

West Virginia Investment Management Board

2020 AUDITED FINANCIAL STATEMENTS

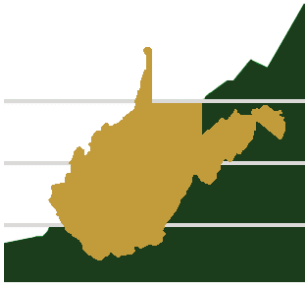


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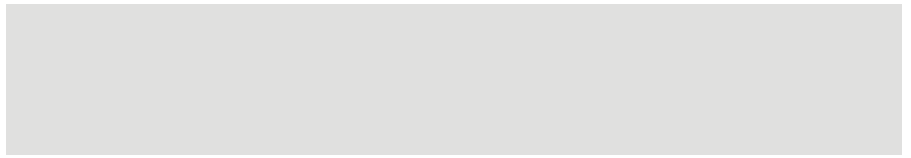
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AUDITED FINANCIAL STATEMENTS

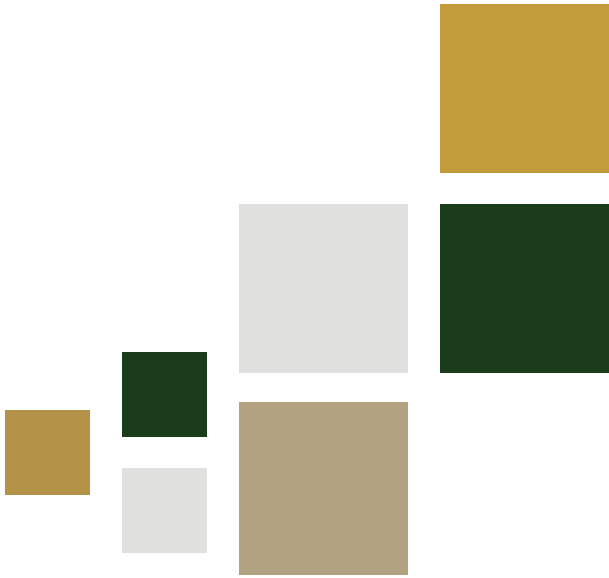


INVESTMENT POOLS
Year Ended June 30, 2020

AUDITED FINANCIAL STATEMENTS
June 30, 2020

A

DOMESTIC EQUITY POOL



Domestic Equity Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Domestic Equity Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board Domestic Equity Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Domestic Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst & Young LLP

August 27, 2020

Domestic Equity Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 4,691,140	\$ 4,889,897
Other assets	31,882	30,500
Total assets	4,723,022	4,920,397
Total liabilities	(13,442)	(330,408)
Net position	\$ 4,709,580	\$ 4,589,989

Domestic Equity Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$119,591 results from net investment income of \$282,004 and a net decrease from unit transactions of \$162,413.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income	\$ 286,462	\$ 347,783
Expenses	(4,458)	(8,058)
Net investment income	282,004	339,725
Net units issued (redeemed)	(162,413)	(314,329)
Increase in net position	119,591	25,396
Net position, beginning of year	4,589,989	4,564,593
Net position, end of year	\$ 4,709,580	\$ 4,589,989

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was 5.7 percent, down from 7.5 percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 30.90	\$ 28.74
Net investment income	1.75	2.16
Net position, end of year	\$ 32.65	\$ 30.90

Supplemental Data:

Ratio of expenses to average net position (a)	0.09%	0.07%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

Domestic Equity Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Equity investments	\$	4,603,524
Money market mutual fund		82,999
Securities lending collateral		4,617
Receivables:		
Investments sold		29,423
Dividends and other investment income		2,459
		<hr/>
	Total assets	4,723,022

Liabilities

Accrued expenses		783
Payable for investments purchased		8,042
Payable upon return of securities loaned		4,617
		<hr/>
	Total liabilities	13,442
		<hr/>
	Net position	<u><u>\$ 4,709,580</u></u>

Unit data

Units outstanding		144,244,345
Net position, unit price	\$	<u><u>32.65</u></u>

See accompanying notes to financial statements.

Domestic Equity Pool

Statement of Changes in Net Position
Year Ended June 30, 2020
(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$ 235,743
Interest, dividends, and other investment income	50,055
Securities lending income	<u>664</u>

Total investment income 286,462

Expenses

Investment advisor fees	(2,479)
Custodian bank fees	(90)
Management and other allocated fees	(1,441)
Securities lending expenses	<u>(448)</u>

Total expenses (4,458)

Net investment income 282,004

Unit transactions

Proceeds from sale of units	363,347
Amount paid for repurchase of units	<u>(525,760)</u>

Net decrease from unit transactions (162,413)

Increase in net position 119,591

Net position, beginning of year 4,589,989

Net position, end of year \$ 4,709,580

See accompanying notes to financial statements.

Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

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

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. Each transaction for U.S. securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned.

Domestic Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2020.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

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

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2020, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2020, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the IMB's custodian in the name of the IMB. The money market mutual fund, the Cash Collateral Account, and the comingled equity fund are not subject to custodial credit risk. All remaining securities are held by the IMB's custodian in the name of the IMB.

Domestic Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its money market mutual fund investment and from the Cash Collateral Account. As of June 30, 2020, the money market mutual fund's weighted average maturity (WAM) was 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day.

Foreign Currency Risk

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

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2020:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 2,014,708	\$ -	\$ -	\$ 2,014,708
Common stock	2,588,810	-	-	2,588,810
Money market mutual fund	82,999	-	-	82,999
Rights	6	-	-	6
Securities lending collateral	4,617	-	-	4,617
Total	\$ 4,691,140	\$ -	\$ -	\$ 4,691,140

Domestic Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2020:

	Fair Value
Securities on loan	\$ 191,022
Collateral received:	
Cash	\$ 4,617
Non-cash	194,808
Total collateral received	\$ 199,425

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

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

Participant	Account Value
Teachers' Retirement System	\$ 1,946,889
Public Employees' Retirement System	1,736,978
West Virginia Retiree Health Benefit Trust Fund	275,410
State Police Death, Disability and Retirement Fund	167,274
Workers' Compensation Old Fund	161,541
Deputy Sheriff's Retirement System	60,222
Revenue Shortfall Reserve Fund - Part B	57,971
State Police Retirement System	55,819
Judges' Retirement System	54,393
West Virginia Department of Environmental Protection Agency	41,484
Coal Workers' Pneumoconiosis Fund	34,769
Public Employees Insurance Agency	27,301
Board of Risk and Insurance Management	25,684
Emergency Medical Services Retirement System	22,271
Wildlife Endowment Fund	15,754
Workers' Compensation Self-Insured Employer Security Risk Pool	7,917
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	5,337
Municipal Police Officers' and Firefighters' Retirement System	3,664
West Virginia Department of Environmental Protection Trust	3,055
Workers' Compensation Uninsured Employers' Fund	2,178
Municipal Policemen's or Firemen's Pension and Relief Funds	2,056
Berkeley County Development Authority	1,613
Total	\$ 4,709,580

Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 7. SUBSEQUENT EVENTS

On July 1, 2020, the IMB created the Large Cap Domestic Equity Pool, the Non-Large Cap Domestic Equity Pool, and the Portable Alpha Pool to facilitate the implementation of a portable alpha investment strategy. The assets and liabilities of the Domestic Equity Pool were transferred in-kind to these new Pools based on their investment objectives. The Large Cap Domestic Equity Pool invests in a S&P 500 index fund. The Non-Large Cap Domestic Equity Pool invests in U.S. small- and mid-cap growth and value stocks. The Portable Alpha Pool invests in a synthetic portfolio of derivatives structured to replicate the risk and return characteristics of the S&P 500 index and in alternative risk premia funds that follow quantitative, systematic investment strategies to capture factor (value, momentum, carry, etc.) exposures across asset classes including equities, fixed income, commodities, and currencies.

AUDITED FINANCIAL STATEMENTS
June 30, 2020

B

INTERNATIONAL QUALIFIED POOL



International Qualified Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board International Qualified Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board International Qualified Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Qualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst & Young LLP

August 27, 2020

International Qualified Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 1,029,369	\$ 1,301,531
Total liabilities	(45)	(56)
Net position	<u>\$ 1,029,324</u>	<u>\$ 1,301,475</u>

International Qualified Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$272,151 results from net investment loss of \$122,539 and a net decrease from unit transactions of \$149,612.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment loss	\$ (115,988)	\$ (22,823)
Expenses	(6,551)	(6,984)
Net investment loss	(122,539)	(29,807)
Net units issued (redeemed)	(149,612)	398
Decrease in net position	(272,151)	(29,409)
Net position, beginning of year	1,301,475	1,330,884
Net position, end of year	<u>\$ 1,029,324</u>	<u>\$ 1,301,475</u>

The investment loss of the Pool is from the net decrease in fair value of investments.

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was (9.6) percent, down from (2.2) percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 74.96	\$ 76.67
Net investment loss	(7.38)	(1.71)
Net position, end of year	<u>\$ 67.58</u>	<u>\$ 74.96</u>

Supplemental Data:

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

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

International Qualified Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value \$ 1,029,369

Liabilities

Accrued expenses 45

Net position \$ 1,029,324

Unit data

Units outstanding 15,231,778

Net position, unit price \$ 67.58

See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Position
Year Ended June 30, 2020
(Amounts in thousands)

Investment loss

Net decrease in fair value of investments \$ (115,988)

Expenses

Investment advisor fees (6,175)

Management and other allocated fees (376)

Total expenses (6,551)

Net investment loss (122,539)

Unit transactions

Proceeds from sale of units 1,507

Amount paid for repurchase of units (151,119)

Net decrease from unit transactions (149,612)

Decrease in net position (272,151)

Net position, beginning of year 1,301,475

Net position, end of year \$ 1,029,324

See accompanying notes to financial statements.

International Qualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool invests in The Silchester International Investors International Value Equity Group Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code*) may invest in the Pool. Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Investment Transactions - Investment transactions are accounted for on a trade date basis.

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

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

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

International Qualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of the investment fund in which the Pool invests that are reflected in the reported net asset value of such fund.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2020.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2020, was \$1,029,369. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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

International Qualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 494,158
Public Employees' Retirement System	441,466
State Police Death, Disability and Retirement Fund	42,449
Deputy Sheriff's Retirement System	15,612
State Police Retirement System	14,522
Judges' Retirement System	13,901
Emergency Medical Services Retirement System	5,808
Municipal Police Officers' and Firefighters' Retirement System	891
Municipal Policemen's or Firemen's Pension and Relief Funds	517
Total	<u>\$ 1,029,324</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020

C

INTERNATIONAL NONQUALIFIED POOL



International Nonqualified Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board International Nonqualified Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board International Nonqualified Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Nonqualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst & Young LLP

August 27, 2020

International Nonqualified Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 163,136	\$ 210,181
Total liabilities	(7)	(9)
Net position	<u>\$ 163,129</u>	<u>\$ 210,172</u>

International Nonqualified Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$47,043 results from net investment loss of \$20,106 and a net decrease from unit transactions of \$26,937.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment loss	\$ (18,906)	\$ (4,024)
Expenses	(1,200)	(1,276)
Net investment loss	(20,106)	(5,300)
Net units issued (redeemed)	(26,937)	64
Decrease in net position	(47,043)	(5,236)
Net position, beginning of year	210,172	215,408
Net position, end of year	<u>\$ 163,129</u>	<u>\$ 210,172</u>

The investment loss of the Pool is from the net decrease in fair value of investments.

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was (9.8) percent, down from (2.5) percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 68.55	\$ 70.28
Net investment loss	(6.91)	(1.73)
Net position, end of year	<u>\$ 61.64</u>	<u>\$ 68.55</u>

Supplemental Data:

Ratio of expenses to average net position (a)	0.62%	0.61%
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- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee fund.

International Nonqualified Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investment in commingled equity fund at fair value	\$	163,136
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Liabilities

Accrued expenses		<u>7</u>
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Net position	\$	<u>163,129</u>
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Unit data

Units outstanding		2,646,270
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Net position, unit price	\$	<u>61.64</u>
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See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Position Year Ended June 30, 2020 *(Amounts in thousands)*

Investment loss

Net decrease in fair value of investments	\$ (18,906)
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Expenses

Investment advisor fees	(1,139)
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Management and other allocated fees	<u>(61)</u>
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Total expenses	<u>(1,200)</u>
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Net investment loss	(20,106)
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Unit transactions

Proceeds from sale of units	6,342
-----------------------------	-------

Amount paid for repurchase of units	<u>(33,279)</u>
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Net decrease from unit transactions	<u>(26,937)</u>
--	-----------------

Decrease in net position	(47,043)
---------------------------------	----------

Net position, beginning of year	<u>210,172</u>
--	----------------

Net position, end of year	<u><u>\$ 163,129</u></u>
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See accompanying notes to financial statements.

International Nonqualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). Silchester invests in a diversified developed country, non-U.S. equity, bottom-up value oriented portfolio of securities with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month-end.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Investment Transactions - Investment transactions are accounted for on a trade date basis.

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

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

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

International Nonqualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of the investment fund in which the Pool invests that are reflected in the reported net asset value of such fund.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2020.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2020, was \$163,136. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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

International Nonqualified Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 73,848
Workers' Compensation Old Fund	34,504
Revenue Shortfall Reserve Fund - Part B	15,135
West Virginia Department of Environmental Protection Agency	9,647
Coal Workers' Pneumoconiosis Fund	8,262
Public Employees Insurance Agency	7,161
Board of Risk and Insurance Management	5,933
Wildlife Endowment Fund	3,915
Workers' Compensation Self-Insured Employer Security Risk Pool	1,827
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,238
West Virginia Department of Environmental Protection Trust	758
Workers' Compensation Uninsured Employers' Fund	503
Berkeley County Development Authority	398
Total	<u>\$ 163,129</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020

D

INTERNATIONAL EQUITY POOL



International Equity Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board International Equity Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board International Equity Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the International Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst & Young LLP

August 27, 2020

International Equity Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 3,430,779	\$ 3,291,170
Other assets	43,496	58,095
Total assets	3,474,275	3,349,265
Total liabilities	(25,419)	(85,928)
Net position	<u>\$ 3,448,856</u>	<u>\$ 3,263,337</u>

International Equity Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$185,519 results from net investment loss of \$52,314 and a net increase from unit transactions of \$237,833.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income (loss)	\$ (34,299)	\$ 4,048
Expenses	(18,015)	(20,778)
Net investment loss	(52,314)	(16,730)
Net units issued	237,833	293,239
Increase in net position	185,519	276,509
Net position, beginning of year	3,263,337	2,986,828
Net position, end of year	<u>\$ 3,448,856</u>	<u>\$ 3,263,337</u>

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was (2.7) percent, down from (0.6) percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 31.40	\$ 31.58
Net investment loss	(0.83)	(0.18)
Net position, end of year	<u>\$ 30.57</u>	<u>\$ 31.40</u>
Supplemental Data:		
Ratio of expenses to average net position (a)	0.56%	0.62%

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

International Equity Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Equity investments	\$ 3,373,610
Money market mutual fund	37,694
Securities lending collateral	19,475
Cash	20,601
Receivables:	
Investments sold	7,041
Dividends and other investment income	15,854
	<hr/>
Total assets	3,474,275

Liabilities

Accrued expenses	3,855
Accrued capital gains taxes	77
Payable for investments purchased	2,012
Payable upon return of securities loaned	19,475
	<hr/>
Total liabilities	25,419
	<hr/>
Net position	\$ 3,448,856

Unit data

Units outstanding	112,803,076
Net position, unit price	<u><u>\$ 30.57</u></u>

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Position Year Ended June 30, 2020 *(Amounts in thousands)*

Investment income (loss)

Net decrease in fair value of investments	\$ (124,877)
Interest, dividends, and other investment income	89,809
Securities lending income	<u>769</u>

Total investment loss (34,299)

Expenses

Investment advisor fees	(15,840)
Custodian bank fees	(1,061)
Management and other allocated fees	(1,010)
Securities lending expenses	<u>(104)</u>

Total expenses (18,015)

Net investment loss (52,314)

Unit transactions

Proceeds from sale of units	530,367
Amount paid for repurchase of units	<u>(292,534)</u>

Net increase from unit transactions 237,833

Increase in net position 185,519

Net position, beginning of year 3,263,337

Net position, end of year \$ 3,448,856

See accompanying notes to financial statements.

International Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Open-end regulated investment companies, commingled equity funds, and other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period end spot market exchange rates as supplied by the Pool's custodian.

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

International Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. Each transaction for international securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned.

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

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

Foreign Currency Spot Contracts - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The managers, as listed in Note 1, enter into such contracts to correspond to investment transactions trading in foreign currencies. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month end.

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

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

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

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

International Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2020.

In certain foreign countries, the Pool's dividend income and capital gains may be taxable. Taxes on dividend income are generally withheld from the payments and as a result there is no provision recorded for these taxes. In certain cases there may be a full or partial reclaim available for the withheld taxes. Capital gains taxes, if any, on sales of securities may be assessed and paid concurrent with the sale or upon the filing of a return with the taxing authority. In countries where the IMB is liable for capital gains taxes, the IMB will estimate and accrue a capital gains tax liability for unrealized gains on securities held in such countries. The outstanding reclaims and accrued capital gains taxes are reported on the Statement of Net Position. Dividend income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position. The net increase (decrease) in fair value of investments is reported net of capital gains taxes on the Statement of Changes in Net Position.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

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

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2020, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2020, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of the IMB. The money market mutual fund, the Cash Collateral Account, and the comingled equity fund are not subject to custodial credit risk. All remaining securities are held by the IMB's custodian in the name of the IMB.

Interest Rate Risk

The Pool is exposed to interest rate risk from its money market mutual fund investment and from the Cash Collateral Account. As of June 30, 2020, the money market mutual fund's weighted average maturity (WAM) was 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day.

International Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Foreign Currency Risk

The Pool has equity investments, cash, and foreign currency spot contracts that are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of equity investments, cash, and foreign currency spot contracts as of June 30, 2020 are as follows:

Currency	Equity Investments	Cash	Foreign Currency Spot Contracts	Total
Australian Dollar	\$ 82,579	\$ 373	\$ -	\$ 82,952
Brazil Real	61,732	397	-	62,129
British Pound	189,226	409	-	189,635
Canadian Dollar	93,508	70	-	93,578
Chilean Peso	5,906	-	-	5,906
Chinese Yuan	12,809	3,460	-	16,269
Czech Koruna	40	-	-	40
Danish Krone	10,965	3	-	10,968
Emirati Dirham	8,021	10	-	8,031
Euro Currency Unit	354,338	4,828	-	359,166
Hong Kong Dollar	404,086	2,525	-	406,611
Hungarian Forint	14,000	32	-	14,032
Indian Rupee	104,809	1,694	-	106,503
Indonesian Rupiah	30,263	36	-	30,299
Israeli Shekel	7,399	2	-	7,401
Japanese Yen	365,408	2,270	-	367,678
Malaysian Ringgit	10,968	4	-	10,972
Mexican Peso	39,362	42	-	39,404
New Taiwan Dollar	119,629	404	-	120,033
New Zealand Dollar	289	26	-	315
Norwegian Krone	16,412	196	-	16,608
Philippine Peso	7,480	8	-	7,488
Polish Zloty	1,337	-	-	1,337
Qatari Riyal	125	6	-	131
Singapore Dollar	12,316	211	-	12,527
South African Rand	29,989	56	-	30,045
South Korean Won	183,138	1,747	-	184,885
Swedish Krona	79,152	29	-	79,181
Swiss Franc	100,002	46	1	100,049
Thailand Baht	36,076	6	-	36,082
Turkish Lira	11,034	1,711	-	12,745
Total	\$ 2,392,398	\$ 20,601	\$ 1	\$ 2,413,000
U.S. Dollar	981,212	-	-	981,212
Total	\$ 3,373,610	\$ 20,601	\$ 1	\$ 3,394,212

International Equity Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share as the practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2020. The Pool's investment in a commingled equity fund was valued using the net asset value per share, as such they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 2,741,429	\$ -	\$ -	\$ 2,741,429
Money market mutual fund	37,694	-	-	37,694
Preferred stock	42,854	-	-	42,854
Rights	41	-	-	41
Securities lending collateral	19,475	-	-	19,475
Total	<u>\$ 2,841,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,841,493</u>
Commingled equity fund				589,286
Total				<u>\$ 3,430,779</u>

The Pool's commingled equity fund investment was measured at the NAV as of June 30, 2020. The fund invests primarily in Chinese A-Share publicly listed equity securities. The IMB defines the investment style as growth at a reasonable price with limited concentration to any single issuer or sector. Redemptions can be made daily with five international business days advance written notice of the withdrawal date, subject to maximum withdrawal restrictions. The fund will pay withdrawal proceeds within thirty days following the withdrawal date.

International Equity Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2020.

	<u>Fair Value</u>
Securities on loan	\$ 91,320
Collateral received:	
Cash	\$ 19,475
Non-cash	77,712
Total collateral received	<u>\$ 97,187</u>

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

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,425,786
Public Employees' Retirement System	1,269,763
West Virginia Retiree Health Benefit Trust Fund	198,284
Workers' Compensation Old Fund	124,043
State Police Death, Disability and Retirement Fund	121,674
Deputy Sheriff's Retirement System	43,790
Revenue Shortfall Reserve Fund - Part B	41,835
State Police Retirement System	40,508
Judges' Retirement System	39,701
West Virginia Department of Environmental Protection Agency	31,346
Coal Workers' Pneumoconiosis Fund	25,935
Public Employees Insurance Agency	19,678
Board of Risk and Insurance Management	19,416
Emergency Medical Services Retirement System	16,164
Wildlife Endowment Fund	11,608
Workers' Compensation Self-Insured Employer Security Risk Pool	5,981
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,040
Municipal Police Officers' and Firefighters' Retirement System	2,704
West Virginia Department of Environmental Protection Trust	2,252
Workers' Compensation Uninsured Employers' Fund	1,647
Municipal Policemen's or Firemen's Pension and Relief Funds	1,511
Berkeley County Development Authority	1,190
Total	<u>\$ 3,448,856</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020

E



Short-Term Fixed Income Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Short-Term Fixed Income Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board Short-Term Fixed Income Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Short-Term Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst + Young LLP

August 27, 2020

Short-Term Fixed Income Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 642,482	\$ 186,050
Other assets	-	10
Total assets	642,482	186,060
Total liabilities	(25,941)	(30)
Net position	\$ 616,541	\$ 186,030

Short-Term Fixed Income Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the interest rates on short-term fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$430,511 results from net investment income of \$2,210, a decrease from distributions to unitholders of \$2,210, and a net increase from unit transactions of \$430,511.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income	\$ 2,374	\$ 3,489
Expenses	(164)	(138)
Net investment income	2,210	3,351
Distributions to unitholders	(2,210)	(3,351)
Net units issued (redeemed)	430,511	(32,239)
Increase (decrease) in net position	430,511	(32,239)
Net position, beginning of year	186,030	218,269
Net position, end of year	\$ 616,541	\$ 186,030

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was 1.3 percent, down from 2.2 percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 1.00	\$ 1.00
Net investment income	0.01	0.02
Distributions to unitholders	(0.01)	(0.02)
Net position, end of year	\$ 1.00	\$ 1.00

Supplemental Data:		
Ratio of expenses to average net position (a)	0.09%	0.09%
Weighted average maturity (WAM)	32 days	9 days
Maximum WAM per IMB Board guidelines	60 days	60 days
Money market yield (b)	0.02%	2.23%

(a) Ratio is for the fiscal year

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

Short-Term Fixed Income Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at amortized cost:

U.S. Treasury and government agency bonds	\$	540,928
Repurchase agreement		75,658
Money market mutual fund		25,896

Total assets 642,482

Liabilities

Payable for investments purchased		25,895
Accrued expenses		46

Total liabilities 25,941

Net position \$ 616,541

Unit data

Units outstanding		616,540,612
Net position, unit price	\$	1.00

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Changes in Net Position
Year Ended June 30, 2020
(Amounts in thousands)

Investment income	\$ 2,374
Expenses	
Investment advisor fees	(93)
Custodian bank fees	(10)
Management and other allocated fees	<u>(61)</u>
Total expenses	<u>(164)</u>
Net investment income	2,210
Distributions to unitholders	(2,210)
Unit transactions	
Proceeds from sale of units	2,276,645
Reinvestment of distributions	2,210
Amount paid for repurchase of units	<u>(1,848,344)</u>
Net increase from unit transactions	<u>430,511</u>
Increase in net position	430,511
Net position, beginning of year	<u>186,030</u>
Net position, end of year	<u><u>\$ 616,541</u></u>

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation - The IMB reports its investments at amortized cost provided such amounts approximate fair value in accordance with GASB Statements No. 72 and No. 79. The basic premise underlying the use of the amortized cost method of valuation is that high-quality, short-term debt securities held until maturity will eventually return to their amortized cost value, regardless of any current disparity between the amortized cost value and market value, and would not ordinarily be expected to fluctuate significantly in value. The Pool values its securities at amortized cost so long as the deviation between the amortized cost and current market value remains minimal and results in the computation of a share price that represents fairly the stable net position value per share of \$1. Refer to Note 4 for further discussion and presentation of the reporting requirements under GASB Statement No. 72.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian or mutual third party take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

Investment Transactions - Investment transactions are accounted for on a trade date basis. Interest income, including the accretion of discounts and amortization of premiums, is accrued daily as earned. Dividend income is recognized on the ex-dividend date.

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

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2020.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The IMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the Pool must have at least 15 percent of its assets in United States Treasury issues. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. All of the Pool's investments had the highest credit ratings as of June 30, 2020.

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2020, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2020, the Pool held no investments that were subject to custodial credit risk. Repurchase agreements are collateralized at 102 percent and the collateral is held in the name of the IMB. All remaining investments are held by the IMB's custodian in the name of the IMB.

Interest Rate Risk

The weighted average maturity (WAM) of the investments of the Pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the WAM for the different asset types in the Pool as of June 30, 2020:

Investment Type	Carrying Value	WAM (days)
Money market mutual fund	\$ 25,896	1
Repurchase agreement	75,658	1
U.S. Government agency bonds	265,950	48
U.S. Treasury bills	274,978	27
Total investments	\$ 642,482	32

Foreign Currency Risk

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

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investments in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2020:

Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 25,896	\$ -	\$ -	\$ 25,896
Repurchase agreement	-	75,658	-	75,658
U.S. Government agency bonds	-	265,950	-	265,950
U.S. Treasury bills	-	274,978	-	274,978
Total	\$ 25,896	\$ 616,586	\$ -	\$ 642,482

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
Revenue Shortfall Reserve Fund	\$ 272,021
Teachers' Retirement System	118,108
West Virginia Retiree Health Benefit Trust Fund	80,000
Public Employees Insurance Agency	51,000
Workers' Compensation Old Fund	29,276
Public Employees' Retirement System	22,498
State Police Death, Disability and Retirement Fund	13,880
Coal Workers' Pneumoconiosis Fund	12,860
Board of Risk and Insurance Management	7,863
Workers' Compensation Self-Insured Employer Security Risk Pool	2,188
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,486
Workers' Compensation Uninsured Employers' Fund	1,408
State Police Retirement System	1,296
Deputy Sheriff's Retirement System	813
Emergency Medical Services Retirement System	753
Municipal Police Officers' and Firefighters' Retirement System	499
Judges' Retirement System	445
Wildlife Endowment Fund	84
Municipal Policemen's or Firemen's Pension and Relief Funds	63
Total	<u>\$ 616,541</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020

F



Total Return Fixed Income Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Total Return Fixed Income Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board Total Return Fixed Income Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Total Return Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst + Young LLP

August 27, 2020

Total Return Fixed Income Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 2,117,219	\$ 2,101,768
Investment derivatives	27,741	14,796
Other assets	76,592	309,476
Total assets	2,221,552	2,426,040
Investment derivatives and securities sold short	(57,141)	(39,009)
Other liabilities	(54,266)	(167,538)
Total liabilities	(111,407)	(206,547)
Net position	\$ 2,110,145	\$ 2,219,493

Total Return Fixed Income Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$109,348 results from net investment income of \$102,738 and a net decrease from unit transactions of \$212,086.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income	\$ 108,811	\$ 171,499
Expenses	(6,073)	(9,308)
Net investment income	102,738	162,191
Net units redeemed	(212,086)	(308,172)
Decrease in net position	(109,348)	(145,981)
Net position, beginning of year	2,219,493	2,365,474
Net position, end of year	\$ 2,110,145	\$ 2,219,493

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was 5.7 percent, down from 7.4 percent for the year ended June 30, 2019.

Select financial highlights are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 15.79	\$ 14.70
Net investment income	0.90	1.09
Net position, end of year	\$ 16.69	\$ 15.79

Supplemental Data:

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

Total Return Fixed Income Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Fixed income investments	\$ 2,020,516
Derivative instruments	27,741
Money market mutual fund	80,424
Equity investments	12,250
Securities lending collateral	4,029
Cash	10,252
Cash with brokers for derivative contracts	40,381
Receivables:	
Interest, dividends, and other investment income	16,463
Investments sold	9,496
	<hr/>
Total assets	2,221,552

Liabilities

Investments in derivative instruments at fair value	56,615
Securities sold short at fair value	526
Accrued expenses	1,293
Payable for investments purchased	48,944
Payable upon return of securities loaned	4,029
	<hr/>
Total liabilities	111,407
	<hr/>
Net position	\$ 2,110,145

Unit data

Units outstanding	126,458,077
Net position, unit price	<hr/> <hr/> \$ 16.69

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Position

Year Ended June 30, 2020

(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	23,964
Interest, dividends, and other investment income		84,584
Securities lending income		<u>263</u>

Total investment income 108,811

Expenses

Investment advisor fees	(5,038)
Custodian bank fees	(157)
Management and other allocated fees	(712)
Securities lending expenses	<u>(166)</u>

Total expenses (6,073)

Net investment income 102,738

Unit transactions

Proceeds from sale of units	576,335
Amount paid for repurchase of units	<u>(788,421)</u>

Net decrease from unit transactions (212,086)

Decrease in net position (109,348)

Net position, beginning of year 2,219,493

Net position, end of year \$ 2,110,145

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- Fixed income securities are valued according to prices furnished by independent pricing services to the Pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies, commingled debt funds, and other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Credit default, interest rate, and total return swaps are valued at the last settlement price established each day by the exchange on which they are traded, are based on market values received from third parties, or are determined by valuation models.
- Foreign currency forward contracts are valued at the prevailing market exchange rates at month-end.
- Repurchase agreements are valued at cost, provided such amount approximates fair value.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.

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

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income. For international securities, the required collateral is at least 105 percent of the market value of the securities on loan unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned.

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

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Interest rate futures may be used to enhance portfolio yields, manage portfolio duration, or as an alternative investment of cash.

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

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

Foreign Currency Forward Contracts - A foreign currency forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The IMB enters into such contracts to take advantage of the relative changes in currency exchange rates. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform.

Credit Default Swaps - Credit default swaps are agreements between counterparties to transfer the credit risk of referenced debt securities. The buyer of the credit default swap gains protection against a negative credit event such as a default or credit rating downgrade and the seller assumes the credit risk and is obligated to pay upon the occurrence of such an event. Credit default swap agreements are marked-to-market daily. Upfront payments received or made by the Pool on credit default swap agreements are capitalized. Periodic payments received or paid are recorded as interest income. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, in net increase (decrease) in fair value of investments.

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

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

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

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

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

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

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2020.

In certain foreign countries, the Pool's interest income and capital gains may be taxable. Taxes on interest income are generally withheld from the payments and as a result there is no provision recorded for these taxes. In certain cases, there may be a full or partial reclaim available for the withheld taxes. Capital gains taxes, if any, on sales of securities may be assessed and paid concurrent with the sale or upon the filing of a return with the taxing authority. In countries where the IMB is liable for capital gains taxes, the IMB will estimate and accrue a capital gains tax liability for unrealized gains on securities held in such countries. The outstanding reclaims and accrued capital gains taxes are reported on the Statement of Net Position. Interest income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position. The net increase (decrease) in fair value of investments is reported net of capital gains taxes on the Statement of Changes in Net Position.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by a nationally recognized statistical rating organization. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2020:

Rating	Fair Value
AAA / A-1	\$ 21,874
AA	738,758
A	164,334
BBB	526,344
BB	294,094
B	171,134
CCC	16,181
CC	3,822
D	4,354
Withdrawn	6,148
Not rated	73,473
Total fixed income investments	\$ 2,020,516

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2020, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2020, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the IMB. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of the IMB. Investments in commingled debt funds, money market mutual funds, and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the IMB's custodian in the name of the IMB.

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. As of June 30, 2020, the money market mutual fund has a weighted average maturity (WAM) of 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day.

The IMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The following table provides the weighted average effective duration for the various asset types in the Pool as of June 30, 2020:

Investment Type	Fair Value	Effective Duration (years)
Commingled debt funds	\$ 206,712	3.1
Corporate asset backed issues	54,349	1.2
Corporate CMO	59,639	0.9
Corporate CMO interest-only	138	0.5
Foreign asset backed issues	28,152	0.5
Foreign corporate bonds	264,553	5.3
Foreign government bonds	251,488	5.1
Municipal bonds	33,423	9.9
U.S. corporate bonds	495,554	9.4
U.S. Government agency bonds	1,530	0.0*
U.S. Government agency CMO	77,429	1.7
U.S. Government agency CMO interest-only	6,955	6.8
U.S. Government agency MBS	222,696	2.0
U.S. Government agency TBAs	2,599	0.7
U.S. Treasury bonds	209,690	14.4
U.S. Treasury inflation protected securities	105,609	18.8
Total fixed income investments	\$ 2,020,516	

*Rounds to less than 0.05

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2020, the Pool held \$451,957 of these securities. This represents approximately 22 percent of the value of the Pool's fixed income securities.

Foreign Currency Risk

The Pool has foreign fixed income, foreign equity investments, and cash that is denominated in foreign currencies and exposed to foreign currency risks. Foreign denominated derivative investments are disclosed in Note 4. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled debt funds. Approximately \$42,799, or 21 percent, of the commingled debt funds hold substantially all of their investments in securities denominated in foreign currencies. This represents approximately 2 percent of the value of the Pool's fixed income securities.

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2020, are as follows:

Currency	Foreign Fixed Income	FX Spot	Cash	Total
Argentine Peso	\$ 5,597	\$ -	\$ 1,770	\$ 7,367
Australian Dollar	-	-	2,350	2,350
Belarusian Ruble	1,819	-	-	1,819
Brazil Real	30,899	-	52	30,951
British Pound	15,154	-	2,690	17,844
Canadian Dollar	-	-	(858)	(858)
Colombian Peso	4,620	-	-	4,620
Deutsche Mark	640	-	-	640
Dominican Peso	2,923	-	-	2,923
Egyptian Pound	2,647	-	3	2,650
Euro Currency Unit	5,948	-	3,823	9,771
Ghana Cedi	2,357	-	-	2,357
Indonesian Rupiah	2,713	-	-	2,713
Japanese Yen	49,050	-	6,419	55,469
Kazakhstani Tenge	681	-	-	681
Kenyan Shilling	3,001	-	-	3,001
Mexican Peso	21,785	6	(2,107)	19,684
New Zealand Dollar	-	-	758	758
Peruvian Nuevo Sol	1,812	-	-	1,812
Russian Ruble	31,249	-	856	32,105
South African Rand	5,707	-	1	5,708
Swedish Krona	-	-	477	477
Turkish Lira	-	-	1	1
Uruguayan Peso	5,050	-	-	5,050
Total foreign denominated investments	\$ 193,652	\$ 6	\$ 16,235	\$ 209,893
U.S. Dollar	350,541	-	34,398	384,939
Total	\$ 544,193	\$ 6	\$ 50,633	\$ 594,832

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool include foreign exchange contracts, futures, options, credit default swaps, interest rate swaps, and total return swaps. None of these derivative financial instruments are designated as hedging instruments under GASB Statement No. 53; they are used to implement portfolio strategy, capture valuation opportunities, and to exploit market inefficiencies. The primary risks managed by using these derivative financial instruments include interest rate, foreign exchange rate, and market price risks. See Note 2 for additional information on the Pool's purpose for entering into derivatives and for discussion on the risks associated with investing in these derivatives.

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

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below presents the fair value and the year to date net increase (decrease) in fair value of derivative financial instruments outstanding as of and for the year ended June 30, 2020:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments	Notional Value (in USD)
Forwards:			
Foreign currency forward contracts	\$ (1,269)	\$ 9,322	\$ 120,430
Futures contracts:			
Fixed income futures long	1,123	63,550	361,971
Fixed income futures short	(12,275)	(65,150)	(1,309,069)
Options contracts:			
Fixed income options purchased	94	(15,200)	57,701
Fixed income options written	(525)	16,892	64,957
Credit default swaptions purchased	346	(335)	7,504
Credit default swaptions written	(354)	772	10,453
Interest rate swaptions purchased	1	(264)	71
Interest rate swaptions written	-	344	2
Swaps:			
Credit default swaps protection buyer	(370)	7,870	64,415
Credit default swaps protection seller	(153)	2,058	21,311
Interest rate swaps	(15,492)	(27,942)	879,081
Total return swaps	-	5,237	-
Total derivatives	<u>\$ (28,874)</u>	<u>\$ (2,846)</u>	

Credit Risk

For financial reporting purposes, the Pool does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Net Position. The following table presents the Pool's derivative assets net of amounts available for offset under a netting provision and net of related collateral received by the Pool as of June 30, 2020:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency forwards	\$ 703	\$ (668)	\$ -	\$ -	\$ 35
Swaptions	347	(346)	-	-	1
Swaps	2,609	(2,275)	(298)	-	36
	<u>\$ 3,659</u>	<u>\$ (3,289)</u>	<u>\$ (298)</u>	<u>\$ -</u>	<u>\$ 72</u>

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

The following table provides the credit ratings for the Pool's derivative investments that are subject to counterparty credit risk as of June 30, 2020:

Derivative Type	Counterparty Rating	Fair Value
Foreign currency forward contracts	A	\$ 15
Foreign currency forward contracts	BBB	1,039
Credit default swaptions purchased	BBB	346
Interest rate swaptions purchased	BBB	1

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The following table provides the time to maturity for investment derivatives that are subject to interest rate risk as of June 30, 2020:

Derivative Type	Fair Value	Investment Maturities (in years)			
		Under-1	1-5	6-10	10+
Futures contracts:					
Fixed income futures long	\$ 1,123	\$ 1,123	\$ -	\$ -	\$ -
Fixed income futures short	(12,275)	(10,486)	(1,789)	-	-
Options contracts:					
Fixed income options purchased	94	94	-	-	-
Fixed income options written	(525)	(525)	-	-	-
Interest rate swaptions written	1	1	-	-	-
Swaps:					
Interest rate swaps	(15,492)	-	2,702	(4,841)	(13,535)
	<u>\$ (27,074)</u>	<u>\$ (9,793)</u>	<u>\$ 913</u>	<u>\$ (4,841)</u>	<u>\$ (13,535)</u>

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

At June 30, 2020, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Maturity Date	Reference Rate	Notional	Fair Value
11/30/2024	Receive Fixed 0.10%, Pay Floating Fed Funds	\$ 30,705	\$ 61
8/31/2024	Receive Fixed 0.38%, Pay Floating 3-Month Libor	60,978	273
3/23/2022	Receive Fixed 0.60%, Pay Floating 3-Month Libor	192,785	1,233
3/23/2025	Receive Fixed 0.70%, Pay Floating 3-Month Libor	112,300	2,090
3/24/2027	Receive Fixed 0.77%, Pay Floating 3-Month Libor	36,730	803
2/15/2027	Receive Floating 3-Month Libor, Pay Fixed 0.75%	41,798	(864)
3/18/2050	Receive Floating 3-Month Libor, Pay Fixed 0.79%	2,063	72
3/19/2050	Receive Floating 3-Month Libor, Pay Fixed 0.82%	2,048	57
3/17/2050	Receive Floating 3-Month Libor, Pay Fixed 0.90%	4,023	22
8/15/2024	Receive Floating 3-Month Libor, Pay Fixed 1.50%	55,290	(2,797)
7/31/2026	Receive Floating 3-Month Libor, Pay Fixed 1.52%	30,939	(2,092)
6/30/2026	Receive Floating 3-Month Libor, Pay Fixed 1.55%	67,977	(4,708)
11/15/2026	Receive Floating 3-Month Libor, Pay Fixed 1.60%	29,220	(2,187)
11/15/2026	Receive Floating 3-Month Libor, Pay Fixed 1.65%	10,852	(847)
11/15/2044	Receive Floating 3-Month Libor, Pay Fixed 1.81%	6,079	(1,248)
11/15/2044	Receive Floating 3-Month Libor, Pay Fixed 1.85%	8,256	(1,770)
5/15/2044	Receive Floating 3-Month Libor, Pay Fixed 2.88%	10,941	(4,816)
5/15/2027	Receive Floating Fed Funds, Pay Fixed 0.26%	37,177	(93)
		<u>\$ 740,161</u>	<u>\$ (16,811)</u>

At June 30, 2020, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Maturity Date	Reference Rate	Notional (in USD)	Fair Value
8/13/2024	Receive Fixed 1.55%, Pay Floating 3-Month CAD CDOR	\$ 53,590	\$ 1,842
1/4/2027	Receive Fixed 7.02%, Pay Floating Brazil CDI	6,306	268
1/4/2027	Receive Fixed 7.04%, Pay Floating Brazil CDI	1,512	66
7/20/2029	Receive Fixed 7.44%, Pay Floating MXN TIE	17,300	2,448
7/18/2029	Receive Fixed 7.45%, Pay Floating MXN TIE	16,620	2,365
4/19/2047	Receive Floating 6-Month JPY Libor, Pay Fixed 0.79%	43,592	(5,670)
		<u>\$ 138,920</u>	<u>\$ 1,319</u>

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

The Pool has foreign currency forward contracts, futures contracts, and swap contracts that are denominated in foreign currencies and exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of derivative investments in foreign currencies as of June 30, 2020, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ (67)	\$ -	\$ -	\$ (67)
Brazil Real	663	-	334	997
British Pound	49	(90)	-	(41)
Canadian Dollar	-	-	1,842	1,842
Euro Currency Unit	22	(48)	(62)	(88)
Japanese Yen	(289)	-	(5,670)	(5,959)
Mexican Peso	7	-	4,813	4,820
Russian Ruble	(1,654)	-	-	(1,654)
Total foreign denominated derivatives	\$ (1,269)	\$ (138)	\$ 1,257	\$ (150)
U.S. Dollar	-	(11,014)	(17,272)	(28,286)
Total	\$ (1,269)	\$ (11,152)	\$ (16,015)	\$ (28,436)

NOTE 5. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

Total Return Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 5. FAIR VALUE MEASUREMENTS (continued)

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2020. The Pool's investments in commingled debt funds were valued using the net asset value per share, as such they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
Corporate ABS residual	\$ -	\$ 1,943	\$ -	\$ 1,943
Corporate asset backed issues	-	54,349	-	54,349
Corporate CMO	-	59,639	-	59,639
Corporate CMO interest-only	-	138	-	138
Corporate preferred securities	10,307	-	-	10,307
Foreign asset backed issues	-	28,152	-	28,152
Foreign corporate bonds	-	264,553	-	264,553
Foreign currency forward contracts	-	1,054	-	1,054
Foreign government bonds	-	251,488	-	251,488
Futures contracts	1,457	-	-	1,457
Money market mutual fund	80,424	-	-	80,424
Municipal bonds	-	33,423	-	33,423
Options contracts purchased	94	347	-	441
Securities lending collateral	4,029	-	-	4,029
Swaps	-	24,789	-	24,789
U.S. corporate bonds	-	495,554	-	495,554
U.S. Government agency bonds	-	1,530	-	1,530
U.S. Government agency CMO	-	77,429	-	77,429
U.S. Government agency CMO interest-only	-	6,955	-	6,955
U.S. Government agency MBS	-	222,696	-	222,696
U.S. Government agency TBAs	-	2,599	-	2,599
U.S. Treasury bonds	-	209,690	-	209,690
U.S. Treasury inflation protected securities	-	105,609	-	105,609
Total	<u>\$ 96,311</u>	<u>\$ 1,841,937</u>	<u>\$ -</u>	<u>\$ 1,938,248</u>
Commingled debt funds				206,712
Total				<u>\$ 2,144,960</u>
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	\$ -	\$ (2,323)	\$ -	\$ (2,323)
Futures contracts	(12,609)	-	-	(12,609)
Options contracts written	(525)	(354)	-	(879)
Securities sold short	-	(526)	-	(526)
Swaps	-	(40,804)	-	(40,804)
Total	<u>\$ (13,134)</u>	<u>\$ (44,007)</u>	<u>\$ -</u>	<u>\$ (57,141)</u>

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2020. These commingled debt funds invest in certain niche sectors, particularly those that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2020:

	<u>Fair Value</u>
Securities on loan	\$ 123,591
Collateral received:	
Cash	\$ 4,029
Non-cash	122,238
Total collateral received	<u>\$ 126,267</u>

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

NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 616,988
Public Employees' Retirement System	561,216
Workers' Compensation Old Fund	284,974
Revenue Shortfall Reserve Fund - Part B	189,529
West Virginia Retiree Health Benefit Trust Fund	100,930
Public Employees Insurance Agency	58,208
West Virginia Department of Environmental Protection Agency	55,505
Coal Workers' Pneumoconiosis Fund	53,316
State Police Death, Disability and Retirement Fund	51,961
Board of Risk and Insurance Management	40,013
Deputy Sheriff's Retirement System	20,157
State Police Retirement System	19,113
Judges' Retirement System	17,942
Workers' Compensation Self-Insured Employer Security Risk Pool	12,264
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	8,296
Emergency Medical Services Retirement System	7,514
Wildlife Endowment Fund	5,269
Workers' Compensation Uninsured Employers' Fund	2,883
Municipal Police Officers' and Firefighters' Retirement System	1,330
Municipal Policemen's or Firemen's Pension and Relief Funds	1,317
West Virginia Department of Environmental Protection Trust	866
Berkeley County Development Authority	554
Total	<u>\$ 2,110,145</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020

G

CORE FIXED INCOME POOL



Core Fixed Income Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Core Fixed Income Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board Core Fixed Income Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Core Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst & Young LLP

August 27, 2020

Core Fixed Income Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 934,921	\$ 987,113
Other assets	4,093	39,313
Total assets	939,014	1,026,426
Total liabilities	(12,765)	(58,218)
Net position	\$ 926,249	\$ 968,208

Core Fixed Income Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$41,959 results from net investment income of \$83,918 and a net decrease from unit transactions of \$125,877.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income	\$ 85,470	\$ 81,950
Expenses	(1,552)	(3,578)
Net investment income	83,918	78,372
Net units redeemed	(125,877)	(152,174)
Decrease in net position	(41,959)	(73,802)
Net position, beginning of year	968,208	1,042,010
Net position, end of year	\$ 926,249	\$ 968,208

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was 8.9 percent, up from 8.3 percent for the year ended June 30, 2019.

Select financial highlights are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 11.66	\$ 10.77
Net investment income	1.04	0.89
Net position, end of year	\$ 12.70	\$ 11.66

Supplemental Data:

Ratio of expenses to average net position (a)	0.14%	0.15%
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(a) The ratio is for the fiscal year and excludes securities lending expenses.

Core Fixed Income Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:		
Fixed income investments	\$	919,104
Money market mutual fund		10,949
Securities lending collateral		4,868
Receivables:		
Interest, dividends, and other investment income		3,989
Investments sold		104
		<hr/>
Total assets		939,014

Liabilities

Accrued expenses		326
Payable for investments purchased		7,571
Payable upon return of securities loaned		4,868
		<hr/>
Total liabilities		12,765
		<hr/>
Net position	\$	926,249
		<hr/> <hr/>

Unit data

Units outstanding		72,908,185
Net position, unit price	\$	12.70
		<hr/> <hr/>

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Changes in Net Position
Year Ended June 30, 2020
(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	53,546
Interest, dividends, and other investment income		31,772
Securities lending income		<u>152</u>

Total investment income 85,470

Expenses

Investment advisor fees	(1,083)
Custodian bank fees	(38)
Management and other allocated fees	(309)
Securities lending expenses	<u>(122)</u>

Total expenses (1,552)

Net investment income 83,918

Unit transactions

Proceeds from sale of units	309,330
Amount paid for repurchase of units	<u>(435,207)</u>

Net decrease from unit transactions (125,877)

Decrease in net position (41,959)

Net position, beginning of year 968,208

Net position, end of year \$ 926,249

See accompanying notes to financial statements.

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income.

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

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

Asset-Backed Securities - The Pool invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

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

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

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

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

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2020.

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by a nationally recognized statistical rating organization. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2020:

Rating	Fair Value
AAA	\$ 47,882
AA	535,867
A	83,021
BBB	171,799
BB	5,281
B	768
CCC	241
D	94
Withdrawn	11,132
Not rated	63,019
Total fixed income investments	<u>\$ 919,104</u>

Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2020, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2020, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the IMB's custodian in the name of the IMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the IMB's custodian in the name of the IMB.

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. As of June 30, 2020, the money market mutual fund has a weighted average maturity (WAM) of 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day.

The IMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation considers the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30, 2020:

Investment Type	Fair Value	Effective Duration (years)
Corporate asset backed issues	\$ 104,830	1.6
Corporate CMO	46,117	3.4
Corporate CMO interest-only	212	(13.6)
Corporate CMO principal-only	64	4.6
Foreign asset backed issues	2,168	2.8
Foreign corporate bonds	61,479	6.5
Foreign government bonds	5,870	9.3
Municipal bonds	12,331	14.5
U.S. corporate bonds	189,911	9.3
U.S. Government agency bonds	3,100	0.5
U.S. Government agency CMO	98,050	4.4
U.S. Government agency CMO interest-only	2,144	8.8
U.S. Government agency CMO principal-only	4,409	5.2
U.S. Government agency MBS	180,583	4.6
U.S. Government agency TBAs	5,924	3.1
U.S. Treasury bonds	201,453	7.8
U.S. Treasury inflation protected securities	459	0.9
Total fixed income investments	<u>\$ 919,104</u>	

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2020, the Pool held \$444,501 of these securities. This represents approximately 48 percent of the value of the Pool's fixed income securities.

Foreign Currency Risk

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

Core Fixed Income Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2020:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 104,830	\$ -	\$ 104,830
Corporate CMO	-	46,117	-	46,117
Corporate CMO interest-only	-	212	-	212
Corporate CMO principal-only	-	64	-	64
Foreign asset backed issues	-	2,168	-	2,168
Foreign corporate bonds	-	61,479	-	61,479
Foreign government bonds	-	5,870	-	5,870
Money market mutual fund	10,949	-	-	10,949
Municipal bonds	-	12,331	-	12,331
Securities lending collateral	4,868	-	-	4,868
U.S. corporate bonds	-	189,911	-	189,911
U.S. Government agency bonds	-	3,100	-	3,100
U.S. Government agency CMO	-	98,050	-	98,050
U.S. Government agency CMO interest-only	-	2,144	-	2,144
U.S. Government agency CMO principal-only	-	4,409	-	4,409
U.S. Government agency MBS	-	180,583	-	180,583
U.S. Government agency TBAs	-	5,924	-	5,924
U.S. Treasury bonds	-	201,453	-	201,453
U.S. Treasury inflation protected securities	-	459	-	459
Total	<u>\$ 15,817</u>	<u>\$ 919,104</u>	<u>\$ -</u>	<u>\$ 934,921</u>

Core Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2020:

	Fair Value
Securities on loan	\$ 64,023
Collateral received:	
Cash	\$ 4,868
Non-cash	60,788
Total collateral received	\$ 65,656

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

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

Participant	Account Value
Teachers' Retirement System	\$ 275,831
Public Employees' Retirement System	252,421
Workers' Compensation Old Fund	122,947
Revenue Shortfall Reserve Fund - Part B	79,490
West Virginia Retiree Health Benefit Trust Fund	43,026
Public Employees Insurance Agency	24,557
West Virginia Department of Environmental Protection Agency	23,326
State Police Death, Disability and Retirement Fund	22,543
Coal Workers' Pneumoconiosis Fund	22,466
Board of Risk and Insurance Management	16,907
Deputy Sheriff's Retirement System	8,976
State Police Retirement System	8,425
Judges' Retirement System	8,010
Workers' Compensation Self-Insured Employer Security Risk Pool	5,238
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,540
Emergency Medical Services Retirement System	3,273
Wildlife Endowment Fund	2,269
Workers' Compensation Uninsured Employers' Fund	1,245
Municipal Police Officers' and Firefighters' Retirement System	593
Municipal Policemen's or Firemen's Pension and Relief Funds	562
West Virginia Department of Environmental Protection Trust	366
Berkeley County Development Authority	238
Total	\$ 926,249

AUDITED FINANCIAL STATEMENTS
June 30, 2020



TIPS Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board TIPS Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board TIPS Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the TIPS Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst + Young LLP

August 27, 2020

TIPS Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 290,667	\$ 403,343
Other assets	-	1
Total assets	290,667	403,344
Total liabilities	(33)	(34)
Net position	\$ 290,634	\$ 403,310

TIPS Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the movement of interest rates of the U.S. Treasury securities held in the index referenced above. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$112,676 results from net investment income of \$32,175, and a net decrease from unit transactions of \$144,851.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income	\$ 32,374	\$ 18,876
Expenses	(199)	(188)
Net investment income	32,175	18,688
Net units redeemed	(144,851)	(6,612)
Increase (decrease) in net position	(112,676)	12,076
Net position, beginning of year	403,310	391,234
Net position, end of year	\$ 290,634	\$ 403,310

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was 8.4 percent, up from 4.9 percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 11.97	\$ 11.41
Net investment income	1.01	0.56
Net position, end of year	\$ 12.98	\$ 11.97

Supplemental Data:

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

TIPS Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:

Commingled bond fund

\$ 290,665

Money market mutual fund

2

Total assets

290,667

Liabilities

Accrued expenses

33

Net position

\$ 290,634

Unit data

Units outstanding

22,398,410

Net position, unit price

\$ 12.98

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Position
Year Ended June 30, 2020
(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$ 32,372
Dividend income	<u>2</u>
Total investment income	32,374

Expenses

Investment advisor fees	(69)
Custodian bank fees	(2)
Management and other allocated fees	<u>(128)</u>
Total expenses	<u>(199)</u>
Net investment income	32,175

Unit transactions

Proceeds from sale of units	43,968
Amount paid for repurchase of units	<u>(188,819)</u>
Net decrease from unit transactions	<u>(144,851)</u>
Decrease in net position	(112,676)
Net position, beginning of year	<u>403,310</u>
Net position, end of year	<u><u>\$ 290,634</u></u>

See accompanying notes to financial statements.

TIPS Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

TIPS Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2020.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool invests in a commingled bond fund that holds primarily U.S. Treasury inflation protected securities and a money market mutual fund. These investments are exposed to credit and interest rate risk. The commingled bond fund is not rated by a nationally recognized statistical rating organization and the money market mutual fund has the highest credit rating. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. As of June 30, 2020, the commingled bond fund had an effective duration of 7.68 years. Interest rate risk of the money market mutual fund is measured by weighted average maturity (WAM). As of June 30, 2020, the fund's WAM was 53 days. The Pool is not exposed to concentration of credit risk, custodial credit risk, or foreign currency risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2020:

Assets	Level 1	Level 2	Level 3	Total
Commingled bond fund	\$ 290,665	\$ -	\$ -	\$ 290,665
Money market mutual fund	2	-	-	2
Total	\$ 290,667	\$ -	\$ -	\$ 290,667

TIPS Pool

Notes to Financial Statements

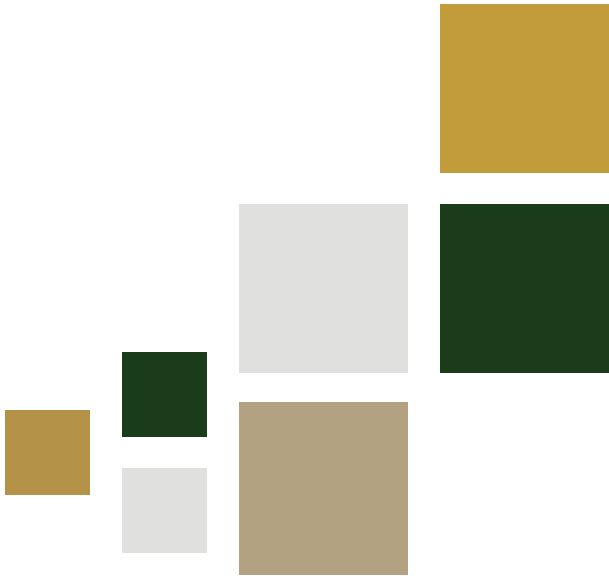
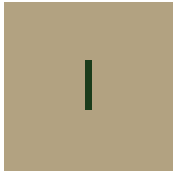
(Amounts in thousands)

NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
Revenue Shortfall Reserve Fund - Part B	\$ 108,995
Workers' Compensation Old Fund	102,620
Public Employees Insurance Agency	30,849
Coal Workers' Pneumoconiosis Fund	22,242
Board of Risk and Insurance Management	16,161
Workers' Compensation Self-Insured Employer Security Risk Pool	5,018
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,378
Workers' Compensation Uninsured Employers' Fund	1,371
Total	<u>\$ 290,634</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020



Private Markets Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Private Markets Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board Private Markets Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Private Markets Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst + Young LLP

September 18, 2020

Private Markets Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 4,801,594	\$ 4,453,602
Other assets	13,687	26,335
Total assets	4,815,281	4,479,937
Total liabilities	(7,736)	(7,832)
Net position	\$ 4,807,545	\$ 4,472,105

Private Markets Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the global investment markets. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$335,440 results from net investment income of \$333,679 and a net increase from unit transactions of \$1,761.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income	\$ 343,989	\$ 521,608
Expenses	(10,310)	(11,689)
Net investment income	333,679	509,919
Net units issued (redeemed)	1,761	(189,314)
Increase in net position	335,440	320,605
Net position, beginning of year	4,472,105	4,151,500
Net position, end of year	\$ 4,807,545	\$ 4,472,105

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was 7.5 percent, down from 12.8 percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 19.28	\$ 17.09
Net investment income	1.44	2.19
Net position, end of year	\$ 20.72	\$ 19.28

Supplemental Data:

Ratio of expenses to average net position (a)	0.23%	0.28%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

Private Markets Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:	
Alternative investments	\$ 4,521,340
Equity investments	126,496
Fixed income investments	10,110
Money market mutual fund	139,391
Securities lending collateral	4,257
Cash	27
Receivables:	
Investments sold	1,973
Income distributions from real estate limited partnerships and funds	10,983
Interest, dividends, and other investment income	704
	<hr/>
Total assets	4,815,281

Liabilities

Accrued expenses	2,044
Payable for investments purchased	1,435
Payable upon return of securities loaned	4,257
	<hr/>
Total liabilities	7,736
	<hr/>
Net position	\$ 4,807,545

Unit data

Units outstanding	231,986,271
Net position, unit price	<hr/> <hr/> \$ 20.72

See accompanying notes to financial statements.

Private Markets Pool

Statement of Changes in Net Position Year Ended June 30, 2020 (Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	216,771
Income from partnerships and funds		119,802
Interest, dividends, and other investment income		7,196
Fund closing interest		165
Securities lending income		<u>55</u>

Total investment income 343,989

Expenses

Investment advisor fees		(1,067)
Custodian bank fees		(43)
Management and other allocated fees		(1,401)
Professional service fees - direct		(1,645)
Management fees - external		(6,065)
Fund closing costs		(83)
Securities lending expenses		<u>(6)</u>

Total expenses (10,310)

Net investment income 333,679

Unit transactions

Proceeds from sale of units		291,941
Amount paid for repurchase of units		<u>(290,180)</u>

Net increase from unit transactions 1,761

Increase in net position 335,440

Net position, beginning of year 4,472,105

Net position, end of year \$ 4,807,545

See accompanying notes to financial statements.

Private Markets Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- Investments in private equity partnerships, real estate limited partnerships and funds, opportunistic income funds, and other private funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the general partners or fund administrators approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the IMB's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value as of June 30, 2020.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. Dollars using period end spot market exchange rates as supplied by the Pool's custodian.

Private Markets Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Securities Lending - The IMB, through its lending agent, loans securities of the Pool to various brokers on a temporary basis. Through August 2019, BNYM served as the IMB's lending agent. In January 2020, the IMB signed a Securities Lending Authorization Agreement (SLAA) with NT, which authorized them to serve as the IMB's lending agent. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income, if applicable. For international securities, the required percentage is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. Loans of equity securities may also be collateralized by equity securities and the required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned.

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

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

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

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

Private Markets Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Spot Contracts - A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. These contracts, when entered into, correspond to investment transactions trading in foreign currencies. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month end.

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

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

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

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

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

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

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

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal and state income taxes is required as of June 30, 2020.

In certain foreign countries the Pool's dividend income and capital gains may be taxable. Such taxes are generally withheld from the payments of these types of income and as a result there is no provision recorded for these taxes. In certain cases there may be a full or partial reclaim available for the withheld taxes. The outstanding reclaims are reported on the Statement of Net Position. Dividend income is reported net of non-reclaimable taxes withheld on the Statement of Changes in Net Position.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, investments in unrated opportunistic income funds, and the Cash Collateral Account. The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by a nationally recognized statistical rating organization. The IMB reviews available ratings from Standard & Poor's and Moody's, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated. Credit risk associated with the unrated opportunistic income funds are limited by requiring that underlying fund holdings are at least 90 percent collateralized by one or more assets of the issuer.

Private Markets Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2020:

Rating	Fair Value
BBB	\$ 9,310
BB	500
B	300
Total fixed income investments	<u>\$ 10,110</u>

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2020, the Pool held no securities that were directly subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the IMB's custodian in the name of the IMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. The alternative investments are not considered securities for the purposes of custodian credit risk. All remaining securities are held by the IMB's custodian in the name of the IMB.

Interest Rate Risk

The Pool is exposed to interest rate risk through its investments in U.S. corporate bonds, opportunistic income funds, the money market mutual fund, and the Cash Collateral Account. The IMB monitors interest rate risk of U.S. corporate bonds by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds. As of June 30, 2020, the effective duration for U.S. corporate bonds was 5.4 years. The IMB manages interest rate risk of the opportunistic income funds by requiring at least 80 percent of the opportunistic income fund holdings that mature in more than one year to have variable or floating interest rate structures. As of June 30, 2020, the money market mutual fund has a weighted average maturity (WAM) of 53 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2020, the WAM for the Cash Collateral Account was 1 day.

Private Markets Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

Foreign Currency Risk

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

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2020, are as follows:

Currency	Foreign Common Stock	Real Estate Limited Partnerships and Funds	Cash	Total
Australian Dollar	\$ 2,959	\$ -	\$ -	\$ 2,959
British Pound	2,866	-	-	2,866
Canadian Dollar	1,377	28,173	-	29,550
Euro Currency Unit	8,667	112,190	-	120,857
Hong Kong Dollar	5,021	-	-	5,021
Japanese Yen	8,961	-	27	8,988
Norwegian Krone	317	-	-	317
Singapore Dollar	2,352	-	-	2,352
Swedish Krona	875	-	-	875
Total foreign denominated investments	\$ 33,395	\$ 140,363	\$ 27	\$ 173,785
U.S. Dollar	857	1,649,901	-	1,650,758
Total	\$ 34,252	\$ 1,790,264	\$ 27	\$ 1,824,543

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities with redemption terms that are not short term.

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

Private Markets Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2020. All of the Pool's investments in private equity partnerships, real estate limited partnerships and funds, opportunistic income funds, and other private funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy table.

Assets	Level 1	Level 2	Level 3	Total
Foreign common stock	\$ 34,252	\$ -	\$ -	\$ 34,252
Money market mutual fund	139,391	-	-	139,391
Securities lending collateral	4,257	-	-	4,257
U.S. common stock	78,239	-	-	78,239
U.S. corporate bonds	-	10,110	-	10,110
U.S. preferred stock	14,005	-	-	14,005
Total	<u>\$ 270,144</u>	<u>\$ 10,110</u>	<u>\$ -</u>	<u>\$ 280,254</u>
Opportunistic income funds				632,804
Private equity partnerships				2,098,272
Real estate limited partnerships and funds				1,790,264
Total				<u>\$ 4,801,594</u>

The following table presents information on investments measured at the NAV as of June 30, 2020:

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range (a)	Redemption Frequency	Redemption Notice Period
Opportunistic income:					
Middle Market Loan Funds (b)	\$ 307,212	\$ 55,900	N/A	N/A	N/A
Real Estate Income Funds (c)	325,592	160,571	2021 to 2029	Quarterly	45 days
Private equity partnerships:					
Corporate Finance - Buyout (d)	1,332,980	695,381	2020 to 2034	N/A	N/A
Corporate Finance - Distressed Debt (e)	55,928	14,724	2020 to 2021	N/A	N/A
Corporate Finance - Growth Equity (f)	93,972	52,354	2021 to 2029	N/A	N/A
Corporate Finance - Hard Assets (g)	76,986	48,861	2020 to 2028	N/A	N/A
Corporate Finance - Mezzanine (h)	70,029	50,039	2020 to 2028	N/A	N/A
Corporate Finance - Turnaround (i)	77,999	97,072	2020 to 2031	N/A	N/A
Venture Capital (j)	390,378	96,443	2023 to 2034	N/A	N/A
Real estate limited partnerships and funds:					
Core Funds (k)	991,050	79,961	2020 to 2022	Quarterly	30-60 days
Opportunistic Funds (l)	297,629	189,854	2020 to 2029	N/A	N/A
Value Funds (m)	501,585	450,519	2020 to 2031	N/A	N/A
Total	<u>\$ 4,521,340</u>	<u>\$ 1,991,679</u>			

- (a) Investments without standard redemption frequencies cannot be redeemed until termination of the partnership.
- (b) Middle Market Loan Funds seek to generate current income while preserving capital primarily through investments in senior secured loans to middle market companies domiciled in North America.
- (c) Real Estate Income Funds invest in U.S. commercial real estate mortgage and debt investments.
- (d) Corporate Finance - Buyout funds acquire controlling or influential interests in companies.
- (e) Corporate Finance - Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.

Private Markets Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

- (f) Corporate Finance - Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.
- (g) Corporate Finance – Hard Assets funds acquire controlling or influential interests in companies operating in natural resources or infrastructure.
- (h) Corporate Finance - Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another fund.
- (i) Corporate Finance - Turnaround funds acquire the debt and or equity of companies experiencing operational or financial distress in order to radically reorganize and improve the business.
- (j) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.
- (k) Core Funds are more conservative real estate investments that use a very modest level of financing to acquire and hold high-quality, stable properties typically located in major markets. These assets tend to have high occupancy rates, higher credit tenants, and staggered lease terms, with a number of long-term leases expiring in five-to-ten years.
- (l) Opportunistic Funds have higher risk/return profiles and have broad strategies to achieve these types of returns. Common strategies are properties that need significant rehabilitation or a total redevelopment to transition to a different type of property (for example, converting an office building to condominiums). It may also include new development, distressed debt strategies, and more complex transactions, as well as a more traditional value-add strategy that is financed with a higher amount of leverage.
- (m) Value Funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manager believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2020:

	<u>Fair Value</u>
Securities on loan	\$ 16,555
Collateral received:	
Cash	\$ 4,257
Non-cash	12,895
Total collateral received	<u>\$ 17,152</u>

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

Private Markets Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 2,177,942
Public Employees' Retirement System	1,932,867
West Virginia Retiree Health Benefit Trust Fund	273,197
State Police Death, Disability and Retirement Fund	189,943
Deputy Sheriff's Retirement System	65,968
Judges' Retirement System	59,992
State Police Retirement System	59,552
Emergency Medical Services Retirement System	24,151
Wildlife Endowment Fund	17,612
Municipal Police Officers' and Firefighters' Retirement System	3,584
Berkeley County Development Authority	1,756
Municipal Policemen's or Firemen's Pension and Relief Funds	981
Total	<u>\$ 4,807,545</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020

J

HEDGE FUND POOL



Hedge Fund Pool

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

To the Board of Trustees
West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Hedge Fund Pool (the Pool) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Investment Management Board Hedge Fund Pool at June 30, 2020, and the changes in its financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1, the financial statements present only the Hedge Fund Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2020, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Required Supplementary Information

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

Ernst + Young LLP

August 27, 2020

Hedge Fund Pool

Management Discussion and Analysis (Unaudited)

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

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

Financial Statement Overview

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

Pool Strategy

The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 500 basis points.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2020 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

Condensed Net Position	June 30, 2020	June 30, 2019
Investments	\$ 1,893,324	\$ 2,082,274
Other assets	140,951	289,987
Total assets	2,034,275	2,372,261
Total liabilities	(187)	(228)
Net position	\$ 2,034,088	\$ 2,372,033

Hedge Fund Pool

Management Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the global investment markets. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$337,945 results from net investment income of \$3,004 and a net decrease from unit transactions of \$340,949.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2020	June 30, 2019
Investment income	\$ 4,105	\$ 57,353
Expenses	(1,101)	(1,161)
Net investment income	3,004	56,192
Net units issued (redeemed)	(340,949)	75,683
Increase (decrease) in net position	(337,945)	131,875
Net position, beginning of year	2,372,033	2,240,158
Net position, end of year	\$ 2,034,088	\$ 2,372,033

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

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2020 was 0.0 percent, down from 2.5 percent for the year ended June 30, 2019.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2020	June 30, 2019
Net position, beginning of year	\$ 15.30	\$ 14.93
Net investment income	0.00 (a)	0.37
Net position, end of year	\$ 15.30	\$ 15.30

Supplemental Data:		
Ratio of expenses to average net position (b)	0.05%	0.05%

(a) Amount is rounded for reporting purposes. Per share amount is less than \$0.01.

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

Hedge Fund Pool

Statement of Net Position

June 30, 2020

(Amounts in thousands, except unit data)

Assets

Investments, at fair value:

Hedge funds \$ 1,893,312

Money market mutual fund 12

Advance on investments in hedge funds 105,000

Receivables:

Investment funds redeemed 35,799

Interest and dividends 152

Total assets 2,034,275

Liabilities

Accrued expenses 187

Net position \$ 2,034,088

Unit data

Units outstanding 132,977,203

Net position, unit price \$ 15.30

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Position
Year Ended June 30, 2020
(Amounts in thousands)

Investment income

Net increase in fair value of investments	\$	3,651
Interest, dividends, and other investment income		<u>454</u>
Total investment income		4,105

Expenses

Professional service fees - direct		(435)
Custodian bank fees		(2)
Management and other allocated fees		<u>(664)</u>
Total expenses		<u>(1,101)</u>
Net investment income		3,004

Unit transactions

Proceeds from sale of units		157,229
Amount paid for repurchase of units		<u>(498,178)</u>
Net decrease from unit transactions		<u>(340,949)</u>
Decrease in net position		(337,945)
Net position, beginning of year		<u>2,372,033</u>
Net position, end of year	\$	<u><u>2,034,088</u></u>

See accompanying notes to financial statements.

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool was established to hold the IMB's investments in hedge funds. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 500 basis points. Albourne America, LLC has been retained by the IMB to provide consulting services for this investment strategy.

Effective September 1, 2019, the IMB changed its custodian bank from the Bank of New York Mellon (BNYM) to Northern Trust (NT).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- Investments in hedge funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the underlying funds approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. These investments are redeemable with the fund at net asset value under the original terms of the agreements and operations of the underlying fund. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the IMB's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value as of June 30, 2020.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

Hedge Fund Pool

Notes to Financial Statements (Amounts in thousands)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Expenses - The IMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. Each investment pool is charged for its direct investment-related cost and for its allocated share of other expenses. These other expenses are allocated to the individual pools based on asset size. The IMB pays all expenses on behalf of the Pool. In addition to these direct and allocated expenses, the Pool bears certain expenses indirectly, such as fees of other investment funds in which the Pool invests that are reflected in the reported net asset value of such funds.

Income Taxes - The IMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2020.

NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares in hedge funds and shares of a money market mutual fund. As of June 30, 2020, the money market mutual fund has the highest credit rating and has a weighted average maturity of 53 days. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10 percent of the value of the Pool with any single manager. At June 30, 2020, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities with redemption terms that are not short term.

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2020. All of the Pool's investments in hedge funds were valued using the NAV. As such, they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 12	\$ -	\$ -	\$ 12
Hedge funds				1,893,312
Total				<u>\$ 1,893,324</u>

The following table presents information on investments measured at the NAV as of June 30, 2020:

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 200,974	Monthly, Quarterly	5 to 30 days
Equity long/short (b)	205,201	Monthly, Quarterly	30 to 60 days
Event-driven (c)	70,232	Quarterly, Every 2 years	45 to 180 days
Long-biased (d)	77,581	Monthly	90 days
Multi-strategy (e)	1,049,030	Monthly, Quarterly, Semiannually, Annually	30 to 95 days
Relative-value (f)	290,294	Weekly, Quarterly	5 to 60 days
Total investments measured at the NAV	<u>\$ 1,893,312</u>		

- (a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) An equity long/short strategy involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value.
- (c) Event-driven funds maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. All of the funds in this investment strategy are subject to maximum withdrawal restrictions.
- (d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.

Hedge Fund Pool

Notes to Financial Statements

(Amounts in thousands)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

- (e) Multi-strategy funds combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 35 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (f) Relative-value funds maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 40 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

NOTE 5. ADVANCE ON INVESTMENTS IN HEDGE FUNDS

The subscription terms of hedge funds often require contributions to be received in advance of the subscription day. Prior to June 30, 2020, the IMB funded \$105,000 to hedge funds that had a subscription date of July 1, 2020. As of June 30, 2020, these amounts have been recorded as an advance on investments in hedge funds.

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2020:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 764,373
Public Employees' Retirement System	681,920
Workers' Compensation Old Fund	153,284
West Virginia Retiree Health Benefit Trust Fund	105,533
State Police Death, Disability and Retirement Fund	65,884
Coal Workers' Pneumoconiosis Fund	43,867
Public Employees Insurance Agency	41,632
West Virginia Department of Environmental Protection Agency	39,601
Board of Risk and Insurance Management	32,685
Deputy Sheriff's Retirement System	23,583
State Police Retirement System	21,686
Judges' Retirement System	21,314
Workers' Compensation Self-Insured Employer Security Risk Pool	10,072
Emergency Medical Services Retirement System	8,693
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	6,800
Wildlife Endowment Fund	6,188
Workers' Compensation Uninsured Employers' Fund	2,770
West Virginia Department of Environmental Protection Trust	1,756
Municipal Police Officers' and Firefighters' Retirement System	1,404
Berkeley County Development Authority	629
Municipal Policemen's or Firemen's Pension and Relief Funds	414
Total	<u>\$ 2,034,088</u>

AUDITED FINANCIAL STATEMENTS
June 30, 2020



Administrative Fund

Audited Financial Statements June 30, 2020

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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5500
ey.com

Report of Independent Auditors

The Board of Trustees
The West Virginia Investment Management Board

We have audited the accompanying financial statements of the West Virginia Investment Management Board Administrative Fund (the Fund) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Virginia Investment Management Board Administrative Fund as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As described in Note 1, the financial statements present only the Fund of the West Virginia Investment Management Board and do not include the financial position and results of operations of the West Virginia Investment Management Board for any of their investment pools. These financial statements do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board for any of their investment pools at June 30, 2020, and changes in its financial position, and cash flows thereof, for the year ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

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

Ernst + Young LLP

August 27, 2020

Administrative Fund

Management's Discussion and Analysis

This discussion and analysis of the West Virginia Investment Management Board's (IMB) financial performance provides an overview of the IMB's administrative financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the IMB Administrative Fund basic financial statements, which follow this discussion. The IMB operates investment pools and issues separate audited financial statements on the investment pools.

FINANCIAL HIGHLIGHTS

- The IMB is required by law to charge a fee sufficient to cover the cost of providing investment management services. Investment service fee revenues were \$42.6 million, as compared to \$43.7 million for the previous fiscal year. The change primarily results from a \$480,000 decrease in advisor fees and a \$870,000 decrease in custodian bank fees. These decreases were partially offset by increases of \$91,000 in professional service and legal fees and \$233,000 in management fees. Average assets of the investment pools managed by the IMB increased by \$522.3 million from the previous year.
- Fees paid to outside investment advisors decreased by \$480,000 over the previous year. The average expense ratio for investment advisor fees across all pools was 16.6 basis points for the year, as compared to 17.3 basis points for the previous year. The reasons for the decrease in advisor fees are as follows:
 - A decrease in base fees of \$480,000 in the International Qualified Pool and the International Nonqualified Pool due to a decrease in assets under management.
 - A decrease in base fees of \$790,000 in the International Equity Pool because the fees paid to Allianz Global Investors U.S. LLC are reported as a decrease in net assets of the AllianzGI China A Shares LLC fund.
 - A decrease in base fees of \$220,000 in the Private Markets Pool which is the result of a renegotiated fee structure that reduced the base fee but added a performance fee component.
 - An increase in performance fees of \$990,000 in the Domestic Equity Pool and the Private Markets Pool.
- Custodian bank fees decreased by \$870,000 from the previous year, primarily due to a better fee arrangement negotiated with a new custodian bank, Northern Trust.
- Fees for professional services, including legal fees, increased by \$91,000, primarily attributable to a decrease in legal fees associated with litigation that concluded in the prior year and an increase in professional services for a portable alpha strategy consultant.
- Administrative expenses increased by \$233,000, or 4.8 percent, from the previous year. The expense ratio for administrative expenses was 2.6 basis points of average net assets, which is consistent with the prior year. Salaries increased by \$175,000 from \$2.762 million to \$2.937 million. In total, administrative expenses were \$1.5 million lower than the expenses included in the fiscal year budget approved by the Board of Trustees.
- Dividend income decreased by \$42,000 from the prior year.

THE FINANCIAL REPORTS

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

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

Administrative Fund

Management's Discussion and Analysis

FINANCIAL ANALYSIS

The IMB Administrative Fund's total assets as of June 30, 2020, were \$12.8 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. This combined total was \$0.4 million more than the previous year.

Total liabilities as of June 30, 2020, were \$8.1 million, consisting of invoices payable and accrued liabilities for investment management and consulting fees, custodial fees, and administrative expenses. This was \$0.3 million more than the previous year.

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

Table 1 Net Position and Assets Under Management (In thousands)	June 30, 2020	June 30, 2019
Cash and cash equivalents	\$ 4,893	\$ 3,899
Receivables	7,680	8,205
Other assets	243	313
Total assets	<u>12,816</u>	<u>12,417</u>
Total liabilities	<u>(8,134)</u>	<u>(7,808)</u>
Net position	<u>\$ 4,682</u>	<u>\$ 4,609</u>
Composition of net position:		
Net investment in capital assets	\$ 161	\$ 234
Unrestricted	4,521	4,375
Assets under management*	\$ 19,965,419	\$ 19,888,780

Table 2 Changes in Net Position (In thousands)	Year Ended June 30, 2020	Year Ended June 30, 2019	Percent Change
Investment service fees	\$ 42,637	\$ 43,674	(2.4%)
Expenses:			
Advisor fees	(32,983)	(33,462)	(1.4%)
Custodian fees	(1,403)	(2,274)	(38.3%)
Trustee fees	(44)	(44)	0.0%
Fiduciary bond expense	(26)	(42)	(38.5%)
Professional service fees	(3,052)	(2,960)	3.1%
Administrative expenses	<u>(5,121)</u>	<u>(4,888)</u>	4.8%
Total expenses	(42,629)	(43,670)	(2.4%)
Operating income	8	4	n/a
Nonoperating revenues	65	107	n/a
Increase in net position	73	111	n/a
Net position – beginning of year	<u>4,609</u>	<u>4,498</u>	2.5%
Net position – end of year	<u>\$ 4,682</u>	<u>\$ 4,609</u>	1.6%

* Amounts reflect preliminary estimated balances for private market investments.

Administrative Fund

Management's Discussion and Analysis

CAPITAL ASSETS

The IMB Administrative Fund made acquisitions of capital assets totaling \$6,043 during the current fiscal year. There were no disposals.

CONTACTING THE IMB

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

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Administrative Fund

Statement of Net Position June 30, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 4,893,121
Accounts receivable	7,679,959
Prepaid expenses	82,141
Dividend receivable	<u>65</u>

Total current assets 12,655,286

Capital assets:

Equipment	404,068
Office furniture	218,749
Other depreciable property	355,215
Leasehold improvements	279,201
Less accumulated depreciation	<u>(1,095,857)</u>

Total capital assets (net of accumulated depreciation) 161,376

Total assets 12,816,662

Liabilities

Current liabilities:

Accounts payable and accrued expenses	<u>8,134,188</u>
---------------------------------------	------------------

Total current liabilities 8,134,188

Total liabilities 8,134,188

Net position

Net investment in capital assets	161,376
Unrestricted	<u>4,521,098</u>

Total net position \$ 4,682,474

See accompanying notes to financial statements.

Administrative Fund

Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2020

Operating revenues

Investment service fees	\$ 42,637,325
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Total operating revenues	<u>42,637,325</u>
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Operating expenses

Advisor fees	32,983,905
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Custodian fees	1,402,777
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Trustee fees	43,750
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Fiduciary bond expenses	25,875
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Professional service fees	3,051,721
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Administrative expenses	<u>5,121,090</u>
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Total operating expenses	<u>42,629,118</u>
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Operating income	8,207
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Nonoperating revenues

Dividend income	<u>65,339</u>
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Total nonoperating revenues	<u>65,339</u>
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Increase in net position	73,546
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Net position, beginning of year	<u>4,608,928</u>
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Net position, end of year	<u><u>\$ 4,682,474</u></u>
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See accompanying notes to financial statements.

Administrative Fund

Statement of Cash Flows Year Ended June 30, 2020

Cash flows from operating activities

Cash received from customers	\$ 43,162,363
Cash paid to suppliers	(38,248,329)
Cash paid to employees	<u>(3,987,857)</u>

Net cash provided by operating activities 926,177

Cash flows from capital and related financing activities

Construction and acquisition of capital assets	<u>(6,043)</u>
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Net cash used for capital and related financing activities (6,043)

Cash flows from investing activities

Dividends on investments	<u>73,790</u>
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Net cash provided by investing activities 73,790

Net increase in cash and cash equivalents 993,924

Cash and cash equivalents, beginning of year 3,899,197

Cash and cash equivalents, end of year \$ 4,893,121

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

Operating income	\$ 8,207
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	78,727
Change in assets and liabilities:	
Decrease in accounts receivable	525,038
Increase in prepaid expenses	(12,234)
Increase in accounts payable and accrued expenses	<u>326,439</u>

Total adjustments 917,970

Net cash provided by operating activities \$ 926,177

See accompanying notes to financial statements.

Administrative Fund

Notes to Financial Statements

NOTE 1. NATURE OF ORGANIZATION

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

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The IMB Administrative Fund's cash equivalents are invested in an institutional Treasury Money Market fund valued at \$4,892,544 as of June 30, 2020, using quoted market prices (Level 1 inputs).

Capital Assets - Purchased assets, when they meet the thresholds defined in the capitalization policy, are recorded at cost. Threshold requirements are \$2,500 for office equipment, furniture, fixtures, computer hardware, and software, and \$10,000 for buildings, building improvements, land improvements, infrastructure, and leasehold improvements. Land is capitalized irrespective of cost.

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

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

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

Administrative Fund

Notes to Financial Statements

NOTE 3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Office equipment	404,068	-	-	404,068
Office furniture	218,749	-	-	218,749
Other depreciable property	349,172	6,043	-	355,215
Leasehold improvements	279,201	-	-	279,201
Total capital assets, being depreciated	<u>1,251,190</u>	<u>6,043</u>	<u>-</u>	<u>1,257,233</u>
Less accumulated depreciation for:				
Office equipment	(394,696)	(6,679)	-	(401,375)
Office furniture	(171,609)	(11,074)	-	(182,683)
Other depreciable property	(185,007)	(57,012)	-	(242,019)
Leasehold improvements	(265,818)	(3,962)	-	(269,780)
Total accumulated depreciation	<u>(1,017,130)</u>	<u>(78,727)</u>	<u>-</u>	<u>(1,095,857)</u>
Capital assets, net	<u>\$ 234,060</u>	<u>\$ (72,684)</u>	<u>\$ -</u>	<u>\$ 161,376</u>

Depreciation expense of \$78,727 was charged to the investment management activity and is included in the administrative expenses.

NOTE 4. OPERATING LEASES

On September 19, 2019, the IMB executed an amendment to renew its long-term lease, originally dated August 26, 2002, and previously amended on December 7, 2006 and July 9, 2012, for a period of ten years beginning on January 1, 2020. The monthly cost for the first five years is \$18,478; thereafter, the monthly cost for the remaining five years increases to \$19,402. Under the original and amended lease, beginning on January 1, 2020, and continuing throughout the term, the IMB shall pay as additional rent a portion of the increase in utility costs and taxes over the base year 2019 amounts. The IMB shall receive a refund if the actual amount is less than the base year 2019 amount. Rent expense for the year ended June 30, 2020 totaled \$250,766.

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

Fiscal years ending June 30:

2021	\$ 221,740
2022	221,740
2023	221,740
2024	221,740
2025	227,284
Thereafter	<u>1,047,722</u>
Total	<u>\$ 2,161,966</u>

Administrative Fund

Notes to Financial Statements

NOTE 5. EMPLOYEE BENEFIT PLANS

Retirement - The IMB provides a defined contribution money purchase pension plan (Pension Plan) covering all of its employees. An employee becomes eligible to participate in the Pension Plan on the earlier of the January 1 or July 1 coinciding with or following the employee's hire date. The Pension Plan is solely funded by the IMB, which contributes 10 percent of each covered employee's salary. Contributions for the year ended June 30, 2020 totaled \$291,212. The plan provides for a five-year vesting schedule with vesting increasing 20 percent per year.

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

On November 1 of each plan year, the IMB determines an amount to credit each eligible employee that is allocated to a Health Reimbursement Arrangement (HRA) account for each participant. Current annual credits are \$1,500 for single employees and \$3,000 for employees with qualifying spouses or dependents. These credits are to be used to reimburse participants for out-of-pocket medical expenses not covered by any other source. Medical expenses shall be defined under *Internal Revenue Service Code Section 213(d)*. Any amount remaining in a participant's HRA account at the end of the plan year shall be credited to the participant's account for the following year, in addition to the annual contribution. Upon separation from employment or retirement, a former employee or dependent will not continue to receive the annual credit but may use the remaining continued balance accumulated in the HRA account.

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

Contributions, net of forfeitures, made to the Plan by the IMB for the year ended June 30, 2020 totaled \$45,405.

NOTE 6. CASH AND INVESTMENT RISK

At June 30, 2020, all of the IMB Administrative Fund's cash equivalents are invested in an institutional Treasury Money Market fund. This investment fund is rated Aaa by Moody's and AAA by Standard & Poor's and has no significant custodial credit risk or interest rate risk. The investment fund invests in U.S. Treasuries and is not exposed to a concentration of credit risk or any foreign currency risk. Cash balances are held in a FDIC insured bank account, the balance of which is below the \$250,000 insurance limit at all times.