \$81,966 (in thousands) as compared to the amortized cost of the repurchase agreements of \$80,588 (in thousands).

*Concentration of Credit Risk*

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2012, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

*Custodial Credit Risk*

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102 percent and the collateral is held in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB.

*Interest rate risk*

The weighted average maturity of the investments of the Pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Pool as of June 30, 2012 (in thousands):

Security Type	Carrying Value	WAM (days)
Agency discount notes	\$ 169,173	48
Agency notes	20,096	95
Commercial paper	18,279	8
Repurchase agreements	80,588	1
U.S. Treasury bills	71,808	29
U.S. Treasury notes	5,029	153
Total assets	\$ 364,973	36

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Short-Term Fixed Income (Continued)

*Foreign currency risk*

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

Total Return Fixed Income

The main objective of this Pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox and Western Asset Management Company manage the Pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital Universal index.

*Credit risk*

The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the rated assets in the Pool as of June 30, 2012 (in thousands):

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Agency collateralized mortgage obligations	Aaa	AA+	\$ 32,536	1.5%
Agency mortgage backed securities	Aaa	AA+	340,717	15.3
Corporate asset backed securities	Aa2	AA-	38,005	1.7
Corporate bonds and notes	Baa2	BBB	754,176	33.7
Corporate collateralized mortgage obligations	B	B	21,589	1.0
Corporate preferred securities	Ba2	BB	8,572	0.4
Foreign government bonds	Baa1	A-	6,293	0.3
Municipal bonds	A1	A	93,246	4.2
Regulated investment companies	Aaa	AAA	184,079	8.2
U.S. Treasury bonds and notes	Aaa	AA+	309,610	13.9
Total rated investments			\$ 1,788,823	80.2%

Unrated securities include commingled investment pools valued at \$441,868 (in thousands) and option contracts purchased valued at \$728 (in thousands). These unrated securities represent 19.8 percent of the fair value of the Pool's investments.

*Concentration of credit risk*

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2012, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Total Return Fixed Income (Continued)

*Custodial credit risk*

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102 percent and the collateral is held in the name of the IMB. Investments in commingled funds are held in an account in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB.

*Interest rate risk*

The IMB monitors interest rate risk of the Pool by evaluating the modified duration of the investments in the Pool. The following table provides the weighted average modified duration for the various asset types in the Pool as of June 30, 2012 (in thousands):

Security Type	Fair Value	Modified Duration (years)
Agency collateralized mortgage obligations	\$ 32,536	3.4
Agency mortgage backed securities	340,717	8.5
Commingled investment pools	441,868	2.7
Corporate asset backed securities	38,005	8.0
Corporate bonds and notes	754,176	6.4
Corporate collateralized mortgage obligations	21,589	4.8
Foreign government bonds	6,293	7.5
Municipal bonds	93,246	13.1
Regulated investment companies	184,079	0.0
U.S. Treasury bonds and notes	<u>309,610</u>	6.7
 Total rated investments	<u>\$ 2,222,119</u>	5.8

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 modified 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, 2012, the Pool held \$432,847,000 of these securities. This represents approximately 20 percent of the value of the Pool's securities.

*Foreign currency risk*

Of the notes, bonds, asset backed securities, mortgage backed securities, collateralized mortgage obligations and money market fund held by the Pool, only the foreign government bond denominated in Mexican Peso is exposed to foreign currency risk. The market value of this bond is \$6,293,000, which represents less than 1 percent of the value of the Pool's securities. The Pool also

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Total Return Fixed Income (Continued)

*Foreign currency risk (Continued)*

has foreign exchange forward contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$138,355,000, or 31 percent, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 6 percent of the value of the Pool's securities. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2012 the IMB was in compliance with this limitation.

Core Fixed Income

The main objective of this Pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. manages this Pool. This Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital U.S. Aggregate index.

*Credit Risk*

The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the rated assets in the Pool as of June 30, 2012 (in thousands):

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Agency bonds and notes	Aaa	AA+	\$ 16,801	1.4%
Agency collateralized mortgage obligations	Aaa	AA+	268,484	22.3
Agency mortgage backed securities	Aaa	AA+	173,034	14.4
Corporate asset backed securities	Aa2	AA+	30,397	2.5
Corporate bonds and notes	A3	A	271,566	22.7
Corporate collateralized mortgage obligations	A1	AA+	145,724	12.1
Municipal bonds	Aa3	AA-	4,781	0.4
Regulated investment companies	Aaa	AAA	11,728	1.0
U.S. Treasury bonds and notes	Aaa	AA+	278,786	23.2
Total rated investments			\$ 1,201,301	100.0%

*Concentration of Credit Risk*

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2012, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Core Fixed Income (Continued)

*Custodial Credit Risk*

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB.

*Interest Rate Risk*

The IMB monitors interest rate risk of the Pool by evaluating the modified duration of the investments in the Pool. The following table provides the weighted average modified duration for the various asset types in the Pool as of June 30, 2012 (in thousands):

Security Type	Fair Value	Modified Duration (years)
Agency bonds and notes	\$ 16,801	5.0
Agency collateralized mortgage obligations	268,484	3.6
Agency mortgage backed securities	173,034	6.9
Corporate asset backed securities	30,397	1.9
Corporate bonds and notes	271,566	5.7
Corporate collateralized mortgage obligations	145,724	3.1
Municipal bonds	4,781	12.6
Regulated investment companies	11,728	0.0
U.S. Treasury bonds and notes	<u>278,786</u>	6.8
Total rated investments	<u>\$ 1,201,301</u>	5.0

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 modified 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, 2012, the Pool held \$617,639 (in thousands) of these securities. This represents approximately 51 percent of the value of the Pool's securities.

*Foreign Currency Risk*

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

TIPS Pool

The Pool invests in Treasury Inflation-Protected Securities (TIPS) and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three year to five year periods, gross of fees. Assets are managed by State Street Global Advisors.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

TIPS Pool (Continued)

*Credit Risk*

The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the rated assets in the Pool as of June 30, 2012 (in thousands):

Security Type	Moody's	S&P	Fair Value	Percent of Assets
U.S. Treasury issues	Aaa	AA+	\$ 738,767	99.9%
Money market funds	Aaa	AAA	406	0.1
Total rated investments			\$ 739,173	100.0%

*Concentration of Credit Risk*

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2012, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

*Custodial Credit Risk*

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB.

*Interest Rate Risk*

The IMB monitors interest rate risk of the Pool by evaluating the modified duration of the investments in the Pool. The following table provides the weighted average modified duration for the various asset types in the Pool as of June 30, 2012 (in thousands):

Security Type	Fair Value	Modified Duration (years)
U.S. Treasury issues	\$ 738,767	8.1
Money market funds	406	0.0
Total assets	\$ 739,173	8.1

*Foreign Currency Risk*

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

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

TRS Annuity Pool

The Pool holds an investment contract strictly for the benefit of the Teachers' Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers' Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring, and was transferred in kind to the IMB on December 10, 2008. The final amount transferred on the contract was \$248,293,000. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,000. Payments were received on May 4, 2009, 2010, 2011, and 2012. Final payment will be received on May 4, 2013. The contract and the payments include a guaranteed annual interest yield of 4.5%. VALIC is a wholly-owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

*Credit Risk*

The contract issued by the VALIC is not rated by any of the nationally recognized statistical rating agencies. VALIC has received "A" ratings from Moody's, Fitch, and Standard & Poor's.

*Concentration of Credit Risk*

The contract issued by the VALIC is the only security held by the Pool. Consequently, the Pool is subject to concentration of credit risk.

*Custodial Credit Risk*

The Pool is not subject to custodial credit risk.

*Interest Rate Risk*

The investment contract has a guaranteed annual interest yield of 4.5%. The IMB has elected to withdraw funds in equal installments over five years. Under the terms of the election agreement the interest rate became fixed. The Pool is subject to the risk that it could potentially earn a lower than market interest rate in the event market rates increase above the 4.5% contractual rate.

*Foreign Currency Risk*

The Pool is not subject to foreign currency risk.

Private Equity

The Pool was established to hold the IMB's investments in various types of private equity funds. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for this asset class.

The Pool holds limited partnerships, shares of an institutional commingled fund and a money market fund with the highest credit rating. The institutional commingled fund is not rated by any of the

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Private Equity (Continued)

nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The securities of the Pool are not exposed to credit risk, interest rate risk, or custodial credit risk. There is an indirect exposure to foreign currency risk through certain of the partnerships and the commingled fund. At June 30, 2012 these investments had holdings in foreign currencies of approximately \$314,621,000 or approximately 31 percent of the total value of the Pool's investments. At June 30, 2012, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

Real Estate

The Pool holds the IMB's investments in real estate funds, real estate limited partnerships and real estate investment trusts (REITs). Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for the real estate funds and limited partnerships. The REITs are managed by European Investors, Inc., CBRE Clarion Securities, LLC., and Security Capital Research & Management Inc.

*Credit Risk*

The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted average credit ratings of the rated assets in the Pool as of June 30, 2012 (in thousands):

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	Baa	BBB-	\$ 114,420	18.0%
Regulated investment companies	Aaa	AAA	18,677	3.0
Total rated investments			\$ 133,097	21.0%

Unrated securities include equity securities valued at \$190,797 (in thousands) and investments in other funds valued at \$313,063 (in thousands). These unrated securities represent 79.0 percent of the fair value of the pool's investments.

*Concentration of Credit Risk*

West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2012, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Real Estate (Continued)

*Custodial Credit Risk*

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB.

*Interest Rate Risk*

The IMB monitors interest rate risk of the Pool by evaluating the modified duration of the investments in the Pool. The following table provides the weighted average modified duration for the various asset types in the Pool as of June 30, 2012 (in thousands):

Security Type	Fair Value	Modified Duration (years)
Corporate bonds and notes	\$ 114,420	6.0
Regulated investment companies	<u>18,677</u>	0.0
Total assets	<u>\$ 133,097</u>	5.2

*Foreign Currency Risk*

The Pool has real estate investment trusts, shares of an institutional commingled fund, and cash that are denominated in foreign currencies and are exposed to foreign currency risks. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2012 the IMB was in compliance with this limitation. The amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2012 are as follows (in thousands):

Currency	Securities	Cash	Total
Australian Dollar	\$ 3,401	\$ -	\$ 3,401
Brazil Real	55	-	55
British Pound	11,622	-	11,622
Canadian Dollar	2,914	-	2,914
Euro Currency Unit	4,516	4	4,520
Hong Kong Dollar	6,843	11	6,854
Japanese Yen	5,662	-	5,662
Polish Zloty	845	-	845
Singapore Dollar	2,152	-	2,152
South Korean Won	549	-	549
Swedish Krona	415	-	415
Thailand Baht	476	-	476
 Total	<u>\$ 39,450</u>	<u>\$ 15</u>	<u>\$ 39,465</u>

This table excludes cash and securities held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and securities is \$597,475 (in thousands) at June 30, 2012.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Hedge Fund

The Pool was established to hold the IMB's investments in hedge funds. Albourne America, LLC has been retained by the IMB to provide consulting services for this investment strategy.

The Pool holds shares in various commingled institutional funds and shares of a money market fund with the highest credit rating. The commingled institutional funds are not rated by any of the nationally recognized statistical rating agencies and thus any credit risk cannot be accurately reported. The Pool is not exposed to interest rate risk, custodial credit risk, or concentration of credit risk. The Pool is indirectly exposed to foreign currency risk as certain of the funds have investments denominated in foreign currencies. At June 30, 2012, approximately \$428,621,000 or 41 percent, of the market value of the funds were held in foreign currencies.

IMB Commitments

The IMB, with the assistance of its consultant, began implementing its plan to invest in real estate in February 2008. The IMB committed \$595,000,000 to eighteen real estate investment funds/partnerships. The IMB had funded \$287,918,000 of these commitments at June 30, 2012, leaving unfunded commitments of \$307,082,000.

The IMB, with the assistance of its consultant, began implementing its plan to invest in private equity partnerships in February 2008. As of June 30, 2012, the IMB had made commitments to twenty-six private equity general partnerships totaling \$967,000,000. The IMB had funded \$427,075,000 of these commitments at June 30, 2012, leaving unfunded commitments of \$539,925,000.

Investments and Deposits - TDCRS

*Credit Risk*

The TDCRS' investments are not rated as to credit risk.

*Concentration of Credit Risk*

As of June 30, 2012 and 2011, the TDCRS has investment balances with the following issuers which were greater than 5% of the total investment balance of the TDCRS (in thousands):

Mutual Funds:	2012	2011
PIMCO Total Return Fund	\$ 19,773	\$ 19,772
Valic Fixed Annuity Option	94,387	86,269
Orchard Secure Foundation Balanced	26,985	28,232
John Hancock Large Cap Equity	43,062	43,611

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**3 - INVESTMENTS (Continued)**

Investments and Deposits - TDCRS (Continued)

*Concentration of Credit Risk (Continued)*

Putnam Equity Income	23,192	22,123
Vanguard Large Cap Index	23,304	21,494
Other (less than 5% individually)	<u>79,485</u>	<u>78,079</u>
	<u>\$ 310,188</u>	<u>\$ 299,580</u>

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the TDCRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2012, the TDCRS held no securities that were subject to custodial credit risk.

*Concentration of Credit Risk - Cash Deposits*

At June 30, 2012 TDCRS had \$7,592,079 on deposit with the West Virginia State Treasurer's Office and \$193,720 in depository accounts with financial institutions. The deposits with financial institutions, which had a bank balance of \$193,720, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agent.

*Interest Rate Risk*

As of June 30, 2012, the TDCRS had the following investments and maturities (in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
Mutual Funds	\$ 310,188	\$ 310,188	\$ -	\$ -

*Foreign Currency Risk*

There are no securities held by TDCRS that are subject to foreign currency risk.

**4 - DUE FROM STATE OF WEST VIRGINIA**

The State of West Virginia reached a settlement with the United States Department of Health & Human Services in January 2011, requiring annual additional contributions of \$20 million per year for nine years from the State of West Virginia general fund to PERS. Contributions of \$5,000,000 are due quarterly on the 15<sup>th</sup> day after each quarter end, beginning on October 15, 2011. The remaining balance of the amount due from the state was \$165,000,000 and \$180,000,000 at June 30, 2012 and 2011, respectively.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**5 - CAPITAL ASSETS**

A summary of capital assets at June 30, 2012 and 2011, follows (in thousands):

2012	Beginning Balance	Increases	Decreases	Ending Balance
Software	\$ 821	\$ 313	\$ -	\$ 1,134
Accumulated depreciation	(98)	(92)	-	(190)
 Capital assets, net	 <u>\$ 723</u>	 <u>\$ 221</u>	 <u>\$ -</u>	 <u>\$ 944</u>
2011	Beginning Balance	Increases	Decreases	Ending Balance
Software	\$ 530	\$ 291	\$ -	\$ 821
Accumulated depreciation	(35)	(63)	-	(98)
 Capital assets, net	 <u>\$ 495</u>	 <u>\$ 228</u>	 <u>\$ -</u>	 <u>\$ 723</u>

**6 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION**Plan Description

The Board participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund, a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employees Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employees. The provisions of the Code of West Virginia, 1931, as amended (the Code) assigned the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publically available financial report that includes financial statements and required supplemental information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57<sup>th</sup> Street S.E., Suite 2, Charleston, West Virginia, 25303-2345, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan to bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost per year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The Board's contributions to the OPEB Plan were \$150,795, \$132,482, and \$139,185, and the billed ARC was \$756,657, \$739,909, and \$821,226, which represent 19.9%, 17.9%, and 16.9% of the ARC, respectively, for the years ending June 30, 2012, 2011, and 2010. This resulted in a net ARC liability of \$2,060,051 and \$1,454,189, which is included in the Board's liabilities as of June 30, 2012 and 2011, respectively.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

## **7 - EMPLOYEE BENEFIT PLANS**

The Board's employees are eligible to participate in PERS. The key provisions of the PERS plan are described in Note 2. Per the plan provisions, Board and employee contributions for the three years ended June 30, 2012, 2011, and 2010, are as follows, which equal their required contributions to the plan (in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Board contributions	\$ 425	\$ 347	\$ 313
Employee contributions	<u>132</u>	<u>125</u>	<u>128</u>
Total contributions	<u>\$ 557</u>	<u>\$ 472</u>	<u>\$ 441</u>

## **8 - CONTINGENCIES**

The Board is engaged in various legal actions that it considers to be in the ordinary course of business. Some of these cases involve potentially significant amounts for which legal counsel is unable to render an opinion on the outcome. Further, the financial impact of some cases is dependent upon judicial rulings in favor of petitioners and would have to be actuarially determined, inasmuch as the relief sought is an increase in the petitioners' annuity benefit. Accordingly, the financial statement impact of such cases cannot be determined at the present time. As legal actions are resolved, the Board recognizes the liability in its financial statements in the period the amount can be estimated.

## **9 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to, and illnesses of employees; medical liabilities; and natural disasters.

Health insurance coverage for the Board's employees is obtained through its participation in the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. Additionally, the Board has obtained coverage for job-related injuries through the purchase of a policy through a commercial carrier. In exchange for the payment of premiums to PEIA and a commercial carrier, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees. Furthermore, the Board is a participant in the self-insured public entity risk pool administered by the Board of Risk and Insurance Management. Coverage is in the amount of \$1,000,000 per occurrence for general liability and property damage.

There have been no significant reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**10 - NEW ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which will be effective for the Board's June 30, 2013 financial statements. GASB has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 67, *Financial Reporting for Pension Plans*, both of which will be effective for the Board's June 30, 2014 financial statements. Statement No. 68, *Accounting and Financial Reporting for Pensions*, was also issued by the GASB and will be effective for the Board's June 30, 2015 financial statements. The Board has not yet determined the effect these statements will have on their financial statements.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FUNDING PROGRESS  
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>PERS</b>						
July 1, 2011	\$ 4,322,668	\$ 5,515,252	\$ 1,192,584	78.4 %	1,327,717	89.8 %
July 1, 2010	3,974,609	5,325,830	1,351,221	74.6	1,315,441	102.7
July 1, 2009	3,930,701	4,930,158	999,457	79.7	1,274,485	78.4
July 1, 2008	3,939,059	4,677,027	737,968	84.2	1,219,388	60.5
July 1, 2007	4,293,296	4,426,051	132,755	97.0	1,191,130	11.1
July 1, 2006	3,700,186	4,264,700	564,514	86.6	1,159,715	48.7
July 1, 2005	3,404,651	4,074,385	669,734	83.6	1,162,098	57.6
July 1, 2004	3,095,660	3,870,201	774,541	80.0	1,134,111	68.3
July 1, 2003	2,669,941	3,691,001	991,060	73.1	1,109,272	89.3
July 1, 2002	2,588,777	3,432,467	843,690	75.4	1,040,269	81.1
July 1, 2001	2,681,395	3,178,037	496,642	84.4	972,711	51.1
<b>TRS</b>						
July 1, 2011	\$ 5,074,665	\$ 9,445,148	\$ 4,370,483	53.7 %	\$ 1,505,749	290.3 %
July 1, 2010	4,143,540	8,904,312	4,760,772	46.5	1,500,761	317.2
July 1, 2009	3,554,771	8,607,869	5,053,098	41.3	1,499,232	337.0
July 1, 2008	4,133,883	8,268,578	4,134,695	50.0	1,409,437	293.4
July 1, 2007	3,665,993	7,142,711	3,476,718	51.3	828,939	419.4
July 1, 2006	2,174,464	6,877,872	4,703,408	31.6	759,206	619.5
July 1, 2005	1,627,355	6,617,708	4,990,353	24.6	735,614	678.4
July 1, 2004	1,427,475	6,440,738	5,013,263	22.2	784,415	639.1
July 1, 2003	1,191,238	6,243,834	5,052,596	19.1	832,919	606.6
July 1, 2002	1,098,441	5,709,001	4,610,560	19.2	841,627	547.8
July 1, 2001	1,090,663	5,188,826	4,098,163	21.0	867,018	472.7
<b>PSDDRS</b>						
July 1, 2011	\$ 481,994	\$ 606,245	\$ 124,251	79.5 %	\$ 8,001	1552.9 %
July 1, 2010	404,444	590,729	186,285	68.5	8,960	2079.1
July 1, 2009	362,927	573,579	210,652	63.3	10,215	2062.2
July 1, 2008	459,182	547,623	88,441	83.9	10,400	850.4
July 1, 2007	513,009	527,393	14,384	97.3	10,997	130.8
July 1, 2006	452,794	506,828	54,034	89.3	11,128	485.6
July 1, 2005	361,390	485,429	124,039	74.4	11,252	1102.4
July 1, 2004	118,080	462,119	344,039	25.6	12,273	2803.2
July 1, 2003	99,409	447,869	348,460	22.2	13,496	2581.9
July 1, 2002	91,095	416,938	325,843	21.9	14,314	2276.4
July 1, 2001	89,229	388,909	299,680	22.9	15,611	1919.7
<b>SPRS</b>						
July 1, 2011	\$ 70,756	\$ 79,036	\$ 8,280	89.5 %	\$ 24,725	33.5 %
July 1, 2010	52,735	69,171	16,436	76.2	23,635	69.5
July 1, 2009	40,321	61,628	21,307	65.4	22,382	95.2
July 1, 2008	41,564	51,388	9,824	80.9	20,285	48.4
July 1, 2007	40,350	40,786	436	98.9	18,850	2.3
July 1, 2006	30,747	33,552	2,805	91.6	15,870	17.7
July 1, 2005	25,297	26,050	753	97.1	14,311	5.3
July 1, 2004	19,882	22,102	2,220	90.0	13,233	16.8

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FUNDING PROGRESS  
(In Thousands)  
(Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>SPRS (Continued)</b>						
July 1, 2003	14,741	16,892	2,151	87.3	11,449	18.8
July 1, 2002	11,644	13,708	2,064	84.9	10,134	20.4
July 1, 2001	9,825	10,819	994	90.8	10,175	9.8
<b>DSRS</b>						
July 1, 2011	\$ 113,574	\$ 149,462	\$ 35,888	76.0 %	\$ 42,366	84.7 %
July 1, 2010	92,692	139,638	46,946	66.4	41,109	114.2
July 1, 2009	78,220	129,204	50,984	60.5	39,067	130.5
July 1, 2008	89,852	119,738	29,885	75.0	37,366	80.0
July 1, 2007	93,983	109,726	15,743	85.7	34,605	45.5
July 1, 2006	77,899	103,748	25,849	75.1	31,967	80.9
July 1, 2005	68,914	98,081	29,167	70.3	29,837	97.8
July 1, 2004	59,715	87,759	28,044	68.0	28,326	99.0
July 1, 2003	49,364	78,871	29,507	62.6	26,094	113.1
July 1, 2002	44,371	72,702	28,331	61.0	24,292	116.6
July 1, 2001	42,919	64,869	21,950	66.2	22,590	97.2
<b>JRS</b>						
July 1, 2011	\$ 124,583	\$ 95,591	\$ (28,992)	130.3 %	\$ 8,860	0.0 %
July 1, 2010	102,814	96,008	(6,806)	107.1	8,256	0.0
July 1, 2009	88,310	93,185	4,875	94.8	8,140	59.9
July 1, 2008	100,186	97,965	(2,221)	102.3	8,261	0.0
July 1, 2007	104,127	96,018	(8,109)	108.4	8,261	0.0
July 1, 2006	85,932	91,820	5,888	93.6	8,029	73.3
July 1, 2005	74,757	90,528	15,771	82.6	8,145	193.6
July 1, 2004	63,559	85,778	22,219	74.1	6,325	351.3
July 1, 2003	52,779	96,709	43,930	54.6	6,325	694.5
July 1, 2002	47,620	92,215	44,595	51.6	6,325	705.1
July 1, 2001	46,635	84,791	38,156	55.0	6,325	603.3
<b>EMSRS</b>						
July 1, 2011	\$ 32,366	\$ 39,225	\$ 6,859	82.5 %	\$ 22,488	30.5 %
July 1, 2010	23,662	31,503	7,841	75.1	21,362	36.7
July 1, 2009	17,173	26,969	9,796	63.7	20,338	48.2
July 1, 2008	15,675	21,207	5,532	73.9	17,525	31.6
January 1, 2008	14,323	19,492	5,169	73.5	17,181	30.1
<b>MPFRS</b>						
July 1, 2011	\$ 65	\$ 23	\$ (42)	282.6 %	\$ 343	-12.2 %
July 1, 2010	3	4	1	79.7	208	0.3

**Note:** The June 30, 2003 TRS assets were changed to reflect the final audited financial statements which were unavailable at the issuance of the July 1, 2003 valuation report. EMSRS data is from the Initial Valuation report for the Plan's effective date of January 1, 2008.

See Accompanying Note to required Supplementary Information.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND  
OTHER CONTRIBUTING ENTITIES  
(In Thousands)

Year Ended June 30	(1) Budgeted Recommended Contribution	(2) Restated Recommended Contribution	Percent of Budget Contributed	Percent of Restated Contributed
<b>PERS</b>				
2012	181,481	181,481	105.25 %	105.25 %
2011	192,577	192,577	83.34	83.34
2010	158,329	158,329	87.97	87.97
2009	128,036	128,036	99.98	99.98
2008	125,069	125,069	102.08	102.08
2007	121,770	121,770	101.91	101.17
2006	122,020	124,033	109.49	107.71
2005	119,082	119,164	99.71	99.64
2004	116,474	116,474	99.28	99.28
2003	98,826	117,030	104.47	88.22
<b>TRS (3)</b>				
2012	458,047	458,047	105.28 %	105.28 %
2011	471,171	471,171	106.35	106.35
2010	487,886	487,886	91.41	91.41
2009	404,457	404,457	94.29	94.29
2008	337,316	345,412	110.10	107.52
2007	348,688	327,068	425.99	454.15
2006	345,215	347,802	191.52	190.10
2005	342,800	334,533	102.98	105.52
2004	307,634	333,208	106.76	98.57
2003	271,808	290,428	105.38	98.63
<b>PSDDRS (4)</b>				
2012	22,051	22,051	105.65 %	105.65 %
2011	25,940	25,940	96.88	96.88
2010	12,416	12,416	98.01	98.01
2009	4,018	4,018	116.45	116.45
2008	5,693	5,693	94.01	94.01
2007	6,227	6,227	96.74	96.74
2006	10,567	10,567	724.46	724.46
2005	27,953	27,953	904.90	904.90
2004	24,701	24,358	97.10	98.47
2003	22,473	23,866	100.19	94.34
<b>SPRS</b>				
2012	4,327	4,327	105.02 %	105.02 %
2011	4,770	4,770	95.81	95.81
2010	3,537	3,537	84.96	84.96
2009	2,434	2,434	96.13	96.13
2008	2,262	2,262	102.49	102.49
2007	1,904	1,904	114.29	114.29
2006	1,719	1,717	105.93	106.06
2005	1,487	1,588	114.46	107.18
2004	1,357	1,343	109.95	122.70
2003	1,422	1,170	90.93	110.50

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
 SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND  
 OTHER CONTRIBUTING ENTITIES  
 (In Thousands)  
 (Continued)

Year Ended June 30	(1) Budgeted Recommended Contribution	(2) Restated Recommended Contribution	Percent of Budget Contributed	Percent of Restated Contributed
<b>DSRS (5)</b>				
2012	\$ 6,058	\$ 6,058	89.65 %	89.65 %
2011	4,866	4,866	86.87	86.87
2010	4,652	4,652	87.12	87.12
2009	4,448	4,448	96.15	96.15
2008	4,134	4,134	102.49	102.49
2007	3,857	3,857	100.96	100.96
2006	3,608	3,608	104.30	104.30
2005	3,449	2,912	103.48	122.56
2004	2,979	3,241	108.46	99.69
2003	2,758	2,993	105.48	97.21
<b>JRS</b>				
2012	\$ 2,317	\$ 2,317	172.51 %	172.51 %
2011	2,385	2,385	165.77	165.77
2010	2,467	2,467	156.22	156.22
2009	2,537	2,537	237.84	237.84
2008	3,267	2,508	184.70	240.59
2007	4,204	3,088	143.53	195.40
2006	4,713	4,104	143.39	164.67
2005	6,758	4,398	100.00	153.66
2004	6,517	6,652	81.77	80.11
2003	5,413	6,418	101.60	85.70
<b>EMSRS</b>				
2012	\$ 2,361	\$ 2,361	96.23 %	96.23 %
2011	2,243	2,243	100.94	100.94
2010	2,135	2,135	102.58	102.58
2009	1,840	1,840	205.38	205.38
<b>MPOF</b>				
2012	\$ 29	\$ 29	248.28 %	248.28 %
2011	18	18	172.22	172.22

**Notes:**

- (1) Budgeted recommended contribution represents the original budgeted recommended contribution per the actuarial reports as presented to the Legislature.
- (2) Restated recommended contribution represents the updated recommended contribution based upon the availability of more recent information, including changes in market performance, payroll, and other factors.
- (3) Contributions for the Teachers Retirement System include employer contributions and interest from out-of-state services and surcharges on fire and casualty insurance policies which are specifically identified to fund the plan per West Virginia State Code Section 33-3-14d and 33-33-33.
- (4) Contributions for Plan A include employer contributions and other payments designated by WV State Code Section 15-2-26 - Payments to members for court attendance and mileage; rewards for apprehending wanted persons; fees for traffic accident reports and photographs; fees for criminal investigation reports and photographs; fees for criminal history record checks; and fees for criminal history record reviews and challenges or from any other sources designated by the superintendent.
- (5) Contributions include employer contributions and various other fees designated for the fund from charges and fees per WV State Code Section 7-14E-2 and 17A-3-17 - Charges for obtaining reports (i.e., accident reports); fees for performing certain services (adult private employment finger printing for federal firearm permits, motor vehicle number identification, adult identification card, and photo-identification card); fees for nongovernmental background investigation reports; and fees for renewal of a Class A or G vehicle registration.

See Accompanying Note to required Supplementary Information.

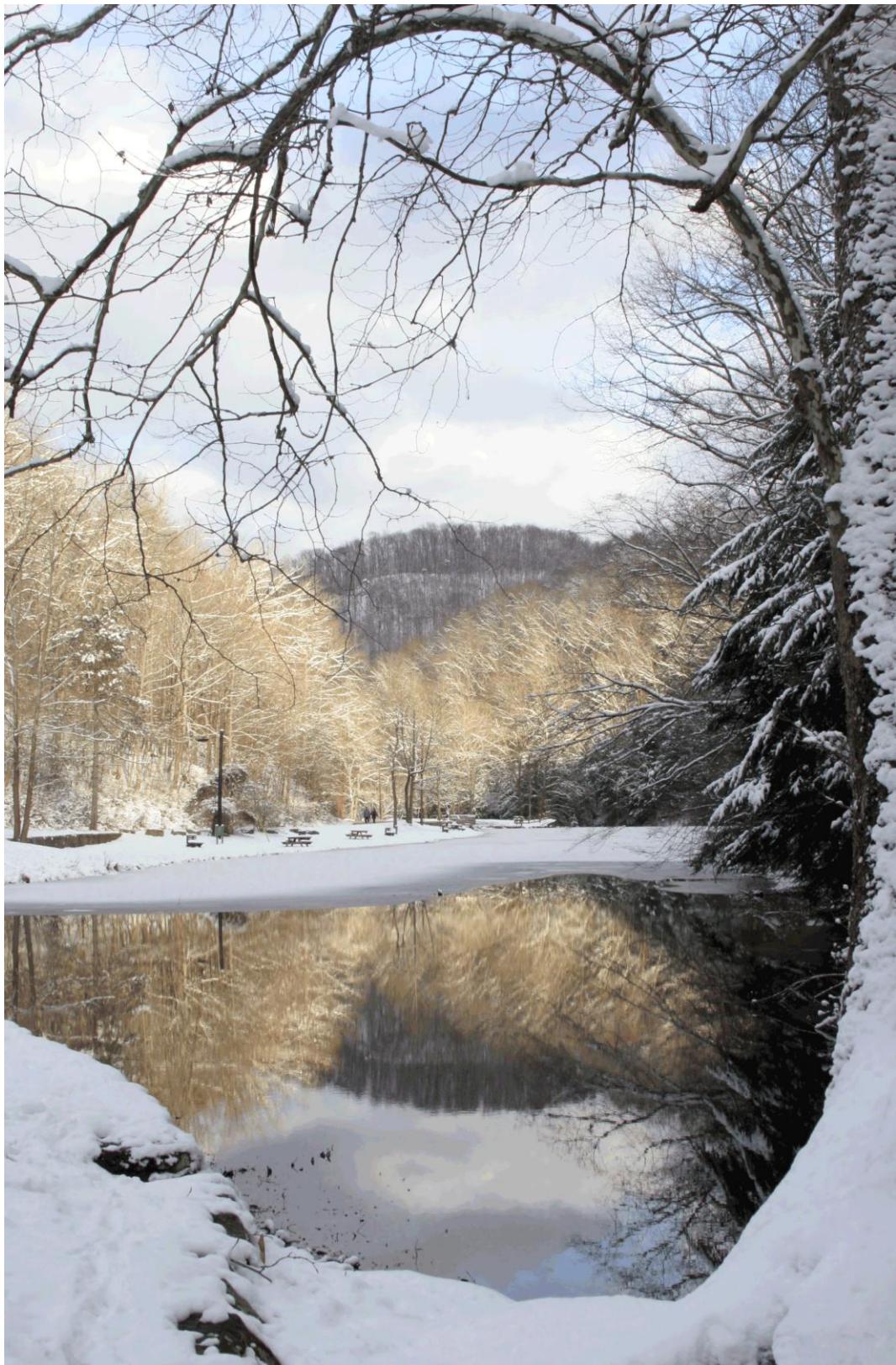
## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was based on the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	PERS	TRS	PSDDRS	SPRS
Valuation date	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age normal	Entry age	Entry age	Entry age normal
Asset valuation method	4 Year Smoothing	Fair value	Fair value	Fair value
Amortization method	Level dollar	Level dollar	Level dollar	Level percentage of payroll
Remaining amortization period	24 years	23 years	14 years	19 years
Actuarial assumptions:				
Investment rate of return	7.5%	7.5%	7.5%	7.5%
Projected salary increases:				
PERS:				
State	4.25-6.0%	-	-	-
Nonstate	4.25-6.0%	-	-	-
TRS:				
Teachers	-	3.75-5.25%	-	-
Non Teachers	-	3.4-6.5%	-	-
Other Plans	-	-	6.5% per year for the first 2 years; 6.00% for the first 3 years of service; 5.50% for the next 5 years and 4.75% thereafter	6.5% per annum for the first 2 years of service; 6.0% for the next 3 years; 5.5% for the next 5 years and 4.75% thereafter
Inflation rate	3.0%	3.0%	3.0%	3.0%

DSRS	JRS	EMSRS	MPOF
July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011
Entry age normal cost - aggregate level percent of payroll	Entry age	Entry age normal with aggregate normal cost level percentage of payroll	Entry age cost with aggregate normal cost level percent
Fair value	Fair value	Fair value	Fair value
Level percentage of open group payroll plus fee deposits	Level dollar	Level dollar	Level dollar
18 years	N/A	27 years	29 years
7.5%	7.5%	7.5%	7.5%
-	-	-	-
-	-	-	-
-	-	-	-
6.5% for first 2 years; 6.0% next 3 years; 5.5% next 5 years and 5.0% thereafter	Projected salary increases: 4.5%; Annual increase to benefits 4.5%	By age from 5.0% at age 30 declining to 3.5% at age 65	By age from 5.0% at age 30 declining to 3.5% at age 65
3.0%	3.0%	3.0%	3.0%

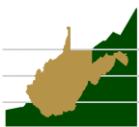


Winter Scene

# **INVESTMENT SECTION**



West Virginia State Capitol at Night



## West Virginia Investment Management Board

500 Virginia Street, East – Suite 200  
Charleston, West Virginia 25301

Phone: (304) 345-2672  
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Website: [www.wvimb.org](http://www.wvimb.org)

January 28, 2013

Consolidated Public Retirement Board  
4101 MacCorkle Avenue, SE  
Charleston, WV 25304-1636

On behalf of the West Virginia Investment Management Board (IMB) it is with pleasure that I submit the investment section of the Consolidated Public Retirement Board's comprehensive annual financial report for the fiscal year ended June 30, 2012.

As described in more detail herein, the IMB is a public body corporate, an independent organization statutorily charged with the responsibility for investing all assets of the State of West Virginia with long time horizons. These assets include the assets of all eight of the defined benefit pension plans administered by the Consolidated Public Retirement Board. As an investment fiduciary, the IMB's only focus is to invest the assets entrusted to it in the best interest of the beneficiaries. Note that in this section, the defined benefit pension plans, as a group, are generally referred to as, "Participant Plans." Specific data on returns and objectives of all Participant Plans may be found in the pages that follow.

For general comparison purposes, the IMB uses the Public Employees' Retirement System (PERS) as a proxy for the other systems because of its similarity to other statewide public defined pension plans throughout the nation. As of June 30, 2012, the return for PERS was up 1.1 percent, net of expenses, for the fiscal year. Of greater significance is the longer-term performance. In that regard, over the ten-year period ending June 30, 2012, the PERS's return was 6.8 percent versus the policy benchmark of 6.1 percent. This represents millions of dollars in value added by the IMB and represents a performance in the top third of all public defined benefit plans with assets over \$1 billion.

More specifically, the returns for the participant plans for the fiscal year ending June 30, 2012, ranged from 1.1 percent for PERS to 0.9 percent for the Emergency Medical Services Retirement System. Since asset allocations are virtually the same for each plan, differences in the returns for the various participant plans are a function of the differences in the timing of cash flows into and out of each plan and the relative levels of cash equivalent securities necessary to make benefit payments. The Teachers' Retirement System is an exception as it inherited investments in an annuity product when assets of participants in the Teachers' Defined Contribution Plan (managed by the Consolidated Public Retirement Board) were transferred to the IMB in December of 2008. This annuity product has caused longer term returns to reflect a greater difference than that caused by timing and levels of cash flows.

The IMB is partially responsible for the adequate funding of the participant plans with the expectation that the IMB will generate a return of 7.5 percent on the assets entrusted to it over longer time periods. This is not an easy task. While the return on PERS is 8.6 percent for the 30-year period ending June 30, 2012, as noted above even when performance is in the top third of peers, returns can fall short of the objective for long periods. Although long-term investors have the opportunity and ability to generate higher returns, that opportunity does not come without cost. That cost is volatility. To generate greater long-term returns, an investor must be willing to accept the occasional shorter period of lesser returns. The ramifications of volatility are not, however, insignificant. Anytime the IMB fails to achieve the 7.5 percent rate of return assumed by the actuary, there is a decrease in the funded liability for the plan. Every time the IMB achieves a greater return than 7.5 percent, there is an increase in the funded liability. A decrease in funded liability stresses the State's budget as it must shore up the shortfall. An increase in funded liability has the reverse effect. The turmoil in the capital markets in

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

fiscal year 2009 and the subsequent negative return for IMB assets was cause for budgetary stress. The great performance in fiscal year 2010 and 2011 relieved the stress on the State's budget, while the return for fiscal year 2012 fell short of the 7.5 percent hurdle and, as a result, once again placed stress on the State's budget. Interestingly, the investment portfolio that suffered through the market turmoil of 2008 and early 2009 and the modest performance in 2012 is the same portfolio that produced great returns in fiscal year 2010 and 2011. This type of volatility is to be expected if one desires to achieve longer-term returns of 7.5 percent. Patience is rewarded, but it is not painless.

As an investor, the IMB's capacity to generate a return on assets is largely a function of growth in the world capital markets. Diversification helps smooth the volatility in capital markets, but growth is the engine of returns. Two years ago I stated that the road ahead was foggy and treacherous, that credit, employment and income growth in the developed world would face many challenges, and that the emerging markets of the world are better positioned for growth but will likely experience more volatility. The outlook remains the same. It will be a challenge to achieve the returns expected of the IMB, but the IMB looks forward to the challenge.

Sincerely



Craig Slaughter  
Executive Director

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## **ORGANIZATIONAL HISTORY**

The West Virginia Investment Management Board came into existence in the spring of 1997 after years of hard work modernizing the State's investment management structure. This structural modernization was widely acknowledged as a necessary precursor to the passage of a constitutional referendum to allow investment in stocks. The risks were perceived to be too great to be managed by anything but a modern, professional entity.

Although the West Virginia Investment Management Board's predecessors, the West Virginia State Board of Investments and the West Virginia Trust Fund, Inc., brought about vast improvements, each had significant shortcomings. However, with the creation of the West Virginia Investment Management Board, the State achieved a balance between control and independence that will allow efficient and prudent investment management of long-term assets well into the future.

The beginning of the modern era in investment management by the State goes back to the late 1970s with the consolidation of the investment authority for the State's defined benefit plans, employment security plans, and other assets into a newly created West Virginia State Board of Investments. One of the goals of the legislation was to achieve economies of scale by commingling like assets.

Significantly, this newly created West Virginia Board of Investments was staffed by the State Treasury and the board itself was made up of the State's Governor, Treasurer, and Auditor.

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

In the fall of 1990, the Legislature took a huge leap forward by creating a staff for the West Virginia State Board of Investments separate from the staff of the Treasury. This provided clear accountability to the Board of Investments – something that did not exist previously.

Other very important control features included: (1) a statutory requirement for an Internal Auditor, (2) an annual external audit by a certified public accounting firm, and (3) monthly reporting requirements to government leaders in accordance with generally accepted accounting principles. This last feature dictated that all pools with a weighted average maturity in excess of 90 days must be marked-to-market (carried at market value), something that had not been done in the 1980s.

At the same time, the West Virginia Board of Investments made its first tepid step towards a diversified portfolio to be invested in stocks domiciled in the United States. Although it made some initial stock purchases in 1993, which were subsequently liquidated at a gain, the statute was challenged and the West Virginia Supreme Court ruled that investing in equities was unconstitutional.

In 1996, in an effort to satisfy the constitutional strictures, the Legislature carved out the pension and employment security funds with long time horizons and placed them in a trust to be managed by a new entity called the West Virginia Trust Fund, Inc. The creation of the trust as a vehicle to allow investment in stocks was also challenged and was struck down, failing to satisfy the constitutional concerns of the Supreme Court. It did, however, bring about three very important changes. The Legislature, demonstrating impeccable managerial foresight, granted the West Virginia Trust Fund, Inc. control over its own budget. With the same foresight, the Legislature imposed personal fiduciary liability on the board and staff of the West Virginia Trust Fund, Inc. Of no less importance was the creation of representative roles for members of the retirement systems and employment security systems.

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

The Legislature, for policy reasons, transferred the Consolidated Fund on July 8, 2005 to a newly created West Virginia Board of Treasury Investments, chaired by the State Treasurer. This was widely perceived as a policy move to ensure direct governmental oversight of State general and special revenue funds. The West Virginia Investment Management Board continues to manage the retirement funds, the employment security funds, and other assets with long time horizons.

Finally, in 2007 the Legislature expanded the investable universe of assets, increasing the allowable allocation to public equity and international securities, while also providing for a significant allocation to "alternative investments," loosely defined as hedge fund and private equity.

### **STATUTORY MANDATE**

The West Virginia Investment Management Board was created during the 1997 legislative session and is cited as the *West Virginia Investment Management Board Act* (the Act). The legislative findings of the Act make it clear that the West Virginia Investment Management Board was intended to be a professional, apolitical, financial management organization dedicated to the interests of the State's teachers, public employees and workers in general. The Act was intended to give the West Virginia Investment Management Board "...the authority to develop, implement and maintain an efficient and modern system for the investment and management of the State's money." In order to accomplish this purpose, the Act further stated that the West Virginia Investment Management Board must "...operate as an independent board with its own full-time staff of financial professionals immune to changing political climates...." [West Virginia Code §12-6-1(a)(b)] The Act also mandates that the assets contributed by the public employee and employer to the 401(a) Plans and the assets of the Workers' Compensation Fund and the Coal Workers' Pneumoconiosis Fund, are "declared to be irrevocable trusts, available for no use or purpose other than for the benefit of those public employees...workers, miners and their beneficiaries...." [West Virginia Code §12-6-1(c)(d)] The West Virginia Investment Management Board is further "empowered by this Article to act as Trustee of the irrevocable trusts created by this Article, and to manage and invest other state funds." [West Virginia Code §12-6-1a(f)]

The standard of care mandated by the Statute is that codified in the "Uniform Prudent Investor Act", Article 6C of Chapter 44 of the *West Virginia Code*. The West Virginia Investment Management Board is further subject to the following requirements:

- a. *Trustees shall discharge their duties with respect to the 401(a) Plans for the exclusive purpose of providing benefits to participants and their beneficiaries;*
- b. *Trustees shall diversify fund investments so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so;*
- c. *Trustees shall defray reasonable expenses of investing and operating the funds under management;*
- d. *Trustees shall discharge their duties in accordance with the trust documents and instruments governing the trusts or other funds under the management insofar as the documents and instruments are consistent with provisions of this Article; and*
- e. *The duties of the Board apply only with respect to those assets deposited with or otherwise held by it. [West Virginia Code §12-6-11]*

### **ADMINISTRATIVE MANDATE**

Governance of the West Virginia Investment Management Board is vested, by statute, in a thirteen-member Board of Trustees. Three members of the Board serve by virtue of their office: the Governor, the Auditor, and the Treasurer. The other ten are appointed by the Governor and confirmed by the Senate. All appointees must have experience in pension management, institutional management or financial markets. In addition, one must be an attorney experienced in finance and investment matters and another must be a Certified Public Accountant. Only six of the ten appointed Trustees may be from the same political party. The Governor serves as Chairman of the Board. A Vice-Chairman is elected by the Trustees. A Secretary, who need not be a member of the Board, is also elected by the Trustees to keep a record of the proceedings of the Board.

## **INVESTMENT SECTION**

### Investment Background, Philosophy, and Objectives

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A member of each defined benefit retirement plan is designated by the Consolidated Public Retirement Board to represent the Participant Plans' interests. Each of the Representatives may designate up to three persons to comprise a committee representing their respective plan's beneficiaries. The Representatives and Committee Members do not have a vote but have the right to be heard at the annual meetings of the Board and are subject to the same code of conduct and requirements of confidentiality that apply to the Trustees.

The day-to-day management of the West Virginia Investment Management Board is delegated to the Executive Director who is appointed by the Board and serves at its will and pleasure. The Executive Director acts as an advisor to the Board on all matters.

The staff of the West Virginia Investment Management Board is divided into two principal divisions—Investments and Operations.

The Operations Division is focused on providing the back office support necessary for the organization to function on a day-to-day basis. The Investments Division is structured to devote its time and resources to staying current with new developments and research in the investment field and being prepared to apply this knowledge to the investment of assets for the West Virginia Investment Management Board.

### **INVESTMENT PHILOSOPHY**

The primary objective of the investment pools is to provide benefits to its participants and beneficiaries. Based on general beliefs about the investment return available from a well-diversified, prudently invested portfolio, the Board has adopted specific investment objectives for each Participant Plan.

In order to achieve a specified real rate of return, the Board relies on the prevailing financial theory, which currently is an investment strategy utilizing an appropriate long-term diversified asset allocation model. A prudently allocated investment program possesses a certain level of diversification, which produces risk reduction. In terms of level of impact, diversification should be considered along the following lines: (1) asset classes (stocks, bonds, cash, non-traditional, etc.), (2) geography/country, (3) industry, and (4) maturity. Asset allocation modeling takes into consideration specific unique circumstances of each Participant Plan, such as size, liquidity needs, and financial condition (funded status) as well as general business conditions. The factors mentioned here are not intended to be limiting; rather, they are outlined as a general indication of the importance of diversification to proper asset allocation. The Board determines the proper allocation among asset classes and managers based on advice and analysis provided by staff and/or external investment consultants.

The Board recognizes that even though its investments are subject to short-term volatility, it is critical that the Board maintain the appropriate time horizon for each Participant Plan. This prevents ad hoc revisions to its philosophy and policies in reaction to either speculation or short-term market fluctuations. In order to preserve this long-term view, the Board has adopted the following formal review schedule:

Agenda Item	Review Schedule
Investment Performance	Quarterly
Investment Policy	Every Year
Policy Asset Allocation	Every Three Years
Strategic Asset Allocation	Every Three Years
Allocation Ranges	Every Three Years
Asset Allocation Review for Each Participant Plan	At Least Every Three Years

The Board may hire investment managers to implement its objectives. These managers will be given specific tactical roles within the overall strategic investment plan. Depending on their assignments, the managers may be judged on some or all of the following: (1) consistency of philosophy, style and key personnel, (2) performance relative to an appropriate index or proxy group, and (3) ability to add incremental value after costs. The Board and staff shall monitor performance and supervise all fund managers.

In determining its philosophy towards risk, the Board considers, in addition to its fiduciary obligations and statutory requirements, each entity's purpose and characteristics, financial condition, liquidity needs, sources and level of contributions, income and general business conditions. Based upon these many factors, the Board identifies whether a more aggressive or more conservative approach is warranted for each Participant Plan.

#### *Investment Objectives*

*"The Board, at its annual meeting...shall review, establish and modify, if necessary, the investment objectives of the individual participant plans, as incorporated in the investment policy statements of the respective trusts so as to provide for the financial security of the trust funds giving consideration to the following: (1) Preservation of Capital; (2) Diversification; (3) Risk Tolerance; (4) Rate of Return; (5) Stability; (6) Turnover; (7) Liquidity; and (8) Reasonable Costs of Fees." [West Virginia Code §12-6-12g]*

#### *Participant Plans*

The Board's objective is to manage the Participant Plans' moneys in an efficient and economical manner, managing risk as it seeks to achieve the specific goals set out in each Participant Plan's investment program.

## EQUITY POOL

### OBJECTIVES

The main objective for the Equity Pool is to provide for long-term growth for all participants. The Equity Pool is comprised of separate strategic asset classes which, when taken in aggregate, enable adequate diversification. Separate investment pools have been established for each investment style or to comply with specific legal and accounting requirements. The strategic asset classes, the Neutral Target allocations to additional sub-components of the strategic asset classes, as well as the approved Allocation Ranges within which the Allocation Committee can operate, are outlined below:

Category	Strategic Allocation	Allocation Range
U.S. Equity	25.0%	+/- 5% (20% to 30%)
International Equity	25.0%	+/- 5% (20% to 30%)
Total Equity Pool	50.0%	+/- 5% (45% to 55%)

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

Category	Neutral Target*	Allocation Range
U.S. Large Cap vs. U.S. Non-Large Cap	Large = 1 minus Non-Large Non-Large = Russell 2500/Russell 3000	0.5 to 2.5 times benchmark Sum must equal 100
U.S. Non-Large Value vs. U.S. Non-Large Growth	Value vs. Growth Percentage in Russell 2500	0.5 to 2.5 times benchmark Sum must equal 100
International Large vs. International Small vs. Emerging Markets	Large vs. Small vs. Emerging Percentage in MSCI ACWI ex U.S.	0.5 to 2.5 times benchmark Sum must equal 100

*\* The Neutral Target is established based on the listed indices and is reset, subject to Allocation Committee decisions, based on these index weights every June 30.*

*Note: The combined investment in international developed equity, international small cap, emerging markets equity, international fixed income, and international real estate components may not exceed 30 percent of the Participant Plan allocation, as mandated by statute.*

**EQUITY POOL  
(Continued)**

**MANAGEMENT STRUCTURE**

The equity pools are managed by the following firms, in accordance with a particular investment style.

Manager	Style
<b>U.S. Large Cap</b>	
State Street Global Advisors	Index Core
Intech Investment Management, LLC	Quantitative Core
<b>U.S. Non-Large Cap</b>	
Westfield Capital Management	Growth at a Reasonable Price
Aronson + Johnson + Ortiz, LP	Relative Value
<b>International</b>	
<i>Developed Markets</i>	
Silchester International Investors	All Country, Value
LSV Asset Management	All Country, Relative Value
<i>Small Capitalization</i>	
Pictet Asset Management Limited	All Country, Growth at a Reasonable Price
<i>Emerging Markets</i>	
Brandes Investment Partners, LLC	Emerging Market, Value
Axiom International Investors, LLC	Emerging Market, Growth at a Reasonable Price

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

Condensed financial statement data for each of the equity pools and Financial Highlights for each pool are presented below.

Composite	Individual Pools per Audited Financial Statements
U.S. Large Cap	Large Cap Domestic Equity Pool
U.S. Non-Large Cap	Non-Large Cap Domestic Equity Pool
International	International Qualified Pool International Equity Pool

Condensed Statement of Assets and Liabilities	Large Cap Domestic Equity	Non-Large Cap Domestic Equity
Investment securities	\$ 2,070,473	\$ 698,625
Collateral for securities loaned	46,162	34,896
Payable upon return of securities loaned	(49,257)	(37,039)
Cash	253	-
Receivable for investments sold	894	1,470
Payable for investments purchased	(1,662)	-
Derivative positions, net	204	-
Other assets and liabilities	2,680	243
Net assets - June 30, 2012	<u>\$ 2,069,747</u>	<u>\$ 698,195</u>

**INVESTMENT SECTION**  
Investment Pool Objectives, Financial Highlights, and Performance

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**EQUITY POOL  
(Continued)**

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

Condensed Statement of Assets and Liabilities	International Qualified	International Equity
Investment securities	\$ 801,731	\$ 1,901,833
Collateral for securities loaned	-	115,664
Payable upon return of securities loaned	-	(119,012)
Cash	-	21,210
Receivable for investments sold	-	3,934
Payable for investments purchased	-	(4,532)
Foreign currency forward contracts	-	(15)
Other assets and liabilities	(46)	7,431
Net assets - June 30, 2012	<u>\$ 801,685</u>	<u>\$ 1,926,513</u>

Investment Securities	Large Cap Domestic Equity		Non-Large Cap Domestic Equity	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
<b>Domestic equities sector exposure:</b>				
Basic Materials	\$ 85,364	4.1%	\$ 48,319	6.9%
Capital Goods	193,602	9.4	123,385	17.7
Communications Services	64,354	3.1	-	0.0
Consumer Discretionary	280,318	13.5	90,073	12.9
Consumer Staples	219,579	10.6	18,740	2.7
Energy	245,794	11.9	52,961	7.6
Financial Services	280,866	13.6	155,792	22.3
Health Care	197,001	9.5	62,667	9.0
Technology	380,697	18.4	100,046	14.3
Utilities	111,958	5.4	32,454	4.6
Total domestic equities	<u>2,059,533</u>	<u>99.5</u>	<u>684,437</u>	<u>98.0</u>
Short-term issues	10,940	0.5	14,188	2.0
<b>Total</b>	<b><u>\$ 2,070,473</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 698,625</u></b>	<b><u>100.0%</u></b>

Investment Securities	International Qualified	
	Fair Value	Percent of Securities
Investments in other funds	<u>\$ 801,731</u>	<u>100.0%</u>

**EQUITY POOL  
(Continued)**

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

Investment Securities	International Equity	
	Fair Value	Percent of Securities
<b>International equities country exposure:</b>		
Australia	\$ 63,284	3.3%
Brazil	151,015	7.9
Canada	83,701	4.4
China	66,475	3.5
France	77,459	4.1
Germany	85,747	4.5
Hong Kong	41,363	2.2
India	50,016	2.6
Japan	215,250	11.3
Korea	132,712	7.0
Mexico	47,160	2.5
Russia	64,668	3.4
South Africa	51,153	2.7
Switzerland	66,229	3.5
Taiwan	52,976	2.8
Turkey	42,295	2.2
United Kingdom	219,925	11.6
All others (none greater than 2%)	374,386	19.7
Total international equities	<u>1,885,814</u>	<u>99.2</u>
Short-term issues	16,019	0.8
<b>Total</b>	<b>\$ 1,901,833</b>	<b>100.0%</b>

Progression of Net Assets	Large Cap Domestic Equity	Non-Large Cap Domestic Equity
Net assets - June 30, 2011	\$ 2,081,547	\$ 733,123
Net increase (decrease) from operations	135,568	(19,374)
Net decrease from unit transactions	(147,368)	(15,554)
<b>Net assets - June 30, 2012</b>	<b>\$ 2,069,747</b>	<b>\$ 698,195</b>

Progression of Net Assets	International Qualified	International Equity
Net assets - June 30, 2011	\$ 882,863	\$ 1,846,645
Net decrease from operations	(81,461)	(293,944)
Net increase from unit transactions	283	373,812
<b>Net assets - June 30, 2012</b>	<b>\$ 801,685</b>	<b>\$ 1,926,513</b>

**INVESTMENT SECTION**  
Investment Pool Objectives, Financial Highlights, and Performance

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**EQUITY POOL  
(Continued)**

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of investment advisor fees.

Period	Large Cap Domestic Equity		Non-Large Cap Domestic Equity	
	Actual	S&P 500	Actual	Russell 2500
One-year	5.4%	5.5%	-4.0%	-2.3%
Three-year	16.9%	16.4%	20.0%	19.1%
Five-year	0.5%	0.2%	1.3%	1.2%
Ten-year	5.4%	5.3%	7.9%	8.0%

Period	International Qualified		International Equity	
	Actual	MSCI EAFE	Actual	MSCI ACWIxU.S.
One-year	-9.2%	-13.4%	-16.0%	-14.2%
Three-year	9.4%	6.5%	10.1%	7.4%
Five-year	1.1%	-5.6%	-4.4%	-4.2%
Ten-year	9.5%	5.6%	6.8%	7.2%

Large Cap Domestic Equity		
Ten Largest Holdings		Fair Value
Apple Inc.		\$ 81,526
Exxon Mobil Corporation		75,395
IBM		44,260
Chevron Corporation		39,421
AT&T Inc.		37,419
General Electric Company		31,485
Microsoft Corporation		31,205
Johnson & Johnson		28,551
Philip Morris International Inc.		25,892
Pfizer Inc.		25,410

Non-Large Cap Domestic Equity		
Ten Largest Holdings		Fair Value
Tesoro Petroleum Corporation		\$ 14,423
Everest Re Group Ltd.		13,072
Foot Locker Inc.		10,775
Jones Lang LaSalle		10,206
Comerica Inc.		9,617
Alliance Data Systems Corporation		9,453
Timken Company		9,038
Hubbell Inc.		8,730
DENTSPLY International Inc.		8,129
Ralcorp Holdings Inc.		8,116

**INVESTMENT SECTION**  
Investment Pool Objectives, Financial Highlights, and Performance

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**EQUITY POOL  
(Continued)**

**International Qualified**

Largest Holdings	Fair Value
Silchester International Investors' Value Equity Group Trust	\$ 801,731

**International Equity**

Ten Largest Holdings	Fair Value
Royal Dutch Shell	\$ 27,165
Lukoil	22,920
AstraZeneca Group Plc.	18,991
Chine Mobile (Hong Kong) Ltd.	17,361
Sanofi-Synthelabo SA	16,482
MTN Group Ltd.	15,977
Reliance Infrastructure Ltd.	15,300
Petroleo Brasileiro SA	15,107
Novartis AG	14,911
Samsung Electronics Co. Ltd.	14,848

**EXPENSES**

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

Expense Ratios (in basis points)	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International Qualified	International Equity
Investment advisor fees	8.6	22.3	51.7	60.2
Trustee fees	0.0*	0.0*	0.0*	0.0*
Custodian bank fees	0.3	0.3	0.0*	3.9
Management fees	3.1	3.1	3.1	3.1
Fiduciary bond fees	0.0*	0.0*	0.0*	0.0*
Professional service fees	0.6	0.6	0.6	0.6
Total	12.6	26.3	55.4	67.8

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

Trading Costs	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International Equity	Total
Net commission costs (in \$000s)	\$ 805	\$ 1,044	\$ 1,543	\$ 3,392
Domestic equity commission rate (cents per share)	1.5	1.5		
International equity commission rate (basis points per dollar volume)			12.3	

**SHORT-TERM FIXED INCOME POOL**

**OBJECTIVES**

The Short-Term Fixed Income Pool was created to maintain sufficient liquidity to meet the daily disbursements requested by the Plans and to invest any contributions until the time the money is transferred to other asset classes without sustaining capital losses and while earning a small return above inflation. The Short-Term Fixed Income Pool is structured as a money market fund where the goal is a stable dollar value per share, thus, preserving principal. The risk factors on this pool are low and managed through numerous maturity restrictions, diversification guidelines, and credit limits. The participants are paid on an income basis that includes interest income net of expenses.

**MANAGEMENT STRUCTURE**

The Short-Term Fixed Income Pool is managed by JPMorgan Investment Advisors, Inc.

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

Condensed financial statement data for the Short-Term Fixed Income Pool and Financial Highlights are presented below.

**Condensed Statement of Assets and Liabilities**

Investment securities	\$ 364,973
Other assets and liabilities, net	39
Net assets - June 30, 2012	<u><u>\$ 365,012</u></u>

**Investment Securities**

	Carrying Value	Percent of Securities
Short-term issues	\$ 339,848	93.1%
U.S. Treasury issues	5,029	1.4
U.S. government agency issues	20,096	5.5
Total	<u><u>\$ 364,973</u></u>	<u><u>100.0%</u></u>

**Progression of Net Assets**

Net assets - June 30, 2011	\$ 358,770
Net increase from operations	41
Income distributions to unitholders	(37)
Net increase from unit transactions	6,238
Net assets - June 30, 2012	<u><u>\$ 365,012</u></u>

**SHORT-TERM FIXED INCOME POOL**  
**(Continued)**

### INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of investment advisor fees.

Period	Actual	Citigroup 90 Day Treasury Bill plus 15 bps
One-year	0.1%	0.2%
Three-year	0.1%	0.3%
Five-year	1.1%	1.1%
Ten-year	2.0%	2.0%

### Short-Term Fixed Income

Ten Largest Holdings	Fair Value
Merrill Lynch Repurchase Agreement, 0.14%, 7/2/2012	\$ 80,588
US Treasury Bill, 0.0%, 7/26/2012	32,499
Federal Home Loan Bank Discount Note, 0.0%, 7/31/2012	24,999
Federal Home Loan Bank Discount Note, 0.0%, 7/5/2012	15,000
Federal Home Loan Bank Discount Note, 0.0%, 7/13/2012	15,000
Federal Home Loan Bank Discount Note, 0.0%, 11/2/2012	11,993
Federal Home Loan Mortgage Corporation Discount Note, 0.0%, 10/22/2012	10,994
US Treasury Bill, 0.0%, 7/5/2012	10,000
US Treasury Bill, 0.0%, 7/12/2012	10,000
Federal Home Loan Mortgage Corporation Discount Note, 0.0%, 7/30/2012	9,998

### EXPENSES

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

#### Expense Ratios (in basis points)

Investment advisor fees	5.0
Trustee fees	0.0*
Custodian bank fees	0.4
Management fees	3.3
Fiduciary bond fees	0.0*
Professional service fees	0.6
Total	9.3

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

## FIXED INCOME POOL

### OBJECTIVES

The main objectives for the Fixed Income Pool are to generate investment income, provide stability, and enhance diversification, but not at the expense of total return. Separate investment pools have been established for particular investment styles. Individually, these pools are the Total Return Fixed Income Pool and the Core Fixed Income Pool. The Strategic Allocation for the total Fixed Income Pool, the Neutral Target for the respective allocations to the Core Fixed Income and Total Return Fixed Income Pools, as well as the approved Allocation Ranges within which the Allocation Committee can operate, are outlined below:

Investment Pools	Strategic Allocation	Allocation Range
Core Fixed Income Pool	--	--
Total Return Fixed Income Pool	--	--
Total Fixed Income Pools	20.0%	+/- 5% (15% to 25%)

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

Participant Plans	Neutral Target	Allocation Range
All plans	50% Total Return Income Pool 50% Core Fixed Income Pool	+/- 20% (30% to 70%) +/- 20% (30% to 70%)

*Note: The combined investment in international equity, international fixed income, and international real estate components may not exceed 30 percent of the Participant Plan allocation, as mandated by statute.*

### MANAGEMENT STRUCTURE

The fixed income pools are managed by the following firms, in accordance with a particular investment style.

Manager	Style
Western Asset Management Company	Core Plus Fixed Income
Dodge & Cox	Core Plus Fixed Income
JPMorgan Investment Advisors, Inc.	Core Fixed Income

**INVESTMENT SECTION**  
Investment Pool Objectives, Financial Highlights, and Performance

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**FIXED INCOME POOL**  
**(Continued)**

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

Condensed financial statement data for each of the fixed income pools and Financial Highlights for each pool are presented below.

**Condensed Statement of Assets and Liabilities**

	Total Return Fixed Income	Core Fixed Income
Investment securities	\$ 2,231,419	\$ 1,201,301
Collateral for securities loaned	2,407	25,305
Payable upon return of securities loaned	(4,023)	(25,314)
Cash	9,019	-
Receivable for investments sold	82,638	657
Payable for investments purchased	(18,701)	(3,575)
Derivative positions, net	(1,494)	-
Other assets and liabilities	8,260	4,832
Net assets - June 30, 2012	<b>\$ 2,309,525</b>	<b>\$ 1,203,206</b>

**Investment Securities**

	Total Return Fixed Income		Core Fixed Income	
	Fair Value	Percentage of Securities	Fair Value	Percentage of Securities
Corporate issues	\$ 822,342	36.9%	\$ 447,687	37.3%
Foreign government bonds	6,293	0.3	-	0.0
Investment in other funds	441,868	19.8	-	0.0
Municipal bonds	93,246	4.2	4,781	0.4
Option contracts purchased	728	0.0	-	0.0
Short-term issues	184,079	8.2	11,728	1.0
U.S. government agency issues	373,253	16.7	458,319	38.1
U.S. Treasury issues	309,610	13.9	278,786	23.2
Total	<b>\$ 2,231,419</b>	<b>100.0%</b>	<b>\$ 1,201,301</b>	<b>100.0%</b>

**Progression of Net Assets**

	Total Return Fixed Income	Core Fixed Income
Net assets - June 30, 2011	\$ 2,333,916	\$ 1,190,015
Net increase from operations	99,363	93,005
Income distributions to unitholders	(65,332)	(44,286)
Net decrease from unit transactions	(58,422)	(35,528)
Net assets - June 30, 2012	<b>\$ 2,309,525</b>	<b>\$ 1,203,206</b>

**FIXED INCOME POOL**  
**(Continued)**

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of investment advisor fees.

Period	Total Return Fixed Income		Core Fixed Income	
	Actual	Barclays Capital Universal*	Actual	Barclays Capital U.S. Aggregate
One-year	4.5%	7.4%	8.1%	7.5%
Three-year	9.3%	7.6%	8.0%	6.9%
Five-year	6.0%	6.8%	N/A	N/A
Ten-year	6.7%	6.0%	N/A	N/A

*\*The Total Return Fixed Income Pool benchmark is the Barclays Capital Universal as of April 2008. Prior periods were a custom index.*

Total Return Fixed Income		
Ten Largest Holdings		Fair Value
Western Asset Floating Rate High Income Fund, LLC		\$ 84,045
Western Asset Opportunistic Sdstructured Securities Portfolio, LLC		70,670
US Treasury Note, 2.0%, 11/15/2021		61,524
US Treasury Note, 1.25%, 4/30/2019		53,891
Western Asset Opportunistic Asian Securities Portfolio, LLC		53,056
Western Asset Opportunistic International Investment Grade Securities Portfolio, LLC		48,688
Western Asset High Yield Portfolio		45,269
Western Asset US Enhanced Cash, LLC		41,746
US Treasury Inflation Protected Security, 2.0%, 1/15/2026		39,505
Western Asset Emerging Markets Corporate Credit Portfolio, LLC		34,402

Core Fixed Income		
Ten Largest Holdings		Fair Value
US Treasury Note, 4.75%, 8/15/2017	\$	22,367
US Treasury Note, 2.75%, 12/31/2017		16,529
US Treasury STRIP, 0.0%, 5/15/2020		16,169
US Treasury Note, 8.75%, 8/15/2020		13,485
US Treasury Note, 8.88%, 8/15/2017		13,171
US Treasury Note, 3.25%, 3/31/2017		12,966
US Treasury Note, 3.25%, 12/31/2016		11,761
US Treasury STRIP, 0.0%, 2/15/2027		11,725
US Treasury Note, 1.75%, 10/30/2018		11,510
US Treasury Note, 3.13%, 10/31/2016		10,282

**FIXED INCOME POOL**  
**(Continued)**

**EXPENSES**

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

<b>Expense Ratios (in basis points)</b>	Total Return Fixed Income	Core Fixed Income
Investment advisor fees	18.6	15.0
Trustee fees	0.0*	0.0*
Custodian bank fees	0.3	0.6
Management fees	3.1	3.1
Fiduciary bond fees	0.0*	0.0*
Professional service fees	0.6	0.6
Total	22.6	19.3

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

## TIPS POOL

### OBJECTIVES

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

### MANAGEMENT STRUCTURE

The TIPS Pool is managed by State Street Global Advisors.

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

Condensed financial statement data for the TIPS Pool and Financial Highlights are presented below.

#### Condensed Statement of Assets and Liabilities

Investment securities	\$ 739,173
Collateral for securities loaned	1,585
Payable upon return of securities loaned	(1,586)
Receivable for investments sold	19,633
Payable for investments purchased	(19,290)
Other assets and liabilities	1,860
Net assets - June 30, 2012	<u><u>\$ 741,375</u></u>

#### Investment Securities

	Carrying Value	Percent of Securities
U.S. Treasury issues	\$ 738,767	99.9%
Short-term issues	406	0.1
Total	<u><u>\$ 739,173</u></u>	<u><u>100.0%</u></u>

#### Progression of Net Assets

Net assets – June 30, 2011	\$ 891,693
Net increase from operations	94,152
Income distributions to unitholders	(19,893)
Net decrease from unit transactions	(224,577)
Net assets - June 30, 2012	<u><u>\$ 741,375</u></u>

### INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. For the year ended June 30, 2012, the TIPS Pool returned 11.6 percent, net of investment advisor fees and the Barclays Capital U.S. TIPS index returned 11.7 percent.

**TIPS POOL  
(Continued)**

**TIPS**

Ten Largest Holdings	Fair Value
US Treasury Inflation Protected Security, 0.13%, 4/15/2016	\$ 45,624
US Treasury Inflation Protected Security, 0.13%, 1/15/2022	42,893
US Treasury Inflation Protected Security, 0.63%, 7/15/2021	36,424
US Treasury Inflation Protected Security, 1.13%, 1/15/2021	35,483
US Treasury Inflation Protected Security, 2.38%, 1/15/2025	31,677
US Treasury Inflation Protected Security, 1.25%, 7/15/2020	31,280
US Treasury Inflation Protected Security, 3.88%, 4/15/2029	30,114
US Treasury Inflation Protected Security, 3.63%, 4/15/2028	24,435
US Treasury Inflation Protected Security, 2.00%, 1/15/2014	24,428
US Treasury Inflation Protected Security, 1.88%, 7/15/2013	22,999

**EXPENSES**

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

**Expense Ratios (in basis points)**

Investment advisor fees	2.2
Trustee fees	0.0*
Custodian bank fees	0.2
Management fees	3.1
Fiduciary bond fees	0.0*
Professional service fees	0.6
<b>Total</b>	<b>6.1</b>

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

**SPECIAL PURPOSE POOL**

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

**OBJECTIVE**

The TRS Annuity Pool (TRSA) holds an investment contract strictly for the benefit of the Teachers' Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers' Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring and was transferred in-kind to the IMB on December 10, 2008. The final amount transferred on the contract was \$248,292,529. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,102. Payments were received on May 4, 2009, 2010, 2011, and 2012. Final payment will be received on May 4, 2013. The contract and the payments include a guaranteed annual interest yield of 4.5 percent.

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

Condensed financial statement data for the TRSA and Financial Highlights are presented below.

**Condensed Statement of Assets and Liabilities**

Investment securities	\$ 53,093
Other assets and liabilities	(70)
Net assets - June 30, 2012	<u><u>\$ 53,023</u></u>

**Investment Securities**

	Fair Value	Percent of Securities
Annuity Contract	<u><u>\$ 53,093</u></u>	<u><u>100.0%</u></u>

**Progression of Net Assets**

Net assets - June 30, 2011	\$ 103,845
Net increase from operations	4,148
Net decrease from unit transactions	(54,970)
Net assets - June 30, 2012	<u><u>\$ 53,023</u></u>

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals.

Period	Actual
One year	4.5%
Three years	4.5%

**SPECIAL PURPOSE POOL**  
**(Continued)**

**EXPENSES**

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

<b>Expense Ratio (in basis points)</b>	
Investment advisor fees	N/A
Trustee fees	0.0*
Custodian bank fees	N/A
Management fees	3.3
Fiduciary bond fees	0.0*
Professional service fees	12.5
Total	<b>15.8</b>

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

## ALTERNATIVES POOL

### OBJECTIVES

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

The Alternatives Pool is comprised of one asset class, private equity, and one management style, hedge funds. Both are intended to enhance diversification when added to the total portfolio assets. Separate investment pools have been established for private equity and hedge funds.

The Private Equity Pool is comprised of the following categories and target range allocations as of June 30, 2012:

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

The Hedge Fund Pool's strategies are comprised of the following categories and target range allocations as of June 30, 2012:

Category	Target Range	Allocation Range
Relative Value	30-40%	25-55%
Event Driven	20-30%	15-45%
Long-Short Equity	20-30%	15-45%
Directional	10-20%	5-25%

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

Condensed financial statement data for each of the alternative pools and Financial Highlights for each pool are presented below.

Condensed Statement of Assets and Liabilities	Private Equity	Hedge Fund
Investment securities	\$ 1,027,697	\$ 1,033,463
Advance on investment in other funds	436	130,000
Receivable for investments sold	-	69,372
Other assets and liabilities	(195)	(162)
Net assets - June 30, 2012	<b>\$ 1,027,938</b>	<b>\$ 1,232,673</b>

**INVESTMENT SECTION**  
Investment Pool Objectives, Financial Highlights, and Performance

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**ALTERNATIVES POOL**  
**(Continued)**

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

**Investment Securities**

	Private Equity		Hedge Fund	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Investment in other funds	\$ 549,825	53.5%	\$ 1,032,985	100.0%
Partnerships	445,251	43.3	-	0.0
Short-term issues	32,621	3.2	478	0.0
Total	\$ 1,027,697	100.0%	\$ 1,033,463	100.0%

**Progression of Net Assets**

	Private Equity	Hedge Fund
Net assets - June 30, 2011	\$ 1,021,168	\$ 1,072,923
Net increase (decrease) from operations	143,223	(3,272)
Net increase (decrease) from unit transactions	(136,453)	163,022
Net assets - June 30, 2012	\$ 1,027,938	\$ 1,232,673

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of external investment management and/or partnership fees and expenses. For the Private Equity Pool, a benchmark is not reported for the first five years of the program, as a meaningful comparison cannot be made between the actual return and the benchmark (until June 30, 2013).

Period	Private Equity		Hedge Fund
	Actual	Actual	LIBOR + 400 basis points
One-year	15.2%	-0.3%	4.5%
Three-year	17.0%	5.8%	4.4%

Private Equity		Fair Value
Ten Largest Holdings		Fair Value
Bridgewater All Weather Portfolio II, Ltd.		\$ 549,825
Natural Gas Partners IX, LP		47,367
Platinum Equity Capital Partners II, LP		40,291
Advent International GPE VI-A, LP		37,715
LLR Equity Partners III, LP		33,767
Carlyle Partners V, LP		32,928
Welse, Carson, Anderson and Stowe XI, LP		32,902
Odyssey Investment Partners Fund IV, LP		24,304
Riverside Fund IV, LP		23,892
H.I.G. Bayside Debt and LBO Fund II, LP		23,204

**ALTERNATIVES POOL**  
**(Continued)**

**INVESTMENT PERFORMANCE (Continued)**

Hedge Fund	
Ten Largest Holdings	Fair Value
Magnetar Capital Fund II, Ltd.	\$ 76,022
Davidson Kempner International, Ltd.	72,774
O'Connor Global Multi-Strategy Alpha, Ltd.	69,104
Perry Partners International, Inc.	68,060
AllBlue Limited	67,819
Taconic Opportunity Offshore Fund, Ltd.	64,744
Double Black Diamond, Ltd.	60,429
Bridgewater Pure Alpha, Ltd.	54,344
Brevan Howard Fund Limited	50,602
MW Eureka Fund	48,301

**EXPENSES**

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

Expense Ratio (in basis points)	Private Equity	Hedge Fund
Investment advisor fees	N/A	N/A
Trustee fees	0.0*	0.0*
Custodian bank fees	0.0*	0.0*
Management fees	3.1	3.1
Fiduciary bond fees	0.0*	0.0*
External fees/Fund closing costs	1.2	N/A
Professional service fees	8.5	5.1
Total	12.8	8.2

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

## REAL ESTATE POOL

### OBJECTIVES

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

The Real Estate Pool is comprised of three categories. The target range allocations as of June 30, 2012 are as follows:

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

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

Condensed financial statement data for the Real Estate Pool and Financial Highlights are presented below.

#### Condensed Statement of Assets and Liabilities

Investment securities	\$ 636,957
Collateral for securities loaned	4,200
Payable upon return of securities loaned	(4,201)
Cash	(17)
Receivable for investments sold	3,933
Payable for investments purchased	(2,537)
Other assets and liabilities	1,858
<b>Net assets - June 30, 2012</b>	<b>\$ 640,193</b>

#### Investment Securities

	Fair Value	Percent of Securities
Partnerships and other funds	\$ 313,063	49.1%
Equity securities	190,797	30.0
Corporate bonds	114,420	18.0
Short-term issues	18,677	2.9
<b>Total</b>	<b>\$ 636,957</b>	<b>100.0%</b>

#### Progression of Net Assets

Net assets - June 30, 2011	\$ 247,831
Net increase from operations	40,181
Net increase from unit transactions	352,181
<b>Net assets - June 30, 2012</b>	<b>\$ 640,193</b>

**REAL ESTATE POOL**  
**(Continued)**

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of external investment management and/or partnership fees and expenses. For the Real Estate Pool, a benchmark is not reported for the first five years of the program, as a meaningful comparison cannot be made between the actual return and the benchmark (until June 30, 2013).

Period	Actual
One-year	7.6%
Three-year	9.1%

**Equity Investments Including  
Partnerships and Funds**

Ten Largest Holdings	Fair Value
UBS Trumbull Property Fund	\$ 57,966
Invesco Core Real Estate - U.S.A., LP	39,753
RREEF America REIT II, Inc.	37,134
RCG Longview Debt Fund IV, LP	26,195
Kennedy Wilson Real Estate Fund IV, LP	24,836
Mesa West Real Estate Income Fund II, LP	22,592
Oaktree Real Estate Opportunities Fund V, LP	21,963
ABR Chesapeake Investors IV, LP	15,175
Hudson Pacific Properties Preferred Stock	13,330
AG Core Plus Realty Fund III, LP	12,782

**Debt Investments**

Ten Largest Holdings	Fair Value
Corporate Office Property, LP	\$ 19,201
Health Care REIT	12,337
Prologis, LP	11,500
Colonial Realty, LP	10,370
Reckson Operating Partnership	7,705
Colonial Realty, LP	7,147
Reckson Operating Partnership	6,892
Prologis, LP	6,552
Commonwealth REIT	5,349
Rouse Company	4,748

**REAL ESTATE POOL**  
**(Continued)**

**EXPENSES**

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

<b>Expense Ratio (in basis points)</b>	
Investment advisor fees	29.2
Trustee fees	0.0*
Custodian bank fees	2.0
Management fees	3.2
Fiduciary bond fees	0.0*
External fees/Fund closing costs	25.2
Professional service fees	12.1
Total	<b>71.7</b>

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

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

## **HISTORY**

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

## **LIQUIDITY NEEDS**

PERS is expected to have modest liquidity needs of approximately 1.0 percent to 2.0 percent per year for the foreseeable future.

## **INVESTMENT OBJECTIVES**

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments and not subjecting PERS to an undue level of risk.

## **ASSET ALLOCATION**

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$19,000,000*	

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

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

### **Progression of Plan Balance**

June 30, 2011	\$ 4,359,025
Contributions	259,956
Withdrawals	(312,960)
Net	(53,004)
Investment income	34,686
Net unrealized appreciation	11,435
June 30, 2012	<u>\$ 4,352,142</u>

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 (Continued)**

Asset Allocation	Amount	Percent of Total
Large Cap Domestic	\$ 795,984	18.2%
Non-Large Cap Domestic	269,212	6.2
International Qualified	343,311	7.9
International Equity	742,277	17.1
Short-Term Fixed Income	26,949	0.6
Total Return Fixed Income	612,542	14.1
Core Fixed Income	294,910	6.8
TIPS	113,597	2.6
Private Equity	435,948	10.0
Real Estate	273,496	6.3
Hedge Fund	443,916	10.2
Total	<u>\$ 4,352,142</u>	<u>100.0%</u>

#### **INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of fees.

Period	Actual	Target
One-year	1.1%	7.5%
Three-year	12.3%	7.5%
Five-year	2.2%	7.5%
Ten-year	6.8%	7.5%

**TEACHERS' RETIREMENT SYSTEM**

**HISTORY**

The Teachers' Retirement System (TRS) was created in 1941. It was closed to new members in 1991, but reopened to first-time hires as of July 1, 2005. Employees hired from 1991 through June 30, 2005, joined the Teachers' Defined Contribution Plan (TDC). In the spring of 2008, more than 78 percent of the participants in the Teachers' Defined Contribution Plan elected to transfer their TDC account balance to TRS and become participants in TRS. This transfer occurred in July 2008.

The Teachers' Employers Contribution Collection Account (TECCA) is a holding account for temporary reserve cash. Due to its short-term nature, assets are entirely invested in the Short-Term Fixed Income Pool.

**TRS LIQUIDITY NEEDS**

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

**TRS INVESTMENT OBJECTIVES**

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments and not subjecting TRS to an undue level of risk.

**TRS ASSET ALLOCATION**

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$25,000,000*	

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

**TEACHERS' RETIREMENT SYSTEM  
(Continued)**

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

Progression of Plan Balance	TRS	TECCA
June 30, 2011	\$ 5,010,212	\$ -
Contributions	556,795	480,454
Withdrawals	(643,762)	(337,466)
Net	(86,967)	142,988
Investment income	35,651	5
Net unrealized appreciation	9,668	1
June 30, 2012	<u>\$ 4,968,564</u>	<u>\$ 142,994</u>

Asset Allocation	TRS		TECCA	
	Amount	Percent of Total	Amount	Percent of Total
Large Cap Domestic	\$ 908,381	18.3%	\$ -	0.0%
Non-Large Cap Domestic	307,418	6.2	-	0.0
International Qualified	393,701	7.9	-	0.0
International Equity	851,090	17.1	-	0.0
Short-Term Fixed Income	67,224	1.4	142,994	100.0
Total Return Fixed Income	632,244	12.7	-	0.0
Core Fixed Income	300,128	6.0	-	0.0
TIPS	129,741	2.6	-	0.0
TRS Annuity	53,023	1.1	-	0.0
Private Equity	503,734	10.1	-	0.0
Real Estate	312,255	6.3	-	0.0
Hedge Fund	509,625	10.3	-	0.0
Total	<u>\$ 4,968,564</u>	<u>100.0%</u>	<u>\$ 142,994</u>	<u>100.0%</u>

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of fees. A target rate of return has not been set for the TECCA plan.

Period	TRS		TECCA
	Actual	Target	Actual
One-year	1.0%	7.5%	0.0%
Three-year	11.9%	7.5%	0.1%
Five-year	1.7%	7.5%	1.1%
Ten-year	6.4%	7.5%	N/A

**PUBLIC SAFETY, DEATH, DISABILITY AND RETIREMENT SYSTEM**

## HISTORY

The Public Safety, Death, Disability and Retirement System (PSDDRS) was created in 1925 to provide retirement benefits for the West Virginia State Police.

## LIQUIDITY NEEDS

PSDDRS is now a closed plan and is expected to experience an increasingly negative cash flow position in the near future.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments and not subjecting PSDDRS to an undue level of risk.

## ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$2,700,000*	

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

## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2011	\$ 482,005
Contributions	26,511
Withdrawals	(35,510)
Net	(8,999)
Investment income	3,751
Net unrealized appreciation	629
June 30, 2012	<b>\$ 477,386</b>

**PUBLIC SAFETY, DEATH, DISABILITY AND RETIREMENT SYSTEM  
 (Continued)**

Asset Allocation	Amount	Percent of Total
Large Cap Domestic	\$ 86,641	18.0%
Non-Large Cap Domestic	29,507	6.2
International Qualified	37,412	7.8
International Equity	82,434	17.3
Short-Term Fixed Income	718	0.2
Total Return Fixed Income	68,306	14.3
Core Fixed Income	32,860	6.9
TIPS	12,349	2.6
Private Equity	48,464	10.2
Real Estate	29,721	6.2
Hedge Fund	48,974	10.3
<b>Total</b>	<b>\$ 477,386</b>	<b>100.0%</b>

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of fees.

Period	Actual	Target
One-year	1.1%	7.5%
Three-year	12.4%	7.5%
Five-year	2.2%	7.5%
Ten-year	6.8%	7.5%

**STATE POLICE RETIREMENT SYSTEM**

**HISTORY**

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

**LIQUIDITY NEEDS**

SPRS is expected to be in a positive net cash flow position for the foreseeable future.

**INVESTMENT OBJECTIVES**

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments and not subjecting SPRS to an undue level of risk.

**ASSET ALLOCATION**

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$50,000*	

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

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

**Progression of Plan Balance**

June 30, 2011	\$	70,756
Contributions		8,032
Withdrawals		(877)
Net		7,155
Investment income		596
Net unrealized appreciation		228
June 30, 2012	\$	<u>78,735</u>

**STATE POLICE RETIREMENT SYSTEM  
 (Continued)**

Asset Allocation	Amount	Percent of Total
Large Cap Domestic	\$ 14,200	18.1%
Non-Large Cap Domestic	4,779	6.1
International Qualified	5,717	7.3
International Equity	13,451	17.1
Short-Term Fixed Income	1,417	1.8
Total Return Fixed Income	11,174	14.2
Core Fixed Income	5,393	6.8
TIPS	2,004	2.5
Private Equity	7,821	9.9
Real Estate	4,829	6.1
Hedge Fund	7,950	10.1
Total	\$ 78,735	100.0%

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of fees.

Period	Actual	Target
One-year	0.9%	7.5%
Three-year	12.1%	7.5%
Five-year	2.2%	7.5%
Ten-year	6.7%	7.5%

**DEPUTY SHERIFF'S RETIREMENT SYSTEM**

**HISTORY**

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

**LIQUIDITY NEEDS**

DSRS currently has positive net cash flows.

**INVESTMENT OBJECTIVES**

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Preserve the current well-funded position while not subjecting DSRS to an undue level of risk.

**ASSET ALLOCATION**

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$250,000*	

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

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

**Progression of Plan Balance**

June 30, 2011	\$ 112,488
Contributions	8,925
Withdrawals	<u>(6,347)</u>
Net	2,578
Investment income	913
Net unrealized appreciation	302
June 30, 2012	<u>\$ 116,281</u>

**DEPUTY SHERIFF'S RETIREMENT SYSTEM  
 (Continued)**

Asset Allocation	Amount	Percent of Total
Large Cap Domestic	\$ 21,171	18.1%
Non-Large Cap Domestic	7,158	6.2
International Qualified	9,036	7.8
International Equity	19,898	17.1
Short-Term Fixed Income	468	0.4
Total Return Fixed Income	16,678	14.3
Core Fixed Income	8,043	6.9
TIPS	3,010	2.6
Private Equity	11,695	10.1
Real Estate	7,273	6.3
Hedge Fund	11,851	10.2
<b>Total</b>	<b>\$ 116,281</b>	<b>100.0%</b>

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of fees.

Period	Actual	Target
One-year	1.0%	7.5%
Three-year	12.2%	7.5%
Five-year	2.2%	7.5%
Ten-year	6.7%	7.5%

**JUDGES' RETIREMENT SYSTEM**

**HISTORY**

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

**LIQUIDITY NEEDS**

JRS currently has slightly negative net cash flows.

**INVESTMENT OBJECTIVES**

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Reduce the unfunded liability while maintaining adequate liquidity to satisfy benefit payments and not subjecting JRS to an undue level of risk.

**ASSET ALLOCATION**

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$500,000*	

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

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

**Progression of Plan Balance**

June 30, 2011	\$ 124,587
Contributions	5,079
Withdrawals	(4,651)
Net	428
Investment income	989
Net unrealized appreciation	262
June 30, 2012	<b>\$ 126,266</b>

**JUDGES' RETIREMENT SYSTEM  
 (Continued)**

Asset Allocation	Amount	Percent of Total
Large Cap Domestic	\$ 23,121	18.3%
Non-Large Cap Domestic	7,802	6.2
International Qualified	9,901	7.8
International Equity	21,658	17.2
Short-Term Fixed Income	367	0.3
Total Return Fixed Income	17,947	14.2
Core Fixed Income	8,645	6.8
TIPS	3,278	2.6
Private Equity	12,702	10.1
Real Estate	7,928	6.3
Hedge Fund	12,917	10.2
Total	<b>\$ 126,266</b>	<b>100.0%</b>

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of fees.

Period	Actual	Target
One-year	1.0%	7.5%
Three-year	12.3%	7.5%
Five-year	2.2%	7.5%
Ten-year	6.7%	7.5%

**EMERGENCY MEDICAL SERVICES RETIREMENT SYSTEM**

**HISTORY**

The Emergency Medical Services Retirement System (EMSRS) was created by the *Emergency Medical Services Retirement System Act* effective January 1, 2008, under *West Virginia Code § 16-5V-4*. EMSRS members with benefits earned in the Public Employees' Retirement System (PERS) transferred their full membership and benefits under PERS to EMSRS on the effective date.

**LIQUIDITY NEEDS**

EMSRS is expected to be in a positive net cash flow position for the foreseeable future.

**INVESTMENT OBJECTIVES**

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Maintain adequate liquidity to satisfy benefit payments while not subjecting EMSRS to an undue level of risk.

**ASSET ALLOCATION**

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash	\$0	

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

**Progression of Plan Balance**

June 30, 2011	\$	31,963
Contributions		3,807
Withdrawals		(979)
Net		2,828
Investment income		269
Net unrealized appreciation		93
June 30, 2012	\$	35,153

**EMERGENCY MEDICAL SERVICES RETIREMENT SYSTEM**  
**(Continued)**

Asset Allocation	Amount	Percent of Total
Large Cap Domestic	\$ 6,360	18.1%
Non-Large Cap Domestic	2,147	6.1
International Qualified	2,593	7.4
International Equity	6,056	17.2
Short-Term Fixed Income	230	0.7
Total Return Fixed Income	5,112	14.5
Core Fixed Income	2,470	7.0
TIPS	904	2.6
Private Equity	3,525	10.0
Real Estate	2,177	6.2
Hedge Fund	3,579	10.2
Total	\$ 35,153	100.0%

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. Actual rates of return are net of fees.

Period	Actual	Target
One-year	0.9%	7.5%
Three-year	12.1%	7.5%

**MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM**

## HISTORY

Municipal Police Officers' and Firefighters' Retirement System (MPFRS) was created in 2010 for the purpose of providing retirement benefits for municipal police officers and paid professional firefighters hired into covered employment by participating municipalities on or after January 1, 2010.

## LIQUIDITY NEEDS

There are no anticipated liquidity needs at this time.

## INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 7.5 percent per annum, net of fees.
- Maintain adequate liquidity to satisfy benefit payments while not subjecting MPFRS to an undue level of risk.

## ASSET ALLOCATION

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	25.0%
International Equity	30.0%	25.0%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	20.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash	\$0	

## FINANCIAL HIGHLIGHTS (in \$000s)

### Progression of Plan Balance

June 30, 2011	\$ 61
Contributions	135
Withdrawals	(11)
Net	124
Investment income	-
Net unrealized appreciation	4
June 30, 2012	<b>\$ 189</b>

**MUNICIPAL POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM  
 (Continued)**

Asset Allocation	Amount	Percent of Total
Large Cap Domestic	\$ 31	16.4%
Non-Large Cap Domestic	10	5.3
International Qualified	14	7.4
International Equity	27	14.3
Short-Term Fixed Income	22	11.6
Total Return Fixed Income	26	13.8
Core Fixed Income	11	5.8
TIPS	4	2.1
Private Equity	17	9.0
Real Estate	11	5.8
Hedge Fund	16	8.5
<b>Total</b>	<b>\$ 189</b>	<b>100.0%</b>

**INVESTMENT PERFORMANCE**

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The actual rate of return is net of fees. Investment performance for the one-year period ended June 30, 2012 was 3.6 percent. MPFRS has a target rate of return of 7.5 percent.

# **ACTUARIAL SECTION**



Monongahela National Forest



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**State of West Virginia  
Consolidated Public Retirement Board**

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July 1, 2011

**Actuarial Review and Certification**

This Report presents the results of an Actuarial Valuation of the West Virginia Public Employees' Retirement System (PERS) as of July 1, 2011. The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet or exceed the Plan's long term funding policy.

The valuation indicates that the expected state contributions of 14.5% of payroll plus the member contributions of 4.5% of payroll are sufficient to meet the annual funding requirement of the plan. This report contains supporting data and background information pertaining to the development of costs and related liabilities of the Plan. The valuation is based on membership data as of June 30, 2011, maintained by the West Virginia Consolidated Public Retirement Board (CPRB), and financial information received from the West Virginia Investment Management Board.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the CPRB. In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by Buck Consultants. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

**Financial Section**

- Schedule of Funding Progress
- Schedule of Employer Contributions

**Actuarial Section**

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the Actuarial Valuation. The Actuary further certifies that

the actuarial methods and assumptions applied in completing the Actuarial Valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:

A handwritten signature in blue ink that reads "Harry W. Mandel".

Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

**Valuation Date:** July 1, 2011

### Funding Method and Basis for Assumptions

The valuation is prepared under the Entry Age Normal Cost Method with individually computed accrued liabilities. The Normal Cost is computed in aggregate. Entry is based on date of hire.

Experience studies are performed at least once in every five-year period. This valuation was prepared on the basis of assumptions that were recommended to and adopted by the Board on the basis of an experience study covering the period from July 1, 2004, to June 30, 2009. These assumptions will remain in effect for valuation purposes until such time as the Board adopts revised assumptions.

### Interest Rate and Expenses

The valuation interest assumption is 7.50% annually, with no loading for plan expenses.

### Salary Scales

Salary scales are used for the assumed increase in salary. Projected salary increases for State and Nonstate employees range from 4.25% to 6.0% per year. Assumed increases in salary for sample ages are as follows:

#### Salary Scales

Age	State	Nonstate
30	1.05500	1.05500
40	1.05000	1.05000
50	1.04500	1.04750
60	1.04250	1.04250

### Mortality

The mortality tables are as follows:

- Healthy males: 1983 GAM male
- Healthy females: 1971 GAM female, set back 1 year
- Disabled males: 1971 GAM male, set forward 8 years
- Disabled females: Revenue Ruling 96-7 disabled female table

### Withdrawal from Service

Specific tables have been created to reflect withdrawal rates. All withdrawals are assumed to result in refund of contributions if non-vested or a deferred annuity if vested. The liability for a refund of contributions for nonactive non-vested members as of the valuation date is assumed to be 60% of the total employee contribution balance of such members. Sample withdrawal rates are as follows:

#### Withdrawal Rates

#### Withdrawal Rates

State (less than 1 year)			State (1 to 2 years)		
Age	Male	Female	Age	Male	Female
30	0.21580	0.22100	30	0.20625	0.20000
40	0.18200	0.18200	40	0.15000	0.15000
50	0.15600	0.15600	50	0.13750	0.12500
60	0.14300	0.14300	60	0.12500	0.11250

**ACTUARIAL SECTION**  
Public Employees' Retirement System

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**Withdrawal Rates**

State (2 to 3 years)		
Age	Male	Female
30	0.18200	0.17500
40	0.13000	0.12500
50	0.08800	0.10000
60	0.06600	0.07500

**Withdrawal Rates**

State (3 to 4 years)		
Age	Male	Female
30	0.15600	0.14400
40	0.10400	0.09600
50	0.07800	0.08400
60	0.05200	0.06000

**Withdrawal Rates**

State (4 to 5 years)		
Age	Male	Female
30	0.14000	0.11250
40	0.08400	0.08750
50	0.05600	0.07188
60	0.02800	0.05000

**Withdrawal Rates**

State (greater than 5 years)		
Age	Male	Female
30	0.08400	0.08800
40	0.04800	0.04500
50	0.02400	0.03500
60	0.01200	0.01000

**Withdrawal Rates**

Nonstate (less than 1 year)		
Age	Male	Female
30	0.26400	0.25070
40	0.21600	0.21850
50	0.16800	0.17250
60	0.13200	0.13800

**Withdrawal Rates**

Nonstate (1 to 2 years)		
Age	Male	Female
30	0.20400	0.21850
40	0.15600	0.18975
50	0.11000	0.13000
60	0.10000	0.11000

**Withdrawal Rates**

Nonstate (2 to 3 years)		
Age	Male	Female
30	0.17600	0.18700
40	0.12650	0.14000
50	0.09000	0.11500
60	0.08000	0.09500

**Withdrawal Rates**

Nonstate (3 to 4 years)		
Age	Male	Female
30	0.15400	0.15500
40	0.10000	0.13000
50	0.08000	0.10000
60	0.06000	0.08000

**Withdrawal Rates**

Nonstate (4 to 5 years)		
Age	Male	Female
30	0.15000	0.15600
40	0.09000	0.10800
50	0.06600	0.08400
60	0.04200	0.06000

**Withdrawal Rates**

Nonstate (greater than 5 years)		
Age	Male	Female
30	0.09900	0.10000
40	0.06000	0.06500
50	0.04000	0.03500
60	0.02000	0.02000

### **Disablement Rates**

Sample rates of disablement are as follows:

#### **Disability Rates**

State and Nonstate		
Age	Male	Female
30	0.00030	0.00060
40	0.00113	0.00113
50	0.00488	0.00225
60	0.00750	0.00750

### **Retirement Rates**

The retirement rates are as follows:

#### **Retirement Rates**

State and Nonstate	
Age	Rates
55	0.25
56	0.15
57	0.15
58	0.15
59	0.15
60	0.15
61	0.15
62	0.30
63	0.18
64	0.18
65	0.25
66	0.20
67	0.20
68	0.20
69	0.20
70+	1.00

### **Family Composition**

It is assumed that 85% of males and 80% of females are married, with husbands 3 years older than wives. Remarriage rates are not used.

### **Accrual of Future Service**

It is assumed that active members will accrue one year of service for each future year of employment.

### **Noncontributory Service Loadings**

Noncontributory service for active members is estimated from member's contributory service by adjusting the present value of benefits projected from contributory service alone. A 10.8% load is used for male State employees and a 10.0% load is used for male Nonstate employees. A 2.4% load is used for female State and Nonstate employees.

### **Asset Valuation Method**

Four-year 25% level smoothing of actuarial gain or (loss) on trust fund return:

- Implemented over four years, prospectively commencing July 1, 2009 for the experience for the trust year ending June 30, 2009.
- Actuarial gain or (loss) on assets is calculated as the difference between the expected return under valuation assumptions based on the smoothed Actuarial Value of Assets and the actual trust fund return.
- Actuarial gain or (loss) is recognized at 25% of the original amount each year until fully recognized in the fourth year.
- Total accumulated deferred gain or (loss) amounts are used to adjust the reported Market Value of Assets to determine the actuarial Value of Assets.

### **Plan Contributions**

Both employee and employer contributions to the plan are assumed to be paid in the middle of the year.

**ACTUARIAL SECTION**  
Public Employees' Retirement System

## **Schedule of Active Member Valuation Data**

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	36,254	\$ 1,327,717,000	\$ 36,622.63	0.16204%
6/30/2010	35,977	1,315,441,000	35,563.39	2.46763%
6/30/2009	35,717	1,274,485,000	35,682.87	3.85707%
6/30/2008	35,491	1,219,388,000	34,357.67	3.47423%
6/30/2007	35,873	1,191,130,000	33,204.08	2.18204%
6/30/2006	35,689	1,159,715,000	32,495.03	1.30940%

### **Solvency Test (in thousands)**

Aggregate Accrued Liabilities For								
	(1)	(2)	(3)	Active Members		% of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retirants and Beneficiaries	(Employer Financed Portions)	Reported Assets		(1)	(2)	(3)
6/30/2011	\$ 434,454	\$ 2,792,236	\$ 2,288,562	\$ 4,322,668	100.0000%	100.0000%	47.8894%	
6/30/2010	432,007	2,893,949	2,299,874	3,974,609	100.0000%	100.0000%	41.2480%	
6/30/2009	426,936	2,338,871	2,164,351	3,930,701	100.0000%	100.0000%	53.8219%	
6/30/2008	410,799	2,189,262	2,076,966	3,939,059	100.0000%	100.0000%	64.4689%	
6/30/2007	405,476	2,050,544	1,970,031	4,293,296	100.0000%	100.0000%	93.2613%	
6/30/2006	400,973	1,906,367	1,957,360	3,700,186	100.0000%	100.0000%	71.1594%	

## Schedule of Retirees and Beneficiaries Added and Removed

Retirees Added			Retirees Removed			Retirees - Year End			% Increase	Average
Fiscal Year Ended	Annual Number	Allowances	Annual Number	Allowances	Annual Number	Allowances	Annual Allowances	in Annual Allowances	Annual Allowance	
2011	1,673	\$31,250,302	(920)	\$ 7,834,867	22,793	\$ 294,084,936		4.160%	\$12,902.42	
2010	1,438	25,365,630	(897)	7,382,382	22,040	273,012,324		4.017%	12,387.13	
2009	1,509	26,578,560	(922)	7,186,068	21,499	256,026,485		4.124%	11,908.76	
2008	1,356	24,449,168	(958)	7,351,692	20,912	239,172,379		4.636%	11,437.09	
2007	1,373	23,721,486	(885)	6,811,456	20,514	224,224,742		4.447%	10,930.33	
2006	1,465	25,862,169	(836)	6,123,031	20,026	209,571,080		7.047%	10,464.95	

## Changes in Unfunded Actuarial Liability

## PERS Unfunded Actuarial Liability, June 30, 2010

\$ 1,351,221,000

Expected increase from amortization method	(19,986,000)
Expected increase from contributions below actuarial rates	28,147,000
Investment experience	59,118,000
Liability experience (including transfers)	(225,916,000)
Change in assumption	-

## Unfunded Actuarial Liability, June 30, 2011

\$ 1,192,584,000

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**Board Members**

Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

Executive Director  
Jeffrey E. Fleck

**State of West Virginia  
Consolidated Public Retirement Board**

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Charleston, West Virginia 25304-1636  
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[www.wvretirement.com](http://www.wvretirement.com)

**Board Members**

David L. Wyant, Chairman  
Thomas Bradley  
Joseph Bunn  
Captain Michael G. Corsaro  
Drema B. Evans  
Joe Lynch  
D. Todd Murray  
Tony Payne  
Andrew Richardson

July 1, 2011

**Actuarial Review and Certification**

This Report presents the results of an Actuarial Valuation of the West Virginia Teachers' Retirement System (TRS) as of July 1, 2011. The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet or exceed the Plan's long term funding policy.

This valuation presents the liabilities of the plan as of the valuation date and the projected Employer contribution for fiscal year 2013. Some key highlights are:

- The valuation was prepared based on an assumed interest rate of 7.5%.
- Based on the valuation results, the State contribution to TRS for fiscal year 2013 is \$457,977,000.
- The funded percentage of plan assets to the actuarial accrued liability at the valuation date is 54%, compared to 47% for the prior year.

This report contains supporting data and background information pertaining to the development of costs and related liabilities of the plan. The valuation is based on membership data as of June 30, 2011 maintained by the West Virginia Consolidated Public Retirement Board (CPRB), and financial information received from the West Virginia Investment Management Board.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the CPRB. In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by Buck Consultants. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

**Financial Section**

- Schedule of Funding Progress
- Schedule of Employer Contributions

### Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the Actuarial Valuation. The Actuary further certifies that the actuarial methods and assumptions applied in completing the Actuarial Valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:



Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

**Valuation Date:** July 1, 2011

### **Funding Method and Basis for Assumptions**

The valuation is prepared under the Entry Age Normal Cost Method with individually computed accrued liabilities. The Normal Cost is computed in aggregate. Entry is based on date of hire (i.e. valuation date minus known past service).

Experience studies are performed at least once in every five-year period. This valuation was prepared on the basis of assumptions that were recommended to and adopted by the Board on the basis of an experience study covering the period from July 1, 2005, to June 30, 2010. These assumptions will remain in effect for valuation purposes until such time as the Board adopts revised assumptions.

### **Interest Rate and Expenses**

The valuation interest assumption is 7.5% per annum, with no loading for plan expenses.

### **Pre-Retirement Mortality**

Pre-retirement mortality rates are based on the results of the 2006-2010 experience study. The mortality tables used are the RP-2000 Non-Annuitant tables for in-service males and females. Sample pre-retirement mortality rates are as follows:

**Pre-Retirement Mortality  
RP-2000 Non-Annuitant Table**

Age	State	Nonstate
30	0.00044	0.00026
40	0.00108	0.00071
50	0.00214	0.00168
60	0.00488	0.00393

### **Post-Retirement Mortality**

Post-retirement mortality rates are based on the results of the 2006-2010 experience study. The mortality tables used are as follows:

- Healthy males: RP-2000 Healthy Annuitant table, projected to 2020
- Healthy females: RP-2000 Healthy Annuitant table, projected to 2020
- Disabled males: RP-2000 Disabled Annuitant table, projected to 2020, setback 2 years
- Disabled females: RP-2000 Disabled Annuitant table, projected to 2020, setback 1 year

Sample post-retirement mortality rates are as follows:

**Post-Retirement Healthy Mortality  
RP-2000 Healthy Annuitant Table  
Projected to 2020 with Scale AA**

Age	State	Nonstate
60	0.00594	0.00561
70	0.01641	0.01515
80	0.05265	0.03987
90	0.16928	0.12400

**Post-Retirement Healthy Mortality  
RP-2000 Disabled Annuitant Table  
Projected to 2020 with Scale AA  
Set Back 2 Years for Males and  
Set Back 1 Year for Females**

Age	State	Nonstate
30	0.02042	0.00585
40	0.02001	0.00551
50	0.01912	0.00740
60	0.02849	0.01879
70	0.04293	0.03196
80	0.07670	0.05891
90	0.14672	0.12333

**Withdrawal from Service**

Withdrawal rates are based on the 2006-2010 experience study. Withdrawal rates are assumed to cease upon eligibility for retirement. All withdrawal is assumed to result in refund of contributions if non-vested or a deferred annuity if vested. Sample withdrawal rates are as follows:

**Withdrawal Rates**

Teachers (less than 1 year)		
Age	Male	Female
30	0.26000	0.26000
40	0.22000	0.22000
50	0.18000	0.18000
60	0.14000	0.14000

**Withdrawal Rates**

Teachers (1 to 2 years)		
Age	Male	Female
30	0.12100	0.11000
40	0.08800	0.08000
50	0.06600	0.06000
60	0.05500	0.05000

**Withdrawal Rates**

Teachers (2 to 3 years)		
Age	Male	Female
30	0.06850	0.07400
40	0.06350	0.05400
50	0.05700	0.04000
60	0.05000	0.04000

**Withdrawal Rates**

Teachers (3 to 4 years)		
Age	Male	Female
30	0.06000	0.04800
40	0.04000	0.03600
50	0.03000	0.03000
60	0.03000	0.03000

**Withdrawal Rates**

Teachers (4 to 5 years)		
Age	Male	Female
30	0.04000	0.03600
40	0.02000	0.02267
50	0.01500	0.01500
60	0.01500	0.01500

**Withdrawal Rates**

Teachers (greater than 5 years)		
Age	Male	Female
30	0.02400	0.02400
40	0.01904	0.01600
50	0.01200	0.00800
60	0.01600	0.01200

**Withdrawal Rates**

Non-Teachers and State (less than 1 year)		
Age	Male	Female
30	0.19500	0.19500
40	0.16500	0.16500
50	0.13500	0.13500
60	0.10500	0.10500

**Withdrawal Rates**

Non-Teachers and State (1 to 2 years)		
Age	Male	Female
30	0.11000	0.09900
40	0.08000	0.07200
50	0.06000	0.05400
60	0.05000	0.04500

**Withdrawal Rates**

Non-Teachers and State (2 to 3 years)		
Age	Male	Female
30	0.08500	0.06800
40	0.05500	0.04400
50	0.04000	0.03200
60	0.04000	0.03200

**Withdrawal Rates**

Non-Teachers and State (3 to 4 years)		
Age	Male	Female
30	0.06000	0.05400
40	0.04000	0.03600
50	0.03000	0.02700
60	0.03000	0.02700

**Withdrawal Rates**

Non-Teachers and State (4 to 5 years)		
Age	Male	Female
30	0.03750	0.03750
40	0.02250	0.02250
50	0.01500	0.01500
60	0.01125	0.01125

**Withdrawal Rates**

Non-Teachers and State (greater than 5 years)		
Age	Male	Female
30	0.03000	0.02450
40	0.01750	0.01750
50	0.01250	0.01316
60	0.01500	0.01400

**Disablement Rates**

Disablement rates are based on the 2006-2010 experience study. A sample of disablement rates follows:

**Disability Rates**

Age	State	Nonstate
30	0.00100	0.00080
40	0.00250	0.00200
50	0.00509	0.00376
60	0.00700	0.00880

### Retirement Rates

Retirement rates are based on the 2006-2010 experience study. A sample of retirement rates follows:

#### Retirement Plans

Age	Teachers		Non-Teachers & State	
	Male	Female	Male	Female
55	0.250	0.275	0.300	0.200
56	0.150	0.175	0.200	0.150
57	0.150	0.175	0.150	0.150
58	0.170	0.180	0.150	0.150
59	0.190	0.190	0.150	0.175
60	0.200	0.250	0.150	0.200
61	0.300	0.200	0.150	0.200
62	0.400	0.275	0.400	0.300
63	0.250	0.200	0.250	0.200
64	0.250	0.250	0.175	0.200
65	0.400	0.300	0.300	0.300
66	0.300	0.300	0.225	0.200
67	0.300	0.300	0.200	0.200
68	0.300	0.300	0.200	0.200
69	0.300	0.300	0.200	0.200
70+	1.000	1.000	1.000	1.000

### Salary Scales

Salary scales are based on the 2006-2010 experience study. Projected salary increases are in the following ranges by group, with an underlying inflation rate of 3.0%:

Group	Range of Projected Salary Increases
Teachers	3.75% - 5.25%
Non-Teachers	3.40% - 6.50%

A sample of salaries from the salary scales is as follows:

#### Salary Scales

Age	Teachers	Non-Teachers and State
30	4.750	5.500
40	4.250	5.250
50	3.850	4.400
60	3.850	3.730

### **Accrual of Future Service**

Future service accrual factors are based on the 2006-2010 experience study. All active members will accrue 1.00 year of service for each future year of employment.

### **Non-Contributory Service Loadings**

The load factor assumptions for non-contributory service (military, parochial or out-of-state teaching, transferred PERS service, and unused sick leave) are based on the 2006-2010 experience study and are as follows:

Group	Male	Female
Teachers	1.0750	1.0400
Non-Teachers	1.0400	1.0275

### **Family Composition**

It is assumed that 85% of males and 80% of females are married, with husbands 3 years older than wives. Remarriage rates are not used.

### **Asset Valuation Method**

Assets for valuation purposes are included at Market Value.

### **Plan Contribution**

Both employee and employer contributions to the plan are assumed to be paid in the middle of the year.

**ACTUARIAL SECTION**  
Teachers' Retirement System

## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	35,855	\$ 1,505,749,000	\$ 41,995.51	-0.18532%
6/30/2010	35,670	1,500,761,000	42,073.48	0.18898%
6/30/2009	35,701	1,499,232,000	41,994.12	4.93487%
6/30/2008	35,219	1,409,437,000	40,019.22	-5.71859%
6/30/2007	19,529	828,939,000	42,446.57	4.17553%
6/30/2006	18,633	759,206,000	40,745.24	-1.80560%

### **Solvency Test (in thousands)**

Aggregate Accrued Liabilities For								
	(1)	(2)	(3)					
Valuation	Active Member	Retirents and	(Employer Financed	Active Members		% of Accrued Liabilities Covered		
Date	Contributions	Beneficiaries	Portions)	Assets	Reported	by Reported Assets		
6/30/2011	\$ 739,997	\$ 5,438,589	\$ 3,266,562	\$ 5,074,665	100.0000%	82.1331%	0.0000%	
6/30/2010	687,828	4,877,284	3,339,200	4,143,540	100.0000%	74.4556%	0.0000%	
6/30/2009	677,365	4,511,170	3,419,334	3,554,771	100.0000%	68.5120%	0.0000%	
6/30/2008	630,240	4,219,349	3,418,989	4,133,883	100.0000%	85.2419%	0.0000%	
6/30/2007	302,347	3,985,211	2,855,153	3,665,993	100.0000%	85.5031%	0.0000%	
6/30/2006	282,706	3,709,404	2,885,762	2,174,464	100.0000%	54.4690%	0.0000%	

## Schedule of Retirees and Beneficiaries Added and Removed

Retirees Added			Retirees Removed			Retirees - Year End			% Increase	Average
Fiscal	Year	Annual	Year	Annual	Year	Annual	Annual	in Annual	Annual	
Ended	Number	Allowances	Number	Allowances	Number	Allowances	Allowances	Allowances	Allowance	
2011	2,039	\$55,816,157	(1,123)	\$11,685,848	31,043	\$ 571,566,916	4.779%	\$18,412.10		
2010	1,952	50,384,790	(1,070)	11,288,029	30,127	529,400,876	4.875%	17,572.31		
2009	1,766	43,023,575	(1,043)	10,606,309	29,245	490,013,124	4.278%	16,755.45		
2008	1,625	41,174,835	(1,143)	10,880,080	28,522	458,291,496	4.609%	16,068.00		
2007	1,756	42,148,636	(1,105)	10,597,790	28,040	430,694,400	5.090%	15,360.00		
2006	1,658	27,450,240	(1,020)	8,987,954	27,389	400,317,624	6.376%	14,616.00		

## Changes in Unfunded Actuarial Liability

Unfunded Actuarial Liability, June 30, 2010	<u>\$ 4,760,772,000</u>
Expected increase from amortization method	(103,698,000)
Expected increase from contributions below actuarial rates	(512,000,000)
Investment experience	(68,305,000)
Liability experience (including transfers)	293,714,000
Change in assumption	-

**Unfunded Actuarial Liability, June 30, 2011** \$ 4,370,483,000



**Board Members**  
Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

**Executive Director**  
Jeffrey E. Fleck

**State of West Virginia  
Consolidated Public Retirement Board**

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Thomas Bradley  
Joseph Bunn  
Captain Michael G. Corsaro  
Drema B. Evans  
Joe Lynch  
D. Todd Murray  
Tony Payne  
Andrew Richardson

July 1, 2011

**Actuarial Review and Certification**

This Report presents the results of an Actuarial Valuation of the West Virginia Public Safety death and Disability Retirement System (PSDDRS) as of July 1, 2011. The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet or exceed the Plan's long term funding policy.

Some key highlights are:

- The valuation was prepared based on an assumed interest rate of 7.50%.
- The State contribution is determined as the State normal cost plus a level-dollar amortization amount that will fund the unfunded actuarial liability by June 30, 2025. The required state contribution for Fiscal Year 2013 is \$15,162,000.

This report contains supporting data and background information pertaining to the development of costs and related liabilities of the plan. The valuation is based on membership data as of June 30, 2011, maintained by the West Virginia Consolidated Public Retirement Board (CPRB), and financial information received from the West Virginia Investment Management Board.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the CPRB. In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by Buck Consultants. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

**Financial Section**

- Schedule of Funding Progress
- Schedule of Employer Contributions

**Actuarial Section**

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data

- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the Actuarial Valuation. The Actuary further certifies that the actuarial methods and assumptions applied in completing the Actuarial Valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:



Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

**Valuation Date:** July 1, 2011

### **Funding Method and Basis for Assumptions**

The valuation is prepared under the Entry Age Normal Cost Method with individually computed accrued liabilities. The Normal Cost is computed in aggregate. Entry is based on date of hire.

Experience studies are performed at least once in every five-year period. This valuation was prepared on the basis of assumptions that were recommended to and adopted by the Board on the basis of an experience study covering the period from July 1, 2003, to June 30, 2008. These assumptions will remain in effect for valuation purposes until such time as the Board adopts revised assumptions.

### **Interest Rate and Expenses**

The valuation interest assumption is 7.50% annually, with no loading for plan expenses.

### **Mortality**

The male and female RP-2000 Mortality Tables for Healthy Annuitants and Employees are used. Mortality for non-disabled retirees is projected 10 years using Scale AA. Mortality for active members in service is projected 5 years with Scale AA in recognition of increased duty-related accidental deaths. Mortality for disabled retirees is assumed to follow the unadjusted RP-2000 Mortality Tables for Disabled Retirees. It is assumed that 70% of deaths of members in service are duty-related.

### **Salary Scales**

Compensation is assumed to increase 6.50% per year for the first two years of service, 6.00% for the next 3 years, 5.50% for the next 5 years, and 4.75% per year thereafter. The inflation rate is 3.00%.

### **Withdrawal from Service**

Withdrawal rate tables have been developed specifically for PSDDRS. Withdrawal rates cease once an employee is eligible for normal retirement. A sample of withdrawal rates follows:

Age	Rate of Withdrawal
20	0.0800
30	0.0571
40	0.0343
50	0.0114

### **Disablement Rates**

Disablement rates and the probability of each type of disability have been developed specifically for PSDDRS. A sample of disablement rates, which cease once an employee is eligible for normal retirement, are as follows:

Age	Rate of Disablement	Type of Disability	Probability
20	0.0005	Duty-Related Full	0.25
30	0.0020	Duty-Related Partial	0.50
40	0.0060	Nonduty-Related Full	0.20
50	0.0040	Nonduty-Related Partial	0.05

### **Family Composition**

90% of members are assumed to be married, with husbands 2 years older than their wives. Re-marriage rates are not used.

### **Accrual of Future Service**

Active members are assumed to accrue 1 year of service for each future year of employment.

### **Non-Contributory Service**

A 13.3% load is applied to the retirement liability for active members to represent additional benefit service credit at retirement as a result of the conversion of annual leave, sick leave, and additional credit for military service.

### **Retirement Rates**

70% of members are assumed to retire when first eligible for unreduced benefits at the earlier of age 50 and 20 years of service or any age and 25 years of service. An active member who has already attained eligibility for normal retirement has a 20% probability of retiring each year thereafter with 100% retiring on or after attainment of age 55.

### **Asset Valuation Method**

Assets for valuation purposes are included at Market Value.

### **Plan Contributions**

Both employee and employer contributions are assumed to be paid in the middle of the year.

**ACTUARIAL SECTION**  
Public Safety, Death, Disability and Retirement System

**Schedule of Active Member Valuation Data**

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	133	\$ 8,001,000	\$ 60,157.89	-1.30345%
6/30/2010	147	8,960,000	60,952.38	-2.73874%
6/30/2009	163	10,215,000	62,668.71	4.24699%
6/30/2008	173	10,400,000	60,115.61	4.41103%
6/30/2007	191	10,997,000	57,575.92	5.54895%
6/30/2006	204	28,000	54,549.02	4.41100%

**Solvency Test**

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1)		(2)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portions)		100.0000%	94.8254%	0.0000%
6/30/2011	\$ 3,420,540	\$ 504,876,000	\$ 97,948,460	\$ 481,994,000	100.0000%	94.8254%	0.0000%
6/30/2010	4,001,490	484,787,000	101,940,510	404,444,000	100.0000%	82.7442%	0.0000%
6/30/2009	4,806,360	461,645,000	107,127,640	362,927,000	100.0000%	77.8060%	0.0000%
6/30/2008	5,580,810	440,958,000	101,084,190	459,182,000	100.0000%	100.0000%	12.5076%
6/30/2007	6,243,840	419,082,000	102,067,160	513,009,000	100.0000%	100.0000%	85.9073%
6/30/2006	6,510,150	400,494,000	99,823,850	452,794,000	100.0000%	100.0000%	45.8707%

**Schedule of Retirees and Beneficiaries Added and Removed**

Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year End		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2011	22	\$ 1,496,421	(17)	\$ 478,013	689	\$ 32,429,754	4.443%	\$ 47,067.86
2010	30	1,971,032	(15)	547,180	684	30,824,823	4.248%	45,065.53
2009	21	1,328,897	(14)	426,804	669	28,920,348	4.808%	43,229.22
2008	16	890,947	(5)	142,622	662	27,304,928	4.225%	41,246.11
2007	17	1,003,174	(11)	200,559	651	25,762,801	4.242%	39,574.20
2006	19	1,112,601	(11)	380,973	645	24,486,575	331.800%	37,963.68

**Changes in Unfunded Actuarial Liability**

Unfunded Actuarial Liability, June 30, 2010	<u>\$ 186,285,000</u>
Expected increase from amortization method	(10,657,000)
Expected increase from contributions below actuarial rates	-
Investment experience	(52,900,000)
Liability experience (including transfers)	1,523,000
Change in assumption	-
Unfunded Actuarial Liability, June 30, 2011	<u>\$ 124,251,000</u>

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**Board Members**  
Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

**Executive Director**  
Jeffrey E. Fleck

## State of West Virginia Consolidated Public Retirement Board

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**Board Members**  
David L. Wyant, Chairman  
Thomas Bradley  
Joseph Bunn  
Captain Michael G. Corsaro  
Drema B. Evans  
Joe Lynch  
D. Todd Murray  
Tony Payne  
Andrew Richardson

July 1, 2011

### Actuarial Review and Certification

This Report presents the results of an Actuarial Valuation of the West Virginia State Police Retirement System (SPRS) as of July 1, 2011. The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet or exceed the Plan's long term funding policy.

Some key highlights are:

- The valuation was prepared based on an assumed interest rate of 7.50%.
- The valuation indicates that the expected state contribution of 17.5%, effective July 1, 2011, of payroll plus the member contribution of 13% of payroll is sufficient to meet the annual funding requirements of the plan.
- The funded percentage of plan assets to the actuarial accrued liability is 89.5%.
- Based on a 15-year projection, the Plan will continue to have positive cash flow; i.e., contributions plus investment income are expected to exceed benefit payments and expenses through FY 2026. Contributions alone are expected to exceed benefit payments for at least the next 15 years.

This report contains supporting data and background information pertaining to the development of costs and related liabilities of the plan. The valuation is based on membership data as of June 30, 2011 maintained by the West Virginia Consolidated Public Retirement Board (CPRB), and financial information received from the West Virginia Investment Management Board.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the CPRB. In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by Buck Consultants. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

#### Financial Section

- Schedule of Funding Progress
- Schedule of Employer Contributions

### Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the Actuarial Valuation. The Actuary further certifies that the actuarial methods and assumptions applied in completing the Actuarial Valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:



Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

**Valuation Date:** July 1, 2011

### **Funding Method and Basis for Assumptions**

The valuation is prepared under the Entry Age Normal Cost Method with individually computed accrued liabilities. The Normal Cost is computed in aggregate. Entry is based on date of hire. The unfunded liability segments are amortized as a level dollar amount over their specified periods.

Experience studies are performed at least once in every five-year period. This valuation was prepared on the basis of assumptions that were recommended to and adopted by the Board on the basis of an experience study covering the period from July 1, 2003, to June 30, 2008. These assumptions will remain in effect for valuation purposes until such time as the Board adopts revised assumptions.

### **Interest Rate and Expenses**

The valuation interest assumption is 7.50% annually, with no loading for plan expenses.

### **Mortality**

The RP-2000 Mortality Tables for Healthy Annuitants and Employees are used for males and females. Mortality for non-disabled retirees is projected 10 years using Scale AA. Mortality for active members in service is projected 5 years with Scale AA in recognition of increased duty related accidental deaths. Mortality for disabled retirees is assumed to follow the unadjusted RP-2000 Mortality Tables for Disabled Retirees. It is assumed that 70% of deaths of members in service are duty related.

### **Salary Scales**

Compensation is assumed to increase 6.50% per year for the first two years of service, 6.00% for the next 3 years, 5.50% for the next 5 years, and 4.75% per year thereafter. This corresponds to an assumed underlying inflation rate of 3.00%.

### **Withdrawal from Service**

Withdrawal rate tables have been developed specifically for PSDDRS. Withdrawal rates cease once an employee is eligible for normal retirement. A sample of withdrawal rates follows:

Age	Rate of Withdrawal
20	0.0800
30	0.0571
40	0.0343
50	0.0114

### **Disablement Rates**

Disablement rates and the probability of each type of disability have been developed specifically for SPRS. No disablements are assumed to occur after the later of age 55 and the age first eligible for retirement. A sample of disablement rates follows:

Age	Rate of Disablement	Type of Disability	Probability
20	0.0005	Duty-Related Full	0.25
30	0.0020	Duty-Related Partial	0.50
40	0.0060	Nonduty-Related Full	0.20
50	0.0040	Nonduty-Related Partial	0.05

### **Family Composition**

It is assumed that 90% of members are married, with husbands 3 years older than their wives. Re-marriage rates are not used.

### **Accrual of Future Service**

Active members are assumed to accrue one year of service for each future year of employment.

### **Non-Contributory Service**

It is assumed that state troopers at retirement will have a 13.3% increase over contributory service added for all sources.

### **Retirement Rates**

70% of members are assumed to retire when first eligible for unreduced benefits at the earlier of age 50 and 20 years of service or any age and 25 years of service. An active member who has already attained eligibility for normal retirement has a 20% probability of retiring each year thereafter with 100% retiring on or after attainment of age 55.

### **Asset Valuation Method**

Assets for valuation purposes are included at Market Value.

### **Plan Contributions**

Both employee and employer contributions are assumed to be paid in the middle of the year.

**ACTUARIAL SECTION**  
State Police Retirement System

## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	523	\$ 24,725,000	\$ 47,275.33	-0.38876%
6/30/2010	498	23,635,000	47,459.84	0.08509%
6/30/2009	472	22,382,000	47,419.49	6.36366%
6/30/2008	455	20,285,000	44,582.42	6.19366%
6/30/2007	449	18,850,000	41,982.18	14.01588%
6/30/2006	431	15,870,000	36,821.35	3.17500%

## Solvency Test

Aggregate Accrued Liabilities For								
	(1)	(2)	(3)					
Valuation	Active Members			Reported		% of Accrued Liabilities Covered by Reported Assets		
	Date	Contributions	Beneficiaries	Portions)	Assets	(1)	(2)	(3)
6/30/2011	\$ 30,712,110	\$ 6,674,000	\$ 41,649,890	\$ 70,756,000	100.0000%	100.0000%	80.1200%	
6/30/2010	30,016,350	6,695,000	32,459,650	52,735,000	100.0000%	100.0000%	49.3648%	
6/30/2009	28,706,730	5,351,000	27,570,270	40,321,000	100.0000%	100.0000%	22.7175%	
6/30/2008	24,440,160	4,449,000	22,498,840	41,564,000	100.0000%	100.0000%	56.3355%	
6/30/2007	25,036,800	273,200	13,017,200	40,350,000	100.0000%	100.0000%	96.6506%	
6/30/2006	24,567,960	2,178,000	6,806,040	30,747,000	100.0000%	100.0000%	58.7866%	

## Schedule of Retirees and Beneficiaries Added and Removed

Retirees Added			Retirees Removed			Retirees - Year End			% Increase	Average
Fiscal	Year	Annual	Year	Annual	Year	Annual	Annual	in Annual	Annual	
Year Ended	Number	Allowances	Number	Allowances	Number	Allowances	Allowances	Allowances	Allowance	
2011	-	\$ -	-	\$ -	17	\$ 446,525	0.686%	\$ 26,266.18		
2010	4	176,822	(1)	17,920	17	443,482	0.909%	26,087.18		
2009	2	45,048	-	-	14	361,932	15.165%	25,852.29		
2008	4	101,750	-	-	12	269,376	8.147%	22,448.00		
2007	1	33,043	-	-	8	166,056	10.326%	20,757.00		
2006	1	17,383	-	-	7	131,700	-0.286%	18,814.29		

Changes in Unfunded Actuarial Liability

Unfunded Actuarial Liability, June 30, 2010 \$ 16,436,000

Expected increase from amortization method	(434,000)
Expected increase from contributions below actuarial rates	(383,000)
Investment experience	(6,900,000)
Liability experience (including transfers)	(439,000)
Change in assumption	-

**Unfunded Actuarial Liability, June 30, 2011** \$ 8,280,000

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**Board Members**  
Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

**Executive Director**  
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D. Todd Murray  
Tony Payne  
Andrew Richardson

July 1, 2011

**Actuarial Review and Certification**

This report presents the results of a July 1, 2011 Actuarial Valuation of the West Virginia Deputy Sheriff Retirement System (DSRS). The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet the Plan's long term funding policy.

As of the July 1, 2011 Actuarial Valuation date, the Actuarial Accrued Liability (AAL) attributable to past years of employment totals \$149,462,000. Trust Fund assets available to fund the AAL have a market value of \$113,574,000. The resulting Unfunded Actuarial Accrued Liability (UAAL) is \$35,888,000. The funded percentage is 76.0% on the valuation date.

The minimum funding policy for DSRS is to contribute no less than the annual Normal Cost plus the amount necessary to fund the UAAL by the end of FY2029. Amortization payments are calculated as a level percentage of expected total DSRS payroll plus level report fee deposits under West Virginia Code Section 7-14E-2. The required employer contribution under the funding policy for FY2012 is \$5,354,000. The maximum employer contribution percentage was increased from 10.5% to 13.0% of payroll in the 2011 legislative session. The Consolidated Public Retirement Board (CPRB) Board of Trustees increased the employer contribution rate effective July 1, 2011 to 13.0%, the rate necessary to fund the minimum required contribution. Total expected employer contributions at the current 13.0% of payroll contribution rate plus fee deposits of \$550,000 total \$6,058,000. The amount exceeds the amount necessary to meet the minimum funding policy by \$704,000. The amount is \$192,000 less than preferred level dollar amortization alternative applied to other WV State plans.

The valuation includes experience gains or losses for the year. Trust Fund assets returned 20.3% for the year, some 12.8% above the actuarially assumed rate of 7.5%. The resulting gain from investments was approximately \$12.0 million. Fee contributions continued near prior levels for FY2011. The expected fee assumption was held level at \$550,000 to reflect the current experience in collections. Salary increases averaged lower than expected.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the West Virginia Consolidated Public Retirement Board (CPRB). In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by the Board Actuary. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

Financial Section

- Schedule of Funding Progress
- Schedule of Employer Contributions

Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Board Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the actuarial valuation. The Board Actuary further certifies that the actuarial methods and assumptions applied in completing the actuarial valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:



Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

### **Interest Return and Discount Rate**

The interest rate assumption is a net return rate of 7.50% annually, net of investment and administrative expenses. The rate is applied to the interest return on Trust Fund assets as well as the discount rate on future expected benefit payments.

### **Healthy Life Mortality Rates**

Active members mortality is the RP2000 Healthy Annuitant Mortality Table with mortality improvements projected to 2005 with separate rates for males and females. The projection year reflects additional job related mortality risks.

Retired members and their beneficiaries mortality is the RP2000 Healthy Annuitant Mortality Table with mortality improvements projected to 2010 with separate rates for males and females.

### **Disability Retirees Mortality Rates**

Member receiving disability retirement benefits mortality is the RP2000 Disabled Annuitants Mortality Table with separate rates for males and females.

### **Salary Scale**

An annual salary increase rate of 6.5% in each of the first two years of service, decreasing to 6.0% for years three through five, 5.5% for years six through ten years and 5.0% for all years of service in excess of the first ten years.

### **Payroll Growth Rate**

The total annual payroll for the active membership is assumed to increase at 3.5% per year for salary increase growth plus 1.5% per year for membership growth resulting in a total annual growth of 5.0%. This open group growth rate is applied in determining the percentage of payroll amortization requirements under the targeted DSRS funding of the UAAL by the end of Fiscal Year 2029. This growth rate includes projected newly hired deputy sheriffs and is an open group payroll projection rate.

### **Withdrawal Rates**

Withdrawal rates predict termination of employment prior to unreduced retirement eligibility. A sample of withdrawal rates by age are:

Age	Rate of Withdrawal
30	0.0800
40	0.0480
50	0.0160

## **Disability Rates**

Disablement rates predict an active member becoming disabled prior to unreduced retirement eligibility. A sample of disability rates by age are:

Age	Rate of Withdrawal
30	0.0020
40	0.0060
50	0.0040

## **Disability Rates - Type of Disability**

It is assumed that members eligible for unreduced retirement will elect retirement prior to becoming disabled. It is also assumed that retired members will not become disabled following retirement due to duty related causes incurred prior to retirement.

Disability retirement benefits vary by type of disability. Disability retirements are assumed to break down in the following types:

Duty Related Full Disability -	25%
Duty Related Partial Disability -	50%
Non-Duty Full Disability -	20%
Non-Duty Partial Disability -	5%

## **Marriage Rate and Composition**

In determining the value of pre-retirement spousal death benefits, it is assumed that 90% of all members will be married at death. Males are assumed to be three years older than their female spouse.

## **Accrual of Future Service**

Employment as a deputy sheriff is considered a full time professional position. All active members are assumed to complete sufficient hours to accrue one year of service in each future year of employment.

## **Non-Contributory Service Credits for Military Service and Unused Leave at Retirement**

At Normal or Early retirement, a member is assumed to be granted 1.25 additional years of service for benefits due to allowable military service, plus 1.25 additional years for unused annual leave and/or unused sick leave for a total of 2.5 additional years.

## **Retirement Rates**

Members who become eligible for unreduced retirement benefits prior to age 65 are assumed to have a 30% probability of retiring in the year they first become eligible. For years following the year of first eligibility and prior to attaining age 65, an additional 20% are assumed to retire each year. At 65, 100% of remaining members are assumed to retire.

Members who become eligible for unreduced retirement benefits on or after the attainment of age 65 are assumed to retire in the year they become eligible.

## **Plan Contributions**

Member and employer contributions are calculated as a percentage of total members' payroll. Amounts are deposited to the Trust Fund on a monthly basis. For interest calculation purposes, all amounts are treated as being deposited on an average of half way through the Plan year.

**ACTUARIAL SECTION**  
Deputy Sheriff Retirement System

**Schedule of Active Member Valuation Data**

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	954	\$ 42,366,000	\$ 44,408.81	3.48983%
6/30/2010	958	41,109,000	42,911.27	1.71203%
6/30/2009	926	39,067,000	42,188.98	3.08447%
6/30/2008	913	37,366,000	40,926.62	5.61326%
6/30/2007	893	34,605,000	38,751.40	4.97924%
6/30/2006	866	31,967,000	36,913.39	3.30200%

**Solvency Test**

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1)		(2)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portions)		100.0000%	100.0000%	30.0896%
6/30/2011	\$ 32,663,715	\$ 64,464,000	\$ 51,334,285	\$ 113,574,000	100.0000%	100.0000%	30.0896%
6/30/2010	31,989,920	61,890,000	45,758,080	92,692,000	100.0000%	98.7346%	0.0000%
6/30/2009	30,591,925	59,534,000	39,078,075	78,220,000	100.0000%	86.7897%	0.0000%
6/30/2008	27,768,140	52,759,000	39,213,860	89,852,000	100.0000%	100.0000%	23.7872%
6/30/2007	25,389,160	44,387,000	39,949,840	93,983,000	100.0000%	100.0000%	60.5931%
6/30/2006	23,229,565	40,768,000	39,750,435	77,899,000	100.0000%	100.0000%	34.9718%

**Schedule of Retirees and Beneficiaries Added and Removed**

Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year End		% Increase in Annual Allowances	Average Annual Allowance		
	Annual		Annual		Annual					
	Number	Allowances	Number	Allowances	Number	Allowances				
2011	15	\$ 375,268	(3)	\$ 83,944	272	\$ 5,878,382	-0.097%	\$21,611.70		
2010	13	292,812	(1)	17,194	260	5,624,509	1.289%	21,632.73		
2009	32	843,276	(11)	264,193	248	5,296,624	2.072%	21,357.35		
2008	33	793,778	(3)	47,990	227	4,749,716	1.017%	20,923.86		
2007	15	429,466	(1)	26,338	197	4,080,498	1.123%	20,713.19		
2006	21	459,784	-	-	183	3,748,401	3.633%	20,483.07		

**Changes in Unfunded Actuarial Liability**

Unfunded Actuarial Liability, June 30, 2010	\$ <u>46,946,000</u>
Expected increase from amortization method	89,000
Expected increase from contributions below actuarial rates	1,010,000
Investment experience	(12,000,000)
Liability experience (including transfers)	(157,000)
Change in assumption	-

Unfunded Actuarial Liability, June 30, 2011	\$ <u>35,888,000</u>
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Board Members  
Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

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Joe Lynch  
D. Todd Murray  
Tony Payne  
Andrew Richardson

July 1, 2011

**Actuarial Review and Certification**

This Report presents the results of an Actuarial Valuation of the West Virginia Judges' Retirement System (JRS) as of July 1, 2011. The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet or exceed the Plan's long term funding policy.

Some key highlights are:

- The valuation was prepared under the same assumptions used in the prior, July 1, 2010, valuation.
- Retiree COLA increases were reflected consistent with the most recent pay increase for actives participants effective at July 1, 2011.
- The valuation indicates that the recommended State contribution for Fiscal Year 2013, projected from the FY 2012 valuation results, is \$2,422,000.
- The yield on investments for the year ending June 30, 2011 for valuation purposes (assuming mid-year transactions) was 20.57%, which is higher than the valuation assumed return of 7.50%. The yield on a time-weighted basis (excluding administrative expense) determined by the Investment Management Board was 20.66%.

This report contains supporting data and background information pertaining to the development of costs and related liabilities of the plan. The valuation is based on membership data as of June 30, 2011 maintained by the West Virginia Consolidated Public Retirement Board (CPRB), the new benefit structure established for Judges first appointed on or after July 2, 2005, and financial information received from the West Virginia Investment Management Board.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the CPRB. In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by Buck Consultants. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

Financial Section

- Schedule of Funding Progress
- Schedule of Employer Contributions

Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the Actuarial Valuation. The Actuary further certifies that the actuarial methods and assumptions applied in completing the Actuarial Valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:



Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

**Valuation Date:** July 1, 2011

### **Funding Method and Basis for Assumptions**

The valuation is prepared under the Entry Age Normal Cost Method with individually computed accrued liabilities. The Normal Cost is computed in aggregate. Entry is based on date of hire. Active liabilities include amounts calculated for judges currently participating in the Public Employees' Retirement System (PERS) who may in the future transfer into the Judges' Retirement System (JRS) with an adjustment for the anticipated transfer of required member contributions.

Experience studies are performed at least once in every five-year period. This valuation was prepared on the basis of assumptions that were recommended to and adopted by the Board on the basis of an experience study covering the period from July 1, 2004, to June 30, 2009. These assumptions will remain in effect for valuation purposes until such time as the Board adopts revised assumptions.

### **Interest Rate and Expenses**

The valuation interest assumption is 7.50% annually, with no loading for plan expenses.

### **Salary Scales and Normal Cost**

4.5% annually from the current valuation date. Increases are assumed to be delayed, occurring every few years. Missed increases are assumed to be made up at the CPI-U inflation rate for such missed year not less than 0%, but not more than the 3.0% inflation rate assumption. The valuation year salary scale increase of 4.5% is adjusted to include the missed inflation increases at the end of the valuation year. Retiree COLA increases are adjusted consistent with the salary scale adjustments since they are tied to current salaries. The most recent pay increase occurred at July 1, 2011.

### **Automatic Cost-of-Living Increases to Pensions**

Pensions for judges appointed or elected prior to July 2, 2005 are assumed to increase at the same time as active salaries increase, and by the same percentage.

### **Mortality**

The 1994 GAM Male and Female Mortality Tables are used. Disabled mortality is the same as the regular mortality assumption. No mortality is assumed prior to retirement due to the small number of active members.

### **Withdrawal from Service**

No withdrawal is assumed due to the small number of active members.

### **Retirement Rates and Service**

For those eligible to retire prior to age 65, 5% are assumed to retire each year through age 64 with 100% retiring at age 65. For those first eligible at age 65 or later, 100% are assumed to retire when they become eligible.

In determining eligibility, actual military service was provided both for judges participating in JRS and judges currently in PERS. No creditable prosecuting attorney service is assumed.

### **Transfers from PERS**

It is assumed that all judges in PERS who earn sufficient service to vest under JRS will join JRS. Liabilities for potential transfers from PERS are included in this valuation and are calculated as if the judge had always been a member of JRS. Accumulated member contributions under PERS are treated as an offset to plan liabilities for valuation purposes. The shortfall of PERS accumulated member contributions versus the amount they would have contributed under the plan had they always been a participant under JRS is recognized in the development of the normal cost.

### **Family Composition**

All judges are assumed to be married. Where spousal data is not available, it is assumed that male judges are five years older than their spouses and female judges are five years younger than their spouses. Surviving children's benefits were not explicitly valued.

### **Asset Valuation Method**

Assets for valuation purposes are included at Market Value.

### **Plan Contributions**

Both employee and employer contributions are assumed to be paid in the middle of the year.

## **Schedule of Active Member Valuation Data**

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	70	\$ 8,860,000	\$ 126,571.43	8.84898%
6/30/2010	71	8,256,000	116,281.69	-22.85981%
6/30/2009	54	8,140,000	150,740.74	9.48365%
6/30/2008	60	8,261,000	137,683.33	0.00000%
6/30/2007	60	8,261,000	137,683.33	6.31918%
6/30/2006	62	8,029,000	129,500.00	-6.60200%

## Solvency Test

Aggregate Accrued Liabilities For								
	(1)	(2)	(3)					
Valuation	Active Members					% of Accrued Liabilities Covered by Reported Assets		
	Date	Contributions	Beneficiaries	Portions)	Assets	(1)	(2)	(3)
6/30/2011	\$ 6,908,063	\$ 48,143,000	\$ 40,539,937	\$ 124,583,000	100.0000%	100.0000%	100.0000%	100.0000%
6/30/2010	7,170,009	48,116,000	40,721,991	102,814,000	100.0000%	100.0000%	100.0000%	100.0000%
6/30/2009	7,023,660	49,555,000	26,606,340	88,310,000	100.0000%	100.0000%	86.6826%	
6/30/2008	5,999,595	41,887,000	50,078,405	100,186,000	100.0000%	100.0000%	100.0000%	100.0000%
6/30/2007	6,448,155	44,809,000	44,760,845	104,127,000	100.0000%	100.0000%	100.0000%	100.0000%
6/30/2006	6,484,380	41,407,000	43,928,620	85,932,000	100.0000%	100.0000%	86.5964%	

## Schedule of Retirees and Beneficiaries Added and Removed

Retirees Added			Retirees Removed			Retirees - Year End			% Increase	Average
Fiscal Year Ended	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Annual Allowances	in Annual Allowances	Annual Allowance	
2011	-	\$ -	-	\$ -	56	\$ 4,272,705	6.932%	\$ 76,298.30		
2010	1	72,533	3	196,813	56	3,995,663	-0.646%	71,351.13		
2009	9	774,607	-	-	58	4,165,281	2.417%	71,815.19		
2008	-	-	4	283,040	49	3,435,891	-1.026%	70,120.22		
2007	-	-	-	-	53	3,754,892	1.206%	70,841.02		
2006	-	-	-	-	53	3,710,165	0.502%	70,003.11		

## **Changes in Unfunded Actuarial Liability**

Funded in excess of Actuarial Liability, June 30, 2010 \$ (6,806,000)

Expected increase from amortization method (511,000)

Expected increase from contributions below actuarial rates

Investment experience (13,400,000)

Liability experience (including transfers) (8,275,000)

## Change in assumption

**Funded in excess of Actuarial Liability, June 30, 2011** **\$ (28,275,000)**

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**Board Members**  
Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

**Executive Director**  
Jeffrey E. Fleck

**State of West Virginia  
Consolidated Public Retirement Board**

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Charleston, West Virginia 25304-1636  
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[www.wvretirement.com](http://www.wvretirement.com)

**Board Members**  
David L. Wyant, Chairman  
Thomas Bradley  
Joseph Bunn  
Captain Michael G. Corsaro  
Drema B. Evans  
Joe Lynch  
D. Todd Murray  
Tony Payne  
Andrew Richardson

July 1, 2011

**Actuarial Review and Certification**

This Report presents the results of an Actuarial Valuation of the West Virginia Emergency Medical Services Retirement System (EMSRS) as of July 1, 2011. The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet or exceed the Plan's long term funding policy.

On the July 1, 2011 Actuarial Valuation date, the Actuarial Accrued Liability (AAL) attributable to past years of employment totaled \$39,225,000. Assets in the EMSRS trust fund had a market value of \$32,366,000. The Unfunded Actuarial Accrued Liability (UAAL) was \$6,859,000. The resulting funded level for EMSRS is 82.5%. It is noted that the reduction in UAAL includes actuarial gains on investments of about \$3.1 million due to an actuarial asset return rate of 19.83% with a partial offsetting increase in liabilities due to the increase in the benefit multiplier from 2.6% to 2.75% for the first 20 years of service credits. The benefit increase was triggered due to the attainment of a 75.1 % funded level in the July 1, 2010 Actuarial Valuation.

The employer funding policy for EMSRS is to contribute at least the employer Normal Cost plus the amount necessary to fund the UAAL over 27 years from July 1, 2011. Funding payments are calculated as level dollar amortization payments. The actuarially required contribution (ARC) under the funding policy for FY2012 is \$1,388,000. The total expected employer contribution at the current 10.5% of payroll contribution rate is \$2,361,000. Expected EMSRS employer contributions exceed the ARC requirement by \$973,000. A change in the employer contribution rate is not recommended since the current 10.5% contribution rate is set as a long term rate. Additionally the favorable current results are due largely to the gains on assets for the year which significantly improved the Plan's funded percentage. Current volatility in the asset markets also calls for the maintenance of a more conservative contribution percentage.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the West Virginia Consolidated Public Retirement Board (CPRB). In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by the Board Actuary. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

**Financial Section**

- Schedule of Funding Progress
- Schedule of Employer Contributions

### Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the Actuarial Valuation. The Actuary further certifies that the actuarial methods and assumptions applied in completing the Actuarial Valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:



Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

### **Interest Return and Discount Rate**

The interest rate assumption is a net return rate of 7.50% annually, net of investment and administrative expenses. The rate is applied to the interest return on Trust Fund assets as well as the discount rate on future expected benefit payments.

### **Healthy Life Mortality Rates**

Active, regular retiree and beneficiary members' mortality is the 1983 Group Annuity Mortality Table with separate rates for males and females. This assumption was applied in initial studies establishing the Plan and is effective until the first experience review of Plan assumptions is completed.

### **Disability Retirees Mortality Rates**

For members receiving disability retirement benefits the mortality is the 1983 Group Annuity Mortality Table with separate rates for males and females, set forward eight years in recognition of increased mortality due to disability.

### **Salary Scale**

Annual salary increases are assumed by age on a unisex basis. Sample annual salary increases are as follows:

Age	Rate
Under 31	1.0500
40	1.0425
50	1.0400
60	1.0375

### **Payroll Growth Rate**

Total annual payroll for the active membership is assumed to increase at 3.0% annually. This growth rate includes projected new hires and is an open group payroll projection rate. This open group growth rate is applied in certain projections contained in the actuarial valuation report tables. The rate does not impact EMSRS liabilities nor the ARC.

### **Withdrawal Rates**

Withdrawal rates predict termination of employment prior to unreduced retirement eligibility. A sample of unisex rates by age are:

Age	Rate
30	0.1050
40	0.0750
50	0.0500
55	-

### **Disability Rates**

Disablement rates predict an active member becoming disabled prior to unreduced retirement eligibility. A sample of disability rates by age and sex are:

Age	Males	Females
30	0.00040	0.00080
40	0.00150	0.00150
50	0.00650	0.00300
51+	0.00850	0.00650

It is assumed that members eligible for unreduced retirement will elect retirement prior to becoming disabled. It is also assumed that retired members will not become disabled following retirement due to duty related causes incurred prior to retirement.

Disability retirement benefits vary by duty and non-duty causes. Disability retirements are assumed to occur in the following percentages:

Duty Related Disability -	50%
Non-Duty Disability -	50%

### **Marriage Rate and Composition**

In determining the value of pre-retirement spousal death benefits, it is assumed that 80% of all members will be married at death. Males are assumed to be three years older than their female spouse.

### **Cause of Death for Death Benefits**

Deaths from active employment are assumed to be from duty related causes 25% of the time with non-duty causes accounting for the remaining 75%.

### **Accrual of Future Service**

EMSRS employment is considered a full time professional position. All active members are assumed to complete sufficient hours to accrue one year of service in each future year of employment.

### **Non-Contributory Service Credits for Military Service and Unused Leave at Retirement**

At Normal or Early retirement, members are assumed to convert a part of their unused sick leave to additional retirement service credits. In addition, allowable military service credits are expected to be claimed for qualifying members. It is assumed that male members will be credited with an additional 7% of their contributory service credits and female members will be credited with an additional 1.75% of their contributory service credits.

### **Retirement Rates**

Members who become eligible for unreduced retirement benefits prior to age 65 are assumed to have a 30% probability of retiring in the year they first become eligible. For years following the year of first eligibility and prior to attaining age 65, an additional 20% are assumed to retire each year. At 65, 100% of remaining members are assumed to retire.

Members who become eligible for unreduced retirement benefits on or after the attainment of age 65 are assumed to retire in the year they first become eligible.

### **Plan Contributions**

Member and employer contributions are calculated as a percentage of total members' payroll. Amounts are deposited to the Trust Fund on a monthly basis. For interest calculation purposes, all amounts are treated as being deposited on an average of half way through the Plan year.

## **ACTUARIAL SECTION**

The EMSRS was established January 2008.

## Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	535	\$ 22,488,000	\$ 42,033.64	3.30336%
6/30/2010	525	21,362,000	40,689.52	2.23398%
6/30/2009	511	20,338,000	39,800.39	7.87553%
6/30/2008	475	17,525,000	36,894.74	100.00%

### Solvency Test

Aggregate Accrued Liabilities For								
	(1)	(2)	(3)					
Valuation Date	Active Members			Reported Assets		% of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirants and Beneficiaries	(Employer Financed Portions)	Assets		(1)	(2)	(3)
6/30/2011	\$ 14,357,945	\$ 6,666,000	\$ 18,201,055	\$ 32,366,000	100.0000%	100.0000%	62.3154%	
6/30/2010	13,615,555	1,341,000	16,546,445	23,662,000	100.0000%	100.0000%	52.6122%	
6/30/2009	13,025,995	1,413,000	12,530,005	17,173,000	100.0000%	100.0000%	21.8197%	
6/30/2008	10,803,500	143,000	10,260,500	15,675,000	100.0000%	100.0000%	46.0845%	

## Schedule of Retirees and Beneficiaries Added and Removed

Retirees Added			Retirees Removed			Retirees - Year End			% Increase	Average
Fiscal	Year	Annual	Year	Annual	Year	Annual	Annual	in Annual	Annual	
Year Ended	Number	Allowances	Number	Allowances	Number	Allowances	Allowances	Allowances	Allowance	
2011	-	\$ -	-	\$ -	-	\$ -	-	0.000%	\$ -	
2010	-	-	-	-	-	-	-	0.000%	-	
2009	-	-	-	-	-	-	-	0.000%	-	
2008	-	-	-	-	-	-	-	0.000%	-	

## Changes in Unfunded Actuarial Liability

## Unfunded Actuarial Liability, June 30, 2010

\$ 7,841,000

Expected increase from amortization method	(90,000)
Expected increase from contributions below actuarial rates	(898,000)
Investment experience	(3,100,000)
Liability experience (including transfers)	3,106,000
Change in assumption	-

## Unfunded Actuarial Liability, June 30, 2011

\$ 6,859,000

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**Board Members**  
Governor Earl Ray Tomblin  
Auditor Glen B. Gainer III, Vice Chairman  
Treasurer John D. Perdue  
Cabinet Secretary Ross Taylor

**Executive Director**  
Jeffrey E. Fleck

**State of West Virginia  
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Thomas Bradley  
Joseph Bunn  
Captain Michael G. Corsaro  
Drema B. Evans  
Joe Lynch  
D. Todd Murray  
Tony Payne  
Andrew Richardson

July 1, 2011

**Actuarial Review and Certification**

This Report presents the results of an Actuarial Valuation of the West Virginia Municipal Police and Fire Retirement System (MPOFRS) as of July 1, 2011. The purposes of the Actuarial Valuation are to determine the actuarial liabilities for the Plan and to determine if the expected contributions will be sufficient to meet or exceed the Plan's long term funding policy.

MPOFRS was first effective January 1, 2010. It did not have any members nor assets as of its effective date and therefore an actuarial valuation was not completed. Six members joined the plan during April of 2010, resulting in limited experience being reflected in the July 1, 2010 Actuarial Valuation. For the July 1, 2011 Actuarial Valuation the experience is still limited with only 9 active members participating on the valuation date.

On the July 1, 2011 Actuarial Valuation date, the Actuarial Accrued Liability (AAL) attributable to past years of employment totaled \$23,000. Assets in the MPOFRS trust fund had a market value of \$65,000. The Unfunded Actuarial Accrued Liability (UAAL) was fully funded on the valuation date. The funded percentage is 282.6%, recognizing \$42,000 of pre-funding.

The funding policy for MPOFRS is to contribute at least the employer Normal Cost plus the amount necessary to fund the UAAL over 30 years from July 1, 2010. Funding payments are calculated as level dollar amortization payments. The funding policy is consistent with the funding policy for the Emergency Medical Services Retirement System. The actuarially required contribution (ARC) under the funding policy for FY2012 is \$7,000. The total expected employer contribution at the current 8.5% of payroll contribution rate is \$29,000. A change in the employer contribution rate is not recommended since the low number of members is expected to yield volatile results. Benefits, except for a return of member contributions, are not payable prior to January 1, 2013. Membership must reach 100 by January 1, 2014 for this Plan to continue.

In performing the valuation, we relied on employee data and asset information provided by the administrative staff of the West Virginia Consolidated Public Retirement Board (CPRB). In the case of employee data, each individual record was audited for reasonableness and internal consistency, although the validity of the information was not traced to source documents. With respect to plan assets, a general review for consistency with the information furnished from prior valuations was performed.

Certain tables presented in the Comprehensive Annual Financial Report are derived from the most recent valuations reported by the Board Actuary. The tables were prepared by the staff of the CPRB and examined by our internal actuarial staff. These tables include-

Financial Section

- Schedule of Funding Progress
- Schedule of Employer Contributions

Actuarial Section

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Solvency Test
- Schedule of Retirees and Beneficiaries Changes in Unfunded Actuarial Liability

The Actuary hereby certifies that this Actuarial Valuation Report was completed in compliance with actuarial standards applicable to the purposes of the Actuarial Valuation. The Actuary further certifies that the actuarial methods and assumptions applied in completing the Actuarial Valuation as reasonable and appropriate for the purposes stated herein.

Respectfully Submitted:



Harry W. Mandel  
Board Actuary  
Member, American Academy of Actuaries  
Member Society of Pension Actuaries  
Enrolled Actuary #11-2527

## **SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS**

### **Actuarial Valuation Date**

The initial actuarial valuation was completed on July 1, 2010, the first fiscal year with active members following the January 1, 2010 effective date. Subsequent valuations are completed each July 1. Actuarial calculations verify the adequacy of the funding through employer and member contribution for the fiscal year corresponding to the Plan year.

### **Actuarial Cost Method**

The valuation is completed applying the Entry Age Normal Cost Method with Aggregate Normal Cost determination. The Actuarial Accrued Liability and the Normal Cost are determined on a level percentage of aggregate expected future payroll.

Under the method, the Actuarial Accrued Liability is determined on an individual basis as a level percentage of expected compensation for each member. Inactive liabilities are valued on an accrued benefit basis.

The Total Normal Cost percentage of payroll requirement is calculated by dividing the excess of the Actuarial Present Value of Future benefits over the Actuarial Accrued Liability on an aggregate basis by the aggregate Present Value of Future Compensation for all active members. The Employer Normal Cost Percentage is calculated by subtracting the member contribution rate from the Total Normal Cost Percentage. The Employer Normal Cost is the Employer Normal Cost Percentage multiplied by the expected payroll for the valuation year.

### **Asset Valuation Method**

Trust Fund assets are valued at the reported market value of assets reported by the Investment Management Board for the Trust Fund as of the actuarial valuation date. The market value includes accrued amounts as reflected in the annual accounting for the Trust Fund and included in the CPRB annual report.

### **Amortization Method for Funding**

The funding target (the ARC) for MPOFRS is equal to the Employer Normal Cost plus amortization of the UAAL. The initial UAAL was to be fully amortized over 30 years from July 1, 2010. Amortization payments were calculated as a level dollar amount each year over the 30 year period. Experience at July 1, 2011 indicated that the AAL was fully funded and that amortization for an UAAL component does not apply this year.

Contributions in excess of the ARC, if any, shall be applied to improve the funded percentage of MPOFRS until an actuarial of MPOFRS until an actuarially acceptable funding level has been attained.

### **Interest Return and Discount Rate**

The interest rate assumption is a return rate of 7.50% annually, net of investment and administrative expenses. This rate is applied for both the net interest return expected to be earned on Trust Fund assets and the discount rate on expected when assets become sufficient to warrant regular Investment Management Board strategies during FY2012.

### **Healthy Life Mortality Rates**

The 1983 Group Annuity Mortality Table with separate rates for males and females. This assumption was applied in initial studies establishing the Plan and is effective until the first experience review of plan assumptions is completed.

### **Salary Scale**

Annual salary increase factors are assumed by age on a unisex basis with sample annual salary increases as follows:

Age	Rate
Under 31	1.0500
40	1.0425
50	1.0400
60	1.0375

### **Payroll Growth Rate**

Total annual payroll for the active membership is assumed to increase at 3.0% annually. This growth rate is applied in certain projections contained in the actuarial valuation report tables. The rate does not impact MPOFRS liabilities nor the ARC. The growth rate was set based on current limited employer participation in MPOFRS. The growth rate will need to be increased if additional employers begin participating in MPOFRS.

### **Withdrawal Rates**

Withdrawal rates predict termination of employment prior to unreduced retirement eligibility. A sample of unisex rates by age are:

Age	Rate
30	0.1050
40	0.0750
50	0.0500
55	-

### **Disability Rates**

Disablement rates predict an active member becoming disabled prior to unreduced retirement eligibility. A sample of disability rates by age and sex are:

Age	Males	Females
30	0.00040	0.00080
40	0.00150	0.00150
50	0.00650	0.00300
51+	0.00850	0.00650

It is assumed that members eligible for unreduced retirement will elect retirement prior to becoming disabled. It is also assumed that retired members will not become disabled following retirement due to duty related causes incurred prior to retirement.

Disability retirement benefits vary by duty and non-duty causes. Disability retirements are assumed to occur in the following percentages:

Duty Related Disability -	50%
Non-Duty Disability -	50%

### **Marriage Rate and Composition**

In determining the value of pre-retirement spousal death benefits, it is assumed that 80% of all members will be married at death. Males are assumed to be three years older than their female spouse.

### **Cause of Death for Death Benefits**

Deaths from active employment are assumed to be from duty related causes 25% of the time with non-duty causes accounting for the remaining 75%.

### **Accrual of Future Service**

MPOFRS employment is considered a full time professional position. All active members are assumed to complete sufficient hours to accrue one year of service in each future year of employment.

### **Non-Contributory Service Credits for Military Service and Unused Leave at Retirement**

At Normal retirement, qualifying members are assumed to claim up to 2 allowable military service years as additional retirement service credits. It is assumed that male members will be credited with an additional 2% of their contributory service credits and female members will be credited with an additional 0.5% of their contributory service credits.

### **Retirement Rates**

Members who become eligible for unreduced retirement benefits prior to age 65 are assumed to have a 30% probability of retiring in the year they first become eligible. For years following the year of first eligibility and prior to attaining age 65, an additional 20% are assumed to retire each year. At 65, 100% of remaining members are assumed to retire.

Members who become eligible for unreduced retirement benefits on or after the attainment of age 65 are assumed to retire in the year they first become eligible.

### **Plan Contributions**

Member and employer contributions are calculated as a percentage of total members' payroll. Amounts are deposited to the Trust Fund on a monthly basis. For interest calculation purposes, all amounts are treated as being deposited on an average of half way through the Plan year.

**ACTUARIAL SECTION**  
**Municipal Police Officers & Firefighters' Retirement System**

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The MPOFRS was established January 2010.

**Schedule of Active Member Valuation Data**

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
6/30/2011	9	\$ 343,000	\$ 8,111.11	9.82027%
6/30/2010	6	208,219	34,703.17	100.00%

**Solvency Test**

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)				
	Active Member Contributions	Retirants and Beneficiaries	Employer Financed Portions		(1)	(2)	(3)
6/30/2011	\$ 238,850	\$ 6,000	\$ (221,850)	\$ 65,000	27.2140%	0.0000%	0.0000%
6/30/2010	144,665	-	(141,127)	3,000	2.0740%	0.0000%	0.0000%

**Schedule of Retirees and Beneficiaries Added and Removed**

Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year End		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2011	-	\$ -	-	\$ -	-	\$ -	-	\$ -
2010	-	-	-	-	-	-	-	-

**Changes in Unfunded Actuarial Liability**

Unfunded Actuarial Liability, June 30, 2010	\$ <u>717</u>
---	---------------

Expected increase from amortization method	(7)
Expected increase from contributions below actuarial rates	(14,207)
Investment experience	2,537
Liability experience (including transfers)	(31,040)
Change in assumption	-

Unfunded Actuarial Liability, June 30, 2011	\$ <u>(42,000)</u>
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# **STATISTICAL SECTION**



Stonewall Jackson Lake

The statistical section of the comprehensive annual financial report provides information to the reader to assist in understanding the information in the financial statements, note disclosures, and required supplementary information regarding the Retirement Systems' overall financial health.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the Retirement Systems' financial performance has changed over time.

- Additions by Source, Deductions by Type, and Change in Net Assets
- Benefit by Type

### **Retirees and Beneficiaries**

These schedules provide information concerning the retirees and beneficiaries receiving benefits.

- Retired Members by Type of Benefit
- Average Monthly Benefit Payments

### **Participating Units**

This schedule provides information concerning units participating in the various Retirement Systems.

- Largest Employers

### **Administrative Fees**

This schedule provides details of the total costs to administer all of the plans administered by the CPRB. The administrative fund receives a fee from each retirement system based on the number of participants in each retirement system. These fees are legally restricted to administration of the retirement systems and may not be used for any other purpose.

- Schedule of Administrative Expenses

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

---

**Public Employees Retirement System**  
(in thousands)

Additions					
Fiscal Year	Member Contributions	Employer Contributions	Investment Income	Other Income	
2012	\$ 59,200	\$ 191,012	\$ 46,122	\$ 1,859	
2011	57,714	160,493	757,302	1,030	
2010	56,974	139,284	518,862	1,128	
2009	56,360	131,143	(619,017)	4,118	
2008	53,958	125,992	(276,789)	3,308	
2007	52,239	121,183	345,498	4,600	
2006	52,248	133,594	320,691	-	
2005	52,984	118,740	330,072	-	
2004	51,676	115,634	407,826	-	
2003	50,874	103,239	125,139	-	

Deductions					
Fiscal Year	Benefit Payments	Service Transfers to (from)	Administrative Expenses	Refunds	Total Change in Net Assets
2012	\$ 304,263	\$ (96)	\$ 4,505	\$ 10,844	\$ (21,323)
2011	284,587	(368)	4,403	9,880	678,037
2010	265,263	(188)	4,340	8,515	438,318
2009	248,770	(56)	4,257	10,422	(390,789)
2008	232,807	14,263	4,188	9,448	(354,237)
2007	217,540	(443)	4,097	9,216	593,110
2006	199,255	(578)	3,179	9,142	295,535
2005	183,292	(679)	2,289	7,903	308,991
2004	170,596	(257)	2,321	6,756	395,720
2003	159,806	(475)	2,209	6,549	111,163

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

---

**Teachers' Defined Benefit Retirement System**  
(in thousands)

		Additions			
Fiscal Year	Member Contributions	Employer Contributions	Investment Income	Other Income	
2012	\$ 91,976	\$ 482,236	\$ 46,118	\$ 38,874	
2011	87,697	501,103	828,928	60,569	
2010	103,706	417,403	533,448	39,818	
2009	115,925	368,330	(575,596)	41,963	
2008	52,916	368,883	(271,361)	3,625	
2007	49,923	1,482,184	366,641	4,399	
2006	48,201	658,644	147,173	72,844	
2005	49,287	339,724	147,791	14,419	
2004	50,671	316,121	178,671	13,567	
2003	52,188	274,201	53,962	14,357	

Deductions					
Fiscal Year	Benefit Payments	Service Transfers to (from)	Administrative Expenses	Refunds	Total Change in Net Assets
2012	\$ 577,427	\$ 53	\$ 4,209	\$ 7,783	\$ 69,732
2011	535,010	418	4,130	7,614	931,125
2010	494,230	62	4,067	7,247	588,769
2009*	463,528	(698,268)	3,964	5,143	176,255
2008	434,285	436	3,071	3,748	(287,477)
2007	404,875	449	2,968	3,326	1,491,529
2006	372,687	790	2,282	3,994	547,109
2005	344,841	686	1,716	4,098	199,880
2004	316,941	346	2,088	3,417	236,238
2003	294,705	665	2,110	4,432	92,796

\* See discussion later in this section of transfers of Teachers' Defined Contribution Retirement System members to the Teachers' Defined Benefit Retirement System as permitted by the West Virginia legislature.

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

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**Judges Retirement System**

Fiscal Year	Additions				Other Income
	Member Contributions	Employer Contributions	Investment Income		
2012	\$ 706	\$ 3,954	\$ 1,251	\$ -	-
2011	622	3,954	21,214		-
2010	649	3,954	14,034		-
2009	748	6,034	(14,927)		-
2008	736	6,034	(7,035)		-
2007	733	6,034	15,212		-
2006	865	6,758	7,088		-
2005	479	6,758	6,990		-
2004	470	5,329	8,177		-
2003	488	5,500	2,613		-

Fiscal Year	Deductions				Refunds	Total Change in Net Assets
	Benefit Payments	Service Transfers to (from)	Administrative Expenses			
2012	\$ 4,274	\$ (51)	\$ 6	\$ -	\$ -	1,682
2011	4,014	-	7	-	-	21,769
2010	3,937	103	7	86	-	14,504
2009	3,719	5	7	-	-	(11,876)
2008	3,669	-	7	-	-	(3,941)
2007	3,801	(24)	7	-	-	18,195
2006	3,737	(207)	6	-	-	11,175
2005	3,025	-	4	-	-	11,198
2004	3,282	(89)	3	-	-	10,780
2003	3,497	(59)	4	-	-	5,159

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

---

**Public Safety, Death, Disability and Retirement System**

Fiscal Year	Additions					Other Income
	Member Contributions	Employer Contributions	Investment Income			
2012	\$ 724	\$ 1,207	\$ 4,381	\$ 22,767		
2011	833	1,389	82,228	24,356		
2010	909	1,514	3/44	10,655		
2009	968	1,688	(72,882)	1,917		
2008	989	1,701	(33,920)	3,656		
2007	1,029	5,360	78,121	680		
2006	989	77,630	35,899	616		
2005	1,053	252,367	11,667	579		
2004	1,129	23,932	14,572	527		
2003	1,135	21,937	3,913	579		

Fiscal Year	Deductions					Total Change in Net Assets
	Benefit Payments	Service Transfers to (from)	Administrative Expenses	Refunds		
2012	\$ 33,631	\$ -	\$ 50	\$ 47	\$ -	(4,649)
2011	31,206	-	50	-		77,550
2010	29,347	-	50	-		41,517
2009	27,823	-	51	72		(96,255)
2008	26,202	-	51	-		(53,827)
2007	24,794	-	51	130		60,215
2006	23,699	-	41	(10)		91,404
2005	22,278	-	30	48		243,310
2004	21,386	-	30	73		18,671
2003	13,161	-	31	58		8,314

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

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**State Police Retirement System**

Fiscal Year	Additions					Other Income
	Member Contributions	Employer Contributions	Investment Income			
2012	\$ 3,375	\$ 4,544	\$ 824	\$ 79		
2011	3,065	4,570	11,222	126		
2010	3,005	3,396	6,476	143		
2009	2,594	2,594	(6,107)	176		
2008	2,339	2,339	(2,834)	-		
2007	2,176	2,175	5,632	-		
2006	1,874	1,821	2,408	-		
2005	1,702	1,702	2,271	-		
2004	1,492	1,520	2,330	-		
2003	1,293	1,293	758	-		

Fiscal Year	Deductions					Total Change in Net Assets
	Benefit Payments	Service Transfers to (from)	Administrative Expenses	Refunds		
2012	\$ 477	\$ -	\$ 39	\$ 327	\$ 7,989	
2011	443	-	37	482	18,021	
2010	369	-	35	202	12,414	
2009	298	-	34	168	(1,243)	
2008	232	-	32	366	1,214	
2007	135	-	31	214	9,603	
2006	118	-	21	514	5,450	
2005	112	-	15	133	5,415	
2004	84	-	13	104	5,141	
2003	58	-	11	178	3,097	

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

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**Deputy Sheriffs Retirement System**

Fiscal Year	Additions				Other Income
	Member Contributions	Employer Contributions	Investment Income		
2012	\$ 3,567	\$ 5,431	\$ 1,253	\$ 534	
2011	3,505	4,221	19,072	542	
2010	3,335	4,053	12,446	549	
2009	3,160	3,962	(13,580)	555	
2008	3,006	3,724	(6,354)	553	
2007	2,837	3,365	13,710	541	
2006	2,674	3,212	6,466	550	
2005	2,482	3,098	6,472	470	
2004	2,339	2,552	7,644	679	
2003	2,165	2,412	2,386	497	

Fiscal Year	Deductions				Refunds	Total Change in Net Assets
	Benefit Payments	Service Transfers to (from)	Administrative Expenses			
2012	\$ 5,985	\$ -	\$ 86	\$ 762	\$ 3,952	
2011	5,714	-	85	659	20,882	
2010	5,327	-	81	503	14,472	
2009	5,018	-	48	633	(11,632)	
2008	4,434	-	74	552	(4,131)	
2007	3,891	18	71	389	16,084	
2006	3,449	-	53	415	8,985	
2005	3,029	-	37	257	9,199	
2004	2,523	-	35	308	10,348	
2003	2,169	(1)	32	264	4,996	

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

---

**Emergency Medical Services Retirement System\***

Fiscal Year	Additions				Other Income
	Member Contributions	Employer Contributions	Investment Income		
2012	\$ 1,838	\$ 2,272	\$ 361		\$ -
2011	1,894	2,264	5,109		45
2010	1,772	2,190	2,704		29
2009	1,749	2,030	(2,154)		-
2008	722	917	(621)		-
2007	-	-	-		-
2006	-	-	-		-
2005	-	-	-		-
2004	-	-	-		-
2003	-	-	-		-

Fiscal Year	Deductions				Refunds	Total Change in Net Assets
	Benefit Payments	Service Transfers to (from)	Administrative Expenses			
2012	\$ 651	\$ -	\$ 39	\$ 664	\$ 3,117	
2011	237	(43)	38	376		8,704
2010	-	-	35	171		6,489
2009	-	(28)	28	127		1,498
2008	-	(14,673)	-	16		15,675
2007	-	-	-	-		-
2006	-	-	-	-		-
2005	-	-	-	-		-
2004	-	-	-	-		-
2003	-	-	-	-		-

\*The EMSRS was established in January 2008.

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

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**Municipal Police Officers & Firefighters Retirement System\***

Fiscal Year	Additions				Other Income
	Member Contributions	Employer Contributions	Investment Income		
2012	\$ 72	\$ 72	\$ 4		-
2011	\$ 31	\$ 31			-
2010	2	1			-
2009	-	-			-
2008	-	-			-
2007	-	-			-
2006	-	-			-
2005	-	-			-
2004	-	-			-
2003	-	-			-

Fiscal Year	Deductions					Total Change in Net Assets
	Benefit Payments	Service Transfers to (from)	Administrative Expenses	Refunds		
2012	\$ -	\$ -	\$ 1	\$ 10		\$ 137
2011	-	-	-	-		62
2010	-	-	-	-		3
2009	-	-	-	-		-
2008	-	-	-	-		-
2007	-	-	-	-		-
2006	-	-	-	-		-
2005	-	-	-	-		-
2004	-	-	-	-		-
2003	-	-	-	-		-

\*The MPOFRS was established in January 2010.

**STATISTICAL SECTION**  
Additions by Source, Deductions by Type, and Change in Net Assets

---

**Teachers' Defined Contribution Retirement System**

Fiscal Year	Additions					Other Income
	Member Contributions	Employer Contributions	Investment Income			
2012	\$ 7,008	\$ 9,092	\$ 4,119			\$ 8
2011	6,755	10,620	40,593			7
2010	6,932	10,129	22,139			6
2009	6,250	10,342	(29,743)			-
2008	34,110	52,982	(28,072)			-
2007	30,599	55,072	94,294			-
2006	28,459	46,331	46,288			-
2005	26,602	45,175	40,952			-
2004	24,749	42,870	42,190			-
2003	22,407	37,003	19,833			-

Fiscal Year	Deductions					Total Change in Net Assets
	Benefit Payments	Service Transfers to (from)	Administrative Expenses	Refunds		
2012	\$ -	\$ 94	\$ 646	\$ 8,266		\$ 11,221
2011	-	(7)	437	9,163		48,382
2010	-	23	891	6,164		32,128
2009	-	698,347	986	6,480		(718,964)
2008	-	(26)	2,625	17,598		38,823
2007	-	-	2,182	18,233		159,550
2006	-	(8)	1,515	17,002		102,569
2005	-	(7)	1,441	10,280		101,015
2004	-	-	738	6,784		102,277
2003	-	(130)	745	7,659		70,969

The TDCRS is a multiple employer defined contribution retirement system, which is a money purchase pension plan covering primarily full-time employees of the State's 55 county public school systems, the State Department of Education, and the Schools for the Deaf and Blind who were hired between July 1, 1991 and June 30, 2005. TDCRS benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

In 2008, the West Virginia Legislature provided an opportunity for members of the TDCRS to elect to transfer to the West Virginia Teachers' Retirement System (TRS). The transfer occurred on July 1, 2008 and a total of 15,152 TDCRS members transferred to TRS.

**STATISTICAL SECTION**

## Benefits by Type

The following schedules provide information on the benefits provided by type of benefit for each plan. Due to computer system limitations, data could only be extracted for fiscal year 2005 and forward.

**Public Employees Retirement System**  
 (in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2012	\$ 250,134	\$ 25,781	\$ 23,348	\$ 1,170	\$ 9,674
2011	232,491	24,651	27,445	952	8,982
2010	215,378	23,664	26,221	1,263	7,216
2009	201,606	22,459	24,705	1,255	9,167
2008	187,608	21,483	23,716	751	8,697
2007	173,991	20,708	22,841	605	8,611
2006	158,160	19,493	21,602	693	8,449
2005	144,286	18,706	20,300	589	7,314

**Teachers' Retirement System**  
 (in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2012	\$ 531,367	\$ 22,121	\$ 23,939	\$ 3,109	\$ 4,674
2011	490,536	21,306	23,168	4,167	3,447
2010	451,233	20,568	22,429	4,145	3,102
2009	421,789	19,927	21,812	2,877	2,266
2008	394,064	19,157	21,064	2,562	1,186
2007	366,429	18,212	20,234	1,965	1,361
2006	336,737	16,958	18,992	2,212	1,782
2005	311,360	16,093	17,388	2,030	2,068

**Judges Retirement System**  
 (in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2012	\$ 3,098	\$ 1,056	\$ 121	\$ -	\$ -
2011	3,115	899	-	-	-
2010	3,065	872	-	-	86
2009	2,890	828	-	-	-
2008	2,815	854	-	-	-
2007	2,820	981	-	-	-
2006	2,718	1,019	-	-	-
2005	2,222	803	-	-	-

**STATISTICAL SECTION**

## Benefits by Type

**Public Safety Death Disability Retirement System**  
(in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits		Death Benefits & Refunds	
	Retirants	Survivors			Death	Resignation
2012	\$ 25,475	\$ 1,891	\$ 6,265	\$ -	\$ 47	
2011	23,398	1,765	6,043	-	-	
2010	21,917	1,551	5,879	-	-	
2009	20,897	1,388	5,538	-	72	
2008	19,849	1,300	5,053	-	-	
2007	18,961	1,213	4,620	-	130	
2006	18,312	1,092	4,291	-	-	
2005	17,347	1,048	3,883	-	48	

**State Police Retirement System**  
(in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits		Death Benefits & Refunds	
	Retirants	Survivors			Death	Resignation
2012	\$ 243	\$ 26	\$ 207	\$ -	*	
2011	226	50	187	-	1	
2010	150	34	185	-	*	
2009	105	39	153	-	*	
2008	90	34	109	-	*	
2007	31	18	86	-	*	
2006	29	18	71	-	1	
2005	30	13	68	-	*	

\* - under \$500,000

**Deputy Sheriffs Retirement System**  
(in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits		Death Benefits & Refunds	
	Retirants	Survivors			Death	Resignation
2012	\$ 4,818	\$ 201	\$ 966	\$ 43	\$ 719	
2011	4,635	175	904	35	624	
2010	4,325	139	863	-	503	
2009	4,031	100	887	90	543	
2008	3,616	53	812	33	519	
2007	3,156	28	706	9	380	
2006	2,742	25	681	-	415	
2005	2,384	17	628	-	257	

**STATISTICAL SECTION**

## Benefits by Type

**Emergency Medical Services Retirement System\***  
(in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2012	\$ 517	\$ 13	\$ 121	\$ 32	\$ 632
2011	237	-	24	-	376
2010	-	-	-	-	171
2009	-	-	-	52	75
2008	-	-	-	-	16

\*The EMSRS was established in January 2008.

**Municipal Police Officers & Firefighters Retirement System\*\***  
(in thousands)

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2012	\$ -	\$ -	\$ -	\$ -	\$ 10
2011	-	-	-	-	-
2010	-	-	-	-	-

\*The MPOFRS was established in January 2010.

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**STATISTICAL SECTION**  
Retired Members by Type of Benefit

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**Public Employees Retirement System**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	13,460	8,981	2,395	2,084	6,656	2,009	4,794	1
1,001 - 2,000	6,698	5,367	475	856	3,443	1,086	2,169	-
2,001 - 3,000	2,072	1,937	80	55	1,034	395	643	-
3,001 - 4,000	585	567	15	3	275	136	174	-
4,001 - 5,000	194	188	5	1	78	45	71	-
Over 5,000	61	61	-	-	39	8	14	-
Totals	<u>23,070</u>	<u>17,101</u>	<u>2,970</u>	<u>2,999</u>	<u>11,525</u>	<u>3,679</u>	<u>7,865</u>	<u>1</u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

**Teachers' Retirement System**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	11,930	9,013	1,322	1,595	7,968	1,341	2,508	113
1,001 - 2,000	9,980	8,945	367	668	6,550	1,366	2,049	15
2,001 - 3,000	6,208	6,023	103	82	4,066	1,005	1,137	-
3,001 - 4,000	1,819	1,800	14	5	1,244	322	253	-
4,001 - 5,000	376	369	7	-	258	67	51	-
Over 5,000	137	136	1	-	94	20	23	-
Totals	<u>30,450</u>	<u>26,286</u>	<u>1,814</u>	<u>2,350</u>	<u>20,180</u>	<u>4,121</u>	<u>6,021</u>	<u>128</u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

**STATISTICAL SECTION**  
Retired Members by Type of Benefit

---

**Judges Retirement System**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	1	1	-	-	-	1	-	1
1,001 - 2,000	-	-	-	-	-	-	-	-
2,001 - 3,000	-	-	-	-	-	-	-	-
3,001 - 4,000	19	-	19	-	-	2	17	-
4,001 - 5,000	2	-	2	-	-	-	2	-
Over 5,000	38	38	-	-	-	6	32	-
Totals	<u>60</u>	<u>39</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>51</u>	<u>1</u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

**Public Safety Death Disability Retirement System**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	30	7	17	6	5	-	25	-
1,001 - 2,000	92	45	30	17	8	1	83	-
2,001 - 3,000	88	61	13	14	2	-	86	-
3,001 - 4,000	142	116	12	14	-	-	142	-
4,001 - 5,000	204	168	5	31	-	-	204	-
Over 5,000	144	102	-	42	-	-	144	-
Totals	<u>700</u>	<u>499</u>	<u>77</u>	<u>124</u>	<u>15</u>	<u>1</u>	<u>684</u>	<u>-</u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

**STATISTICAL SECTION**  
Retired Members by Type of Benefit

---

**State Police Retirement System**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	3	1	2	-	1	-	2	-
1,001 - 2,000	6	-	1	5	-	1	5	-
2,001 - 3,000	3	3	-	-	-	1	2	-
3,001 - 4,000	3	2	-	1	-	-	3	-
4,001 - 5,000	2	1	-	1	-	-	2	-
Over 5,000	-	-	-	-	-	-	-	-
Totals	<u><u>17</u></u>	<u><u>7</u></u>	<u><u>3</u></u>	<u><u>7</u></u>	<u><u>1</u></u>	<u><u>2</u></u>	<u><u>14</u></u>	<u><u>-</u></u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

**Deputy Sheriffs Retirement System**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	36	30	4	2	14	3	17	2
1,001 - 2,000	132	108	6	18	40	24	66	2
2,001 - 3,000	90	72	2	16	24	22	43	1
3,001 - 4,000	12	8	-	4	1	3	8	-
4,001 - 5,000	1	1	-	-	1	-	-	-
Over 5,000	1	1	-	-	1	-	-	-
Totals	<u><u>272</u></u>	<u><u>220</u></u>	<u><u>12</u></u>	<u><u>40</u></u>	<u><u>81</u></u>	<u><u>52</u></u>	<u><u>134</u></u>	<u><u>5</u></u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

**STATISTICAL SECTION**  
Retired Members by Type of Benefit

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**Emergency Medical Services Retirement System**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	1	-	-	1	1	-	-	-
1,001 - 2,000	4	4	-	-	2	-	2	-
2,001 - 3,000	8	6	-	2	3	1	4	-
3,001 - 4,000	4	3	-	1	4	-	-	-
4,001 - 5,000	-	-	-	-	-	-	-	-
Over 5,000	-	-	-	-	-	-	-	-
Totals	<u>17</u>	<u>13</u>	<u>-</u>	<u>4</u>	<u>10</u>	<u>1</u>	<u>6</u>	<u>-</u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

**Municipal Police Officers & Firefighters Retirement System\***

Amount of Monthly Benefit	Number of Retirants	Type of Retirement			Maximum	Option Selected		
		A	B	C		Opt-1	Opt-2	Other
\$ 1 - 1,000	-	-	-	-	-	-	-	-
1,001 - 2,000	-	-	-	-	-	-	-	-
2,001 - 3,000	-	-	-	-	-	-	-	-
3,001 - 4,000	-	-	-	-	-	-	-	-
4,001 - 5,000	-	-	-	-	-	-	-	-
Over 5,000	-	-	-	-	-	-	-	-
Totals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Type of Retirement

A - Service  
B - Survivor benefit  
C - Disability

Option

Maximum - Life Annuity  
Opt-1 - 100% Joint Survivorship  
Opt-2 - 50% Joint Survivorship  
Other

\* This System was established in January 2010.

**STATISTICAL SECTION**

## Largest Employers

**Public Employees Retirement System**

Units	2012	2011	2010
1) Unit	State of West Virginia	State of West Virginia	State of West Virginia
Number of Active Members	24,268	23,971	23,758
Percent of Active Members	66.35%	66.12%	66.04%
Total Active Members	36,573	36,254	35,977

Units	2009	2008	2007
1) Unit	State of West Virginia	State of West Virginia	State of West Virginia
Number of Active Members	23,463	23,222	23,242
Percent of Active Members	65.69%	65.43%	64.79%
Total Active Members	35,717	35,491	35,873

Units	2006	2005	2004
1) Unit	State of West Virginia	State of West Virginia	State of West Virginia
Number of Active Members	23,342	24,101	23,856
Percent of Active Members	65.40%	66.52%	66.51%
Total Active Members	35,689	36,230	35,868

Units	2003
1) Unit	State of West Virginia
Number of Active Members	23,546
Percent of Active Members	66.32%
Total Active Members	35,503

**STATISTICAL SECTION**

Largest Employers

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**Teachers Defined Benefit Retirement System**

Units	2012	2011	2010	2009
1) Unit	Kanawha County Board of Education			
Number of Active Members	3,549	3,507	3,477	3,480
Percent of Active Members	9.91%	9.78%	9.75%	9.75%
2) Unit	Barbour County Board of Education			
Number of Active Members	2,109	2,097	2,068	2,070
Percent of Active Members	5.89%	5.85%	5.80%	5.80%
3) Unit	Wood County Board of Education			
Number of Active Members	1,689	1,677	1,689	1,677
Percent of Active Members	4.72%	4.68%	4.74%	4.70%
4) Unit	Raleigh County Board of Education			
Number of Active Members	1,561	1,482	1,487	1,490
Percent of Active Members	4.36%	4.13%	4.17%	4.17%
5) Unit	Cabell County Board of Education			
Number of Active Members	1,486	1,399	1,421	1,432
Percent of Active Members	4.15%	3.90%	3.98%	4.01%
6) Unit	Harrison County Board of Education			
Number of Active Members	1,432	1,402	1,397	1,392
Percent of Active Members	4.00%	3.91%	3.92%	3.90%
7) Unit	Monongalia County Board of Education			
Number of Active Members	1,443	1,399	1,388	1,389
Percent of Active Members	4.03%	3.90%	3.89%	3.89%
8) Unit	Mercer County Board of Education			
Number of Active Members	1,271	1,119	1,116	1,119
Percent of Active Members	3.55%	3.12%	3.13%	3.13%
9) Unit	Marion County Board of Education	Marion Count Board of Education	Marion County Board of Education	Marion County Board of Education
Number of Active Members	1,061	1,058	1,052	1,051
Percent of Active Members	2.96%	2.95%	2.95%	2.94%
10) Unit	Putnam County Board of Education			
Number of Active Members	1,060	1,058	1,051	1,047
Percent of Active Members	2.96%	2.95%	2.95%	2.93%
Total Active Members	35,807	35,855	35,670	35,701

**STATISTICAL SECTION**

Largest Employers

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**Teachers Defined Benefit Retirement System (Continued)**

Units	2008	2007	2006	2005
1) Unit	Kanawha County Board of Education			
Number of Active Members	3,468	1,942	1,812	1,809
Percent of Active Members	9.85%	9.94%	9.72%	10.20%
2) Unit	Barbour County Board of Education			
Number of Active Members	2,057	1,037	1,001	1,002
Percent of Active Members	5.84%	5.31%	5.37%	5.65%
3) Unit	Wood County Board of Education			
Number of Active Members	1,662	902	877	878
Percent of Active Members	4.72%	4.62%	4.71%	4.95%
4) Unit	Raleigh County Board of Education			
Number of Active Members	1,487	727	694	688
Percent of Active Members	4.22%	4.62%	3.72%	3.88%
5) Unit	Cabell County Board of Education			
Number of Active Members	1,433	716	692	691
Percent of Active Members	4.07%	3.67%	3.71%	3.90%
6) Unit	Harrison County Board of Education			
Number of Active Members	1,391	667	671	669
Percent of Active Members	3.95%	3.42%	3.60%	3.77%
7) Unit	Monongalia County Board of Education			
Number of Active Members	1,377	655	642	638
Percent of Active Members	3.95%	3.35%	3.45%	3.60%
8) Unit	Mercer County Board of Education			
Number of Active Members	1,115	577	568	564
Percent of Active Members	3.17%	2.95%	3.05%	3.18%
9) Unit	Marion County Board of Education			
Number of Active Members	1,048	572	566	558
Percent of Active Members	2.98%	2.93%	3.04%	3.15%
10) Unit	Putnam County Board of Education			
Number of Active Members	1,044	568	565	558
Percent of Active Members	2.96%	2.91%	3.03%	3.15%
Total Active Members	35,219	19,529	18,633	17,728

In July 2008, 15,152 members of the Teachers Defined Contribution Retirement System transferred to the Teachers Defined Benefit Retirement System.

**STATISTICAL SECTION**

## Largest Employers

**Teachers Defined Benefit Retirement System (Continued)**

Units	2004	2003
1) Unit	Kanawha County Board of Education	Kanawha County Board of Education
Number of Active Members	1,871	1,891
Percent of Active Members	9.69%	9.04%
2) Unit	Barbour County Board of Education	Barbour County Board of Education
Number of Active Members	1,084	1,096
Percent of Active Members	5.61%	5.24%
3) Unit	Wood County Board of Education	Wood County Board of Education
Number of Active Members	899	907
Percent of Active Members	4.65%	4.34%
4) Unit	Raleigh County Board of Education	Raleigh County Board of Education
Number of Active Members	694	698
Percent of Active Members	3.59%	3.34%
5) Unit	Cabell County Board of Education	Cabell County Board of Education
Number of Active Members	692	704
Percent of Active Members	3.58%	3.37%
6) Unit	Harrison County Board of Education	Harrison County Board of Education
Number of Active Members	679	687
Percent of Active Members	3.52%	3.28%
7) Unit	Monongalia County Board of Education	Monongalia County Board of Education
Number of Active Members	647	662
Percent of Active Members	3.35%	3.16%
8) Unit	Mercer County Board of Education	Mercer County Board of Education
Number of Active Members	581	591
Percent of Active Members	3.01%	2.83%
9) Unit	Marion County Board of Education	Marion County Board of Education
Number of Active Members	567	564
Percent of Active Members	2.94%	2.70%
10) Unit	Putnam County Board of Education	Putnam County Board of Education
Number of Active Members	565	557
Percent of Active Members	2.93%	2.66%
Total Active Members	19,313	20,919

**STATISTICAL SECTION**

## Largest Employers

**Judges Retirement System**

Units	2012	2011	2010
1) Unit	West Virginia Judiciary	West Virginia Judiciary	West Virginia Judiciary
Number of Active Members	55	56	53
Percent of Active Members	100.00%	100.00%	100.00%

Units	2009	2008	2007
1) Unit	West Virginia Judiciary	West Virginia Judiciary	West Virginia Judiciary
Number of Active Members	54	60	60
Percent of Active Members	100.00%	100.00%	100.00%

Units	2006	2005	2004
1) Unit	West Virginia Judiciary	West Virginia Judiciary	West Virginia Judiciary
Number of Active Members	62	59	58
Percent of Active Members	100.00%	100.00%	100.00%

Units	2003
1) Unit	West Virginia Judiciary
Number of Active Members	57
Percent of Active Members	100.00%

**STATISTICAL SECTION**

## Largest Employers

**Public Safety Death, Disability Retirement System**

Units	2012	2011	2010
1) Unit	State of West Virginia	State of West Virginia	State of West Virginia
Number of Active Members	108	133	147
Percent of Active Members	100.00%	100.00%	100.00%

Units	2009	2008	2007
1) Unit	State of West Virginia	State of West Virginia	State of West Virginia
Number of Active Members	163	173	191
Percent of Active Members	100.00%	100.00%	100.00%

Units	2006	2005	2004
1) Unit	State of West Virginia	State of West Virginia	State of West Virginia
Number of Active Members	204	213	237
Percent of Active Members	100.00%	100.00%	100.00%

Units	2003
1) Unit	State of West Virginia
Number of Active Members	263
Percent of Active Members	100.00%

**STATISTICAL SECTION**

## Largest Employers

**State Police Retirement System**

	Units	2012	2011	2010	2009	2008
1) Unit		State of West Virginia 566	State of West Virginia 523	State of West Virginia 498	State of West Virginia 472	State of West Virginia 455
Number of Active Members						
Percent of Active Members		100.00%	100.00%	100.00%	100.00%	100.00%

	Units	2007	2006	2005	2004	2003
1) Unit		State of West Virginia 449	State of West Virginia 431	State of West Virginia 401	State of West Virginia 380	State of West Virginia 339
Number of Active Members						
Percent of Active Members		100.00%	100.00%	100.00%	100.00%	100.00%

**STATISTICAL SECTION**

Largest Employers

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**Deputy Sheriffs Retirement System**

	Units	2012	2011	2010	2009
1) Unit	Kanawha County				
Number of Active Members	101	102	101	97	
Percentage of Active Members	10.32%	10.69%	10.91%	10.62%	
2) Unit	Berkley County				
Number of Active Members	58	55	54	54	
Percentage of Active Members	5.92%	5.77%	5.83%	5.91%	
3) Unit	Harrison County				
Number of Active Members	48	44	42	39	
Percentage of Active Members	4.90%	4.61%	4.54%	4.27%	
4) Unit	Cabell County				
Number of Active Members	43	44	41	39	
Percentage of Active Members	4.39%	4.61%	4.43%	4.27%	
5) Unit	Monongalia County				
Number of Active Members	42	42	39	36	
Percentage of Active Members	4.29%	4.40%	4.21%	3.94%	
6) Unit	Putnam County				
Number of Active Members	40	41	36	35	
Percentage of Active Members	4.09%	4.30%	3.89%	3.83%	
7) Unit	Raleigh County				
Number of Active Members	40	39	36	35	
Percentage of Active Members	4.09%	4.09%	3.89%	3.83%	
8) Unit	Wood County				
Number of Active Members	37	36	36	33	
Percentage of Active Members	3.78%	3.77%	3.89%	3.61%	
9) Unit	Fayette County				
Number of Active Members	34	35	31	31	
Percentage of Active Members	3.47%	3.67%	3.35%	3.40%	
10) Unit	Mercer County				
Number of Active Members	29	28	28	26	
Percentage of Active Members	2.96%	3.67%	3.02%	2.85%	
Total Active Members		979	954	926	913

**STATISTICAL SECTION**

Largest Employers

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**Deputy Sheriffs Retirement System (Continued)**

	Units	2008	2007	2006	2005
1) Unit	Kanawha County				
Number of Active Members	93	87	81	76	
Percentage of Active Members	10.41%	10.42%	9.70%	9.37%	
2) Unit	Berkley County				
Number of Active Members	47	45	35	31	
Percentage of Active Members	5.26%	5.39%	4.19%	3.82%	
3) Unit	Raleigh County				
Number of Active Members	41	35	32	30	
Percentage of Active Members	4.59%	4.19%	3.83%	3.70%	
4) Unit	Putnam County				
Number of Active Members	35	33	30	30	
Percentage of Active Members	3.92%	3.95%	3.59%	3.70%	
5) Unit	Cabell County				
Number of Active Members	34	31	30	28	
Percentage of Active Members	3.81%	3.71%	3.59%	3.45%	
6) Unit	Harrison County				
Number of Active Members	33	30	30	27	
Percentage of Active Members	3.70%	3.59%	3.59%	3.33%	
7) Unit	Monongalia County				
Number of Active Members	32	29	28	27	
Percentage of Active Members	3.58%	3.47%	3.35%	3.33%	
8) Unit	Wood County				
Number of Active Members	30	28	27	23	
Percentage of Active Members	3.36%	3.35%	3.23%	2.84%	
9) Unit	Fayette County				
Number of Active Members	28	25	23	22	
Percentage of Active Members	3.14%	2.99%	2.75%	2.71%	
10) Unit	Greenbrier County				
Number of Active Members	26	24	21	21	
Percentage of Active Members	2.91%	2.87%	2.51%	2.59%	
Total Active Members		893	835	835	811

**STATISTICAL SECTION**

## Largest Employers

**Deputy Sheriffs Retirement System (Continued)**

Units	2004	2003
1) Unit	Kanawha County	Kanawha County
Number of Active Members	67	63
Percentage of Active Members	8.26%	7.98%
2) Unit	Putnam County	Putnam County
Number of Active Members	30	29
Percentage of Active Members	3.70%	3.68%
3) Unit	Raleigh County	Raleigh County
Number of Active Members	30	27
Percentage of Active Members	3.70%	3.42%
4) Unit	Berkley County	Berkley County
Number of Active Members	29	26
Percentage of Active Members	3.58%	3.30%
5) Unit	Harrison County	Harrison County
Number of Active Members	26	26
Percentage of Active Members	3.21%	3.30%
6) Unit	Wood County	Wood County
Number of Active Members	26	25
Percentage of Active Members	3.21%	3.17%
7) Unit	Cabell County	Cabell County
Number of Active Members	23	21
Percentage of Active Members	2.84%	2.66%
8) Unit	Greenbrier County	Monongalia County
Number of Active Members	22	20
Percentage of Active Members	2.71%	2.53%
9) Unit	Monongalia County	Greenbrier County
Number of Active Members	21	18
Percentage of Active Members	2.59%	2.28%
10) Unit	Mercer County	Mercer County
Number of Active Members	28	16
Percentage of Active Members	3.45%	2.03%
Total Active Members	811	789

**STATISTICAL SECTION**

## Largest Employers

**Emergency Medical Services Retirement System**

Units	2012	2011	2010
1) Unit	Kanawha County Emergency Ambulance	Kanawha County Emergency Ambulance	Kanawha County Emergency Ambulance
Number of Active Members	187	193	184
Percent of Active Members	37.85%	36.07%	35.05%
2) Unit	Cabell County EMS	Cabell County EMS	Cabell County EMS
Number of Active Members	113	115	101
Percent of Active Members	22.87%	21.50%	19.24%
3) Unit			
Number of Active Members			
Percent of Active Members			
Total Active Members	494	535	525

Units	2009	2008
1) Unit	Kanawha County Emergency Ambulance	Kanawha County Emergency Ambulance
Number of Active Members	173	154
Percent of Active Members	36.42%	32.42%
2) Unit	Cabell County EMS	Cabell County EMS
Number of Active Members	87	72
Percent of Active Members	18.32%	15.16%
3) Unit		Harrison County Emergency Squad
Number of Active Members		36
Percent of Active Members		7.58%
Total Active Members	475	475

This plan was established in January 2008.

**STATISTICAL SECTION**

## Largest Employers

**Municipal Police Officers and Firefighters Retirement System**

Units	2012	2011	2010
1) Unit	City of Huntington Police	City of Huntington Police	City of Huntington Police
Number of Active Members	12	10	6
Percent of Active Members	41.38%	83.33%	100.00%
2) Unit	City of Charleston Police		
Number of Active Members	7		
Percent of Active Members	24.14%		
Total Active Members	29	12	6

This plan was established January 2010.

**STATISTICAL SECTION**  
Average Monthly Benefit Payments

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The following schedules provide information on the average monthly benefit payments. Due to computer system limitations, data could only be extracted for 2005 and forward. These schedules exclude participants retiring with a reduced early retirement benefit with less than 10 years service. Complete data has not been consistently entered into the computer system for final average salary. Meaningful data could not be extracted for final average salary and this information has not been provided.

**Public Employees Retirement System**

	Years Credited Service					25-29	30 & over
	10-14	15-19	20-24	25-29	30 & over		
<b>2011</b>							
Average monthly benefit	\$ 466	\$ 665	\$ 935	\$ 1,271	\$ 2,066		
Number of active retirants	3,945	3,599	3,749	3,394	4,714		
<b>2010</b>							
Average monthly benefit	\$ 454	\$ 648	\$ 909	\$ 1,242	\$ 2,028		
Number of active retirants	3,926	3,553	3,653	3,302	4,398		
<b>2009</b>							
Average monthly benefit	\$ 436	\$ 627	\$ 889	\$ 1,214	\$ 1,979		
Number of active retirants	3,924	3,529	3,564	3,170	4,123		
<b>2008</b>							
Average monthly benefit	\$ 423	\$ 608	\$ 866	\$ 1,180	\$ 1,983		
Number of active retirants	3,939	3,547	3,500	3,042	3,832		
<b>2007</b>							
Average monthly benefit	\$ 413	\$ 595	\$ 846	\$ 1,149	\$ 1,865		
Number of active retirants	3,978	3,530	3,416	2,930	3,571		
<b>2006</b>							
Average monthly benefit	\$ 395	\$ 566	\$ 813	\$ 1,103	\$ 1,767		
Number of active retirants	3,984	3,449	3,346	2,779	3,238		
<b>2005</b>							
Average monthly benefit	\$ 382	\$ 550	\$ 793	\$ 1,070	\$ 1,695		
Number of active retirants	4,037	3,439	3,286	2,646	2,988		

**STATISTICAL SECTION**  
Average Monthly Benefit Payments

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**Teachers Defined Benefit Retirement System**

	Years Credited Service								
	10-14	15-19	20-24	25-29	30 & over				
<b>2011</b>									
Average monthly benefit	\$ 368	\$ 588	\$ 909	\$ 1,246	\$ 2,082				
Number of active retirants	2,132	3,077	4,580	4,577	13,642				
<b>2010</b>									
Average monthly benefit	\$ 355	\$ 578	\$ 886	\$ 1,217	\$ 2,011				
Number of active retirants	2,149	3,129	4,539	4,496	12,976				
<b>2009</b>									
Average monthly benefit	\$ 346	\$ 564	\$ 868	\$ 1,192	\$ 1,948				
Number of active retirants	2,153	3,182	4,501	4,396	12,402				
<b>2008</b>									
Average monthly benefit	\$ 339	\$ 554	\$ 849	\$ 1,162	\$ 1,877				
Number of active retirants	2,267	3,257	4,460	4,308	11,772				
<b>2007</b>									
Average monthly benefit	\$ 335	\$ 543	\$ 827	\$ 1,139	\$ 1,806				
Number of active retirants	2,358	3,318	4,425	4,216	11,099				
<b>2006</b>									
Average monthly benefit	\$ 323	\$ 521	\$ 798	\$ 1,097	\$ 1,714				
Number of active retirants	2,445	3,327	4,387	4,109	10,426				
<b>2005</b>									
Average monthly benefit	\$ 315	\$ 511	\$ 783	\$ 1,069	\$ 1,634				
Number of active retirants	2,521	3,323	4,304	3,992	9,803				

**STATISTICAL SECTION**  
Average Monthly Benefit Payments

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**Public Safety Death, Disability and Retirement System**

	Years Credited Service							
	10-14		15-19		20-24	25-29		30 & over
<b>2011</b>								
Average monthly benefit	\$ 4,078	25	\$ 4,208	25	\$ 3,067	97	\$ 3,768	\$ 4,437
Number of active retirants							353	90
<b>2010</b>								
Average monthly benefit	\$ 4,060	25	\$ 4,198	25	\$ 2,993	96	\$ 3,584	\$ 4,270
Number of active retirants							346	89
<b>2009</b>								
Average monthly benefit	\$ 3,807	26	\$ 3,735	22	\$ 2,909	97	\$ 3,425	\$ 4,118
Number of active retirants							344	90
<b>2008</b>								
Average monthly benefit	\$ 3,649	25	\$ 3,489	20	\$ 2,805	93	\$ 3,285	\$ 3,929
Number of active retirants							335	93
<b>2007</b>								
Average monthly benefit	\$ 3,421	25	\$ 3,094	19	\$ 2,634	95	\$ 3,181	\$ 3,791
Number of active retirants							331	91
<b>2006</b>								
Average monthly benefit	\$ 3,106	23	\$ 2,788	18	\$ 2,595	94	\$ 3,095	\$ 3,675
Number of active retirants							330	90
<b>2005</b>								
Average monthly benefit	\$ 2,701	20	\$ 2,687	18	\$ 2,573	99	\$ 2,912	\$ 3,508
Number of active retirants							303	91

**STATISTICAL SECTION**  
Average Monthly Benefit Payments

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**State Police Retirement System**

	Years Credited Service					
	10-14	15-19	20-24	25-29	30 & over	
<b>2011</b>						
Average monthly benefit	\$ 2,500	\$ - 0	\$ 2,781	\$ 3,044	\$ 4,469	
Number of active retirants	4	0	1	2	1	
<b>2010</b>						
Average monthly benefit	\$ 2,475	\$ - 0	\$ 2,754	\$ 3,189	\$ - 0	
Number of active retirants	4	0	1	1	0	
<b>2009</b>						
Average monthly benefit	\$ 1,842	\$ - 0	\$ 1,708	\$ - 0	\$ - 0	
Number of active retirants	3	0	3	0	0	
<b>2008</b>						
Average monthly benefit	\$ - 0	\$ - 0	\$ 1,159	\$ - 0	\$ - 0	
Number of active retirants	0	0	2	0	0	
<b>2007</b>						
Average monthly benefit	\$ - 0	\$ - 0	\$ 1,148	\$ - 0	\$ - 0	
Number of active retirants	0	0	2	0	0	
<b>2006</b>						
Average monthly benefit	\$ - 0	\$ - 0	\$ 1,136	\$ - 0	\$ - 0	
Number of active retirants	0	0	2	0	0	
<b>2005</b>						
Average monthly benefit	\$ - 0	\$ - 0	\$ 1,125	\$ - 0	\$ - 0	
Number of active retirants	0	0	2	0	0	

**STATISTICAL SECTION**  
Average Monthly Benefit Payments

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**Deputy Sheriffs Retirement System**

	Years Credited Service							
	10-14	15-19	20-24	25-29	30 & over			
<b>2011</b>								
Average monthly benefit	\$ 1,150	\$ 1,435	\$ 1,420	\$ 1,694	\$ 2,203			
Number of active retirants	8	22	44	76	95			
<b>2010</b>								
Average monthly benefit	\$ 1,219	\$ 1,431	\$ 1,379	\$ 1,713	\$ 2,189			
Number of active retirants	7	22	42	72	90			
<b>2009</b>								
Average monthly benefit	\$ 1,324	\$ 1,439	\$ 1,434	\$ 1,666	\$ 2,133			
Number of active retirants	7	22	36	69	80			
<b>2008</b>								
Average monthly benefit	\$ 1,446	\$ 1,387	\$ 1,392	\$ 1,611	\$ 2,123			
Number of active retirants	7	19	32	59	70			
<b>2007</b>								
Average monthly benefit	\$ 1,599	\$ 1,387	\$ 1,363	\$ 1,631	\$ 2,038			
Number of active retirants	6	19	30	54	62			
<b>2006</b>								
Average monthly benefit	\$ 1,791	\$ 1,291	\$ 1,338	\$ 1,610	\$ 2,012			
Number of active retirants	5	17	26	50	54			
<b>2005</b>								
Average monthly benefit	\$ 1,557	\$ 1,306	\$ 1,333	\$ 1,534	\$ 1,966			
Number of active retirants	3	16	24	44	44			

**STATISTICAL SECTION**  
Average Monthly Benefit Payments

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**Judges Retirement System**

	Years Credited Service						
	10-14	15-19	20-24	25-29	30 & over		
<b>2011</b>							
Average monthly benefit	\$	5,342	\$	6,536	\$	7,302	\$
Number of active retirants		31		16		6	3
<b>2010</b>							
Average monthly benefit	\$	5,302	\$	6,724	\$	7,302	\$
Number of active retirants		31		16		6	3
<b>2009</b>							
Average monthly benefit	\$	5,525	\$	6,558	\$	7,302	\$
Number of active retirants		29		11		6	1
<b>2008</b>							
Average monthly benefit	\$	-0	\$	5,529	\$	6,558	\$
Number of active retirants				33		11	2
<b>2007</b>							
Average monthly benefit	\$	-0	\$	5,459	\$	7,213	\$
Number of active retirants				36		10	2
<b>2006</b>							
Average monthly benefit	\$	-0	\$	5,416	\$	7,213	\$
Number of active retirants				37		10	1
<b>2005</b>							
Average monthly benefit	\$	-0	\$	4,219	\$	5,597	\$
Number of active retirants				41		10	3

**STATISTICAL SECTION**  
Average Monthly Benefit Payments

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**Emergency Medical Services Retirement System**

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2011</b>					
Average monthly benefit	\$ 840	\$ 1,712	\$ 1,945	\$ 1,611	\$ 3,102
Number of active retirees	1	2	2	5	4

This plan was established in January 2008.

**Municipal Police Officers & Firefighters Retirement System**

The MPOFRS was established in January 2010 and has no benefits or retirees to report.

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**STATISTICAL SECTION**  
Administrative Expenses

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Schedule of Administrative Expenses  
Years Ended June 30, 2012 and 2011

	2012	2011
Salaries	\$ 3,016	\$ 2,958
Employee Benefits	1,072	973
Other Post Employment Benefits Contributions	755	741
Occupancy	460	424
Computer Services	402	400
Legal	336	363
External Actuarial Services	210	206
Accounting and Auditing	69	52
Consulting Services	-	133
Third Party Administrator's Fees*	328	385
Disability Exams	135	130
Office Expenses	239	289
Postage	137	126
Depreciation	92	62
Insurance	24	34
Travel	42	36
Miscellaneous	155	167
	<u>\$ 7,472</u>	<u>\$ 7,479</u>
Administrative Fees Collected from the Retirement Systems	<u>\$ 9,581</u>	<u>\$ 9,187</u>

The excess of fees collected over administrative costs incurred is allocated to reserves for future information technology improvements and other long-term costs.

\*Third Party Administrative fees for Teacher's Defined Contribution Retirement System only.

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