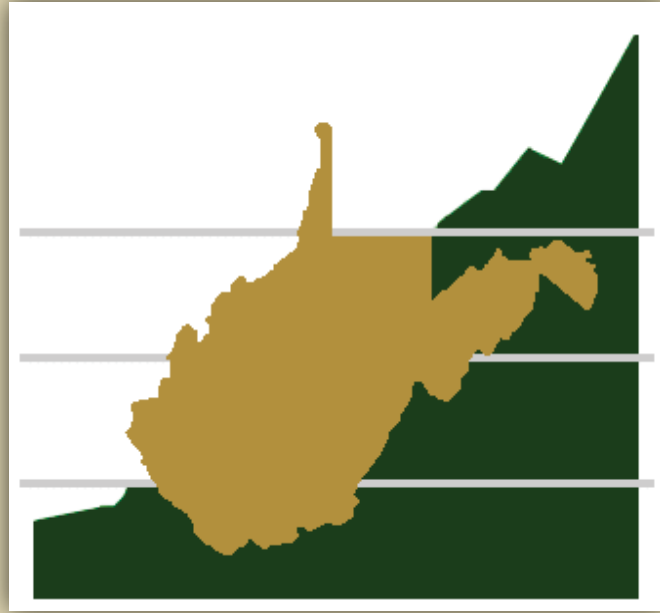


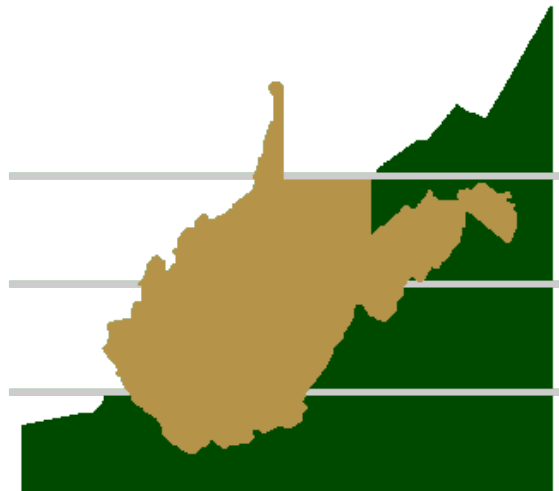
2012 Annual Report



**West Virginia
Investment Management Board**

Annual Report

Year Ended June 30, 2012



The West Virginia Investment Management Board is dedicated to providing prudent, efficient and professional investment management on behalf of and in the best interest of the beneficiaries of the assets with which it has been entrusted.

Table of Contents

Section I

Introduction

| | |
|---------------------------------------|---|
| Message from Chairman..... | 1 |
| Message from Executive Director | 2 |

Organization

| | |
|---|----|
| Board of Trustees | 4 |
| Representatives and Committee Members | 5 |
| Staff Members | 6 |
| Organizational History | 7 |
| Statutory Mandate | 8 |
| Administrative Mandate | 9 |
| Organization Chart | 10 |
| Investment Philosophy | 11 |

Investment Objectives and Financial Highlights

| | |
|--|----|
| Equity Pool..... | 12 |
| Short-Term Fixed Income Pool | 17 |
| Fixed Income Pool..... | 19 |
| TIPS Pool | 21 |
| Special Purpose Pool: TRS Annuity..... | 23 |
| Alternatives Pool | 25 |
| Real Estate Pool..... | 27 |

Participant Plans

| | |
|---|----|
| Participant Plans Overview | 29 |
| Deputy Sheriff's Retirement System | 30 |
| Emergency Medical Services Retirement System | 32 |
| Judges' Retirement System | 34 |
| Municipal Police Officers' and Firefighters' Retirement System | 36 |
| Public Employees' Retirement System | 38 |
| State Police Death, Disability and Retirement Fund | 40 |
| State Police Retirement System..... | 42 |
| Teachers' Retirement System and Teachers' Employers Contribution Collection Account | 44 |
| AccessWV | 46 |

Table of Contents

| | |
|--|----|
| Board of Risk and Insurance Management..... | 48 |
| Coal Workers’ Pneumoconiosis Fund | 50 |
| Public Employees Insurance Agency | 52 |
| West Virginia Retiree Health Benefit Trust Fund | 54 |
| Workers’ Compensation Old Fund..... | 56 |
| Workers’ Compensation Self-Insured Guaranty Risk Pool..... | 58 |
| Workers’ Compensation Uninsured Employers’ Fund..... | 60 |
| Revenue Shortfall Reserve Fund | 62 |
| Revenue Shortfall Reserve Fund – Part B | 64 |
| West Virginia Department of Environmental Protection Trust | 66 |
| West Virginia Prepaid Tuition Trust Fund | 68 |
| Wildlife Endowment Fund | 70 |

Section II

Audited Financial Statements

Investment Pools

| | |
|---|---|
| Large Cap Domestic Equity Pool..... | A |
| Non-Large Cap Domestic Equity Pool..... | B |
| International Qualified Pool | C |
| International Nonqualified Pool | D |
| International Equity Pool..... | E |
| Short-Term Fixed Income Pool..... | F |
| Total Return Fixed Income Pool | G |
| Core Fixed Income Pool..... | H |
| TIPS Pool | I |
| TRS Annuity Pool | J |
| Private Equity Pool..... | K |
| Real Estate Pool | L |
| Hedge Fund Pool..... | M |

Administrative Fund

Definition of Terms and Abbreviations

The following terms and abbreviations are used throughout the West Virginia Investment Management Board's Annual Report and are listed here to help with the overall understanding and readability of this document.

| | |
|--|--|
| Allocation Committee | A three-member committee that includes the Executive Director, the Chief Investment Officer, and the Board named investment consultant, authorized to modify the Strategic Allocation from time to time, subject to the allocation range limits. |
| Board | The thirteen-member Board of Trustees that governs the West Virginia Investment Management Board. |
| Cap | Abbreviation for "capitalization," referring to the size of the investment market for that particular asset style. |
| IMB | The "West Virginia Investment Management Board" including its Trustees, plan Representatives, Committee Members, and staff. |
| Neutral Target | The absolute percentage weighting assigned to an asset class or the secondary components within an allocation to which rebalancing should ultimately occur in the absence of an Allocation Committee modification. |
| Participant Plan (Participant) | A specific group of assets entrusted to the West Virginia Investment Management Board. Retirement plans, endowments, and insurance trusts, for example, are all Participant Plans. |
| Policy Allocation | The allocation between the three major asset classes – global equity, fixed income, and cash – whose purpose is to serve as return generators, or diversifiers, or some combination of both. |
| Pool | Refers to the specific investment pool created and operated by the West Virginia Investment Management Board for a specific investment asset class. |
| Range Allocation | The Board has placed ranges (Allocation Ranges) around the Strategic Allocation in order to maintain appropriate risk controls. Allocation decisions made by the Allocation Committee are defined as the Range Allocation. |
| Strategic Allocation | Represents allocations to secondary components of the three major asset classes defined in the Policy Allocation. For example, large cap, small cap, value, growth, etc. Allocations to these secondary components generally represent longer-term beliefs about the relative attractiveness between different segments within an asset class. |

Introduction

Message from Chairman

September 20, 2012

Dear Fellow West Virginians:

On behalf of the Trustees of the West Virginia Investment Management Board, I am pleased to present the Board's annual financial report for the fiscal year ending June 30, 2012. Please note that additional information about the Investment Management Board may be accessed electronically on its website, www.wvimb.org.

The fiscal year ending June 30, 2012 was challenging for the capital markets as the world continues to struggle with the aftermath of the credit crisis of 2008. I feel fortunate that the Investment Management Board was able to return 1.1 percent (using the Public Employees' Retirement System as a proxy for all long-term assets) in this difficult environment. Significantly, though, this modest return in fiscal year 2012 follows two years of excellent returns of 20.7 and 16.0 percent, respectively. In aggregate, the three years ending June 30, 2012 have produced an annualized return of 12.3 percent. The ten-year return has increased to 6.8 percent. While it still lags the 7.5 percent long-term target rate assumed by the actuary for the defined benefit pension plans, we continue to see improvement. Still, it will likely take the world's economies many years to recover from the credit crisis of 2008, creating significant challenges for the Investment Management Board in achieving its performance targets. It is important to remind ourselves, however, that the time horizon for the majority of assets entrusted to the Investment Management Board is long-term.

I wish to thank fellow trustees and the staff of the Investment Management Board for their dedicated service. I commend the Board on its professionalism, commitment to the mission, and customer service.

Best regards,



Earl Ray Tomblin
Governor of the State of West Virginia
Chairman of the Board of Trustees

Message from Executive Director

September 20, 2012

It is with great pleasure that I submit the Annual Report of the West Virginia Investment Management Board (IMB). The IMB is considered an internal service fund of the State of West Virginia for financial reporting purposes and, as such, the significant financial information contained in the report is also included in the State of West Virginia's comprehensive annual financial report. The information presented in this report is the responsibility of the management of the IMB, and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. The report is also designed to comply with the reporting requirements of Chapter 12, Article 6, Section 6 of the *West Virginia Code*, as amended. This report is divided into the following sections:

- **Organization** – Contains general information regarding trustees and staff, history of the IMB, statutory mandate, administrative mandate, and investment philosophy.
- **Investment Objectives and Financial Highlights** – Outlines the more specific objectives and performance of each of the investment pools.
- **Participant Plans** – Contains a brief description of each of the participant plans whose assets are entrusted to the IMB.
- **Audited Financial Statements** – Contains the independent auditor's report, the financial statements and notes thereto, and required supplementary information regarding the investment pools administered by the IMB and the IMB's Administrative Fund.

Please note that the audited financial statements are presented separately for each pool. The separate presentation clarifies that the independent auditor is issuing their audit opinion on each pool individually and not as a collective whole.

As an investment organization, the IMB's constant focus is the performance of its investments as it seeks to satisfy the investment needs of the beneficiaries of the assets entrusted to it. The majority of assets managed by the IMB are for participants with longer time horizons. These include the defined benefit pension plans, employment security plans and other trust assets.

Defined benefit pension plans make up approximately 80 percent of the IMB's total assets. For general comparison purposes, the IMB uses the Public Employees' Retirement System (PERS) as a proxy for the other systems because of its similarity to other statewide public plans throughout the nation. As of June 30, 2012, the return for PERS was up 1.1 percent net of expenses for the fiscal year. As you well know, of greater significance is the longer-term performance. In that regard, over the ten-year period ending June 30, 2012, the IMB's return was 6.8 percent versus the policy benchmark of 6.1 percent. This represents millions of dollars in value added by trustees and staff. Specifically, for the mature defined benefit pension plans, the returns for the fiscal year ending June 30, 2012 ranged from 1.1 percent for the Public Employees' Retirement System to 0.9 percent for the Emergency Medical Services Retirement System. Since asset allocations are virtually the same for each plan, differences in the returns for the various pension plans are a function of the differences in the timing of cash flows into and out of each plan and relative levels of cash equivalent securities necessary to make benefit payments. The Teachers' Retirement System is an exception as it inherited investments in an annuity product when assets of participants were moved from the Teachers' Defined Contribution Plan (managed by the Consolidated Public Retirement Board) to the IMB in December 2008. Other trust assets, including the Wildlife Endowment Fund and Prepaid Tuition Trust Fund, have similar asset allocations to the defined benefit pension plans and returned 1.0 and 2.3 percent respectively.

With regard to employment security assets, the reader will note a significant difference in returns from defined benefit plans. This is, primarily, a function of differences in the time horizon and liquidity needs, which vary quite significantly by plan. This leads to a wide divergence in the respective plans' allocations to various asset classes. As a result, the returns for employment security assets for the fiscal year ending June 30, 2012 range from 1.3 percent for the West Virginia Retiree Health Benefit Trust Fund to 8.4 percent for the Access West Virginia Fund.

Message from Executive Director

Herein, the plans, as a group, are generally referred to as “Participant Plans.” Specific data on returns and objectives on all participant plans may be found in the pages that follow.

The IMB is partially responsible for adequate funding of the defined benefit pension plans with the expectation that it will return 7.5 percent on the assets entrusted to it. Any time the IMB fails to achieve that return, there is a decrease in the funded liability. Every time the IMB achieves a return greater than 7.5 percent, there is an increase in the funded liability. The turmoil in the capital markets in fiscal year 2009 and the subsequent negative return for IMB assets reduced the funded liability causing an increase in employer contributions and stress on the State’s budget. But for the last quarter of that year, however, the stress would have been much greater. The great performance in fiscal year 2010 and fiscal year 2011 improved the funded position and helped relieve the stress on the State’s budget. The return for fiscal year 2012 fell short of the 7.5 percent hurdle rate and, as a result, put stress on the State’s budget. Long-term investors have the opportunity and ability to generate higher returns, but that opportunity does not come without cost. That cost is volatility in return. To generate greater long-term returns, an investor must be willing to accept shorter periods of lesser returns. The portfolio that suffered through the market turmoil of 2008 and early 2009 is essentially the same portfolio that produced great relative returns in fiscal year 2009, great relative and absolute returns in fiscal year 2010, great absolute returns in fiscal year 2011, and only modest returns in fiscal year 2012. The Investment Management Board’s patience has served it well over time.

As an investor, the IMB’s capacity to generate return on assets is largely a function of growth in the world capital markets. Diversification helps smooth the volatility in capital markets, but growth is the engine of returns. Two years ago I stated that the road ahead was foggy and treacherous, that credit, employment, and income growth in the developed world would face many challenges, and that emerging markets of the world are better positioned for growth but will likely experience more volatility. The outlook remains the same. It will be a challenge to achieve the returns expected of the IMB, but staff looks forward to helping trustees cope with the challenges as fiscal year 2013 unfolds.



H. Craig Slaughter
Executive Director

Organization

Board of Trustees – Fiscal Year 2012

Earl Ray Tomblin, Chairman

Governor of the State of West Virginia

Steve Antoline

Businessman

Guy Bucci

Bucci Bailey & Javins, LC

Glen B. Gainer III

Auditor of the State of West Virginia

David A. Haney

Executive Director of the West Virginia Education Association

Roger D. Hunter

General Counsel, James C. Justice Companies, Inc.

David H. McKinley

President and Managing Director of McKinley | Carter Wealth Services

John D. Perdue

Treasurer of the State of West Virginia

Marie L. Prezioso

Senior Vice President, Manager WV Public Finance, Piper Jaffray & Co.

Jack Rossi

PLLC Member in Arnett & Foster Certified Public Accountants, PLLC

Steven L. Smith

Administrator of the West Virginia Laborers Trust Funds

Randall E. Snider

President and Chief Executive Officer of Community Bank

Representatives and Committee Members – Fiscal Year 2012

Deputy Sheriff's Retirement System

David D. Gentry, Representative
Terry L. Miller, Committee Member
J. Scott Gittings, Committee Member

Judges' Retirement System

Robert B. Stone, Representative

Public Employees' Retirement System

Patricia Hamilton, Representative
Keith Chapman, Committee Member
Melissa G. Smith, Committee Member

State Police Death, Disability and Retirement Fund

William J. Scott, Representative

State Police Retirement System

Michael D. Lynch, Representative

Teachers' Retirement System

Tony Lautar, Jr., Representative
Robert L. Brown, Committee Member
Dale Lee, Committee Member

Emergency Medical Services Retirement System

Harold Wayne Harmon, Representative

Coal Workers' Pneumoconiosis Fund

Melinda Kiss, Representative
Cheri Harpold, Committee Member

Workers' Compensation Old Fund

Melinda Kiss, Representative
Cheri Harpold, Committee Member

By statute, the Consolidated Public Retirement Board and the West Virginia Offices of the Insurance Commissioner are responsible for appointing a representative for each plan who may select a committee of up to three individuals. The Representative and Committee Members work with the Investment Management Board to develop the investment policy for their respective plan. They are appointed on an annual basis.

Staff Members – Fiscal Year 2012

Executive Staff

Craig Slaughter, J.D., Executive Director
Matthew Jones, CPA, CCM, Chief Financial Officer / Chief Operating Officer
Kristy Watson, CFA, Chief Investment Officer

Investments Division

Rod Livingston, CFA, CAIA, CCM, MBA, Senior Investment Officer
Tom Sauvageot, CAIA, MBA, Fixed Income and Real Estate Investment Officer
Jim Herrington, CFA, CAIA, MBA/MSM, Private and Public Equity Investment Officer

Operations Division

Roger Summerfield, CPA, Director of Operations
Steve Frenchik, CPA, MBA, Financial Reporting Manager
Brian DuBois, Senior Investment Accountant
Linda Davis, Trade Analyst
Crystal Hunt, Investment Accountant
Kristen Lanham-Meadows, CPA, MBA, Investment Accountant
David McCormick, Investment Accountant
Aaron Souza, Investment Accountant
Traci Pollitt, CPA, CAIA, MSA, Senior Alternative Investment Analyst
James Atkins, CPA, Alternative Investment Analyst
Annie Kerns, MBA, Investment Accountant

Support Staff

Jo Ann Harrison, CAP, Administrative Assistant to the Executive Director
Jane Heitz, Secretary / Receptionist
Shane Jividen, CPA, Human Resources and Office Administrator
Milly Torman, Administrative Assistant to the Chief Investment Officer

Technology Division

John Cole, Director of Technology
Rick Greathouse, Network Administrator
Rebecca King, CPA, Enterprise Information Architect

Internal Audit

Melissa Petit, CPA, CIA, CIDA, CISA, MBA, Director of Internal Audit
Tabitha Crist, CPA, Internal Audit Associate

Organizational History

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

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

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

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

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

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

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

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

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

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

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

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

Statutory Mandate

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

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

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

Administrative Mandate

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

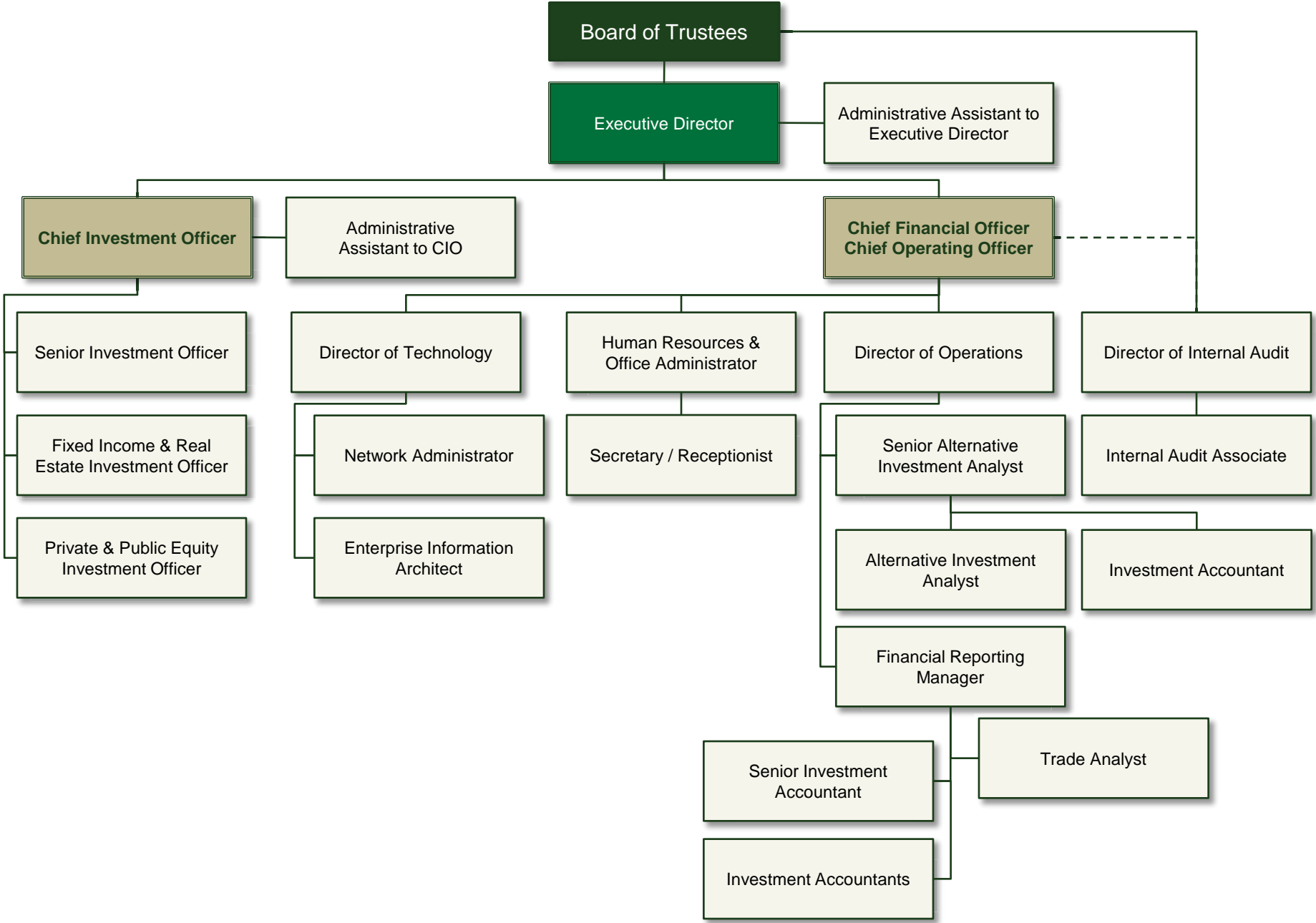
A member of each defined benefit retirement plan is designated by the Consolidated Public Retirement Board to represent the Participant Plans' interests. Likewise, the West Virginia Insurance Commission designates a representative for the Coal Workers' Pneumoconiosis Fund and the Workers' Compensation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

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

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

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

Organization Chart



Investment Philosophy

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

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

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

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

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

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

INVESTMENT OBJECTIVES

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

PARTICIPANT PLANS

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

Investment Objectives & Financial Highlights

Equity Pool

OBJECTIVES

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

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

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

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

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

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

MANAGEMENT STRUCTURE

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

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

Equity Pool

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the equity pools and are included in Section II of this report. Financial Highlights for each pool are presented below.

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

Condensed Statement of Assets and Liabilities

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

Condensed Statement of Assets and Liabilities

| | International Qualified | International Nonqualified | International Equity |
|--|----------------------------|-------------------------------|-------------------------|
| Investment securities | \$ 801,731 | \$ 87,453 | \$ 1,901,833 |
| Collateral for securities loaned | - | - | 115,664 |
| Payable upon return of securities loaned | - | - | (119,012) |
| Cash | - | - | 21,210 |
| Receivable for investments sold | - | - | 3,934 |
| Payable for investments purchased | - | - | (4,532) |
| Foreign currency forward contracts | - | - | (15) |
| Other assets and liabilities | (46) | (5) | 7,431 |
| Net assets - June 30, 2012 | \$ 801,685 | \$ 87,448 | \$ 1,926,513 |

Equity Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

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

| Investment Securities | International Qualified | | International Nonqualified | |
|----------------------------|-------------------------|-----------------------|----------------------------|-----------------------|
| | Fair Value | Percent of Securities | Fair Value | Percent of Securities |
| Investments in other funds | \$ 801,731 | 100.0% | \$ 87,453 | 100.0% |

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

Equity Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

Progression of Net Assets

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

Progression of Net Assets

| | International Qualified | International Nonqualified | International Equity |
|-------------------------------------|----------------------------|-------------------------------|-------------------------|
| Net assets - June 30, 2011 | \$ 882,863 | \$ 68,082 | \$ 1,846,645 |
| Net decrease from operations | (81,461) | (9,165) | (293,944) |
| Net increase from unit transactions | 283 | 28,531 | 373,812 |
| Net assets - June 30, 2012 | <u>\$ 801,685</u> | <u>\$ 87,448</u> | <u>\$ 1,926,513</u> |

INVESTMENT PERFORMANCE

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

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

| Period | International Qualified | | International Nonqualified | | International Equity | |
|------------|-------------------------|-----------|----------------------------|-----------|----------------------|----------------|
| | Actual | MSCI EAFE | Actual | MSCI EAFE | Actual | MSCI ACWIxU.S. |
| One-year | -9.2% | -13.4% | -9.5% | -13.4% | -16.0% | -14.2% |
| Three-year | 9.4% | 6.5% | 9.0% | 6.5% | 10.1% | 7.4% |
| Five-year | 1.1% | -5.6% | 0.7% | -5.6% | -4.4% | -4.2% |
| Ten-year | 9.5% | 5.6% | 9.0% | 5.6% | 6.8% | 7.2% |

Equity Pool

EXPENSES

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

| Expense Ratios (in basis points) | Large Cap Domestic Equity | Non-Large Cap Domestic Equity | International Qualified | International Nonqualified | International Equity |
|----------------------------------|---------------------------------|-------------------------------------|----------------------------|-------------------------------|-------------------------|
| Investment advisor fees | 8.6 | 22.3 | 51.7 | 69.2 | 60.2 |
| Trustee fees | 0.0* | 0.0* | 0.0* | 0.0* | 0.0* |
| Custodian bank fees | 0.3 | 0.3 | 0.0* | 0.0* | 3.9 |
| Management fees | 3.1 | 3.1 | 3.1 | 3.2 | 3.1 |
| Fiduciary bond fees | 0.0* | 0.0* | 0.0* | 0.0* | 0.0* |
| Professional service fees | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Total | 12.6 | 26.3 | 55.4 | 73.0 | 67.8 |

* Expense Ratio rounds to less than 0.1 basis points.

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

This page intentionally left blank

Short-Term Fixed Income Pool

OBJECTIVES

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

MANAGEMENT STRUCTURE

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

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the Short-Term Fixed Income Pool are included in Section II of this report. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

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

Investment Securities

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

Progression of Net Assets

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

Short-Term Fixed Income Pool

INVESTMENT PERFORMANCE

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

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

EXPENSES

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

Expense Ratios (in basis points)

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

* Expense Ratio rounds to less than 0.1 basis points.

Fixed Income Pool

OBJECTIVES

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

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

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

| Participant Plans | Neutral Target | Allocation Range |
|--|------------------------------|----------------------|
| All plans except Prepaid Tuition Trust | 50% Total Return Income Pool | +/- 20% (30% to 70%) |
| | 50% Core Fixed Income Pool | +/- 20% (30% to 70%) |
| Prepaid Tuition Trust | 100% Core Fixed Income Pool | N/A |

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

MANAGEMENT STRUCTURE

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

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

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the fixed income pools and are included in Section II of this report. Financial Highlights for each pool are presented below.

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

Fixed Income Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

Investment Securities

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

Progression of Net Assets

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

INVESTMENT PERFORMANCE

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

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

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

EXPENSES

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

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

* Expense Ratio rounds to less than 0.1 basis points.

TIPS Pool

OBJECTIVES

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

MANAGEMENT STRUCTURE

The TIPS Pool is managed by State Street Global Advisors.

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the TIPS Pool are included in Section II of this report. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

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

Investment Securities

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

Progression of Net Assets

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

INVESTMENT PERFORMANCE

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

TIPS Pool

EXPENSES

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

Expense Ratios (in basis points)

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

* Expense Ratio rounds to less than 0.1 basis points.

Special Purpose Pool

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

OBJECTIVE

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

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the TRSA are included in Section II of this report. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

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

Investment Securities

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

Progression of Net Assets

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

INVESTMENT PERFORMANCE

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

| Period | Actual |
|-------------|--------|
| One year | 4.5% |
| Three years | 4.5% |

Special Purpose Pool

EXPENSES

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

Expense Ratio (in basis points)

| | |
|---------------------------|-------------|
| Investment advisor fees | N/A |
| Trustee fees | 0.0* |
| Custodian bank fees | N/A |
| Management fees | 3.3 |
| Fiduciary bond fees | 0.0* |
| Professional service fees | 12.5 |
| Total | <u>15.8</u> |

* Expense Ratio rounds to less than 0.1 basis points.

Alternatives Pool

OBJECTIVES

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the alternative pools and are included in Section II of this report. Financial Highlights for each pool are presented below.

Condensed Statement of Assets and Liabilities

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

Investment Securities

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

Alternatives Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

Progression of Net Assets

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

INVESTMENT PERFORMANCE

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

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

EXPENSES

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

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

* Expense Ratio rounds to less than 0.1 basis points.

Real Estate Pool

OBJECTIVES

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

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

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

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the Real Estate Pool are included in Section II of this report. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

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

Investment Securities

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

Progression of Net Assets

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

Real Estate Pool

INVESTMENT PERFORMANCE

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

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

EXPENSES

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

Expense Ratio (in basis points)

| | |
|----------------------------------|-------------|
| Investment advisor fees | 29.2 |
| Trustee fees | 0.0* |
| Custodian bank fees | 2.0 |
| Management fees | 3.2 |
| Fiduciary bond fees | 0.0* |
| External fees/Fund closing costs | 25.2 |
| Professional service fees | 12.1 |
| Total | <u>71.7</u> |

* Expense Ratio rounds to less than 0.1 basis points.

Participant Plans

Participant Plans Overview

FINANCIAL HIGHLIGHTS (in \$000s)

Plan Balances as of June 30, 2012

| | Assets | Percent of Total | Page Reference |
|--|----------------------|---------------------|-------------------|
| Pension Assets | | | |
| Deputy Sheriff's Retirement System | \$ 116,281 | 0.9% | 30 |
| Emergency Medical Services Retirement System | 35,153 | 0.3 | 32 |
| Judges' Retirement System | 126,266 | 1.0 | 34 |
| Municipal Police Officers' and Firefighters' Retirement System | 189 | 0.0 | 36 |
| Public Employees' Retirement System | 4,352,142 | 33.1 | 38 |
| State Police Death, Disability and Retirement Fund | 477,386 | 3.6 | 40 |
| State Police Retirement System | 78,735 | 0.6 | 42 |
| Teachers' Retirement System | 4,968,564 | 37.6 | 44 |
| Teachers' Employers Contribution Collection Account | 142,994 | 1.1 | 44 |
| Insurance Assets | | | |
| AccessWV | 2,451 | 0.0 | 46 |
| Board of Risk and Insurance Management | 138,164 | 1.0 | 48 |
| Coal Workers' Pneumoconiosis Fund | 257,121 | 2.0 | 50 |
| Public Employees Insurance Agency | 183,322 | 1.4 | 52 |
| West Virginia Retiree Health Benefit Trust Fund | 443,144 | 3.4 | 54 |
| Workers' Compensation Old Fund | 946,853 | 7.2 | 56 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 10,878 | 0.1 | 58 |
| Workers' Compensation Uninsured Employers' Fund | 9,148 | 0.1 | 60 |
| Endowment Assets | | | |
| Revenue Shortfall Reserve Fund | 423,261 | 3.2 | 62 |
| Revenue Shortfall Reserve Fund - Part B | 331,325 | 2.5 | 64 |
| West Virginia Department of Environmental Protection Trust | 6,538 | 0.0 | 66 |
| West Virginia Prepaid Tuition Trust Fund | 77,821 | 0.6 | 68 |
| Wildlife Endowment Fund | 40,048 | 0.3 | 70 |
| Total | \$ 13,167,784 | 100.0% | |

Deputy Sheriff's Retirement System

HISTORY

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

LIQUIDITY NEEDS

DSRS currently has positive net cash flows.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

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

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

Deputy Sheriff's Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

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

Asset Allocation

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

INVESTMENT PERFORMANCE

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

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

Emergency Medical Services Retirement System

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

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

Emergency Medical Services Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

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

Asset Allocation

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

INVESTMENT PERFORMANCE

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

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

Judges' Retirement System

HISTORY

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

LIQUIDITY NEEDS

JRS currently has slightly negative net cash flows.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

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

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

Judges' Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

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

Asset Allocation

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

INVESTMENT PERFORMANCE

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

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

Municipal Police Officers' and Firefighters' Retirement System

HISTORY

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

LIQUIDITY NEEDS

There are no anticipated liquidity needs at this time.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Municipal Police Officers' and Firefighters' Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

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

Asset Allocation

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

INVESTMENT PERFORMANCE

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

Public Employees' Retirement System

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

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

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

Public Employees' Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

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

Asset Allocation

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

INVESTMENT PERFORMANCE

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

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

State Police Death, Disability and Retirement Fund

HISTORY

The State Police Death, Disability and Retirement Fund (SPDDRF) was created in 1925.

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

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

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

State Police Death, Disability and Retirement Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

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

Asset Allocation

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

INVESTMENT PERFORMANCE

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

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

State Police Retirement System

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

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

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

State Police Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

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

Asset Allocation

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

INVESTMENT PERFORMANCE

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

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

Teachers' Retirement System & Teachers' Employers Contribution Collection Account

HISTORY

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

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

TRS LIQUIDITY NEEDS

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

TRS INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

TRS ASSET ALLOCATION

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

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

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

Teachers' Retirement System & Teachers' Employers Contribution Collection Account

FINANCIAL HIGHLIGHTS (in \$000s)

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

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

INVESTMENT PERFORMANCE

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

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

HISTORY

AccessWV (AWV) is a health plan created by West Virginia statute to provide health insurance to West Virginians who have been unable to find or who have been denied health insurance in the private market because of a medical condition. Only a portion of the plan is invested with the IMB. As a result of the passage of the Federal Patient Protection and Affordable Care Act in March 2010, this organization is expected to cease operations on January 1, 2014.

LIQUIDITY NEEDS

AWV is expected to have no liquidity needs from the IMB portion of their reserve funds at any time until December 31, 2013.

INVESTMENT OBJECTIVES

To provide for preservation of principal until December 31, 2013, with some regard for growth of assets to exceed expected inflation.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|---------------------------------------|-------------------|----------------------|
| Domestic Equity | 0.0% | 0.0% |
| International Equity | 0.0% | 0.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 100.0% | 55.0% |
| TIPS | 0.0% | 45.0% |
| Hedge Funds | 0.0% | 0.0% |
| Real Estate | 0.0% | 0.0% |
| Cash (included in Fixed Income above) | \$0 | |

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | | |
|-----------------------------|----|-------|
| June 30, 2011 | \$ | 2,262 |
| Contributions | | - |
| Withdrawals | | - |
| Net | | - |
| Investment income | | 71 |
| Net unrealized appreciation | | 118 |
| June 30, 2012 | \$ | 2,451 |

Asset Allocation

| | Amount | Percent of Total |
|---------------------------|----------|------------------|
| Short-Term Fixed Income | \$ 1 | 0.0% |
| Total Return Fixed Income | 871 | 35.6 |
| Core Fixed Income | 471 | 19.2 |
| TIPS | 1,108 | 45.2 |
| Total | \$ 2,451 | 100.0% |

INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The actual rate of return is net of fees. Investment performance for the one-year period ended June 30, 2012 was 8.4 percent. A target rate of return has not been set for this plan.

Board of Risk and Insurance Management Fund

HISTORY

The Board of Risk and Insurance Management (BRIM) is a State entity charged with providing insurance coverage to all State agencies, as well as cities, counties, and non-profit organizations throughout West Virginia under the provisions of Senate Bill 3. BRIM also provides a coal mine subsidence reinsurance program that allows homeowners and businesses to obtain insurance coverage up to \$75,000 for collapses and damage caused by underground coal mines.

LIQUIDITY NEEDS

According to representatives of the Plan, there may be some current liquidity needs in the next few fiscal years, not to exceed 10 percent in any given year. BRIM requires a cash reserve account for collateral purposes amounting to approximately 15 percent of the funds for investment. This amount is held in the Consolidated Fund, which is administered by the West Virginia Board of Treasury Investments and utilized at BRIM's discretion.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet the cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 10.0% | 10.0% |
| International Equity | 10.0% | 10.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 80.0% | 45.0% |
| TIPS | 0.0% | 10.0% |
| Hedge Fund | 0.0% | 20.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | \$0 | 5.0% |

Board of Risk and Insurance Management Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | | |
|-----------------------------|----|-----------------------|
| June 30, 2011 | \$ | 140,522 |
| Contributions | | - |
| Withdrawals | | (6,000) |
| Net | | <u>(6,000)</u> |
| Investment income | | 2,405 |
| Net unrealized appreciation | | 1,237 |
| June 30, 2012 | \$ | <u><u>138,164</u></u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|--------------------------|----------------------|
| Large Cap Domestic | \$ 9,969 | 7.3% |
| Non-Large Cap Domestic | 3,376 | 2.4 |
| International Nonqualified | 4,327 | 3.1 |
| International Equity | 9,310 | 6.7 |
| Short-Term Fixed Income | 7,008 | 5.1 |
| Total Return Fixed Income | 40,623 | 29.4 |
| Core Fixed Income | 21,966 | 15.9 |
| TIPS | 14,151 | 10.2 |
| Hedge Fund | 27,434 | 19.9 |
| Total | <u><u>\$ 138,164</u></u> | <u><u>100.0%</u></u> |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 2.9% |
| Three-year | 9.4% |
| Five-year | 4.7% |

Coal Workers' Pneumoconiosis Fund

HISTORY

The Coal Workers' Pneumoconiosis Fund (CWPF) was formed in 1974 to provide insurance coverage to coal operators for their potential liability under the *Federal Coal Mine Health and Safety Act of 1969*. Upon termination of the West Virginia Workers' Compensation Commission, the assets and liabilities of CWPF remained with the State for administration of the run-off of the liabilities incurred during the years of operation. Effective January 1, 2006, insurance coverage for liabilities incurred under the *Federal Coal Mine Health and Safety Act of 1969* will be provided by private insurance carriers and is no longer available through the State.

LIQUIDITY NEEDS

Liquidity needs are actuarially determined based on the run-off of liabilities, which are assessed annually.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the actuarial interest rate assumption of 5.0 percent per annum, net of fees.
- Preserve the current surplus position.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 10.0% | 10.0% |
| International Equity | 10.0% | 10.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 80.0% | 45.0% |
| TIPS | 0.0% | 10.0% |
| Hedge Fund | 0.0% | 20.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | 0.0% | 5.0% |

Coal Workers' Pneumoconiosis Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | | |
|-----------------------------|----|-----------------------|
| June 30, 2011 | \$ | 261,558 |
| Contributions | | 80 |
| Withdrawals | | (11,229) |
| Net | | <u>(11,149)</u> |
| Investment income | | 4,508 |
| Net unrealized appreciation | | 2,204 |
| June 30, 2012 | \$ | <u><u>257,121</u></u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|--------------------------|----------------------|
| Large Cap Domestic | \$ 18,692 | 7.2% |
| Non-Large Cap Domestic | 6,327 | 2.5 |
| International Nonqualified | 8,199 | 3.2 |
| International Equity | 17,334 | 6.7 |
| Short-Term Fixed Income | 12,017 | 4.7 |
| Total Return Fixed Income | 75,751 | 29.5 |
| Core Fixed Income | 40,965 | 15.9 |
| TIPS | 26,524 | 10.3 |
| Hedge Fund | 51,312 | 20.0 |
| Total | <u><u>\$ 257,121</u></u> | <u><u>100.0%</u></u> |

INVESTMENT PERFORMANCE

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

| Period | Actual | Target |
|------------|--------|--------|
| One-year | 2.7% | 5.0% |
| Three-year | 9.1% | 5.0% |
| Five-year | 3.8% | 5.0% |

Public Employees Insurance Agency

HISTORY

The Public Employees Insurance Agency (PEIA) is a State entity charged with providing health insurance coverage to eligible public employees.

LIQUIDITY NEEDS

PEIA projects net cash outflows from operations every year going forward. This anticipated high liquidity requirement within a three-year time horizon indicates a substantial allocation to cash is appropriate. PEIA currently manages part of its cash allocation and invests this amount with the West Virginia Board of Treasury Investments. The IMB collaborates with management at PEIA to monitor combined cash levels.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet the cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 5.0% | 5.0% |
| International Equity | 5.0% | 5.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 90.0% | 60.0% |
| TIPS | 0.0% | 15.0% |
| Hedge Fund | 0.0% | 10.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | \$0* | 5.0% |

** IMB Staff has authority to change the cash allocation plus or minus 10 percent, as necessary, in consultation with the appropriate representative(s) from PEIA. Not all cash is invested with the IMB.*

Public Employees Insurance Agency

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | |
|-----------------------------|-------------------|
| June 30, 2011 | \$ 175,171 |
| Contributions | - |
| Withdrawals | - |
| Net | - |
| Investment income | 4,216 |
| Net unrealized appreciation | 3,935 |
| June 30, 2012 | <u>\$ 183,322</u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|-------------------|---------------------|
| Large Cap Domestic | \$ 6,562 | 3.6% |
| Non-Large Cap Domestic | 2,221 | 1.2 |
| International Nonqualified | 2,709 | 1.5 |
| International Equity | 6,208 | 3.4 |
| Short-Term Fixed Income | 9,172 | 5.0 |
| Total Return Fixed Income | 71,567 | 39.0 |
| Core Fixed Income | 38,704 | 21.1 |
| TIPS | 27,918 | 15.2 |
| Hedge Fund | 18,261 | 10.0 |
| Total | <u>\$ 183,322</u> | <u>100.0%</u> |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 4.7% |
| Three-year | 9.2% |
| Five-year | 4.4% |

West Virginia Retiree Health Benefit Trust Fund

HISTORY

The West Virginia Retiree Health Benefit Trust Fund (RHBTF) was created under *West Virginia Code §5-16D* for the purpose of providing for and administering retiree post-employment health care benefits, and the respective revenues and costs of those benefits as a cost sharing multiple employer plan.

LIQUIDITY NEEDS

RHBTF assets managed by the IMB are expected to be long-term in nature and have no liquidity needs as deemed by PEIA, which administers these assets. Short-term projected cash needs for RHBTF are calculated by PEIA and held in reserve in PEIA cash accounts.

INVESTMENT OBJECTIVES

The investment objective is to provide for stable, long-term growth of assets, while seeking to minimize risk of loss. There is no specifically identified rate of return target.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|---------------------------------------|-------------------|----------------------|
| Domestic Equity | 17.5% | 17.5% |
| International Equity | 17.5% | 17.5% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 65.0% | 35.0% |
| TIPS | 0.0% | 10.0% |
| Hedge Funds | 0.0% | 20.0% |
| Real Estate | 0.0% | 0.0% |
| Cash (included in Fixed Income above) | \$0* | |

** Cash levels to be reviewed as needed, at least annually, collaboratively with management staff from PEIA.*

West Virginia Retiree Health Benefit Trust Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | |
|-----------------------------|-------------------|
| June 30, 2011 | \$ 437,457 |
| Contributions | - |
| Withdrawals | - |
| Net | - |
| Investment income | 6,250 |
| Net unrealized depreciation | (563) |
| June 30, 2012 | <u>\$ 443,144</u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|-------------------|---------------------|
| Large Cap Domestic | \$ 56,350 | 12.8% |
| Non-Large Cap Domestic | 19,078 | 4.3 |
| International Nonqualified | 23,929 | 5.4 |
| International Equity | 52,944 | 11.9 |
| Short-Term Fixed Income | 15 | 0.0 |
| Total Return Fixed Income | 101,423 | 22.9 |
| Core Fixed Income | 54,839 | 12.4 |
| TIPS | 45,770 | 10.3 |
| Hedge Fund | 88,796 | 20.0 |
| Total | <u>\$ 443,144</u> | <u>100.0%</u> |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 1.3% |
| Three-year | 9.1% |

Workers' Compensation Old Fund

HISTORY

Formed in January 2006, the Workers' Compensation Old Fund (Old Fund) assumed responsibility for payment of all workers' compensation claims and liabilities incurred by the former West Virginia Workers' Compensation Commission prior to July 1, 2005. After July 1, 2005, workers' compensation claims or liabilities incurred are covered by private insurance carriers.

LIQUIDITY NEEDS

Statutorily pledged personal income tax, policy surcharges, and severance transfers appear to be sufficient to pay expected claims and claim-related expenses. The Old Fund should maintain a flat to slightly positive net cash flow position until it is fully funded (at which time, pledged legislative transfers will cease, resulting in a sharp decline in net cash inflows). Liquidity needs for short-term cash (amount necessary for approximately 12 months worth of anticipated claims) will continue to be reviewed annually with the West Virginia Offices of the Insurance Commissioner. Currently, a cash balance is held in the Old Fund in an amount equal to: 10 percent of the Old Fund's asset value or \$50 million, whichever is greater, in anticipation of a potential settlement program payout.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Preservation of principal and minimization of volatility, while still achieving some investment earnings growth adjusted for inflation.
- Provide adequate liquidity to meet cash flow requirements.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 10.0% | 10.0% |
| International Equity | 10.0% | 10.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 80.0% | 60.0% |
| TIPS | 0.0% | 10.0% |
| Hedge Fund | 0.0% | 0.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | \$0* | 10.0% |

** Cash levels to be reviewed as needed, at least annually, collaboratively with management staff from the West Virginia Offices of the Insurance Commissioner.*

Workers' Compensation Old Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | | |
|-----------------------------|----|-----------------------|
| June 30, 2011 | \$ | 933,073 |
| Contributions | | 176,160 |
| Withdrawals | | (194,618) |
| Net | | <u>(18,458)</u> |
| Investment income | | 20,601 |
| Net unrealized appreciation | | 11,637 |
| June 30, 2012 | \$ | <u><u>946,853</u></u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|--------------------------|----------------------|
| Large Cap Domestic | \$ 68,084 | 7.3% |
| Non-Large Cap Domestic | 23,050 | 2.4 |
| International Nonqualified | 29,749 | 3.1 |
| International Equity | 63,582 | 6.7 |
| Short-Term Fixed Income | 93,715 | 9.9 |
| Total Return Fixed Income | 371,370 | 39.2 |
| Core Fixed Income | 200,771 | 21.2 |
| TIPS | 96,532 | 10.2 |
| Total | <u><u>\$ 946,853</u></u> | <u><u>100.0%</u></u> |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 3.6% |
| Three-year | 9.1% |
| Five-year | 3.0% |

Workers' Compensation Self-Insured Guaranty Risk Pool

HISTORY

The Workers' Compensation Self-Insured Guaranty Risk Pool (Self-Insured Pool) was established on January 1, 2006, for the purpose of paying the workers' compensation claims of defaulted self-insured employers occurring on or after July 1, 2004. It consists of those funds transferred, and any future funds collected, as provided by law.

LIQUIDITY NEEDS

As all current and active self-insured employers are required to provide a bond, security, or other collateral to the West Virginia Offices of the Insurance Commissioner in the event of a deteriorating financial condition, it is anticipated that the liquidity position of this fund should remain stable. A small cash reserve will be held in the event of an unforeseen emergency, as is possible with an insurance program of this kind.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 10.0% | 10.0% |
| International Equity | 10.0% | 10.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 80.0% | 45.0% |
| TIPS | 0.0% | 10.0% |
| Hedge Fund | 0.0% | 20.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | 0.0% | 5.0% |

Workers' Compensation Self-Insured Guaranty Risk Pool

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | | |
|-----------------------------|----|----------------------|
| June 30, 2011 | \$ | 9,627 |
| Contributions | | 1,062 |
| Withdrawals | | (96) |
| Net | | <u>966</u> |
| Investment income | | 177 |
| Net unrealized appreciation | | 108 |
| June 30, 2012 | \$ | <u><u>10,878</u></u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|-------------------------|----------------------|
| Large Cap Domestic | \$ 781 | 7.2% |
| Non-Large Cap Domestic | 265 | 2.4 |
| International Nonqualified | 332 | 3.1 |
| International Equity | 739 | 6.8 |
| Short-Term Fixed Income | 534 | 4.9 |
| Total Return Fixed Income | 3,212 | 29.5 |
| Core Fixed Income | 1,737 | 16.0 |
| TIPS | 1,110 | 10.2 |
| Hedge Fund | 2,168 | 19.9 |
| Total | <u><u>\$ 10,878</u></u> | <u><u>100.0%</u></u> |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 2.8% |
| Three-year | 3.0% |
| Five-year | 2.9% |

Workers' Compensation Uninsured Employers' Fund

HISTORY

The Workers' Compensation Uninsured Employers' Fund (Uninsured Fund) was established January 1, 2006, to provide for the benefit of injured workers, whose employers failed to provide mandatory workers' compensation coverage. The Uninsured Fund received initial funding of \$5 million by proclamation of the Governor.

LIQUIDITY NEEDS

There are minimal liquidity needs projected at this time as cash inflows (premiums) are expected to be sufficiently above cash outflows (claims) for the near future. A small cash reserve will be held in the event of an unforeseen emergency, as is possible with an insurance program of this kind.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Provide adequate liquidity to meet cash flow requirements.
- Given the expected infinite life of the fund, allow for growth of assets in an amount at least equal to expected inflation.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 10.0% | 10.0% |
| International Equity | 10.0% | 10.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 80.0% | 40.0% |
| TIPS | 0.0% | 10.0% |
| Hedge Fund | 0.0% | 20.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | 0.0% | 10.0% |

Workers' Compensation Uninsured Employers' Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | | |
|-----------------------------|----|-------|
| June 30, 2011 | \$ | 8,911 |
| Contributions | | - |
| Withdrawals | | - |
| Net | | - |
| Investment income | | 155 |
| Net unrealized appreciation | | 82 |
| June 30, 2012 | \$ | 9,148 |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|----------|---------------------|
| Large Cap Domestic | \$ 661 | 7.3% |
| Non-Large Cap Domestic | 223 | 2.4 |
| International Nonqualified | 291 | 3.2 |
| International Equity | 614 | 6.7 |
| Short-Term Fixed Income | 926 | 10.1 |
| Total Return Fixed Income | 2,385 | 26.1 |
| Core Fixed Income | 1,292 | 14.1 |
| TIPS | 937 | 10.2 |
| Hedge Fund | 1,819 | 19.9 |
| Total | \$ 9,148 | 100.0% |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 2.7% |
| Three-year | 2.5% |
| Five-year | 2.6% |

Revenue Shortfall Reserve Fund

HISTORY

The Revenue Shortfall Reserve Fund (Reserve Fund), created under *West Virginia Code §11B-2-20*, is funded from State surplus revenues accrued, if any, during the most recent fiscal year. The first 50 percent of all such surplus revenues are deposited into the Reserve Fund within 60 days of the end of each fiscal year. The deposit of surplus revenue into the Reserve Fund becomes discretionary when the balance in the Reserve Fund meets or exceeds 13 percent of the State's General Revenue Fund Budget for the expiring fiscal year. The West Virginia Legislature is authorized to make an appropriation from the Reserve Fund for revenue shortfalls, for emergency revenue needs caused by acts of God or natural disasters, or for other fiscal needs.

LIQUIDITY NEEDS

The Reserve Fund is intended to be co-managed between the IMB and the West Virginia Board of Treasury Investments. A cash account of \$100 million must be invested throughout the life of the Reserve Fund in cash with the West Virginia Board of Treasury Investments. Any assets in excess of \$100 million will be invested with the IMB. The West Virginia State Budget Office will monitor these asset balances and will direct both the IMB and the West Virginia Board of Treasury Investments when the transfer of funds is necessary from one to the other.

Future cash outflows are uncertain. The assets may be withdrawn, in whole or in part, at any time as directed by the West Virginia Legislature or by executive order. Historically, cash outflows in similar state funds created for similar purposes have had withdrawals reimbursed by the State within each fiscal year.

INVESTMENT OBJECTIVES (for the assets managed by the IMB)

The investment objective is to provide for preservation of principal and minimization of volatility. There is no specifically identified target rate of return, as the Reserve Fund is a perpetual, endowment-like fund with no anticipated or scheduled liabilities.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 0.0% | 0.0% |
| International Equity | 0.0% | 0.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 100.0% | 50.0% |
| TIPS | 0.0% | 50.0% |
| Hedge Fund | 0.0% | 0.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | \$0* | |

* Statutory cash requirements of \$100 million will be invested by the West Virginia Board of Treasury Investments.

Revenue Shortfall Reserve Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | |
|-----------------------------|------------|
| June 30, 2011 | \$ 242,748 |
| Contributions | 150,668 |
| Withdrawals | - |
| Net | 150,668 |
| Investment income | 10,570 |
| Net unrealized appreciation | 19,275 |
| June 30, 2012 | \$ 423,261 |

Asset Allocation

| | Amount | Percent of Total |
|---------------------------|------------|------------------|
| Short Term Fixed Income | \$ 29 | 0.0% |
| Total Return Fixed Income | 136,683 | 32.3 |
| Core Fixed Income | 74,113 | 17.5 |
| TIPS | 212,436 | 50.2 |
| Total | \$ 423,261 | 100.0% |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 8.7% |
| Three-year | 11.0% |
| Five-year | 1.1% |

Revenue Shortfall Reserve Fund – Part B

HISTORY

The Revenue Shortfall Reserve Fund - Part B (Reserve Fund - Part B), created under *West Virginia Code §11B-2-20*, was funded using the entire balance of the assets in the former Tobacco Settlement Medical Trust Fund. The West Virginia Legislature is authorized and may make expenditures from the Reserve Fund - Part B for the purposes set forth in *West Virginia Code §4-11A-3* or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature.

LIQUIDITY NEEDS

The Reserve Fund - Part B is intended to experience no cash outflows, but this is not entirely certain, as the West Virginia Legislature may appropriate a qualified expenditure as noted above. Cash inflows are expected to be minimal and emanate from loan repayments from the Physicians' Mutual Insurance Company [*West Virginia Code §33-20F*] as well as other insurance tax payments.

INVESTMENT OBJECTIVES

The investment objective is to provide for stable, long-term growth of assets, while seeking to minimize risk of loss. There is no specifically identified rate of return target as the Reserve Fund - Part B is a perpetual, endowment-like fund with no anticipated or scheduled liabilities.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 10.0% | 10.0% |
| International Equity | 10.0% | 10.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 80.0% | 65.0% |
| TIPS | 0.0% | 15.0% |
| Hedge Funds | 0.0% | 0.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | \$0 | |

Revenue Shortfall Reserve Fund – Part B

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | |
|-----------------------------|------------|
| June 30, 2011 | \$ 315,738 |
| Contributions | 1,553 |
| Withdrawals | - |
| Net | 1,553 |
| Investment income | 8,044 |
| Net unrealized appreciation | 5,990 |
| June 30, 2012 | \$ 331,325 |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|------------|------------------|
| Large Cap Domestic | \$ 23,721 | 7.2% |
| Non-Large Cap Domestic | 8,033 | 2.4 |
| International Nonqualified | 9,880 | 3.0 |
| International Equity | 22,469 | 6.8 |
| Short-Term Fixed Income | 24 | 0.0 |
| Total Return Fixed Income | 140,667 | 42.5 |
| Core Fixed Income | 76,037 | 22.9 |
| TIPS | 50,494 | 15.2 |
| Total | \$ 331,325 | 100.0% |

INVESTMENT PERFORMANCE

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

| Period | Actual |
|------------|--------|
| One-year | 4.4% |
| Three-year | 11.1% |
| Five-year | 1.1% |

HISTORY

The West Virginia Department of Environmental Protection Trust (DEP Trust) was established on January 29, 2010 for the primary purpose of protecting the environment and the health and welfare of the public, including providing for the long-term maintenance of certain water control facilities. The DEP Trust seeks to provide an economical way by which funds contributed for that purpose may be invested and managed. The sole trustee of the DEP Trust is the Treasurer of the State of West Virginia. The beneficiary of the DEP Trust is the West Virginia Department of Environmental Protection. The DEP Trust began investing funds with the IMB on May 27, 2011.

LIQUIDITY NEEDS

There are limited liquidity needs for the DEP Trust starting in fiscal year ended 2013 and going forward, based on historical actual needs incurred by the DEP Trust, adjusted for inflation.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Meet or exceed 7.0 percent per annum. This is the discount rate by the DEP Trust and the Federal Office of Surface Mining in determining the amount of assets invested in the DEP Trust.
- Achieve long-term growth by investing the DEP Trust in a well-diversified portfolio.
- Achieve a real rate of return that is high enough to protect the purchasing power of the DEP Trust.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 35.0% | 35.0% |
| International Equity | 30.0% | 30.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 35.0% | 25.0% |
| TIPS | 0.0% | 10.0% |
| Hedge Funds | 0.0% | 0.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | 0.0% | 0.0% |
| | \$0 | |

West Virginia Department of Environmental Protection Trust

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | | |
|-----------------------------|----|--------------|
| June 30, 2011 | \$ | 6,515 |
| Contributions | | 27 |
| Withdrawals | | - |
| Net | | <u>27</u> |
| Investment income | | 69 |
| Net unrealized depreciation | | (73) |
| June 30, 2012 | \$ | <u>6,538</u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|-----------------|------------------|
| Large Cap Domestic | \$ 1,736 | 26.7% |
| Non-Large Cap Domestic | 590 | 9.0 |
| International Nonqualified | 603 | 9.2 |
| International Equity | 1,221 | 18.7 |
| Short-Term Fixed Income | 2 | 0.0 |
| Total Return Fixed Income | 1,106 | 16.9 |
| Core Fixed Income | 598 | 9.1 |
| TIPS | 682 | 10.4 |
| Total | <u>\$ 6,538</u> | <u>100.0%</u> |

INVESTMENT PERFORMANCE

The IMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The actual rate of return is net of fees. Investment performance for the one-year period ended June 30, 2012 was -0.1 percent. The DEP Trust has a target rate of return of 7.0 percent.

West Virginia Prepaid Tuition Trust Fund

HISTORY

The West Virginia Prepaid Tuition Trust Fund (Tuition Trust) was established in 1997 with the objective of enhancing and improving higher education in the State. This is accomplished by providing individuals and organizations a means for paying future college tuition and fees in advance at a rate set at current levels.

LIQUIDITY NEEDS

There are rising liquidity needs for the Tuition Trust. Benefits and expenses will exceed receipts from participants' monthly payments on prepaid tuition contracts at an increasing rate in future years. Under normal economic conditions and funding scenarios the Tuition Trust's assets are expected to be depleted by 2017.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Meet or exceed actuarial interest rate assumption of 7.1 percent per annum, net of fees.
- Generate long-term, net of fee, returns that exceed liquidity needs.
- Build and maintain an actuarial surplus at a level recommended by the actuaries.

ASSET ALLOCATION

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

| Asset Class | Policy Allocation | Strategic Allocation |
|----------------------|-------------------|----------------------|
| Domestic Equity | 32.0% | 32.0% |
| International Equity | 17.0% | 17.0% |
| Private Equity | 0.0% | 0.0% |
| Fixed Income | 51.0% | 51.0% |
| Hedge Fund | 0.0% | 0.0% |
| Real Estate | 0.0% | 0.0% |
| Cash | \$1,000,000* | |

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

West Virginia Prepaid Tuition Trust Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | |
|-----------------------------|-------------------------|
| June 30, 2011 | \$ 84,791 |
| Contributions | - |
| Withdrawals | (8,600) |
| Net | <u>(8,600)</u> |
| Investment income | 1,475 |
| Net unrealized appreciation | 155 |
| June 30, 2012 | <u><u>\$ 77,821</u></u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|-------------------------|----------------------|
| Large Cap Domestic | \$ 20,019 | 25.8% |
| Non-Large Cap Domestic | 4,532 | 5.8 |
| International Nonqualified | 4,304 | 5.5 |
| International Equity | 8,354 | 10.7 |
| Short-Term Fixed Income | 1,004 | 1.3 |
| Core Fixed Income | 39,608 | 50.9 |
| Total | <u><u>\$ 77,821</u></u> | <u><u>100.0%</u></u> |

INVESTMENT PERFORMANCE

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

| Period | Actual | Target |
|------------|--------|--------|
| One-year | 2.3% | 7.1% |
| Three-year | 12.8% | 7.1% |
| Five-year | 3.1% | 7.1% |
| Ten-year | 7.3% | 7.1% |

Wildlife Endowment Fund

HISTORY

The Wildlife Endowment Fund (WEF) was created in 1986 to supplement the Division of Natural Resources' annual budget in support of various statewide projects.

LIQUIDITY NEEDS

The liquidity needs of the WEF will be set on an annual basis and determined by a separate Wildlife Endowment Board as established by West Virginia State Code.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Achieve a total rate of return of at least 6.0 percent per annum, net of fees.
- Provide adequate liquidity to meet cash flow requirements.

ASSET ALLOCATION

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

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

Wildlife Endowment Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

| | |
|-----------------------------|------------------|
| June 30, 2011 | \$ 40,380 |
| Contributions | 599 |
| Withdrawals | (1,263) |
| Net | (664) |
| Investment income | 321 |
| Net unrealized appreciation | 11 |
| June 30, 2012 | <u>\$ 40,048</u> |

Asset Allocation

| | Amount | Percent of Total |
|----------------------------|------------------|---------------------|
| Large Cap Domestic | \$ 7,283 | 18.1% |
| Non-Large Cap Domestic | 2,467 | 6.2 |
| International Nonqualified | 3,125 | 7.8 |
| International Equity | 6,847 | 17.1 |
| Short-Term Fixed Income | 126 | 0.3 |
| Total Return Fixed Income | 5,782 | 14.4 |
| Core Fixed Income | 2,791 | 7.0 |
| TIPS | 1,037 | 2.6 |
| Private Equity | 4,032 | 10.1 |
| Real Estate | 2,503 | 6.3 |
| Hedge Fund | 4,055 | 10.1 |
| Total | <u>\$ 40,048</u> | <u>100.0%</u> |

INVESTMENT PERFORMANCE

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

| Period | Actual | Target |
|------------|--------|--------|
| One-year | 1.0% | 6.0% |
| Three-year | 12.2% | 6.0% |
| Five-year | 2.2% | 6.0% |
| Ten-year | 6.9% | 6.0% |

Audited Financial Statements

Investment Pools

Audited Financial Statements

June 30, 2012

Large Cap Domestic Equity Pool

Large Cap Domestic Equity Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|------|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | A-1 |
| Schedule of Investments in Securities | A-2 |
| Statement of Operations | A-11 |
| Statement of Changes in Net Assets | A-12 |
| Notes to Financial Statements | A-13 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Large Cap Domestic Equity Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 Large Cap Domestic Equity Pool as of June 30, 2012, and the results of its operations and changes in net assets for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Large Cap Domestic Equity Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | |
|---|------------------|
| Investment securities at fair value | \$ 2,070,473 |
| Collateral for securities loaned at fair value (Note 6) | 46,162 |
| Cash pledged as collateral for derivative contracts | 253 |
| Receivables: | |
| Investments sold | 894 |
| Dividends | 3,270 |
| Securities lending income | 13 |
| Unrealized gain on futures contracts (Note 7) | 204 |
| | <hr/> |
| Total assets | 2,121,269 |

Liabilities

| | |
|---|---------------------|
| Accrued expenses | 603 |
| Payable for investments purchased | 1,662 |
| Payable upon return of securities loaned (Note 6) | 49,257 |
| | <hr/> |
| Total liabilities | 51,522 |
| | <hr/> |
| Net assets | \$ 2,069,747 |

Analysis of net assets

| | |
|--|---------------------|
| Paid-in capital | \$ 1,222,712 |
| Accumulated undistributed net investment income | 349,256 |
| Accumulated undistributed net realized gain from investments | 173,839 |
| Unrealized net appreciation of investments | 323,940 |
| | <hr/> |
| Net assets | \$ 2,069,747 |

Unit data

| | |
|-----------------------------|-------------|
| Units outstanding | 149,343,643 |
| Net asset value, unit price | \$ 13.86 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|-------------------------------------|-----------|----------|------------|
| Equity Securities | | | |
| <i>Basic Materials</i> | | | |
| Air Products and Chemicals Inc | 38,000 | \$ 3,126 | \$ 3,068 |
| Airgas Inc | 51,300 | 4,006 | 4,310 |
| Alcoa Inc | 86,400 | 1,058 | 756 |
| Allegheny Technologies Inc | 8,800 | 236 | 281 |
| Ball Corporation | 56,200 | 1,760 | 2,307 |
| Bemis Company Inc | 8,600 | 218 | 270 |
| CF Industries Holdings Inc | 21,900 | 2,863 | 4,243 |
| Cliffs Natural Resources Inc | 19,200 | 1,008 | 946 |
| Dow Chemical Company | 142,800 | 4,039 | 4,498 |
| Eastman Chemical Company | 22,600 | 749 | 1,138 |
| Ecolab Inc | 131,800 | 7,700 | 9,032 |
| EI DuPont de Nemours Co | 179,100 | 6,961 | 9,057 |
| FMC Corporation | 38,900 | 1,681 | 2,080 |
| Freeport-McMoRan Copper & Gold | 86,600 | 3,018 | 2,950 |
| International Paper Company | 116,100 | 3,157 | 3,356 |
| Intl Flavors & Fragrances Inc | 6,900 | 292 | 378 |
| MeadWestvaco Corp | 13,500 | 234 | 388 |
| Monsanto Company | 68,500 | 4,873 | 5,670 |
| Newmont Mining Corp | 45,400 | 2,336 | 2,202 |
| Nucor Corporation | 106,600 | 4,305 | 4,040 |
| Owens-Illinois Inc | 125,400 | 2,899 | 2,404 |
| PPG Industries Inc | 45,500 | 3,355 | 4,828 |
| Praxair Inc | 67,600 | 6,526 | 7,350 |
| Sealed Air Corporation | 14,700 | 291 | 227 |
| Sherwin-Williams Co | 16,200 | 1,605 | 2,144 |
| Sigma-Aldrich Corporation | 67,600 | 4,562 | 4,998 |
| The Mosaic Company | 24,400 | 1,364 | 1,336 |
| Titanium Metals Corp | 9,000 | 86 | 102 |
| United States Steel Corp | 12,000 | 543 | 247 |
| Vulcan Materials Company | 19,100 | 839 | 758 |
| <i>Total Basic Materials - 4.1%</i> | | 75,690 | 85,364 |
| <i>Capital Goods</i> | | | |
| 3M Co | 59,200 | 4,420 | 5,304 |
| Avery Dennison Corp | 9,700 | 261 | 265 |
| Boeing Company | 65,800 | 3,826 | 4,889 |
| C. H. Robinson Worldwide Inc | 14,500 | 863 | 849 |
| Caterpillar Inc | 139,900 | 10,974 | 11,879 |
| Cintas Corp | 61,300 | 2,214 | 2,367 |
| Cooper Industries PLC | 13,900 | 745 | 948 |
| CSX Corp | 176,700 | 3,409 | 3,951 |
| Cummins Inc | 53,000 | 4,899 | 5,136 |
| Danaher Corp | 51,000 | 1,919 | 2,656 |
| Deere & Company | 38,700 | 2,048 | 3,130 |
| Dover Corp | 15,200 | 610 | 815 |
| Eaton Corporation | 58,800 | 2,165 | 2,330 |
| Emerson Electric Co | 60,900 | 2,587 | 2,837 |
| Expeditors Intl of Washington | 18,900 | 670 | 732 |
| Fastenal Company | 205,400 | 7,983 | 8,280 |
| FedEx Corp | 29,300 | 2,192 | 2,684 |
| Flowserve Corp | 21,500 | 2,253 | 2,467 |
| Fluor Corporation | 15,500 | 784 | 765 |
| General Dynamics Corp | 36,900 | 2,180 | 2,434 |
| General Electric Company | 1,510,775 | 31,641 | 31,485 |
| Goodrich Corporation | 39,000 | 3,687 | 4,949 |
| Honeywell International Inc | 138,300 | 6,237 | 7,723 |
| Illinois Tool Works Inc | 45,300 | 2,022 | 2,396 |
| Ingersoll-Rand PLC | 56,800 | 2,240 | 2,396 |
| Iron Mountain Inc | 21,400 | 606 | 705 |
| Jacobs Engineering Group Inc | 15,900 | 675 | 602 |
| Joy Global Inc | 64,900 | 4,920 | 3,682 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|--|-----------|---------|------------|
| L-3 Communications Hldgs Inc | 8,500 | 664 | 629 |
| Lockheed Martin Corp | 54,300 | 4,098 | 4,728 |
| Masco Corporation | 224,400 | 2,790 | 3,112 |
| Norfolk Southern Corp | 37,200 | 1,923 | 2,670 |
| Northrop Grumman Corp | 20,700 | 1,017 | 1,320 |
| PACCAR Inc | 53,700 | 2,143 | 2,105 |
| Pall Corporation | 49,900 | 2,561 | 2,735 |
| Parker-Hannifin Corporation | 20,900 | 1,381 | 1,607 |
| Precision Castparts Corp | 18,600 | 2,506 | 3,060 |
| Quanta Services Inc | 21,000 | 457 | 505 |
| Raytheon Company | 36,000 | 1,646 | 2,037 |
| Republic Services Inc | 25,400 | 694 | 672 |
| Robert Half International Inc | 82,300 | 2,281 | 2,351 |
| Rockwell Automation Inc | 32,200 | 1,788 | 2,127 |
| Rockwell Collins Inc | 12,200 | 629 | 602 |
| Roper Industries Inc | 49,200 | 3,891 | 4,850 |
| RR Donnelley & Sons Company | 17,500 | 294 | 206 |
| Ryder System Inc | 39,400 | 1,962 | 1,419 |
| Snap-On Inc | 8,200 | 384 | 510 |
| Stanley Black & Decker Inc | 31,477 | 1,721 | 2,026 |
| Textron Inc | 73,600 | 1,657 | 1,830 |
| Tyco International Ltd | 43,000 | 1,679 | 2,273 |
| Union Pacific Corp | 80,900 | 6,390 | 9,652 |
| United Parcel Service Inc | 90,600 | 5,446 | 7,136 |
| United Technologies Corp | 75,700 | 4,886 | 5,718 |
| W.W. Grainger Inc | 40,800 | 6,890 | 7,803 |
| Waste Management Inc | 37,800 | 1,174 | 1,263 |
| <i>Total Capital Goods - 9.4%</i> | | 171,982 | 193,602 |
| <i>Communication Services</i> | | | |
| AT&T Inc | 1,049,329 | 30,801 | 37,419 |
| CenturyLink Inc | 133,566 | 4,620 | 5,275 |
| Crown Castle Intl Corporation | 74,300 | 4,028 | 4,358 |
| Frontier Communications Corp | 87,886 | 733 | 337 |
| Metropcs Communications Inc | 29,700 | 282 | 180 |
| Sprint Nextel Corporation | 265,800 | 1,195 | 867 |
| Verizon Communications Inc | 347,449 | 11,652 | 15,441 |
| Windstream Corp | 49,400 | 489 | 477 |
| <i>Total Communication Services - 3.1%</i> | | 53,800 | 64,354 |
| <i>Consumer Discretionary</i> | | | |
| Abercrombie & Fitch Co | 7,600 | 250 | 259 |
| Amazon.com Inc | 30,300 | 3,868 | 6,919 |
| Apollo Group Inc | 32,200 | 1,736 | 1,165 |
| AutoNation Inc | 2,700 | 49 | 95 |
| AutoZone Inc | 16,000 | 3,851 | 5,875 |
| Bed Bath & Beyond Inc | 37,800 | 1,905 | 2,336 |
| Best Buy Co Inc | 79,700 | 2,170 | 1,671 |
| Big Lots Inc | 29,500 | 1,035 | 1,203 |
| Borg-Warner Inc | 13,000 | 813 | 853 |
| Cablevision Systems Corp | 21,200 | 526 | 282 |
| CarMax Inc | 19,700 | 439 | 511 |
| Carnival Corp | 37,000 | 1,217 | 1,268 |
| CBS Corp | 259,700 | 5,629 | 8,513 |
| Chipotle Mexican Grill Inc | 7,000 | 2,171 | 2,660 |
| Coach Inc | 68,200 | 3,938 | 3,988 |
| Comcast Corp | 361,750 | 7,022 | 11,565 |
| Darden Restaurants Inc | 11,700 | 353 | 592 |
| DeVry Inc | 5,200 | 287 | 161 |
| DIRECTV | 76,300 | 2,581 | 3,725 |
| Discovery Communications Inc | 48,500 | 1,946 | 2,619 |
| Dollar Tree Inc | 100,800 | 4,440 | 5,423 |
| DR Horton Inc | 204,800 | 2,799 | 3,764 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|---------|---------|------------|
| eBay Inc | 110,400 | 2,793 | 4,638 |
| Expedia Inc | 48,850 | 1,671 | 2,348 |
| Family Dollar Stores Inc | 10,600 | 325 | 705 |
| Ford Motor Company | 392,400 | 3,820 | 3,763 |
| Fossil Inc | 5,700 | 765 | 436 |
| GameStop Corp | 30,400 | 760 | 558 |
| Gannett Co Inc | 157,500 | 2,124 | 2,320 |
| Gap Inc | 51,500 | 1,043 | 1,409 |
| Genuine Parts Company | 57,100 | 3,111 | 3,440 |
| Goodyear Tire & Rubber Co | 138,100 | 1,741 | 1,631 |
| Harley-Davidson Inc | 62,800 | 2,517 | 2,872 |
| Harman Intl Industries Inc | 11,800 | 476 | 467 |
| Hasbro Inc | 9,600 | 346 | 325 |
| Home Depot Inc | 194,000 | 6,503 | 10,280 |
| International Game Technology | 109,700 | 1,921 | 1,728 |
| Interpublic Group of Co Inc | 89,100 | 861 | 967 |
| JC Penney Company Inc | 85,300 | 2,658 | 1,988 |
| Johnson Controls Inc | 64,200 | 1,804 | 1,779 |
| Kohl's Corporation | 21,800 | 1,173 | 992 |
| Leggett & Platt Inc | 11,200 | 155 | 237 |
| Limited Brands Inc | 177,500 | 5,297 | 7,549 |
| Lowe's Companies Inc | 184,900 | 4,398 | 5,259 |
| Macy's Inc | 213,700 | 7,164 | 7,341 |
| Marriott International Inc | 103,780 | 3,679 | 4,068 |
| Mattel Inc | 57,500 | 1,413 | 1,865 |
| McDonald's Corporation | 224,900 | 16,734 | 19,910 |
| McGraw-Hill Companies Inc | 93,500 | 3,491 | 4,208 |
| Netflix Inc | 4,700 | 826 | 322 |
| Newell Rubbermaid Inc | 129,900 | 2,217 | 2,356 |
| News Corp | 194,100 | 2,600 | 4,326 |
| Nike Inc | 79,200 | 6,919 | 6,952 |
| Nordstrom Inc | 23,400 | 979 | 1,163 |
| Omnicom Group Inc | 61,300 | 2,672 | 2,979 |
| O'Reilly Automotive Inc | 72,000 | 5,774 | 6,031 |
| Priceline.com Inc | 8,310 | 2,398 | 5,522 |
| PulteGroup Inc | 254,000 | 1,819 | 2,718 |
| Ralph Lauren Corp | 8,800 | 945 | 1,233 |
| Ross Stores Inc | 148,300 | 5,129 | 9,264 |
| Scripps Networks Interactive | 8,000 | 229 | 455 |
| Sears Holdings Corp | 3,400 | 213 | 203 |
| Southwest Airlines Co | 70,900 | 657 | 654 |
| Staples Inc | 57,600 | 1,209 | 752 |
| Starbucks Corp | 112,600 | 3,841 | 6,004 |
| Starwood Hotels & Resorts Inc | 78,600 | 3,970 | 4,169 |
| Target Corp | 93,000 | 4,756 | 5,412 |
| Tiffany & Co | 11,700 | 535 | 620 |
| Time Warner Cable Inc | 27,012 | 1,284 | 2,218 |
| Time Warner Inc | 127,600 | 3,854 | 4,913 |
| TJX Companies Inc | 292,100 | 9,180 | 12,540 |
| TripAdvisor Inc | 44,850 | 1,346 | 2,004 |
| Urban Outfitters Inc | 24,400 | 699 | 673 |
| VF Corp | 61,000 | 7,966 | 8,140 |
| Viacom Inc | 109,000 | 3,536 | 5,125 |
| Walt Disney Company | 169,900 | 5,317 | 8,240 |
| Washington Post Company | 400 | 184 | 150 |
| Whirlpool Corporation | 6,400 | 444 | 391 |
| Wyndham Worldwide Corporation | 88,900 | 3,853 | 4,689 |
| Wynn Resorts Limited | 6,400 | 534 | 664 |
| Yum Brands Inc | 169,300 | 8,810 | 10,906 |
| <i>Total Consumer Discretionary - 13.5%</i> | | 222,463 | 280,318 |
| <i>Consumer Staples</i> | | | |
| Altria Group Inc | 419,320 | 9,036 | 14,488 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---------------------------------------|---------|---------|------------|
| Archer-Daniels-Midland Co | 55,800 | 1,480 | 1,647 |
| Avon Products Inc | 38,200 | 1,147 | 619 |
| Beam Inc | 13,700 | 492 | 856 |
| Brown Forman Corp | 33,800 | 2,003 | 3,274 |
| Campbell Soup Co | 15,800 | 521 | 527 |
| Clorox Company | 10,500 | 628 | 761 |
| Coca-Cola Company | 292,200 | 15,989 | 22,847 |
| Coca-Cola Enterprises Inc | 63,700 | 1,509 | 1,786 |
| Colgate-Palmolive Co | 69,900 | 5,884 | 7,277 |
| ConAgra Foods Inc | 184,200 | 4,589 | 4,776 |
| Constellation Brands Inc | 13,400 | 215 | 363 |
| Costco Wholesale Corp | 44,500 | 2,923 | 4,228 |
| CVS Caremark Corp | 212,076 | 7,425 | 9,910 |
| DE Master Blenders | 198,500 | 1,986 | 2,244 |
| Dean Foods Company | 48,400 | 640 | 824 |
| Dr Pepper Snapple Group Inc | 20,600 | 493 | 901 |
| Estee Lauder Companies Inc | 61,700 | 1,986 | 3,339 |
| General Mills Inc | 54,500 | 1,845 | 2,100 |
| Hershey Company | 39,500 | 2,137 | 2,845 |
| Hillshire Brands Co | 39,700 | 1,058 | 1,151 |
| HJ Heinz Company | 41,500 | 1,852 | 2,257 |
| Hormel Foods Corp | 26,200 | 550 | 797 |
| JM Smucker Company | 18,500 | 1,223 | 1,397 |
| Kellogg Company | 22,600 | 1,137 | 1,115 |
| Kimberly Clark Corporation | 67,100 | 4,381 | 5,621 |
| Kraft Foods Inc | 309,500 | 9,960 | 11,953 |
| Kroger Co | 57,800 | 1,420 | 1,340 |
| Lorillard Inc | 40,300 | 4,095 | 5,318 |
| McCormick & Company Inc | 13,700 | 484 | 831 |
| Mead Johnson Nutrition Co | 97,109 | 5,924 | 7,818 |
| Molson Coors Brewing Co | 26,200 | 1,199 | 1,090 |
| Monster Beverage Corporation | 12,800 | 879 | 911 |
| Pepsico Inc | 178,864 | 10,739 | 12,639 |
| Philip Morris Intl Inc | 296,720 | 15,382 | 25,892 |
| Procter & Gamble Company | 389,932 | 23,426 | 23,883 |
| Reynolds American Inc | 83,700 | 2,288 | 3,756 |
| Safeway Inc | 58,900 | 1,122 | 1,069 |
| Sysco Corp | 58,600 | 1,474 | 1,747 |
| Tyson Foods Inc | 58,500 | 1,007 | 1,102 |
| Walgreen Co | 74,100 | 2,628 | 2,192 |
| Wal-Mart Stores Inc | 251,200 | 13,175 | 17,514 |
| Whole Foods Market Inc | 27,000 | 1,323 | 2,574 |
| <i>Total Consumer Staples - 10.6%</i> | | 169,654 | 219,579 |
| <i>Energy</i> | | | |
| Alpha Natural Resources Inc | 48,000 | 1,512 | 418 |
| Anadarko Petroleum Corp | 47,600 | 2,541 | 3,151 |
| Apache Corporation | 31,800 | 2,965 | 2,795 |
| Baker Hughes Inc | 36,809 | 1,663 | 1,513 |
| Cabot Oil & Gas Corporation | 55,100 | 1,619 | 2,171 |
| Cameron International Corp | 51,800 | 2,357 | 2,212 |
| Chesapeake Energy Corp | 53,900 | 1,456 | 1,003 |
| Chevron Corporation | 373,655 | 30,582 | 39,421 |
| ConocoPhillips | 180,380 | 8,251 | 10,080 |
| CONSOL Energy Inc | 20,200 | 838 | 611 |
| Denbury Resources Inc | 282,100 | 4,646 | 4,263 |
| Devon Energy Corporation | 33,400 | 2,162 | 1,937 |
| Diamond Offshore Drilling Inc | 6,100 | 588 | 361 |
| EOG Resources Inc | 27,100 | 2,365 | 2,442 |
| EQT Corp | 49,600 | 2,573 | 2,660 |
| Exxon Mobil Corporation | 881,094 | 62,559 | 75,395 |
| FMC Technologies Inc | 139,700 | 5,860 | 5,480 |
| Halliburton Company | 78,000 | 1,988 | 2,214 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|--------------------------------|-----------|---------|------------|
| Helmerich & Payne Inc | 69,200 | 3,621 | 3,009 |
| Hess Corp | 24,800 | 1,266 | 1,078 |
| Kinder Morgan Inc | 165,696 | 5,302 | 5,339 |
| Marathon Oil Corp | 241,700 | 5,753 | 6,180 |
| Marathon Petroleum Corporation | 68,150 | 2,055 | 3,061 |
| Murphy Oil Corporation | 16,200 | 896 | 815 |
| Nabors Industries Ltd | 186,600 | 3,278 | 2,687 |
| National-Oilwell Varco Inc | 168,700 | 10,878 | 10,871 |
| Newfield Exploration Company | 11,400 | 720 | 334 |
| Noble Corp | 20,400 | 725 | 664 |
| Noble Energy Inc | 35,800 | 2,967 | 3,037 |
| Occidental Petroleum Corp | 74,400 | 5,723 | 6,381 |
| ONEOK Inc | 134,800 | 3,658 | 5,703 |
| Peabody Energy Corp | 24,200 | 900 | 593 |
| Phillips 66 | 92,540 | 2,537 | 3,076 |
| Pioneer Natural Resources Co | 60,500 | 4,814 | 5,337 |
| QEP Resources Inc | 15,700 | 380 | 471 |
| Range Resources Corporation | 18,000 | 976 | 1,114 |
| Rowan Companies PLC | 12,900 | 342 | 417 |
| Schlumberger Ltd | 132,311 | 8,379 | 8,588 |
| Southwestern Energy Company | 29,900 | 1,222 | 955 |
| Spectra Energy Corp | 214,200 | 5,408 | 6,225 |
| Sunoco Inc | 40,500 | 1,694 | 1,924 |
| Tesoro Corporation | 98,100 | 2,194 | 2,449 |
| Valero Energy Corporation | 45,300 | 857 | 1,094 |
| Williams Companies Inc | 181,400 | 4,276 | 5,228 |
| WPX Energy Inc | 64,100 | 889 | 1,037 |
| <i>Total Energy - 11.9%</i> | | 218,235 | 245,794 |
| <i>Financial Services</i> | | | |
| Ace Ltd | 58,100 | 3,465 | 4,307 |
| AFLAC Inc | 92,300 | 3,891 | 3,931 |
| Allstate Corp | 57,200 | 1,748 | 2,007 |
| American Express Co | 134,000 | 5,265 | 7,800 |
| American International Group | 63,700 | 1,889 | 2,044 |
| American Tower Corporation | 81,400 | 4,494 | 5,691 |
| Ameriprise Financial Inc | 60,900 | 2,567 | 3,183 |
| Aon PLC | 41,200 | 1,785 | 1,927 |
| Apartment Investment & Mgmt Co | 11,700 | 163 | 316 |
| Assurant Inc | 69,300 | 2,557 | 2,414 |
| Avalonbay Communities Inc | 9,900 | 925 | 1,401 |
| Bank of America Corporation | 1,033,877 | 16,844 | 8,457 |
| Bank of New York Mellon Corp | 102,100 | 3,279 | 2,241 |
| BB&T Corporation | 173,100 | 4,611 | 5,340 |
| Berkshire Hathaway Inc | 164,196 | 12,312 | 13,682 |
| BlackRock Inc | 17,988 | 3,237 | 3,055 |
| Boston Properties Inc | 12,700 | 885 | 1,376 |
| Capital One Financial Corp | 78,500 | 3,356 | 4,291 |
| CBRE Group Inc | 36,500 | 511 | 597 |
| Charles Schwab Corp | 93,100 | 1,481 | 1,204 |
| Chubb Corp | 34,900 | 1,884 | 2,541 |
| Cincinnati Financial Corp | 73,200 | 2,475 | 2,787 |
| Citigroup Inc | 386,560 | 17,069 | 10,596 |
| CME Group Inc | 5,600 | 1,655 | 1,501 |
| Comerica Inc | 96,500 | 2,892 | 2,964 |
| Discover Financial Services | 185,300 | 3,992 | 6,408 |
| E*Trade Financial Corporation | 21,820 | 368 | 175 |
| Equifax Inc | 50,000 | 1,916 | 2,330 |
| Equity Residential | 30,000 | 1,170 | 1,871 |
| Federated Investors Inc | 9,400 | 248 | 205 |
| Fifth Third Bancorp | 268,000 | 3,272 | 3,591 |
| First Horizon National Corp | 187,268 | 1,615 | 1,620 |
| Franklin Resources Inc | 11,700 | 951 | 1,299 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|---------|---------|------------|
| Genworth Financial Inc | 212,700 | 1,762 | 1,204 |
| Goldman Sachs Group Inc | 42,900 | 5,507 | 4,112 |
| H&R Block Inc | 172,100 | 2,732 | 2,750 |
| Hartford Financial Services Gp | 35,500 | 883 | 626 |
| HCP Inc | 64,300 | 2,307 | 2,839 |
| Health Care REIT Inc | 34,500 | 1,745 | 2,011 |
| Host Hotels & Resorts Inc | 295,562 | 4,379 | 4,676 |
| Hudson City Bancorp Inc | 144,200 | 1,324 | 919 |
| Huntington Bancshares Inc | 259,500 | 1,451 | 1,661 |
| Intercontinental Exchange Inc | 5,900 | 594 | 802 |
| Invesco Limited | 166,200 | 3,550 | 3,756 |
| JP Morgan Chase & Co | 477,753 | 17,505 | 17,070 |
| KeyCorp | 77,900 | 561 | 603 |
| Kimco Realty Corporation | 47,500 | 636 | 904 |
| Legg Mason Inc | 12,300 | 382 | 324 |
| Leucadia National Corporation | 40,700 | 1,178 | 866 |
| Lincoln National Corp | 108,100 | 2,392 | 2,364 |
| Loews Corp | 25,400 | 863 | 1,039 |
| M & T Bank Corporation | 11,400 | 845 | 941 |
| Marsh & McLennan Cos Inc | 177,900 | 5,113 | 5,734 |
| MasterCard Inc | 20,800 | 6,144 | 8,946 |
| MetLife Inc | 131,800 | 4,711 | 4,066 |
| Moody's Corp | 64,600 | 1,991 | 2,361 |
| Morgan Stanley | 247,800 | 5,669 | 3,615 |
| Nasdaq OMX Group Inc | 9,500 | 208 | 215 |
| Northern Trust Corp | 19,600 | 1,012 | 902 |
| NYSE Euronext | 21,100 | 605 | 540 |
| People's United Financial Inc | 188,200 | 2,355 | 2,185 |
| Plum Creek Timber Co Inc | 12,900 | 405 | 512 |
| PNC Financial Services Group | 67,800 | 3,629 | 4,143 |
| Principal Financial Group Inc | 47,400 | 1,221 | 1,243 |
| Progressive Corp | 71,400 | 1,239 | 1,487 |
| Prologis Inc | 62,874 | 1,881 | 2,089 |
| Prudential Financial Inc | 85,200 | 4,197 | 4,126 |
| Public Storage | 30,000 | 3,260 | 4,332 |
| Regions Financial Corp | 308,500 | 1,659 | 2,082 |
| Simon Property Group Inc | 34,202 | 3,177 | 5,324 |
| SLM Corp | 77,600 | 863 | 1,219 |
| State Street Corp | 53,200 | 2,397 | 2,375 |
| SunTrust Banks Inc | 63,900 | 1,399 | 1,548 |
| T Rowe Price Group Inc | 25,300 | 1,226 | 1,593 |
| Torchmark Corporation | 66,100 | 2,637 | 3,341 |
| Travelers Cos Inc | 41,700 | 1,960 | 2,662 |
| Unum Group | 23,200 | 430 | 444 |
| US Bancorp | 285,800 | 7,306 | 9,191 |
| Ventas Inc | 23,700 | 1,098 | 1,496 |
| Visa Inc | 100,600 | 9,873 | 12,437 |
| Vornado Realty Trust | 15,940 | 1,123 | 1,339 |
| Wells Fargo & Company | 650,700 | 17,515 | 21,759 |
| Western Union Company | 170,200 | 3,094 | 2,866 |
| Weyerhaeuser Company | 56,267 | 1,233 | 1,258 |
| XL Group PLC | 25,200 | 438 | 530 |
| Zions Bancorporation | 14,800 | 289 | 287 |
| <i>Total Financial Services - 13.6%</i> | | 266,725 | 280,866 |
| <i>Health Care</i> | | | |
| Abbott Laboratories | 141,100 | 7,269 | 9,097 |
| Aetna Inc | 53,000 | 1,795 | 2,055 |
| Agilent Technologies Inc | 30,200 | 884 | 1,185 |
| Alexion Pharmaceuticals Inc | 40,500 | 3,716 | 4,022 |
| Allergan Inc | 54,500 | 4,056 | 5,045 |
| AmerisourceBergen Corp | 31,900 | 872 | 1,255 |
| Amgen Inc | 80,277 | 4,564 | 5,853 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---------------------------------|-----------|---------|------------|
| Baxter International Inc | 77,300 | 4,324 | 4,108 |
| Becton Dickinson & Company | 17,600 | 1,231 | 1,316 |
| Biogen Idec Inc | 57,600 | 4,612 | 8,316 |
| Boston Scientific Corp | 119,300 | 1,017 | 676 |
| Bristol-Myers Squibb Company | 271,942 | 7,041 | 9,776 |
| Cardinal Health Inc | 29,800 | 891 | 1,252 |
| CareFusion Corporation | 19,300 | 435 | 496 |
| Celgene Corporation | 82,800 | 5,199 | 5,312 |
| Cerner Corporation | 21,800 | 1,196 | 1,802 |
| CIGNA Corporation | 34,700 | 1,202 | 1,527 |
| Coventry Health Care Inc | 11,100 | 243 | 353 |
| Covidien PLC | 45,600 | 2,285 | 2,440 |
| CR Bard Inc | 6,800 | 551 | 731 |
| DaVita Inc | 8,400 | 474 | 825 |
| DENTSPLY International Inc | 18,200 | 607 | 688 |
| Edwards Lifesciences Corp | 10,200 | 849 | 1,054 |
| Eli Lilly and Company | 171,200 | 6,463 | 7,346 |
| Express Scripts Holding Co | 67,568 | 3,139 | 3,772 |
| Forest Laboratories Inc | 21,900 | 651 | 766 |
| Gilead Sciences Inc | 109,300 | 4,596 | 5,605 |
| Hospira Inc | 13,000 | 476 | 455 |
| Humana Inc | 24,800 | 1,243 | 1,921 |
| Intuitive Surgical Inc | 13,500 | 5,620 | 7,476 |
| Johnson & Johnson | 422,600 | 26,051 | 28,551 |
| Laboratory Corp of Amer Hldgs | 9,500 | 685 | 880 |
| Life Technologies Corp | 16,000 | 703 | 720 |
| McKesson Corp | 20,800 | 1,296 | 1,950 |
| Medtronic Inc | 86,200 | 3,224 | 3,339 |
| Merck & Co Inc | 398,480 | 13,655 | 16,637 |
| Mylan Inc | 37,900 | 601 | 810 |
| Patterson Companies Inc | 7,600 | 207 | 262 |
| PerkinElmer Inc | 18,500 | 411 | 477 |
| Perrigo Company | 8,300 | 816 | 979 |
| Pfizer Inc | 1,104,783 | 22,848 | 25,410 |
| Quest Diagnostics Inc | 16,800 | 873 | 1,006 |
| St Jude Medical Inc | 28,100 | 1,063 | 1,121 |
| Stericycle Inc | 8,100 | 471 | 743 |
| Stryker Corporation | 27,200 | 1,260 | 1,499 |
| Tenet Healthcare Corporation | 38,300 | 208 | 201 |
| Thermo Fisher Scientific Inc | 30,800 | 1,395 | 1,599 |
| UnitedHealth Group Inc | 145,800 | 5,322 | 8,529 |
| Varian Medical Systems Inc | 14,400 | 710 | 875 |
| Waters Corporation | 7,100 | 423 | 564 |
| Watson Pharmaceuticals Inc | 17,200 | 854 | 1,273 |
| WellPoint Inc | 33,200 | 1,849 | 2,118 |
| Zimmer Holdings Inc | 14,500 | 773 | 933 |
| <i>Total Health Care - 9.5%</i> | | 163,199 | 197,001 |
| <i>Technology</i> | | | |
| Accenture PLC | 131,300 | 7,674 | 7,890 |
| Adobe Systems Inc | 44,700 | 1,362 | 1,447 |
| Advanced Micro Devices Inc | 131,200 | 755 | 752 |
| Akamai Technologies Inc | 72,900 | 2,254 | 2,315 |
| Altera Corporation | 26,800 | 673 | 907 |
| Amphenol Corp | 14,200 | 546 | 780 |
| Analog Devices Inc | 45,100 | 1,517 | 1,699 |
| Apple Inc | 139,600 | 29,194 | 81,526 |
| Applied Materials Inc | 108,300 | 1,352 | 1,239 |
| Autodesk Inc | 53,800 | 1,789 | 1,882 |
| Automatic Data Processing Inc | 148,200 | 7,246 | 8,249 |
| BMC Software Inc | 13,300 | 429 | 568 |
| Broadcom Corp | 44,600 | 1,402 | 1,506 |
| CA Inc | 64,700 | 1,383 | 1,753 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---------------------------------|-----------|---------|------------|
| Cisco Systems Inc | 1,160,100 | 21,775 | 19,919 |
| Citrix Systems Inc | 31,100 | 1,498 | 2,611 |
| Cognizant Tech Solutions Corp | 75,100 | 3,400 | 4,506 |
| Computer Sciences Corp | 12,600 | 634 | 313 |
| Corning Inc | 128,400 | 2,139 | 1,660 |
| Dell Inc | 436,300 | 6,696 | 5,458 |
| Dun & Bradstreet Corp | 21,600 | 1,433 | 1,537 |
| Electronic Arts Inc | 78,300 | 1,576 | 967 |
| EMC Corporation | 175,700 | 2,819 | 4,503 |
| F5 Networks Inc | 57,400 | 6,891 | 5,715 |
| Fidelity Ntl Information Svcs | 20,600 | 500 | 702 |
| First Solar Inc | 5,400 | 752 | 81 |
| Fiserv Inc | 32,500 | 1,843 | 2,347 |
| FLIR Systems Inc | 12,700 | 355 | 248 |
| Google Inc | 39,300 | 20,540 | 22,797 |
| Harris Corporation | 9,000 | 323 | 377 |
| Hewlett-Packard Company | 164,100 | 6,407 | 3,300 |
| IBM | 226,300 | 27,566 | 44,260 |
| Intel Corporation | 752,300 | 17,028 | 20,049 |
| Intuit Inc | 34,000 | 1,357 | 2,018 |
| Jabil Circuit Inc | 143,500 | 2,964 | 2,917 |
| JDS Uniphase Corporation | 17,800 | 89 | 196 |
| Juniper Networks Inc | 45,200 | 1,120 | 737 |
| KLA-Tencor Corporation | 105,400 | 4,995 | 5,191 |
| Lam Research Corporation | 57,600 | 2,146 | 2,174 |
| Lennar Corporation | 121,900 | 2,744 | 3,768 |
| Lexmark International Inc | 6,100 | 132 | 162 |
| Linear Technology Corp | 28,500 | 827 | 893 |
| LSI Corporation | 221,200 | 1,362 | 1,409 |
| Microchip Technology Inc | 78,800 | 2,714 | 2,607 |
| Micron Technology Inc | 81,000 | 587 | 511 |
| Microsoft Corporation | 1,020,102 | 26,105 | 31,205 |
| Molex Inc | 80,200 | 2,019 | 1,920 |
| Motorola Solutions Inc | 103,927 | 4,862 | 5,000 |
| NetApp Inc | 29,700 | 913 | 945 |
| NVIDIA Corporation | 53,900 | 553 | 745 |
| Oracle Corporation | 410,544 | 9,136 | 12,193 |
| Paychex Inc | 50,800 | 1,488 | 1,596 |
| Pitney Bowes Inc | 17,600 | 395 | 263 |
| Qualcomm Inc | 251,400 | 12,254 | 13,998 |
| Red Hat Inc | 97,900 | 4,965 | 5,529 |
| SAIC Inc | 23,400 | 441 | 284 |
| Salesforce.com Inc | 11,700 | 959 | 1,618 |
| SanDisk Corporation | 103,400 | 3,983 | 3,772 |
| Seagate Technology PLC | 31,700 | 783 | 784 |
| Symantec Corporation | 63,500 | 947 | 928 |
| TE Connectivity Ltd | 98,000 | 3,370 | 3,127 |
| Teradata Corporation | 44,400 | 2,008 | 3,197 |
| Teradyne Inc | 144,000 | 2,141 | 2,025 |
| Texas Instruments Inc | 197,300 | 5,617 | 5,661 |
| Total System Services Inc | 71,000 | 1,287 | 1,699 |
| VeriSign Inc | 42,300 | 1,314 | 1,843 |
| Western Digital Corp | 28,700 | 835 | 875 |
| Xerox Corporation | 117,495 | 1,001 | 925 |
| Xilinx Inc | 63,000 | 1,848 | 2,115 |
| Xylem Inc | 15,400 | 424 | 388 |
| Yahoo! Inc | 102,100 | 1,771 | 1,616 |
| <i>Total Technology - 18.4%</i> | | 294,207 | 380,697 |
| <i>Utilities</i> | | | |
| AES Corporation | 241,400 | 3,080 | 3,097 |
| AGL Resources Inc | 38,737 | 1,569 | 1,501 |
| Ameren Corporation | 149,700 | 4,552 | 5,021 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|------------|--------------|--------------|
| American Electric Power Co Inc | 84,900 | 2,876 | 3,388 |
| CenterPoint Energy Inc | 46,600 | 652 | 963 |
| CMS Energy Corporation | 113,300 | 1,932 | 2,663 |
| Consolidated Edison Inc | 84,600 | 3,981 | 5,261 |
| Dominion Resources Inc | 169,000 | 7,572 | 9,126 |
| DTE Energy Company | 31,600 | 1,419 | 1,875 |
| Duke Energy Corp | 224,900 | 4,354 | 5,186 |
| Edison International | 64,700 | 2,534 | 2,989 |
| Entergy Corporation | 56,400 | 3,887 | 3,829 |
| Exelon Corp | 174,338 | 7,324 | 6,559 |
| FirstEnergy Corp | 94,832 | 3,914 | 4,665 |
| Integrus Energy Group Inc | 6,600 | 237 | 375 |
| NextEra Energy Inc | 128,000 | 7,328 | 8,808 |
| NiSource Inc | 185,900 | 3,642 | 4,601 |
| Northeast Utilities | 26,896 | 797 | 1,044 |
| NRG Energy Inc | 19,600 | 461 | 340 |
| Pepco Holdings Inc | 26,900 | 408 | 526 |
| PG&E Corp | 35,100 | 1,460 | 1,589 |
| Pinnacle West Capital Corp | 18,600 | 697 | 962 |
| PPL Corporation | 180,000 | 5,041 | 5,006 |
| Progress Energy Inc | 101,100 | 4,938 | 6,083 |
| Public Service Enterprise Grp | 112,900 | 3,636 | 3,669 |
| SCANA Corporation | 71,700 | 3,153 | 3,430 |
| Sempra Energy | 56,300 | 3,211 | 3,878 |
| Southern Company | 156,300 | 5,820 | 7,237 |
| TECO Energy Inc | 17,200 | 242 | 311 |
| Wisconsin Energy Corporation | 84,200 | 2,221 | 3,332 |
| Xcel Energy Inc | 163,600 | 3,809 | 4,644 |
| Total Utilities - 5.4% | | 96,747 | 111,958 |
| Total Equity Securities - 99.5% | | 1,732,702 | 2,059,533 |
| Short-term Issues | | | |
| Dreyfus Cash Management Institutional Fund - 0.5% | 10,939,949 | 10,940 | 10,940 |
| Total Investment Securities - 100.0% | | \$ 1,743,642 | \$ 2,070,473 |
| Collateral for Securities Loaned | | | |
| BNY Mellon Securities Lending Overnight Fund | | \$ 45,752 | \$ 45,752 |
| Mellon SL DBT II Liquidating Fund | | 426 | 410 |
| Mellon GSL DBT II Liquidating Trust | | 3,079 | - |
| Total Collateral for Securities Loaned | | \$ 49,257 | \$ 46,162 |

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

| | | |
|--------------------------------------|----|-----------|
| Dividends | \$ | 46,964 |
| Securities lending income | | 77 |
| Securities lending borrower premiums | | 249 |
| Net shareholder litigation proceeds | | <u>92</u> |

Total investment income 47,382

Expenses

| | | |
|-------------------------------|--|-------------|
| Investment advisor fees | | (1,797) |
| Trustee fees | | (7) |
| Custodian bank fees | | (71) |
| Management fees | | (646) |
| Fiduciary bond fees | | (7) |
| Professional service fees | | (117) |
| Securities lending agent fees | | (60) |
| Futures commission expense | | <u>(22)</u> |

Total expenses (2,727)

Investment income, net 44,655

Realized and unrealized gain from investments

| | | |
|---|--|--------------|
| Net realized gain from investments | | 80,926 |
| Net increase in the fair value of investments | | <u>9,987</u> |

Net gain from investments 90,913

Net increase in net assets from operations \$ 135,568

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | | |
|---|----|--------------|
| Investment income, net | \$ | 44,655 |
| Net realized gain from investments | | 80,926 |
| Net increase in the fair value of investments | | <u>9,987</u> |

Net increase in net assets from operations 135,568

Unit transactions

| | | |
|-------------------------------------|--|------------------|
| Proceeds from sale of units | | 263,671 |
| Amount paid for repurchase of units | | <u>(411,039)</u> |

Net decrease in net assets from unit transactions (147,368)

Decrease in net assets (11,800)

Net assets, beginning of period 2,081,547

Net assets, end of period \$ 2,069,747

Unit data

| | | |
|-------------------|--|---------------------|
| Units sold | | 22,338,910 |
| Units repurchased | | <u>(31,157,761)</u> |

Net decrease in units (8,818,851)

See accompanying notes to financial statements.

Large Cap Domestic Equity Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in equity securities are carried at fair value, which is determined by a third party pricing service based on quoted market prices. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Futures contracts are valued at the last settlement price established each day by the exchange on which they are traded. Commissions on the purchases of investment securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

Security Loans - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value

Large Cap Domestic Equity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

of the securities loaned. Cash collateral received is invested in the BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, consisting of the Mellon SL DBT II Liquidating Fund and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust). Cash collateral received is reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. 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 Operations as net increase or decrease in the fair value of investments.

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

Stock index futures may be used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows.

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

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

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

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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

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

Large Cap Domestic Equity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Income Taxes - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

NOTE 3. INVESTMENT RISK DISCLOSURES

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

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

Futures contracts are the only derivative financial instruments held in the Pool. These derivative financial instruments are not designated as hedging instruments under ASC 815; they are used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows. The primary risk managed by using these derivative financial instruments is market risk. See Note 2 for additional information on the Pool's purpose for entering into derivatives not designated as hedging instruments and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Assets and Liabilities as of June 30, 2012:

| Derivatives not designated as hedging instruments under ASC 815 | Asset Derivatives | | Liability Derivatives | |
|---|--|------------|--|------------|
| | Statement of Assets and Liabilities Location | Fair Value | Statement of Assets and Liabilities Location | Fair Value |
| Equity contracts | Unrealized gain on futures contracts | \$ 204 | | \$ - |

The table below presents the impact of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Operations for the year ended June 30, 2012:

| Derivatives not designated as hedging instruments under ASC 815 | Statement of Operations Location | Realized Gain (Loss) | Statement of Operations Location | Unrealized Gain (Loss) |
|---|--|-------------------------|--|---------------------------|
| Equity contracts | Net realized gain from investments | \$ 817 | Net decrease in the fair value of investments | \$ (136) |

Large Cap Domestic Equity Pool

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

NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------------------|------------------|-------------|---------------------|
| Equity securities | \$ 2,059,533 | \$ - | \$ - | \$ 2,059,533 |
| Futures | 204 | - | - | 204 |
| Regulated investment companies | - | 10,940 | - | 10,940 |
| Securities lending collateral funds | - | 46,162 | - | 46,162 |
| Total | <u>\$ 2,059,737</u> | <u>\$ 57,102</u> | <u>\$ -</u> | <u>\$ 2,116,839</u> |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2012.

| | | | |
|----------------------------------|------------------|------------------|-------------------|
| Fair value of securities on loan | \$ 48,316 | | |
| Initial collateral received: | Cost | Fair Value | Unrealized Loss |
| Cash | <u>\$ 49,257</u> | \$ 46,162 | <u>\$ (3,095)</u> |
| Non-cash | | 223 | |
| Total | | <u>\$ 46,385</u> | |

The Liquidating Trust, referenced in Note 2, was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$3,248 was assigned to the Large Cap Domestic Equity Pool. A loss reserve was established for the entire amount. Through June 30, 2012 the loss reserve has been adjusted to \$3,079 as a result of cash received in the Liquidating Trust. This \$3,079 is included in the unrealized loss reported in the above table.

Large Cap Domestic Equity Pool

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

NOTE 6. SECURITIES LENDING (continued)

In October 2008, the IMB suspended the distribution of any net securities lending income subject to final dissolution of the Liquidating Trust. For the period October 2008 through June 2012, the pool has recorded, but not distributed \$2,318 of net securities lending income.

NOTE 7. FUTURES CONTRACTS

At June 30, 2012, open positions in futures contracts were as follows:

| <u>Expiration</u> | <u>Open Contracts</u> | <u>Position</u> | <u>Value at June 30, 2012</u> | <u>Value Upon Entering Contract</u> | <u>Unrealized Gain (Loss)</u> |
|-------------------|---------------------------|-----------------|-----------------------------------|---|-----------------------------------|
| Sept 2012 | 88 S&P 500 | Long | <u>\$ 5,968</u> | <u>\$ 5,764</u> | <u>\$ 204</u> |

At June 30, 2012, the Pool had pledged cash of \$253 to cover margin requirements on open futures contracts.

NOTE 8. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | |
|---|-----------------|
| Net asset value at June 30, 2011 | \$ 13.16 |
| Income from investment operations: | |
| Net investment income | 0.28 |
| Net realized and unrealized gain on investment transactions | 0.42 |
| Total from investment operations | 0.70 |
| Net asset value at June 30, 2012 | <u>\$ 13.86</u> |

Time-weighted Total Return * 5.4%

Supplemental Data:

| | |
|------------------------------|--------------|
| Net assets, end of period | \$ 2,069,747 |
| Ratio to average net assets: | |
| Expenses ** | 0.13% |
| Net investment income ** | 2.13% |
| Portfolio turnover rate | 56.06% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

Large Cap Domestic Equity Pool

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

NOTE 9. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 908,381 |
| Public Employees' Retirement System | 795,984 |
| State Police Death, Disability and Retirement Fund | 86,641 |
| Workers' Compensation Old Fund | 68,084 |
| West Virginia Retiree Health Benefit Trust | 56,350 |
| Revenue Shortfall Reserve Fund - Part B | 23,721 |
| Judges' Retirement System | 23,121 |
| Deputy Sheriff's Retirement System | 21,171 |
| West Virginia Prepaid Tuition Trust Fund | 20,019 |
| Coal Workers' Pneumoconiosis Fund | 18,692 |
| State Police Retirement System | 14,200 |
| Board of Risk and Insurance Management | 9,969 |
| Wildlife Endowment Fund | 7,283 |
| Public Employees Insurance Agency | 6,562 |
| Emergency Medical Services Retirement System | 6,360 |
| West Virginia Department of Environmental Protection Trust | 1,736 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 781 |
| Workers' Compensation Uninsured Employers' Fund | 661 |
| Municipal Police Officers' and Firefighters' Retirement System | 31 |
| Total | <u>\$ 2,069,747</u> |

NOTE 10. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

Non-Large Cap Domestic Equity Pool

B

Non-Large Cap Domestic Equity Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|-----|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | B-1 |
| Schedule of Investments in Securities | B-2 |
| Statement of Operations | B-6 |
| Statement of Changes in Net Assets | B-7 |
| Notes to Financial Statements | B-8 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Non-Large Cap Domestic Equity Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 Non-Large Cap Domestic Equity Pool as of June 30, 2012, and the results of its operations and changes in net assets for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Non-Large Cap Domestic Equity Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|---|----|----------------|
| Investment securities at fair value | \$ | 698,625 |
| Collateral for securities loaned at fair value (Note 5) | | 34,896 |
| Receivables: | | |
| Investments sold | | 1,470 |
| Dividends | | 570 |
| Securities lending income | | 72 |
| Foreign tax withholding | | 1 |
| | | <u>1</u> |
| Total assets | | 735,634 |

Liabilities

| | | |
|---|-----------|------------------------------|
| Accrued expenses | | 400 |
| Payable upon return of securities loaned (Note 5) | | <u>37,039</u> |
| Total liabilities | | <u>37,439</u> |
| Net assets | \$ | <u><u>698,195</u></u> |

Analysis of net assets

| | | |
|--|-----------|------------------------------|
| Paid-in capital | \$ | 490,672 |
| Accumulated undistributed net investment income | | 37,570 |
| Accumulated undistributed net realized gain from investments | | 114,767 |
| Accumulated undistributed net realized loss from foreign currency transactions | | (506) |
| Unrealized net appreciation of investments | | <u>55,692</u> |
| Net assets | \$ | <u><u>698,195</u></u> |

Unit data

| | | |
|-----------------------------|----|---------------------|
| Units outstanding | | 39,658,377 |
| Net asset value, unit price | \$ | <u><u>17.61</u></u> |

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|-------------------------------------|---------|----------|------------|
| Equity Securities | | | |
| <i>Basic Materials</i> | | | |
| A Schulman Inc | 195,000 | \$ 4,138 | \$ 3,871 |
| Boise Inc | 212,700 | 1,590 | 1,400 |
| Celanese Corp | 80,510 | 2,252 | 2,787 |
| Coeur d'Alene Mines Corp | 69,400 | 1,698 | 1,219 |
| Crown Holdings Inc | 168,830 | 4,999 | 5,823 |
| Domtar Corporation | 41,900 | 3,246 | 3,214 |
| Eastman Chemical Company | 62,200 | 3,232 | 3,133 |
| Georgia Gulf Corporation | 171,530 | 4,812 | 4,403 |
| Huntsman Corp | 231,400 | 3,518 | 2,994 |
| Packaging Corp of America | 211,160 | 5,815 | 5,963 |
| PH Glatfelter Company | 256,200 | 3,994 | 4,194 |
| Schweitzer-Mauduit Intl Inc | 63,600 | 4,181 | 4,334 |
| Wausau Paper Corp | 165,500 | 1,568 | 1,610 |
| Westlake Chemical Corporation | 64,570 | 2,878 | 3,374 |
| <i>Total Basic Materials - 6.9%</i> | | 47,921 | 48,319 |
| <i>Capital Goods</i> | | | |
| Aegean Marine Petroleum Networ | 462,200 | 2,866 | 2,473 |
| AGCO Corporation | 93,300 | 3,938 | 4,267 |
| Alliant Techsystems Inc | 60,300 | 3,730 | 3,049 |
| Apollo Group Inc | 123,200 | 4,829 | 4,459 |
| Applied Industrial Tech Inc | 59,400 | 1,810 | 2,189 |
| BE Aerospace Inc | 125,995 | 3,370 | 5,501 |
| Crane Company | 126,020 | 4,451 | 4,585 |
| Dycom Industries Inc | 81,100 | 1,827 | 1,509 |
| Foster Wheeler AG | 167,600 | 3,805 | 2,894 |
| Gardner Denver Inc | 89,720 | 6,860 | 4,747 |
| Harsco Corporation | 82,300 | 2,219 | 1,677 |
| Hubbell Inc | 112,010 | 6,355 | 8,730 |
| IDEX Corporation | 131,540 | 3,858 | 5,127 |
| IHS Inc | 57,280 | 4,673 | 6,171 |
| KBR Inc | 132,600 | 3,310 | 3,277 |
| Landstar System Inc | 117,200 | 4,612 | 6,062 |
| Lennox International Inc | 42,400 | 1,848 | 1,977 |
| Lihua International Inc | 190,800 | 1,667 | 1,046 |
| Meritor Inc | 305,500 | 1,545 | 1,595 |
| NACCO Industries Inc | 31,600 | 2,669 | 3,674 |
| Oshkosh Corporation | 128,800 | 3,251 | 2,698 |
| Owens Corning Inc | 114,090 | 3,438 | 3,256 |
| PHH Corp | 110,800 | 1,895 | 1,937 |
| Ryder System Inc | 65,620 | 3,444 | 2,363 |
| Timken Company | 197,390 | 8,413 | 9,038 |
| TransDigm Group Inc | 54,020 | 4,716 | 7,255 |
| Trinity Industries Inc | 58,300 | 1,551 | 1,456 |
| United Rentals Inc | 163,530 | 4,396 | 5,567 |
| URS Corp | 75,400 | 2,952 | 2,630 |
| Waste Connections Inc | 181,340 | 4,665 | 5,426 |
| WESCO International Inc | 117,290 | 5,092 | 6,750 |
| <i>Total Capital Goods - 17.7%</i> | | 114,055 | 123,385 |
| <i>Consumer Discretionary</i> | | | |
| Aaron's Inc | 120,600 | 3,189 | 3,414 |
| Aerostale Inc | 79,000 | 1,357 | 1,409 |
| Alaska Air Group Inc | 57,200 | 1,696 | 2,053 |
| Amerco Inc | 28,300 | 2,896 | 2,546 |
| American Eagle Outfitters Inc | 340,420 | 5,824 | 6,716 |
| Ann Inc | 119,800 | 3,122 | 3,054 |
| Arctic Cat Inc | 91,000 | 3,505 | 3,327 |
| Asbury Automotive Group Inc | 69,500 | 1,755 | 1,646 |
| Capella Education Company | 73,600 | 2,260 | 2,558 |
| Coinstar Inc | 28,500 | 1,366 | 1,957 |
| Destination Maternity Corp | 85,200 | 1,648 | 1,840 |

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|---------|--------|------------|
| Foot Locker Inc | 352,360 | 7,448 | 10,775 |
| Hertz Global Holdings Inc | 436,940 | 5,298 | 5,593 |
| Hot Topic Inc | 164,000 | 1,713 | 1,589 |
| Interpublic Group of Co Inc | 429,900 | 4,586 | 4,664 |
| ITT Educational Services Inc | 62,600 | 4,306 | 3,803 |
| Leapfrog Enterprises Inc | 152,400 | 1,523 | 1,564 |
| Lear Corporation | 40,000 | 1,884 | 1,509 |
| Michael Kors Holdings Ltd | 48,450 | 1,738 | 2,027 |
| O'Reilly Automotive Inc | 75,500 | 3,370 | 6,325 |
| PetMed Express Inc | 173,900 | 1,822 | 2,115 |
| Signet Jewelers Ltd | 141,970 | 5,356 | 6,248 |
| US Airways Group Inc | 128,700 | 1,495 | 1,716 |
| WABCO Holdings Inc | 34,500 | 1,690 | 1,826 |
| Whirlpool Corporation | 54,300 | 3,836 | 3,321 |
| Williams Sonoma Inc | 185,240 | 6,974 | 6,478 |
| <i>Total Consumer Discretionary - 12.9%</i> | | 81,657 | 90,073 |
| <i>Consumer Staples</i> | | | |
| Alliance One International Inc | 320,000 | 970 | 1,107 |
| Cal-Maine Foods Inc | 44,700 | 1,666 | 1,748 |
| Dean Foods Company | 257,900 | 2,606 | 4,392 |
| Nu Skin Enterprises Inc | 72,010 | 4,142 | 3,377 |
| Ralcorp Holdings Inc | 121,610 | 6,939 | 8,116 |
| <i>Total Consumer Staples - 2.7%</i> | | 16,323 | 18,740 |
| <i>Energy</i> | | | |
| Denbury Resources Inc | 338,510 | 5,200 | 5,115 |
| EnSCO PLC | 77,520 | 3,229 | 3,641 |
| Gran Tierra Energy Inc | 510,500 | 2,608 | 2,507 |
| Helix Energy Solutions Group | 283,600 | 4,844 | 4,654 |
| Nabors Industries Ltd | 348,400 | 4,581 | 5,017 |
| Patterson-UTI Energy Inc | 167,500 | 2,318 | 2,439 |
| Rowan Companies PLC | 173,320 | 6,095 | 5,603 |
| Sunoco Inc | 94,500 | 3,742 | 4,489 |
| Tesoro Corporation | 577,850 | 13,414 | 14,423 |
| VAALCO Energy Inc | 214,500 | 1,495 | 1,851 |
| Western Refining Inc | 144,700 | 2,768 | 3,222 |
| <i>Total Energy - 7.6%</i> | | 50,294 | 52,961 |
| <i>Financial Services</i> | | | |
| Allied World Assurance Co Hold | 60,300 | 4,447 | 4,792 |
| American Financial Group Inc | 70,000 | 1,741 | 2,746 |
| Assurant Inc | 142,500 | 4,693 | 4,965 |
| Assured Guaranty Ltd | 96,000 | 1,618 | 1,354 |
| Banco Latinoamericano Export | 164,100 | 2,831 | 3,517 |
| Calamos Asset Management Inc | 78,500 | 788 | 899 |
| CapitalSource Inc | 467,100 | 3,173 | 3,139 |
| Comerica Inc | 313,150 | 8,374 | 9,617 |
| Commonwealth REIT | 234,300 | 4,738 | 4,480 |
| East West Bancorp Inc | 129,900 | 2,422 | 3,047 |
| Everest Re Group Ltd | 126,310 | 11,332 | 13,072 |
| First Citizens BancShares Inc | 9,900 | 1,724 | 1,650 |
| First Republic Bank | 123,510 | 3,763 | 4,150 |
| Hospitality Properties Trust | 205,200 | 4,498 | 5,083 |
| Huntington Bancshares Inc | 942,800 | 5,570 | 6,034 |
| Interactive Brokers Group Inc | 134,300 | 2,160 | 1,977 |
| International Bancshares Corp | 76,600 | 1,542 | 1,495 |
| Jones Lang LaSalle Inc | 145,030 | 11,376 | 10,206 |
| Lazard Ltd | 204,750 | 5,427 | 5,321 |
| Lincoln National Corp | 89,400 | 1,509 | 1,955 |
| Maiden Holdings Ltd | 239,400 | 2,132 | 2,078 |
| Montpelier Re Hldgs Ltd | 244,700 | 5,067 | 5,210 |
| National Health Investors Inc | 61,600 | 2,181 | 3,137 |
| Nelnet Inc | 57,600 | 1,252 | 1,325 |

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|---------|---------|------------|
| PacWest Bancorp | 212,300 | 4,074 | 5,025 |
| PartnerRe Ltd | 20,300 | 1,440 | 1,536 |
| Penn Real Estate Invest Tst | 116,100 | 1,691 | 1,739 |
| Popular Inc | 74,830 | 1,561 | 1,243 |
| ProAssurance Corporation | 28,800 | 1,998 | 2,566 |
| Protective Life Corporation | 103,100 | 2,522 | 3,032 |
| PS Business Parks Inc | 76,000 | 3,987 | 5,147 |
| Raymond James Financial Inc | 155,040 | 5,347 | 5,309 |
| Reinsurance Group of America | 109,900 | 6,565 | 5,848 |
| RenaissanceRe Holdings Ltd | 47,100 | 3,653 | 3,580 |
| Republic Bancorp Inc | 38,600 | 712 | 859 |
| SEI Investments Company | 82,400 | 1,679 | 1,639 |
| Sunstone Hotel Investors Inc | 157,900 | 1,600 | 1,735 |
| UMB Financial Corp | 32,500 | 1,501 | 1,665 |
| Umpqua Holdings Corporation | 203,800 | 2,701 | 2,682 |
| Urstadt Biddle Properties Inc | 43,300 | 838 | 856 |
| Washington Federal Inc | 323,600 | 5,245 | 5,466 |
| Wilshire Bancorp Inc | 372,200 | 1,846 | 2,036 |
| Winthrop Realty Trust | 212,200 | 2,020 | 2,580 |
| <i>Total Financial Services - 22.3%</i> | | 145,338 | 155,792 |
| <i>Health Care</i> | | | |
| Community Health Systems Inc | 216,400 | 4,099 | 6,066 |
| Coventry Health Care Inc | 242,500 | 6,359 | 7,709 |
| DENTSPLY International Inc | 215,000 | 7,420 | 8,129 |
| Elan Corporation PLC | 432,810 | 3,582 | 6,315 |
| Health Net Inc | 121,000 | 2,633 | 2,937 |
| Hologic Inc | 242,830 | 4,549 | 4,381 |
| IDEXX Laboratories Inc | 67,533 | 5,237 | 6,492 |
| Mettler-Toledo International | 29,430 | 3,664 | 4,587 |
| Myriad Genetics Inc | 178,600 | 3,859 | 4,245 |
| PDL BioPharma Inc | 753,300 | 4,443 | 4,994 |
| Sun Healthcare Group Inc | 402,300 | 2,719 | 3,367 |
| Thoratec Corp | 47,500 | 1,572 | 1,595 |
| Wellcare Health Plans Inc | 34,900 | 1,846 | 1,850 |
| <i>Total Health Care - 9.0%</i> | | 51,982 | 62,667 |
| <i>Technology</i> | | | |
| Alliance Data Systems Corp | 70,020 | 4,780 | 9,453 |
| Amdocs Ltd | 112,600 | 3,333 | 3,346 |
| Amkor Technology Inc | 313,500 | 1,680 | 1,530 |
| Avnet Inc | 117,900 | 3,691 | 3,638 |
| CACI International Inc | 92,100 | 4,683 | 5,067 |
| Cbeyond Inc | 203,000 | 1,589 | 1,374 |
| FleetCor Technologies Inc | 138,830 | 3,732 | 4,865 |
| Fortinet Inc | 171,440 | 4,051 | 3,981 |
| Informatica Corporation | 168,650 | 8,578 | 7,144 |
| Ingram Micro Inc | 116,400 | 2,297 | 2,034 |
| JDS Uniphase Corporation | 303,580 | 3,842 | 3,339 |
| Lender Processing Services Inc | 64,100 | 1,553 | 1,620 |
| LSI Corporation | 674,900 | 4,846 | 4,299 |
| Net 1 UEPS Technologies Inc | 232,500 | 2,966 | 1,946 |
| NeuStar Inc | 59,100 | 1,554 | 1,974 |
| Neutral Tandem Inc | 235,500 | 2,536 | 3,104 |
| Nuance Communications Inc | 230,610 | 3,957 | 5,493 |
| NXP Semiconductor NV | 134,170 | 2,322 | 3,117 |
| ON Semiconductor Corp | 357,830 | 2,852 | 2,541 |
| SAIC INC | 178,800 | 2,036 | 2,167 |
| Sanmina-SCI Corporation | 137,000 | 1,560 | 1,122 |
| Skyworks Solutions Inc | 202,850 | 4,312 | 5,542 |
| Syntel Inc | 35,740 | 1,689 | 2,169 |
| Tech Data Corporation | 72,200 | 3,128 | 3,478 |
| Teradyne Inc | 253,440 | 3,518 | 3,563 |
| Unisys Corporation | 256,900 | 5,166 | 5,022 |

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|------------|------------|------------|
| United Online Inc | 873,000 | 4,986 | 3,684 |
| Xyratex Ltd | 303,600 | 3,166 | 3,434 |
| <i>Total Technology - 14.3%</i> | | 94,403 | 100,046 |
| <i>Utilities</i> | | | |
| Alliant Energy Corp | 102,400 | 3,340 | 4,666 |
| American Water Works Co Inc | 158,800 | 3,798 | 5,444 |
| CMS Energy Corporation | 139,500 | 2,930 | 3,278 |
| El Paso Electric Company | 45,000 | 1,053 | 1,492 |
| NV Energy Inc | 125,500 | 1,937 | 2,206 |
| OGE Energy Corp | 45,600 | 1,684 | 2,362 |
| Pinnacle West Capital Corp | 115,300 | 4,974 | 5,966 |
| PNM Resources Inc | 184,400 | 2,318 | 3,603 |
| Portland General Electric Co | 129,000 | 2,595 | 3,437 |
| <i>Total Utilities - 4.7%</i> | | 24,629 | 32,454 |
| Total Equity Securities - 98.1% | | 626,602 | 684,437 |
| <u>Short-term Issues</u> | | | |
| Dreyfus Cash Management Institutional Fund - 2.0% | 14,188,606 | 14,188 | 14,188 |
| Total Investment Securities - 100.1% | | \$ 640,790 | \$ 698,625 |
| <u>Collateral for Securities Loaned</u> | | | |
| BNY Mellon Securities Lending Overnight Fund | | \$ 34,586 | \$ 34,586 |
| Mellon SL DBT II Liquidating Fund | | 322 | 310 |
| Mellon GSL DBT II Liquidating Trust | | 2,131 | - |
| Total Collateral for Securities Loaned | | \$ 37,039 | \$ 34,896 |

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

| | |
|---|-----------|
| Dividends, net of foreign withholding taxes | \$ 9,900 |
| Securities lending income | 96 |
| Securities lending borrower premiums | 538 |
| Net shareholder litigation proceeds | 244 |
| Commission recapture | <u>59</u> |

Total investment income 10,837

Expenses

| | |
|-------------------------------|--------------|
| Investment advisor fees | (1,588) |
| Trustee fees | (2) |
| Custodian bank fees | (24) |
| Management fees | (221) |
| Fiduciary bond fees | (2) |
| Professional service fees | (40) |
| Securities lending agent fees | <u>(118)</u> |

Total expenses (1,995)

Investment income, net 8,842

Realized and unrealized gain (loss) from investments

| | |
|---|-----------------|
| Net realized gain from investments | 42,243 |
| Net decrease in the fair value of investments | <u>(70,459)</u> |

Net loss from investments (28,216)

Net decrease in net assets from operations \$ (19,374)

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

Statement of Changes in Net Assets
Year Ended June 30, 2012
(Amounts in thousands, except unit data)

Operations

| | |
|---|-----------------|
| Investment income, net | \$ 8,842 |
| Net realized gain from investments | 42,243 |
| Net decrease in the fair value of investments | <u>(70,459)</u> |

Net decrease in net assets from operations (19,374)

Unit transactions

| | |
|-------------------------------------|-----------------|
| Proceeds from sale of units | 74,958 |
| Amount paid for repurchase of units | <u>(90,512)</u> |

Net decrease in net assets from unit transactions (15,554)

Decrease in net assets (34,928)

Net assets, beginning of period 733,123

Net assets, end of period \$ 698,195

Unit data

| | |
|-------------------|--------------------|
| Units sold | 4,748,650 |
| Units repurchased | <u>(5,043,312)</u> |

Net decrease in units (294,662)

See accompanying notes to financial statements.

Non-Large Cap Domestic Equity Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in equity securities are carried at fair value, which is determined by a third party pricing service based on quoted market prices. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

Non-Large Cap Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Security Loans - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. Cash collateral received is invested in the BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, consisting of the Mellon SL DBT II Liquidating Fund and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust). Cash collateral received is reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. 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 Operations as net increase or decrease in the fair value of investments.

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

NOTE 3. INVESTMENT RISK DISCLOSURES

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

Non-Large Cap Domestic Equity Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|------------|-----------|---------|------------|
| Equity securities | \$ 684,437 | \$ - | \$ - | \$ 684,437 |
| Regulated investment companies | - | 14,188 | - | 14,188 |
| Securities lending collateral funds | - | 34,896 | - | 34,896 |
| Total | \$ 684,437 | \$ 49,084 | \$ - | \$ 733,521 |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2012.

| | | | |
|----------------------------------|-----------|------------|-----------------|
| Fair value of securities on loan | \$ 36,140 | | |
| Initial collateral received: | Cost | Fair Value | Unrealized Loss |
| Cash | \$ 37,039 | \$ 34,896 | \$ (2,143) |
| Non-cash | | - | |
| Total | | \$ 34,896 | |

The Liquidating Trust, referenced in Note 2, was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$2,247 was assigned to the Non-Large Cap Domestic Equity Pool. A loss reserve was established for the entire amount. Through June 30, 2012 the loss reserve has been adjusted to \$2,131 as a result of cash received in the Liquidating Trust. This \$2,131 is included in the unrealized loss reported in the above table.

Non-Large Cap Domestic Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 5. SECURITIES LENDING (continued)

In October 2008, the IMB suspended the distribution of any net securities lending income subject to final dissolution of the Liquidating Trust. For the period October 2008 through June 2012, the pool has recorded, but not distributed \$1,651 of net securities lending income.

NOTE 6. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | | |
|---|----|---------------|
| Net asset value at June 30, 2011 | \$ | 18.35 |
| Income from investment operations: | | |
| Net investment income | | 0.21 |
| Net realized and unrealized loss on investment transactions | | <u>(0.95)</u> |
| Total from investment operations | | <u>(0.74)</u> |
| Net asset value at June 30, 2012 | \$ | <u>17.61</u> |

Time-weighted Total Return * -4.0%

Supplemental Data:

| | | |
|------------------------------|----|---------|
| Net assets, end of period | \$ | 698,195 |
| Ratio to average net assets: | | |
| Expenses ** | | 0.26% |
| Net investment income ** | | 1.24% |
| Portfolio turnover rate | | 108.53% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

Non-Large Cap Domestic Equity Pool

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

NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 307,418 |
| Public Employees' Retirement System | 269,212 |
| State Police Death, Disability and Retirement Fund | 29,507 |
| Workers' Compensation Old Fund | 23,050 |
| West Virginia Retiree Health Benefit Trust | 19,078 |
| Revenue Shortfall Reserve Fund - Part B | 8,033 |
| Judges' Retirement System | 7,802 |
| Deputy Sheriff's Retirement System | 7,158 |
| Coal Workers' Pneumoconiosis Fund | 6,327 |
| State Police Retirement System | 4,779 |
| West Virginia Prepaid Tuition Trust Fund | 4,532 |
| Board of Risk and Insurance Management | 3,376 |
| Wildlife Endowment Fund | 2,467 |
| Public Employees Insurance Agency | 2,221 |
| Emergency Medical Services Retirement System | 2,147 |
| West Virginia Department of Environmental Protection Trust | 590 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 265 |
| Workers' Compensation Uninsured Employers' Fund | 223 |
| Municipal Police Officers' and Firefighters' Retirement System | 10 |
| Total | <u>\$ 698,195</u> |

NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

International Qualified Pool

International Qualified Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|-----|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | C-1 |
| Schedule of Investments in Securities | C-2 |
| Statement of Operations | C-3 |
| Statement of Changes in Net Assets | C-4 |
| Statement of Cash Flows | C-5 |
| Notes to Financial Statements | C-6 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) International Qualified Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations, changes in net assets, and cash flows for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

International Qualified Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|-------------------------------------|----|---------|
| Investment securities at fair value | \$ | 801,731 |
|-------------------------------------|----|---------|

Liabilities

| | | |
|------------------|--|-----------|
| Accrued expenses | | <u>46</u> |
|------------------|--|-----------|

| | | |
|-------------------|-----------|-----------------------|
| Net assets | \$ | <u>801,685</u> |
|-------------------|-----------|-----------------------|

Analysis of net assets

| | | |
|--|----|----------------|
| Paid-in capital | \$ | 379,767 |
| Accumulated undistributed net investment loss | | (31,769) |
| Accumulated undistributed net realized gain from investments | | 26,216 |
| Unrealized net appreciation of investments | | <u>427,471</u> |

| | | |
|-------------------|-----------|-----------------------|
| Net assets | \$ | <u>801,685</u> |
|-------------------|-----------|-----------------------|

Unit data

| | | |
|-----------------------------|----|--------------|
| Units outstanding | | 20,625,481 |
| Net asset value, unit price | \$ | <u>38.87</u> |

See accompanying notes to financial statements.

International Qualified Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|------------|------------|------------|
| <u>Investments in Other Funds</u> | | | |
| Silchester International Investors' Value Equity Group Trust - 100.0% | 12,151,842 | \$ 374,260 | \$ 801,731 |

Investment Objective - To achieve desired exposure to publicly traded equity securities of companies ordinarily incorporated in countries other than the United States.

Redemption Provisions - Monthly on the first business day.

No underlying investments exceed 5% of net assets of the International Qualified Pool.

The Silchester International Investors' Value Equity Group Trust had investments in the following countries at June 30, 2012.

| | Percent of Market Value |
|---------------|----------------------------|
| Japan | 26.7 % |
| Switzerland | 15.5 |
| Great Britain | 14.3 |
| France | 10.4 |
| Netherlands | 6.1 |
| South Korea | 5.5 |
| Hong Kong | 3.9 |
| Singapore | 3.9 |
| Germany | 2.3 |
| Thailand | 2.3 |
| Belgium | 1.4 |
| Taiwan | 1.3 |
| Mexico | 1.0 |
| Greece | 0.8 |
| Italy | 0.8 |
| Norway | 0.7 |
| Portugal | 0.7 |
| Denmark | 0.6 |
| Spain | 0.5 |
| Austria | 0.4 |
| Finland | 0.4 |
| Sweden | 0.3 |
| Malaysia | 0.2 |
| Total | 100.0 % |

See accompanying notes to financial statements.

International Qualified Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

| | | |
|---|---|---------------------------|
| Investment income | \$ | - |
| Expenses | | |
| Investment advisor fees | | (4,261) |
| Trustee fees | | (3) |
| Management fees | | (256) |
| Fiduciary bond fees | | (3) |
| Professional service fees | | <u>(46)</u> |
| | Total expenses | <u>(4,569)</u> |
| | Investment loss, net | (4,569) |
| Realized and unrealized gain (loss) from investments | | |
| Net realized gain from investments | | 2,529 |
| Net decrease in the fair value of investments | | <u>(79,421)</u> |
| | Net loss from investments | <u>(76,892)</u> |
| | Net decrease in net assets from operations | <u><u>\$ (81,461)</u></u> |

See accompanying notes to financial statements.

International Qualified Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | |
|---|-----------------|
| Investment loss, net | \$ (4,569) |
| Net realized gain from investments | 2,529 |
| Net decrease in the fair value of investments | <u>(79,421)</u> |

Net decrease in net assets from operations (81,461)

Unit transactions

| | |
|-------------------------------------|-----------------|
| Proceeds from sale of units | 10,922 |
| Amount paid for repurchase of units | <u>(10,639)</u> |

Net increase in net assets from unit transactions 283

Decrease in net assets (81,178)

Net assets, beginning of period 882,863

Net assets, end of period \$ 801,685

Unit data

| | |
|-------------------|------------------|
| Units sold | 256,973 |
| Units repurchased | <u>(249,842)</u> |

Net increase in units 7,131

See accompanying notes to financial statements.

International Qualified Pool

Statement of Cash Flows
Year Ended June 30, 2012
(Amounts in thousands)

Cash flows from operating activities

| | |
|--|---------------|
| Net decrease in net assets from operations | \$ (81,461) |
| Adjustments to reconcile net decrease in net assets from operations to net cash used in operating activities: | |
| Proceeds from disposition of investment securities | 4,643 |
| Decrease in accrued expenses | (357) |
| Net realized gain from investments | (2,529) |
| Net decrease in the fair value of investments | <u>79,421</u> |
| Net cash used in operating activities | (283) |

Cash flows from financing activities

| | |
|--|-------------------|
| Proceeds from units sold | 10,922 |
| Paid for repurchase of units | <u>(10,639)</u> |
| Net cash provided by financing activities | <u>283</u> |

Net change in cash -

Cash

| | |
|-------------------|--------------------|
| Beginning balance | <u>-</u> |
| Ending balance | <u><u>\$ -</u></u> |

See accompanying notes to financial statements.

International Qualified Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds are valued at the reported net asset values of the individual funds, provided by the fund's management, as a practical expedient for measuring fair value.

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

International Qualified Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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.

International Qualified Pool

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

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.

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|---------|------------|---------|------------|
| Investments in other funds | \$ - | \$ 801,731 | \$ - | \$ 801,731 |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 5. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | | |
|---|----|--------|
| Net asset value at June 30, 2011 | \$ | 42.82 |
| Income from investment operations: | | |
| Net investment loss | | (0.22) |
| Net realized and unrealized loss on investment transactions | | (3.73) |
| Total from investment operations | | (3.95) |
| Net asset value at June 30, 2012 | \$ | 38.87 |

Time-weighted Total Return * -9.3%

Supplemental Data:

| | | |
|------------------------------|----|---------|
| Net assets, end of period | \$ | 801,685 |
| Ratio to average net assets: | | |
| Expenses ** | | 0.55% |
| Net investment income ** | | -0.55% |
| Portfolio turnover rate | | 0.00% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| Participant | Account Value |
|--|---------------|
| Teachers' Retirement System | \$ 393,701 |
| Public Employees' Retirement System | 343,311 |
| State Police Death, Disability and Retirement Fund | 37,412 |
| Judges' Retirement System | 9,901 |
| Deputy Sheriff's Retirement System | 9,036 |
| State Police Retirement System | 5,717 |
| Emergency Medical Services Retirement System | 2,593 |
| Municipal Police Officers' and Firefighters' Retirement System | 14 |
| Total | \$ 801,685 |

International Qualified Pool

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

NOTE 7. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

International Nonqualified Pool

D

International Nonqualified Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|-----|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | D-1 |
| Schedule of Investments in Securities | D-2 |
| Statement of Operations | D-3 |
| Statement of Changes in Net Assets | D-4 |
| Statement of Cash Flows | D-5 |
| Notes to Financial Statements | D-6 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) International Nonqualified Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations, changes in net assets, and cash flows for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

International Nonqualified Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|-------------------------------------|----|--------|
| Investment securities at fair value | \$ | 87,453 |
|-------------------------------------|----|--------|

Liabilities

| | | |
|------------------|--|----------|
| Accrued expenses | | <u>5</u> |
|------------------|--|----------|

| | | |
|-------------------|-----------|----------------------|
| Net assets | \$ | <u>87,448</u> |
|-------------------|-----------|----------------------|

Net assets

| | | |
|--|----|---------------|
| Paid-in capital | \$ | 42,186 |
| Accumulated undistributed net investment loss | | (4,135) |
| Accumulated undistributed net realized gain from investments | | 27,980 |
| Unrealized net appreciation of investments | | <u>21,417</u> |

| | | |
|-------------------|-----------|----------------------|
| Net assets | \$ | <u>87,448</u> |
|-------------------|-----------|----------------------|

Unit data

| | | |
|-----------------------------|----|--------------|
| Units outstanding | | 2,424,706 |
| Net asset value, unit price | \$ | <u>36.07</u> |

See accompanying notes to financial statements.

International Nonqualified Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|-----------|-----------|------------|
| <u>Investments in Other Funds</u> | | | |
| Silchester International Investors' Value Equity Trust - 100.0% | 1,261,014 | \$ 66,036 | \$ 87,453 |

Investment Objective - To achieve desired exposure to publicly traded equity securities of companies ordinarily incorporated in countries other than the United States.

Redemption Provisions - Monthly on the first business day.

No underlying investments exceed 5% of net assets of the International Nonqualified Pool.

The Silchester International Investors' Value Equity Trust had investments in the following countries at June 30, 2012.

| | Percent of Market Value |
|---------------|----------------------------|
| Japan | 26.7 % |
| Switzerland | 15.5 |
| Great Britain | 14.4 |
| France | 10.3 |
| Netherlands | 6.1 |
| South Korea | 5.5 |
| Hong Kong | 3.9 |
| Singapore | 3.9 |
| Thailand | 2.3 |
| Germany | 2.3 |
| Belgium | 1.4 |
| Taiwan | 1.3 |
| Mexico | 1.0 |
| Greece | 0.9 |
| Italy | 0.8 |
| Norway | 0.7 |
| Portugal | 0.7 |
| Denmark | 0.6 |
| Spain | 0.5 |
| Finland | 0.4 |
| Austria | 0.3 |
| Sweden | 0.3 |
| Malaysia | 0.2 |
| Total | 100.0 % |

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

| | |
|---|--------------------------|
| Investment income | \$ - |
| Expenses | |
| Investment advisor fees | (608) |
| Management fees | (28) |
| Professional service fees | <u>(5)</u> |
| Total expenses | <u>(641)</u> |
| Investment loss, net | (641) |
| Realized and unrealized gain (loss) from investments | |
| Net realized gain from investments | 156 |
| Net decrease in the fair value of investments | <u>(8,680)</u> |
| Net loss from investments | <u>(8,524)</u> |
| Net decrease in net assets from operations | <u><u>\$ (9,165)</u></u> |

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | | |
|---|----|----------------|
| Investment loss, net | \$ | (641) |
| Net realized gain from investments | | 156 |
| Net decrease in the fair value of investments | | <u>(8,680)</u> |

Net decrease in net assets from operations (9,165)

Unit transactions

| | | |
|-------------------------------------|--|--------------|
| Proceeds from sale of units | | 29,066 |
| Amount paid for repurchase of units | | <u>(535)</u> |

Net increase in net assets from unit transactions 28,531

Increase in net assets 19,366

Net assets, beginning of period 68,082

Net assets, end of period \$ 87,448

Unit data

| | | |
|-------------------|--|-----------------|
| Units sold | | 731,085 |
| Units repurchased | | <u>(15,012)</u> |

Net increase in units 716,073

See accompanying notes to financial statements.

International Nonqualified Pool

Statement of Cash Flows
Year Ended June 30, 2012
(Amounts in thousands)

Cash flows from operating activities

| | |
|---|-----------------|
| Net decrease in net assets from operations | \$ (9,165) |
| Adjustments to reconcile net decrease in net assets from operations to net cash used in operating activities: | |
| Purchase of investment securities | (28,500) |
| Proceeds from disposition of investment securities | 607 |
| Increase in accrued expenses | 3 |
| Net realized gain from investments | (156) |
| Net decrease in the fair value of investments | <u>8,680</u> |
| Net cash used in operating activities | (28,531) |

Cash flows from financing activities

| | |
|--|----------------------|
| Proceeds from units sold | 29,066 |
| Paid for repurchase of units | <u>(535)</u> |
| Net cash provided by financing activities | <u>28,531</u> |

Net change in cash -

Cash

| | |
|-------------------|--------------------|
| Beginning balance | <u>-</u> |
| Ending balance | <u><u>\$ -</u></u> |

See accompanying notes to financial statements.

International Nonqualified Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds are valued at the reported net asset values of the individual funds, provided by the fund's management, as a practical expedient for measuring fair value.

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

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

International Nonqualified Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 are:

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

International Nonqualified Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|---------|-----------|---------|-----------|
| Investments in other funds | \$ - | \$ 87,453 | \$ - | \$ 87,453 |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 5. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | | |
|---|----|--------|
| Net asset value at June 30, 2011 | \$ | 39.85 |
| Income from investment operations: | | |
| Net investment loss | | (0.26) |
| Net realized and unrealized loss on investment transactions | | (3.52) |
| Total from investment operations | | (3.78) |
| Net asset value at June 30, 2012 | \$ | 36.07 |

Time-weighted Total Return * -9.5%

Supplemental Data:

| | | |
|------------------------------|----|--------|
| Net assets, end of period | \$ | 87,448 |
| Ratio to average net assets: | | |
| Expenses ** | | 0.73% |
| Net investment income ** | | -0.73% |
| Portfolio turnover rate | | 0.69% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| Participant | Account Value |
|--|---------------|
| Workers' Compensation Old Fund | \$ 29,749 |
| West Virginia Retiree Health Benefit Trust | 23,929 |
| Revenue Shortfall Reserve Fund - Part B | 9,880 |
| Coal Workers' Pneumoconiosis Fund | 8,199 |
| Board of Risk and Insurance Management | 4,327 |
| West Virginia Prepaid Tuition Trust Fund | 4,304 |
| Wildlife Endowment Fund | 3,125 |
| Public Employees Insurance Agency | 2,709 |
| West Virginia Department of Environmental Protection Trust | 603 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 332 |
| Workers' Compensation Uninsured Employers' Fund | 291 |
| Total | \$ 87,448 |

International Nonqualified Pool

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

NOTE 7. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

International Equity Pool

E

International Equity Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|------|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | E-1 |
| Schedule of Investments in Securities | E-2 |
| Statement of Operations | E-12 |
| Statement of Changes in Net Assets | E-13 |
| Notes to Financial Statements | E-14 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) International Equity Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations and changes in net assets for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

International Equity Pool

Statement of Assets and Liabilities June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | |
|--|------------------|
| Investment securities at fair value | \$ 1,901,833 |
| Collateral for securities loaned at fair value (Note 5) | 115,664 |
| Cash denominated in foreign currencies (cost \$21,206) | 21,210 |
| Receivables: | |
| Investments sold | 3,934 |
| Dividends | 7,252 |
| Securities lending income | 140 |
| Foreign tax withholding | 2,115 |
| Unrealized gain on foreign currency forward contracts (Note 6) | <u>31</u> |
| Total assets | 2,052,179 |

Liabilities

| | |
|--|----------------------------|
| Accrued expenses | 2,076 |
| Payable for investments purchased | 4,532 |
| Payable upon return of securities loaned (Note 5) | 119,012 |
| Unrealized loss on foreign currency forward contracts (Note 6) | <u>46</u> |
| Total liabilities | <u>125,666</u> |
| Net assets | <u>\$ 1,926,513</u> |

Analysis of net assets

| | |
|--|----------------------------|
| Paid-in capital | \$ 1,288,002 |
| Accumulated undistributed net investment income | 324,131 |
| Accumulated undistributed net realized gain from investments | 356,715 |
| Accumulated undistributed net realized gain from foreign currency transactions | 93,651 |
| Unrealized net depreciation of investments | (105,684) |
| Unrealized net depreciation on translation of assets and liabilities in foreign currencies | <u>(30,302)</u> |
| Net assets | <u>\$ 1,926,513</u> |

Unit data

| | |
|-----------------------------|-----------------|
| Units outstanding | 97,637,602 |
| Net asset value, unit price | <u>\$ 19.73</u> |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|--|------------|----------|------------|
| Equity Securities | | | |
| <i>Argentina</i> | | | |
| Grupo Clarin-GDR CL B Reg S | 282,899 | \$ 1,534 | \$ 1,075 |
| Nortel Inversora SA | 123,040 | 2,538 | 1,922 |
| <i>Total Argentina - 0.2%</i> | | 4,072 | 2,997 |
| <i>Australia</i> | | | |
| Arrium Ltd | 2,545,600 | 6,194 | 2,257 |
| BlueScope Steel Ltd | 1,549,600 | 4,967 | 477 |
| Boart Longyear Group | 934,400 | 2,866 | 2,739 |
| Caltex Australia Ltd | 379,200 | 3,794 | 5,255 |
| Downer EDI Ltd | 720,314 | 2,422 | 2,311 |
| DUET Group | 1,134,997 | 1,646 | 2,141 |
| Flight Centre Ltd | 128,430 | 2,813 | 2,492 |
| Goodman Fielder Ltd | 3,139,617 | 3,417 | 1,770 |
| Macquarie Group Ltd | 278,000 | 6,160 | 7,409 |
| Medusa Mining Ltd | 383,713 | 2,483 | 1,900 |
| Metcash Ltd | 1,480,513 | 5,855 | 5,114 |
| National Australia Bank Ltd | 404,300 | 11,114 | 9,756 |
| Rio Tinto Ltd | 133,800 | 11,080 | 7,749 |
| SAI Global Limited | 485,186 | 2,565 | 2,377 |
| Southern Cross Media Group | 285,367 | 940 | 351 |
| Telstra Corporation Ltd | 1,738,800 | 5,111 | 6,577 |
| Wotif.com Holdings Ltd | 604,511 | 2,512 | 2,609 |
| <i>Total Australia - 3.3%</i> | | 75,939 | 63,284 |
| <i>Austria</i> | | | |
| Andritz AG | 58,446 | 2,835 | 3,005 |
| Erste Group Bank AG | 588,657 | 17,478 | 11,164 |
| OMV AG | 214,600 | 8,816 | 6,746 |
| Voestalpine AG | 137,600 | 4,958 | 3,642 |
| <i>Total Austria - 1.3%</i> | | 34,087 | 24,557 |
| <i>Belgium</i> | | | |
| Barco NV | 22,300 | 1,603 | 1,128 |
| Delhaize Le Lion SA | 146,000 | 8,784 | 5,351 |
| D'leteren SA NV | 63,471 | 3,074 | 2,642 |
| KBC Groep NV | 113,900 | 5,008 | 2,409 |
| Mobistar SA | 39,818 | 2,493 | 1,366 |
| Tessenderlo Chemie NV | 65,300 | 2,990 | 1,666 |
| <i>Total Belgium - 0.8%</i> | | 23,952 | 14,562 |
| <i>Bermuda</i> | | | |
| Alliance Oil Company Ltd | 182,446 | 2,763 | 1,660 |
| China Yuchai International Ltd | 226,207 | 3,831 | 3,092 |
| Credicorp Ltd | 27,200 | 2,518 | 3,424 |
| Dickson Concepts Ltd | 1,628,500 | 1,191 | 873 |
| First Pacific Company Ltd | 10,890,314 | 4,430 | 11,246 |
| Haier Electronics Group | 1,266,000 | 1,345 | 1,508 |
| Peoples Food Holdings Ltd | 13,272,000 | 10,065 | 5,238 |
| Skworth Digital Holdings Ltd | 5,046,000 | 2,429 | 2,225 |
| Varitronix International Ltd | 783,000 | 784 | 329 |
| Yue Yuen Industrial Holdings | 1,682,000 | 3,440 | 5,248 |
| <i>Total Bermuda - 1.8%</i> | | 32,796 | 34,843 |
| <i>Brazil</i> | | | |
| Banco do Brasil SA | 837,501 | 10,663 | 8,103 |
| Banco do Estado do Rio Grande - Preferred Stock | 705,400 | 5,052 | 4,963 |
| Banco Santander Brasil SA | 1,162,160 | 13,891 | 9,007 |
| BR Malls Participacoes | 252,000 | 3,063 | 2,872 |
| Centrais Elect de Sata Catarin - Preferred Stock | 155,600 | 4,108 | 3,129 |
| Centrais Eletricas Brasileiras | 716,760 | 8,176 | 5,039 |
| Centrais Eletricas Brasileiras - Preferred Stock | 383,500 | 4,038 | 3,709 |
| CETIP | 161,179 | 2,469 | 2,004 |
| CIA Paranaense De Energia | 198,080 | 2,402 | 3,768 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|------------|---------|------------|
| Companhia de Bebidas das Amer | 49,100 | 1,590 | 1,882 |
| Companhia de Saneamento | 263,700 | 4,440 | 10,060 |
| Companhia Energetica de Minas - Preferred Stock | 236,300 | 3,045 | 4,394 |
| Companhia Energetica do Ceara - Preferred Stock | 218,650 | 3,704 | 4,168 |
| Companhia Paranaense | 148,020 | 2,928 | 3,209 |
| Ecorodovias Infra E Log | 272,600 | 2,223 | 2,184 |
| Eletropaulo Metropolitana SA - Preferred Stock | 134,600 | 2,452 | 1,690 |
| Embraer SA | 318,028 | 6,673 | 8,437 |
| Gerdau SA | 238,300 | 2,454 | 2,088 |
| Inpar SA | 2,577,740 | 4,582 | 1,916 |
| Itau Unibanco Holding SA | 341,820 | 6,120 | 4,758 |
| Localiza Rent A Car | 141,400 | 2,342 | 2,126 |
| Marcopolo SA - Preferred Stock | 469,800 | 2,043 | 2,106 |
| Marfrig Frigorificos e Comerci | 926,285 | 7,548 | 4,286 |
| Oi SA | 622,000 | 11,614 | 4,873 |
| Petroleo Brasileiro SA | 828,182 | 24,074 | 15,107 |
| Petroleo Brasileiro SA - Preferred Stock | 628,300 | 9,234 | 5,681 |
| Telefonica Brasil | 316,589 | 2,915 | 7,832 |
| Tim Participacoes SA | 293,560 | 5,049 | 8,061 |
| Vale SA | 215,300 | 5,863 | 4,274 |
| Vale SA - Preferred Stock | 478,800 | 11,391 | 9,289 |
| <i>Total Brazil - 7.8%</i> | | 176,146 | 151,015 |
| <i>Canada</i> | | | |
| Agrium Inc | 80,200 | 6,067 | 7,098 |
| ATCO Ltd | 11,600 | 346 | 822 |
| Canadian Imperial Bank | 141,300 | 9,111 | 9,931 |
| Celestica Inc | 597,200 | 3,867 | 4,335 |
| Cogeco Cable Inc | 55,900 | 2,514 | 2,540 |
| Ensign Energy Services Inc | 262,500 | 3,989 | 3,605 |
| Genworth MI Canada Inc | 89,100 | 2,443 | 1,612 |
| Laurentian Bank of Canada | 83,174 | 2,496 | 3,793 |
| Lundin Mining Corporation | 860,900 | 3,123 | 3,564 |
| Magna International Inc | 164,000 | 8,605 | 6,469 |
| Metro Inc | 154,500 | 6,876 | 7,900 |
| National Bank of Canada | 100,800 | 5,026 | 7,195 |
| Pacific Rubiales Energy Corp | 95,600 | 2,506 | 2,022 |
| Precision Drilling Corporation | 410,600 | 4,276 | 2,791 |
| Rogers Communications Inc | 132,100 | 5,094 | 4,783 |
| Sherritt International Company | 604,400 | 3,606 | 2,905 |
| Teck Corporation | 187,800 | 6,177 | 5,808 |
| Transcontinental Inc | 239,200 | 3,637 | 2,180 |
| Westjet Airlines LTD | 275,500 | 3,515 | 4,348 |
| <i>Total Canada - 4.3%</i> | | 83,274 | 83,701 |
| <i>Cayman Islands</i> | | | |
| Baidu Inc | 26,440 | 3,331 | 3,040 |
| Belle International Holdings | 1,389,500 | 2,558 | 2,350 |
| Chaoda Modern Agricultures Ltd | 19,491,636 | 12,313 | 1,560 |
| Daphne International Holdings | 1,974,000 | 1,905 | 1,990 |
| Hengan International Group | 169,500 | 1,749 | 1,638 |
| Kingboard Laminates Holding | 3,250,500 | 2,844 | 1,190 |
| Longking Holdings Ltd | 10,369,000 | 3,897 | 2,460 |
| New World Department Store | 1,401,000 | 1,313 | 753 |
| Tencent Holdings Ltd | 97,700 | 2,563 | 2,847 |
| VST Holdings Limited | 2,840,000 | 847 | 491 |
| Xinyi Glass Holdings Co Ltd | 3,286,000 | 1,911 | 1,741 |
| Yingde Gases | 8,870,500 | 8,581 | 8,074 |
| <i>Total Cayman Islands - 1.5%</i> | | 43,812 | 28,134 |
| <i>China</i> | | | |
| Bank of China Ltd | 19,058,000 | 6,228 | 7,223 |
| China Coal Energy Co | 3,637,000 | 3,310 | 2,973 |
| China Construction Bank Corp | 5,867,100 | 4,890 | 4,001 |
| China Merchants Bank | 1,291,000 | 2,932 | 2,407 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|-------------------------------------|------------|---------|------------|
| China Pet & Chem Cor (Sinopec) | 8,680,000 | 7,227 | 7,699 |
| China South Locomotive | 3,723,000 | 2,681 | 2,875 |
| Chongqing Machinery & Electric | 7,926,000 | 1,644 | 1,063 |
| Dongfeng Motor Group Company | 2,208,000 | 3,171 | 3,387 |
| Great Wall Motor Company Ltd | 4,665,999 | 3,450 | 9,252 |
| Harbin Power Equipment Company | 4,930,000 | 5,590 | 3,960 |
| Jiangxi Copper Company Ltd | 993,000 | 2,826 | 2,169 |
| PetroChina Company Ltd | 16,090 | 2,295 | 2,078 |
| Ping An Insurance Co | 215,500 | 1,635 | 1,714 |
| Shanghai Electric Group Co | 6,350,000 | 2,789 | 2,562 |
| Sichuan Xinhua Winshare | 6,391,000 | 1,553 | 2,744 |
| Sinotrans Ltd | 35,607,000 | 6,371 | 5,784 |
| Weiqiao Textile Company Ltd | 12,431,908 | 15,893 | 4,584 |
| <i>Total China - 3.5%</i> | | 74,485 | 66,475 |
| <i>Czech Republic</i> | | | |
| Telefonica O2 Czech Republic - 0.3% | 325,580 | 7,552 | 6,230 |
| <i>Denmark</i> | | | |
| D/S Norden A/S | 69,847 | 2,446 | 1,853 |
| Danske Bank A/S | 144,600 | 3,042 | 2,009 |
| SimCorp A/S | 17,397 | 2,254 | 2,996 |
| <i>Total Denmark - 0.4%</i> | | 7,742 | 6,858 |
| <i>Finland</i> | | | |
| Huhtamaki | 224,400 | 2,469 | 3,335 |
| TietoEnator Oyj | 171,000 | 4,238 | 2,730 |
| <i>Total Finland - 0.3%</i> | | 6,707 | 6,065 |
| <i>France</i> | | | |
| Altran Technologies SA | 313,790 | 2,222 | 1,379 |
| Axa | 343,200 | 8,663 | 4,564 |
| BNP Paribas | 111,600 | 8,205 | 4,296 |
| Compagnie Generale de Geophy | 86,610 | 2,613 | 2,224 |
| Credit Agricole SA | 510,196 | 3,980 | 2,247 |
| Etablissements Maurel et Prom | 94,314 | 1,688 | 1,363 |
| France Telecom SA | 289,000 | 8,066 | 3,805 |
| Ingenico SA | 74,596 | 3,357 | 3,628 |
| Ipsos | 74,741 | 2,540 | 2,201 |
| Rallye SA | 35,300 | 2,308 | 1,008 |
| Sanofi-Synthelabo SA | 217,400 | 14,899 | 16,482 |
| SCOR SE | 247,703 | 6,130 | 6,007 |
| Teleperformance | 89,421 | 3,055 | 1,973 |
| Total SA | 232,600 | 14,724 | 10,479 |
| Valeo SA | 154,487 | 6,880 | 6,370 |
| Vivendi Universal | 508,089 | 14,198 | 9,433 |
| <i>Total France - 4.0%</i> | | 103,528 | 77,459 |
| <i>Germany</i> | | | |
| ADVA AG Optical Networking | 274,027 | 1,808 | 1,421 |
| Allianz AG | 67,400 | 9,038 | 6,767 |
| BASF AG | 100,500 | 4,292 | 6,976 |
| Bayer AG | 103,100 | 5,498 | 7,429 |
| Deutsche Bank AG | 96,600 | 8,016 | 3,494 |
| Deutsche Post AG | 404,700 | 5,812 | 7,159 |
| Draegerwerk AG - Preferred Stock | 24,112 | 2,400 | 2,381 |
| E.On AG | 252,600 | 7,276 | 5,450 |
| Fielmann AG | 24,274 | 2,423 | 2,249 |
| Fuchs Petrolub AG - Preferred Stock | 69,948 | 1,692 | 3,830 |
| Kabel Deutschland Holding AG | 60,979 | 3,313 | 3,802 |
| Krones AG | 42,184 | 2,200 | 2,129 |
| Muenchener Rueckversicherungs | 44,700 | 7,603 | 6,305 |
| MUT Aero Engines Holding AG | 42,775 | 3,154 | 3,145 |
| Pfeiffer Vacuum Technology AG | 26,176 | 1,854 | 2,669 |
| Rheinmetall AG | 28,889 | 1,713 | 1,419 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|--------------------------------|------------|--------|------------|
| RWE AG | 119,300 | 7,858 | 4,871 |
| Symrise AG | 61,627 | 1,501 | 1,876 |
| TUI AG | 354,304 | 3,152 | 2,119 |
| Volkswagen AG | 68,000 | 8,689 | 10,256 |
| <i>Total Germany - 4.5%</i> | | 89,292 | 85,747 |
| <i>Greece</i> | | | |
| Alapis Holding Ind & Commer | 46,477 | 1,132 | 2 |
| Alpha Bank AE | 91,300 | 2,833 | 146 |
| Hellenic Petroleum SA | 43,638 | 608 | 261 |
| <i>Total Greece - 0.0%</i> | | 4,573 | 409 |
| <i>Hong Kong</i> | | | |
| AAC Technologies Holdings Inc. | 550,000 | 1,692 | 1,581 |
| Beijing Enterprises Holdings | 392,500 | 2,173 | 2,353 |
| China Mobile (Hong Kong) Ltd | 1,589,000 | 15,186 | 17,361 |
| China Resources Power | 3,166,500 | 5,708 | 6,491 |
| China Taiping Insurance | 644,200 | 1,271 | 1,041 |
| Citic Pacific Ltd | 2,143,000 | 4,154 | 3,232 |
| CNOOC Ltd | 2,221,000 | 4,922 | 4,409 |
| Esprit Holding Ltd | 1,088,100 | 1,449 | 1,387 |
| Fushan Intl Energy Group Ltd | 4,994,000 | 1,705 | 1,281 |
| Galaxy Entertainment Group | 796,000 | 1,731 | 1,966 |
| Global Bio-Chem Technology | 1,824,000 | 429 | 261 |
| <i>Total Hong Kong - 2.1%</i> | | 40,420 | 41,363 |
| <i>Hungary</i> | | | |
| Magyar Telekom - 0.4% | 3,864,270 | 15,829 | 7,620 |
| <i>India</i> | | | |
| Ashok Leyland Ltd | 5,364,700 | 2,817 | 2,392 |
| Aurobindo Pharma | 752,050 | 2,904 | 1,482 |
| Dr. Reddy's Laboratories | 38,900 | 1,320 | 1,155 |
| Grasim Industries Limited | 78,900 | 4,315 | 3,758 |
| HDFC Bank Ltd | 131,000 | 4,161 | 4,271 |
| Indiabulls Financial Services | 1,075,300 | 3,920 | 4,427 |
| Indian Oil Corporation Ltd | 1,333,045 | 6,933 | 6,106 |
| ITC Limited | 403,979 | 1,825 | 1,873 |
| Maruti Suzuki India Ltd | 111,581 | 2,829 | 2,338 |
| McLeod Russel India Ltd | 346,493 | 2,094 | 1,850 |
| Reliance Infrastructure Ltd | 1,530,315 | 15,967 | 15,300 |
| Tata Motors Ltd | 230,600 | 5,851 | 5,064 |
| <i>Total India - 2.6%</i> | | 54,936 | 50,016 |
| <i>Indonesia</i> | | | |
| Bank Rakyat Indonesia | 2,911,500 | 2,053 | 1,968 |
| Indofood Sukses Mak TBK | 2,244,500 | 1,187 | 1,159 |
| Semen Gresik (Persero) TBK | 2,387,400 | 2,670 | 2,872 |
| Timah Tbk PT | 15,752,500 | 3,295 | 2,314 |
| <i>Total Indonesia - 0.4%</i> | | 9,205 | 8,313 |
| <i>Ireland</i> | | | |
| Irish Life & Permanent Group | 398,100 | 6,377 | 14 |
| Total Produce PLC | 82,700 | 92 | 42 |
| <i>Total Ireland - 0.0%</i> | | 6,469 | 56 |
| <i>Israel</i> | | | |
| Bank Leumi Le-Israel | 976,800 | 3,243 | 2,348 |
| Bezeq Israeli Telecommunicatio | 795,078 | 1,096 | 828 |
| Israel Discount Bank | 1,644,552 | 3,628 | 1,675 |
| Partner Communications Company | 472,472 | 8,118 | 1,886 |
| Syneron Medical Ltd | 259,721 | 2,711 | 2,696 |
| Teva Pharmaceutical Ltd | 171,700 | 6,922 | 6,675 |
| <i>Total Israel - 0.8%</i> | | 25,718 | 16,108 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|--------------------------------|-----------|--------|------------|
| <i>Italy</i> | | | |
| Amplifon SpA | 251,956 | 1,210 | 1,179 |
| De'Longhi SPA | 114,263 | 1,270 | 1,100 |
| Enel SpA | 1,254,800 | 6,552 | 4,048 |
| ENI SpA | 424,300 | 11,514 | 9,035 |
| Finmeccanica SpA | 276,900 | 4,130 | 1,117 |
| Lottomatica SPA | 75,285 | 1,434 | 1,452 |
| Parmalat SpA | 791,808 | 1,537 | 1,501 |
| Pirelli & Company SpA | 347,876 | 2,787 | 3,662 |
| Prysmian SpA | 141,491 | 2,218 | 2,108 |
| Sorin SPA | 858,072 | 1,724 | 1,869 |
| <i>Total Italy - 1.4%</i> | | 34,376 | 27,071 |
| <i>Japan</i> | | | |
| 77 Bank Ltd | 543,000 | 2,453 | 2,225 |
| Aeon Delight Company Ltd | 89,351 | 1,545 | 2,046 |
| Asahi Kasei Corp | 918,000 | 5,625 | 4,947 |
| Brother Industries Ltd | 227,200 | 3,214 | 2,574 |
| Century Leasing System Inc | 214,200 | 2,725 | 3,992 |
| Coca-Cola West Company | 162,300 | 2,893 | 2,825 |
| Cocokara Fine Holdings Inc | 80,100 | 2,067 | 2,646 |
| Daiseki Company Ltd | 106,760 | 2,065 | 1,849 |
| Disco Corp | 37,300 | 1,946 | 2,092 |
| Don Quijote Co Ltd | 77,800 | 2,736 | 2,673 |
| Eizo Nannao Corporation | 51,700 | 1,645 | 1,031 |
| Foster electric Company Ltd | 104,300 | 1,645 | 1,686 |
| GEO Corporation | 1,800 | 1,846 | 1,999 |
| Hanwa Company Ltd | 600,000 | 3,094 | 2,271 |
| Heiwa Corporation | 127,000 | 2,154 | 2,372 |
| Hitachi Capital Corporation | 67,400 | 608 | 1,120 |
| Hitachi Metals Ltd | 134,000 | 1,578 | 1,584 |
| Hoshizaki Electric Company Ltd | 85,196 | 1,385 | 2,147 |
| Itochu Corp | 499,000 | 3,527 | 5,203 |
| Japan Petroleum Exploration Co | 42,100 | 1,744 | 1,593 |
| JSR Corporation | 128,986 | 2,307 | 2,220 |
| JTEKT Corporation | 194,200 | 1,909 | 1,986 |
| JVC Kenwood Holdings | 483,100 | 1,972 | 1,665 |
| JX Holdings Inc | 958,421 | 6,146 | 4,901 |
| KDDI Corporation | 1,100 | 5,634 | 7,072 |
| Keihin Corporation | 160,500 | 1,387 | 2,353 |
| Keiyo Bank Ltd | 233,007 | 1,136 | 1,078 |
| Konica Corporation | 430,000 | 3,048 | 3,357 |
| Kyorin Co Ltd | 126,000 | 2,319 | 2,650 |
| Kyowa Exeo Corporation | 239,500 | 2,147 | 2,431 |
| Marubeni Corporation | 654,800 | 2,948 | 4,317 |
| Matsumotokiyoshi Holdings Co | 167,400 | 3,080 | 3,705 |
| Megmilk Snow Brand Co Ltd | 110,800 | 2,142 | 1,945 |
| Miraca Holdings Inc | 144,700 | 3,107 | 5,994 |
| Mitsubishi Tokyo Finl Grp Inc | 1,467,600 | 6,590 | 6,953 |
| Mitsui & Company Ltd | 422,100 | 7,215 | 6,211 |
| Mizuho Financial Grp Inc | 4,206,600 | 8,886 | 7,065 |
| Musashi Seimitsu Industry Co | 76,131 | 1,934 | 1,447 |
| NGK Insulators LTD | 167,000 | 2,033 | 1,827 |
| Nichirei Corporation | 477,000 | 2,190 | 2,337 |
| Nippon Denko Company Ltd | 337,000 | 1,598 | 1,267 |
| Nippon Telegraph & Telephone | 188,900 | 8,428 | 8,760 |
| NTT DoCoMo | 5,500 | 8,422 | 9,147 |
| Otsuka Holdings Co Ltd | 254,800 | 7,684 | 7,801 |
| Pola Orbis Holdings Inc | 164,300 | 4,221 | 5,072 |
| Q.P. Corporation | 179,900 | 2,629 | 2,728 |
| Sankyo Company Ltd | 48,400 | 2,199 | 2,354 |
| Sapporo Hokuyo Holdings Inc | 705,600 | 3,211 | 2,175 |
| Sapporo Holdings Ltd | 728,341 | 2,925 | 2,337 |
| Seino Holdings Corporation Ltd | 330,000 | 1,730 | 2,200 |
| Shimadzu Corporation | 262,000 | 2,233 | 2,249 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|----------------------------------|-----------|---------|------------|
| Sumitomo Corporation | 783,000 | 10,541 | 10,873 |
| Sumitomo Mitsui Financial Grp | 224,700 | 6,979 | 7,356 |
| Sundrug Co Ltd | 90,200 | 2,475 | 2,929 |
| THK Co Ltd | 94,114 | 1,939 | 1,760 |
| Toagosei Company Ltd | 602,000 | 2,621 | 2,339 |
| Tokyo Tatemono Company Ltd | 751,700 | 2,747 | 2,798 |
| Toshiba Plant Sys & Ser Corp | 275,695 | 3,113 | 3,258 |
| Toyo Suisan Kaisha Ltd | 155,000 | 3,220 | 4,132 |
| UBIC Inc | 7,720 | 852 | 631 |
| United Urban Investment Corp | 2,633 | 2,908 | 2,835 |
| Yaskawa Electric Corporation | 280,000 | 2,242 | 2,106 |
| Yodogawa Steel Works Ltd | 512,000 | 2,194 | 1,964 |
| Yokogawa Electric Corp | 196,900 | 1,712 | 2,019 |
| Yokohama Rubber Company Ltd | 504,000 | 2,710 | 3,771 |
| <i>Total Japan - 11.2%</i> | | 206,158 | 215,250 |
| <i>Korea</i> | | | |
| BS Financial Group Inc | 649,670 | 3,643 | 7,175 |
| Hana Financial Group | 175,280 | 6,605 | 5,540 |
| Hyundai Motor Co Ltd | 21,433 | 4,445 | 4,351 |
| Hyundai Motor Company | 207,252 | 9,760 | 11,997 |
| Hyundai Securities Co Ltd | 341,900 | 2,955 | 2,534 |
| Industrial Bank of Korea (IBK) | 305,000 | 5,052 | 3,395 |
| KB Financial Group Inc | 304,146 | 13,200 | 9,831 |
| Korea Electric Power Corp | 333,948 | 9,158 | 7,479 |
| Korea Exchange Bank | 656,100 | 7,827 | 4,669 |
| KT Corporation | 204,200 | 6,962 | 5,411 |
| LG Chemical Ltd | 7,336 | 2,444 | 1,870 |
| LG Electronics Inc | 19,354 | 1,555 | 1,031 |
| Lotte Chilsung Beverage Co | 5,094 | 4,505 | 6,525 |
| Lotte Confectionery Co Ltd | 1,417 | 1,520 | 1,935 |
| NHN Corporation | 9,531 | 1,883 | 2,080 |
| Posco | 57,077 | 15,747 | 12,334 |
| Samsung Electronics Co Ltd | 14,160 | 10,855 | 14,848 |
| Samsung Engineering Co | 13,720 | 2,914 | 2,150 |
| Samsung Heavy Industries | 76,790 | 2,787 | 2,501 |
| Shinhan Financial Group | 335,370 | 12,564 | 11,625 |
| SK Holdings Co Ltd | 37,800 | 3,405 | 4,373 |
| SK Telecom Company Ltd | 83,000 | 11,227 | 9,058 |
| <i>Total Korea - 6.9%</i> | | 141,013 | 132,712 |
| <i>Luxembourg</i> | | | |
| Ternium - 0.0% | 46,470 | 893 | 909 |
| <i>Malaysia</i> | | | |
| Axiata Group Berhad | 1,468,200 | 2,432 | 2,529 |
| Sime Darby Berhad | 815,000 | 2,660 | 2,538 |
| <i>Total Malaysia - 0.3%</i> | | 5,092 | 5,067 |
| <i>Mauritius</i> | | | |
| Golden Agri-Resources Ltd - 0.1% | 3,772,779 | 1,589 | 1,995 |
| <i>Mexico</i> | | | |
| Alfa SA A Shares | 453,400 | 2,692 | 7,202 |
| America Movil | 338,533 | 8,109 | 8,822 |
| Cemex SAB de CV | 1,380,201 | 10,301 | 9,289 |
| Fibra Uno Administracion SA | 2,531,964 | 4,150 | 5,179 |
| Fomento Economico Mexicano SAB | 30,100 | 2,032 | 2,686 |
| Grupo Financiero Banorte | 745,900 | 3,231 | 3,842 |
| Grupo Televisa MM | 1,368,013 | 5,172 | 5,850 |
| Grupo Televisa SA | 199,700 | 4,306 | 4,290 |
| <i>Total Mexico - 2.4%</i> | | 39,993 | 47,160 |
| <i>Netherlands</i> | | | |
| Aegon NV | 879,800 | 7,090 | 4,069 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---------------------------------|-----------|--------|------------|
| ASM International NV | 35,275 | 771 | 1,338 |
| Delta Lloyd NV | 150,800 | 3,505 | 2,094 |
| Koninklijke (Royal) KPN NV | 569,500 | 8,070 | 5,461 |
| Koninklijke Ahold NV | 577,000 | 7,790 | 7,157 |
| Koninklijke DSM NV | 139,700 | 5,192 | 6,879 |
| Nutreco Holding NV | 102,814 | 6,132 | 7,167 |
| <i>Total Netherlands - 1.8%</i> | | 38,550 | 34,165 |
| <i>New Zealand</i> | | | |
| Chorus Ltd | 402,320 | 943 | 1,015 |
| Telecom Corp of New Zealand | 3,382,435 | 5,768 | 6,498 |
| <i>Total New Zealand - 0.4%</i> | | 6,711 | 7,513 |
| <i>Norway</i> | | | |
| Cermaq ASA | 178,900 | 2,702 | 2,355 |
| DNB Holding ASA | 425,700 | 4,781 | 4,222 |
| Marine Harvest | 3,035,738 | 2,208 | 2,153 |
| StatoilHydro ASA | 275,900 | 7,095 | 6,563 |
| Stolt-Nielsen Ltd | 96,500 | 2,011 | 1,623 |
| TGS Nopce Geophysical Company | 112,649 | 1,434 | 3,024 |
| Veidekke ASA | 272,143 | 2,467 | 1,937 |
| <i>Total Norway - 1.1%</i> | | 22,698 | 21,877 |
| <i>Pakistan</i> | | | |
| Nishat Mills Ltd - 0.0% | 1,831,640 | 2,114 | 922 |
| <i>Panama</i> | | | |
| Banco Latinoamericano de Exp | 604,261 | 9,560 | 12,949 |
| Copa Holdings | 26,600 | 1,757 | 2,194 |
| <i>Total Panama - 0.8%</i> | | 11,317 | 15,143 |
| <i>Philippines</i> | | | |
| First Philippine Holdings Corp | 2,029,217 | 1,282 | 3,641 |
| Metropolitan Bank & Trust Co | 1,872,369 | 3,071 | 4,110 |
| <i>Total Philippines - 0.4%</i> | | 4,353 | 7,751 |
| <i>Poland</i> | | | |
| KGHM Polska Miedz - 0.3% | 154,400 | 5,140 | 6,708 |
| <i>Portugal</i> | | | |
| Banco Espirito Santo - 0.0% | 675,000 | 2,243 | 461 |
| <i>Russia</i> | | | |
| Gazprom | 1,291,150 | 13,421 | 12,182 |
| Lukoil | 408,916 | 24,689 | 22,920 |
| Magnit | 106,097 | 2,950 | 3,191 |
| MMC Norilsk Nickel | 402,961 | 6,648 | 6,657 |
| Mobile TeleSystems | 342,400 | 5,033 | 5,889 |
| OAo TMK | 139,166 | 1,703 | 1,670 |
| Rosneft Oil | 402,666 | 2,796 | 2,521 |
| RusHydro | 2,348,853 | 8,060 | 5,641 |
| Sberbank | 1,502,507 | 4,862 | 3,997 |
| <i>Total Russia - 3.4%</i> | | 70,162 | 64,668 |
| <i>Singapore</i> | | | |
| ComfortDelGro Corporation | 1,854,000 | 2,072 | 2,261 |
| DBS Group Holdings Ltd | 429,000 | 3,783 | 4,697 |
| Flextronics International Ltd | 1,736,940 | 8,107 | 10,769 |
| Haw Par Corporation Ltd | 532,000 | 2,330 | 2,520 |
| Hong Leong Asia Ltd | 1,164,000 | 2,220 | 1,484 |
| Suntec REIT | 1,232,000 | 1,289 | 1,313 |
| Venture Corp Ltd | 207,000 | 1,114 | 1,278 |
| <i>Total Singapore - 1.3%</i> | | 20,915 | 24,322 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|----------------------------------|------------|--------|------------|
| <i>South Africa</i> | | | |
| Aspen Pharmicare Holdings | 108,486 | 1,733 | 1,669 |
| Astral Foods Ltd | 161,900 | 2,256 | 2,237 |
| Barloworld Ltd | 225,647 | 2,492 | 2,235 |
| Clicks Group Ltd | 355,173 | 2,055 | 2,334 |
| Exxaro Resources Ltd | 89,309 | 2,165 | 2,076 |
| FirstRand Ltd | 1,086,643 | 3,105 | 3,506 |
| Imperial Holdings Ltd | 563,974 | 3,878 | 11,861 |
| Metropolitan Holdings Ltd | 1,946,300 | 3,206 | 4,284 |
| MTN Group Ltd | 927,220 | 14,208 | 15,977 |
| Nampak Ltd | 1,627,100 | 3,355 | 4,974 |
| <i>Total South Africa - 2.7%</i> | | 38,453 | 51,153 |
| <i>Spain</i> | | | |
| Banco Santander Ctrl Hisp SA | 763,400 | 8,451 | 5,058 |
| Repsol SA | 282,500 | 7,856 | 4,532 |
| Telefonica SA | 332,800 | 7,121 | 4,380 |
| Viscofan SA | 65,491 | 2,330 | 2,820 |
| <i>Total Spain - 0.9%</i> | | 25,758 | 16,790 |
| <i>Sweden</i> | | | |
| Boliden AB | 577,000 | 8,085 | 8,025 |
| Meda AB | 274,998 | 2,284 | 2,624 |
| NCC AB | 212,300 | 3,788 | 3,817 |
| <i>Total Sweden - 0.8%</i> | | 14,157 | 14,466 |
| <i>Switzerland</i> | | | |
| Aryzta AG | 45,090 | 2,172 | 2,244 |
| Baloise Holding Ltd | 73,300 | 4,946 | 4,840 |
| BKW SA | 50,182 | 2,641 | 1,686 |
| Credit Suisse Group | 219,200 | 9,498 | 3,997 |
| DKSH Holdings Ltd | 31,112 | 1,666 | 1,709 |
| Informa PLC | 607,510 | 2,813 | 3,622 |
| Kudelski SA - BR | 196,595 | 1,379 | 1,495 |
| Kuoni Reisen Holding AG | 8,687 | 2,943 | 2,662 |
| Novartis AG | 266,800 | 10,898 | 14,911 |
| Partners Group Holding AG | 14,487 | 1,431 | 2,581 |
| Roche Holding AG | 69,500 | 10,010 | 12,013 |
| Swiss Re Ltd | 128,500 | 6,874 | 8,085 |
| Zurich Financial Services AG | 28,300 | 6,612 | 6,384 |
| <i>Total Switzerland - 3.4%</i> | | 63,883 | 66,229 |
| <i>Taiwan</i> | | | |
| Asustek Computer Inc | 289,000 | 2,869 | 2,626 |
| Catcher Technology Co Ltd | 264,000 | 1,861 | 1,754 |
| Chinatrust Financial Holding | 4,778,075 | 3,570 | 2,718 |
| Chipbond Technology Corp | 2,627,000 | 3,320 | 3,512 |
| Compal Electronics Inc | 15,114,938 | 14,094 | 13,833 |
| Gigabyte Technology Company | 2,968,000 | 2,206 | 2,825 |
| Hon Hai Precision Industry Co | 754,000 | 2,196 | 2,256 |
| Lite-On-It Corp | 2,747,000 | 2,565 | 2,661 |
| Novatek Microelectronics Corp | 2,724,000 | 6,581 | 8,331 |
| Simplo Technology Co Ltd | 124,000 | 859 | 844 |
| Taiwan Prosperity Chemical | 1,012,600 | 4,050 | 2,419 |
| Taiwan Semiconductor | 375,500 | 4,823 | 5,242 |
| Wistron Corporation | 3,238,000 | 3,847 | 3,955 |
| <i>Total Taiwan - 2.7%</i> | | 52,841 | 52,976 |
| <i>Thailand</i> | | | |
| Banpu Putlic Company Ltd | 151,300 | 3,342 | 2,134 |
| Charoen Pokphand Foods Public | 1,289,400 | 1,581 | 1,563 |
| Kasikornbank Public Co Ltd | 662,600 | 2,586 | 3,380 |
| Krung Thai Bank Public Co Ltd | 16,010,900 | 4,677 | 8,116 |
| PTT PLC | 264,400 | 2,870 | 2,689 |
| <i>Total Thailand - 0.9%</i> | | 15,056 | 17,882 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|--------------------------------|------------|--------|------------|
| <i>Turkey</i> | | | |
| Arcelik AS | 259,200 | 1,141 | 1,310 |
| AYGAZ AS | 690,980 | 2,808 | 2,896 |
| Dogus Otomotiv Servis | 828,060 | 1,859 | 2,545 |
| Ford Otomotiv Sanayi AS | 398,700 | 3,789 | 3,615 |
| Koza Altin Isletmeleri AS | 124,271 | 1,804 | 2,405 |
| Selcuk Exza Deposu Ticaret AS | 3,454,524 | 4,463 | 3,419 |
| Turkiye Garanti Bankasi AS | 2,337,860 | 8,642 | 9,177 |
| Turkiye Halk Bankasi | 773,100 | 4,946 | 6,048 |
| Turkiye Sinai Kalkinma Bank | 2,041,642 | 2,069 | 2,077 |
| Turkiye Vakiflar Bankasi T-D | 4,234,600 | 4,474 | 8,803 |
| <i>Total Turkey - 2.2%</i> | | 35,995 | 42,295 |
| <i>United Arab Emirates</i> | | | |
| Air Arabia - 0.4% | 49,680,491 | 9,983 | 8,048 |
| <i>United Kingdom</i> | | | |
| Afren PLC | 1,290,042 | 2,700 | 2,098 |
| AstraZeneca Group PLC | 424,400 | 18,737 | 18,991 |
| Aviva PLC | 814,200 | 6,345 | 3,481 |
| Babcock International Group | 187,117 | 1,950 | 2,505 |
| Barclays PLC | 1,904,200 | 11,439 | 4,864 |
| Barratt Developments PLC | 1,541,305 | 2,968 | 3,363 |
| BBA Aviation PLC | 828,708 | 2,472 | 2,652 |
| BP Amoco PLC | 2,203,400 | 18,852 | 14,582 |
| British Aerospace PLC | 1,491,800 | 7,408 | 6,753 |
| BT Group PLC | 3,380,900 | 9,759 | 11,210 |
| Cable & Wireless Communication | 7,168,000 | 4,198 | 3,328 |
| Computacenter PLC | 900,800 | 3,344 | 4,248 |
| Cookson Group PLC | 177,263 | 1,246 | 1,640 |
| Daily Mail & General Trust PLC | 414,887 | 2,428 | 2,753 |
| Debenhams PLC | 3,379,730 | 3,469 | 4,578 |
| Derwent London PLC | 97,313 | 2,448 | 2,828 |
| Domino Printing Sciences | 223,163 | 2,296 | 1,890 |
| Drax Group PLC | 238,300 | 2,584 | 2,095 |
| Enquest PLC | 1,376,275 | 2,629 | 2,325 |
| GlaxoSmithKline PLC | 374,400 | 7,614 | 8,497 |
| Greene King PLC | 72,815 | 343 | 629 |
| HSBC Bank Plc | 73,700 | 1,243 | 1,299 |
| Hunting PLC | 240,686 | 2,175 | 2,724 |
| IG Group Holdings PLC | 429,785 | 2,125 | 3,229 |
| Inchcape PLC | 603,600 | 2,657 | 3,130 |
| International Personal Finance | 540,838 | 2,027 | 2,028 |
| J Sainsbury PLC | 1,464,800 | 7,455 | 6,925 |
| Jazztel PLC | 353,135 | 2,220 | 2,003 |
| Legal & General Group PLC | 2,319,500 | 4,876 | 4,631 |
| Logica PLC | 517,123 | 514 | 860 |
| Mail.ru Group Ltd | 72,744 | 2,801 | 2,465 |
| Marston's PLC | 893,188 | 2,333 | 1,456 |
| Melrose PLC | 534,768 | 2,420 | 3,121 |
| Mitchells & Butlers PLC | 643,849 | 3,211 | 2,527 |
| Mondi PLC | 779,100 | 5,721 | 6,660 |
| Old Mutual PLC | 2,645,600 | 6,228 | 6,282 |
| Premier Farnell PLC | 744,035 | 2,330 | 2,021 |
| Premier Oil PLC | 550,263 | 2,566 | 2,917 |
| Royal & Sun Alliance Insurance | 1,524,400 | 2,770 | 2,585 |
| Royal Dutch Shell B Shares | 778,400 | 22,216 | 27,165 |
| RPS Group PLC | 684,658 | 1,671 | 2,239 |
| Spectris PLC | 124,609 | 1,683 | 2,994 |
| Spirax-Sarco Engineering | 80,737 | 1,819 | 2,515 |
| Spirent Commuicatio PLC | 1,223,705 | 2,175 | 3,081 |
| St. James Place PLC | 492,611 | 1,753 | 2,583 |
| Tesco PLC | 796,700 | 3,809 | 3,874 |
| Thomas Cook Group | 959,500 | 3,433 | 226 |
| Vodafone Group PLC | 2,467,200 | 5,000 | 6,936 |

See accompanying notes to financial statements.

International Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Cost | Fair Value |
|---|------------|--------------|--------------|
| William Morrison Supermarkets | 1,471,000 | 6,997 | 6,139 |
| <i>Total United Kingdom - 11.5%</i> | | 221,457 | 219,925 |
| <i>United States</i> | | | |
| AsiaInfo-Linkage Inc | 43,400 | 513 | 512 |
| Cognizant Tech Solutions A | 42,000 | 2,890 | 2,520 |
| First Cash Finl Svcs Inc | 44,900 | 1,780 | 1,804 |
| Southern Copper Corporation | 54,200 | 1,798 | 1,708 |
| <i>Total United States - 0.3%</i> | | 6,981 | 6,544 |
| Total Equities - 97.9% | | 2,018,415 | 1,885,814 |
| <u>Short-term Issues</u> | | | |
| Dreyfus Cash Management Institutional Fund - 0.8% | 16,019,131 | 16,019 | 16,019 |
| Total Investment Securities - 98.7% | | \$ 2,034,434 | \$ 1,901,833 |
| <u>Collateral for Securities Loaned</u> | | | |
| BNY Mellon Securities Lending Overnight Fund | | \$ 114,637 | \$ 114,637 |
| Mellon SL DBT II Liquidating Fund | | 1,070 | 1,027 |
| Mellon GSL DBT II Liquidating Trust | | 3,305 | - |
| Total Collateral for Securities Loaned | | \$ 119,012 | \$ 115,664 |

See accompanying notes to financial statements.

International Equity Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

| | | |
|---|----|----------|
| Dividends, net of foreign withholding taxes | \$ | 66,315 |
| Interest | | 8 |
| Securities lending income | | 184 |
| Securities lending borrower premiums | | 1,458 |
| Net shareholder litigation proceeds | | 3 |
| Commission recapture | | <u>5</u> |

Total investment income 67,973

Expenses

| | | |
|-------------------------------|--|--------------|
| Investment advisor fees | | (10,858) |
| Trustee fees | | (6) |
| Custodian bank fees | | (699) |
| Management fees | | (565) |
| Fiduciary bond fees | | (6) |
| Professional service fees | | (101) |
| Securities lending agent fees | | <u>(296)</u> |

Total expenses (12,531)

Investment income, net 55,442

**Realized and unrealized gain (loss) from
investments and foreign currency**

| | | |
|---|--|------------------|
| Net realized gain from: | | |
| Investments | | 14,131 |
| Foreign currency transactions | | 1,862 |
| Net decrease in the fair value of: | | |
| Investments | | (243,584) |
| Translation of assets and liabilities in foreign currencies | | <u>(121,795)</u> |

Net loss from investments and foreign currency (349,386)

Net decrease in net assets from operations \$ (293,944)

See accompanying notes to financial statements.

International Equity Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | |
|---|------------------|
| Investment income, net | \$ 55,442 |
| Net realized gain from investments | 14,131 |
| Net realized gain from foreign currency transactions | 1,862 |
| Net decrease in the fair value of investments | (243,584) |
| Net decrease in the translation of assets and liabilities in foreign currencies | <u>(121,795)</u> |

Net decrease in net assets from operations (293,944)

Unit transactions

| | |
|-------------------------------------|-----------------|
| Proceeds from sale of units | 426,982 |
| Amount paid for repurchase of units | <u>(53,170)</u> |

Net increase in net assets from unit transactions 373,812

Increase in net assets 79,868

Net assets, beginning of period 1,846,645

Net assets, end of period \$ 1,926,513

Unit data

| | |
|-------------------|--------------------|
| Units sold | 21,562,446 |
| Units repurchased | <u>(2,402,511)</u> |

Net increase in units 19,159,935

See accompanying notes to financial statements.

International Equity Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in equity securities are carried at fair value, which is determined by a third party pricing service based on quoted market prices. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Foreign currency forward contracts have relatively short durations and are valued at the prevailing market exchange rates at month end. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

International Equity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon on the following basis:

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

The IMB isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from market prices of securities held.

Reported net realized foreign exchange gains and losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities including investments in securities at month end, resulting from changes in the exchange rate.

Security Loans - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for international securities is secured by initial collateral of at least 105 percent of the market value of the securities loaned. Cash collateral received is invested in the BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, consisting of the Mellon SL DBT II Liquidating Fund and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust). Cash collateral received is reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. 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 Operations as net increase or decrease in the fair value of investments.

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 managers enter into such contracts to hedge the assets and liabilities related to securities denominated in a foreign currency. 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. An unrealized gain or loss is recorded as the difference between the amount valued at month end and the amount to be received or paid at the expiration date. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires.

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

International Equity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

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 Assets and Liabilities. Dividend income is reported net of withheld taxes on the Statement of Operations.

NOTE 3. INVESTMENT RISK DISCLOSURES

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

International Equity Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

| Currency | Equity Securities | Cash | Total |
|--------------------|---------------------|------------------|---------------------|
| Australian Dollar | \$ 63,284 | \$ 143 | \$ 63,427 |
| Brazil Real | 77,642 | 3,441 | 81,083 |
| British Pound | 217,785 | 404 | 218,189 |
| Canadian Dollar | 83,701 | 75 | 83,776 |
| Czech Crown | 6,230 | - | 6,230 |
| Danish Krone | 6,858 | 24 | 6,882 |
| Emirati Dirham | 8,048 | - | 8,048 |
| Euro Currency Unit | 289,347 | 1,256 | 290,603 |
| Hong Kong Dollar | 152,281 | 697 | 152,978 |
| Hungarian Forint | 7,620 | 1 | 7,621 |
| Indian Rupee | 35,768 | 380 | 36,148 |
| Indonesian Rupiah | 8,313 | 145 | 8,458 |
| Israeli Shekel | 13,413 | 103 | 13,516 |
| Japanese Yen | 215,250 | 9,319 | 224,569 |
| Malaysian Ringgit | 5,067 | 126 | 5,193 |
| Mexican Peso | 22,072 | 24 | 22,096 |
| New Taiwan Dollar | 47,733 | 2,300 | 50,033 |
| New Zealand Dollar | 7,513 | 58 | 7,571 |
| Norwegian Krone | 21,877 | 28 | 21,905 |
| Pakistan Rupee | 922 | - | 922 |
| Philippine Peso | 7,751 | 75 | 7,826 |
| Polish Zloty | 6,708 | 9 | 6,717 |
| Singapore Dollar | 20,786 | 46 | 20,832 |
| South African Rand | 51,153 | 57 | 51,210 |
| South Korean Won | 128,548 | 2,374 | 130,922 |
| Swedish Krona | 16,126 | 71 | 16,197 |
| Swiss Franc | 62,607 | 6 | 62,613 |
| Thailand Baht | 17,882 | - | 17,882 |
| Turkish Lira | 42,295 | 48 | 42,343 |
| Total | <u>\$ 1,644,580</u> | <u>\$ 21,210</u> | <u>\$ 1,665,790</u> |

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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). ASC 820 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 ASC 820 are:

International Equity Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------------------|-------------------|-------------|---------------------|
| Equity securities | \$ 1,885,814 | \$ - | \$ - | \$ 1,885,814 |
| Foreign currency forward contracts | - | 31 | - | 31 |
| Regulated investment companies | - | 16,019 | - | 16,019 |
| Securities lending collateral funds | - | 115,664 | - | 115,664 |
| Total | <u>\$ 1,885,814</u> | <u>\$ 131,714</u> | <u>\$ -</u> | <u>\$ 2,017,528</u> |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Foreign currency forward contracts | \$ - | \$ (46) | \$ - | \$ (46) |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2012.

| | | | |
|----------------------------------|-------------------|-------------------|-------------------|
| Fair value of securities on loan | \$ 113,088 | | |
| Initial collateral received: | Cost | Fair Value | Unrealized Loss |
| Cash | <u>\$ 119,012</u> | <u>\$ 115,664</u> | <u>\$ (3,348)</u> |
| Non-cash | | - | |
| Total | | <u>\$ 115,664</u> | |

The Liquidating Trust, referenced in Note 2, was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$3,486 was assigned to the International Equity Pool. A loss reserve was established for the entire amount. Through June 30, 2012 the loss reserve has been adjusted to \$3,305 as a result of cash received in the Liquidating Trust. This \$3,305 is included in the unrealized loss reported in the above table.

In October 2008, the IMB suspended the distribution of any net securities lending income subject to final dissolution of the Liquidating Trust. For the period October 2008 through June 2012, the pool has recorded, but not distributed \$5,549 of net securities lending income.

International Equity Pool

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

NOTE 6. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2012, open foreign currency forward contracts are as follows:

| Position | Foreign Currency | Inception Date | Expiration Date | Receivable | | Payable | | Unrealized Gain (Loss) |
|----------|-------------------------------------|----------------|-----------------|-----------------------|--------------------|-----------------------|--------------------|------------------------|
| | | | | (in foreign currency) | (in U. S. dollars) | (in foreign currency) | (in U. S. dollars) | |
| Long | Euro Currency Unit | 06/28/2012 | 07/03/2012 | 731 | \$ 928 | | \$ 908 | \$ 20 |
| Long | Euro Currency Unit vs. Japanese Yen | 06/28/2012 | 07/02/2012 | 103 | 132 | 10,211 | 128 | 4 |
| Long | Hong Kong Dollar | 06/28/2012 | 07/03/2012 | 2,081 | 268 | | 268 | - |
| Long | Hong Kong Dollar | 06/29/2012 | 07/03/2012 | 5,447 | 702 | | 702 | - |
| Long | Japanese Yen vs. British Pound | 06/28/2012 | 07/02/2012 | 43,972 | 551 | 357 | 559 | (8) |
| Long | Japanese Yen vs. British Pound | 06/28/2012 | 07/02/2012 | 38,072 | 477 | 309 | 485 | (8) |
| Long | Japanese Yen vs. Hong Kong Dollar | 06/28/2012 | 07/03/2012 | 5,695 | 71 | 557 | 72 | (1) |
| Long | Japanese Yen vs. Hong Kong Dollar | 06/29/2012 | 07/04/2012 | 15,980 | 200 | 1,558 | 201 | (1) |
| Long | Singapore Dollar vs. Japanese Yen | 06/27/2012 | 07/02/2012 | 598 | 472 | 37,422 | 469 | 3 |
| Long | Singapore Dollar vs. Japanese Yen | 06/28/2012 | 07/03/2012 | 162 | 128 | 10,038 | 126 | 2 |
| Long | Turkish Lira | 06/28/2012 | 07/02/2012 | 414 | 229 | | 227 | 2 |
| Short | Brazil Real | 06/28/2012 | 07/02/2012 | | 225 | 471 | 233 | (8) |
| Short | Hong Kong Dollar | 06/29/2012 | 07/03/2012 | | 143 | 1,110 | 143 | - |
| Short | South Korean Won | 06/28/2012 | 07/02/2012 | | 564 | 652,849 | 570 | (6) |
| Short | South Korean Won | 06/29/2012 | 07/03/2012 | | 858 | 983,025 | 858 | - |
| Short | New Taiwan Dollar | 06/29/2012 | 07/02/2012 | | 40 | 1,207 | 40 | - |
| Short | South African Rand | 06/26/2012 | 07/03/2012 | | 408 | 3,450 | 422 | (14) |
| | | | | | <u>\$ 6,396</u> | | <u>\$ 6,411</u> | <u>\$ (15)</u> |

The contracts listed above were initiated to correspond to transactions in securities trading in foreign currencies. The fair value, gains and losses, and risks are not material the Pool.

NOTE 7. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | |
|---|-----------------|
| Net asset value at June 30, 2011 | \$ 23.53 |
| Income from investment operations: | |
| Net investment income | 0.63 |
| Net realized and unrealized loss on investment transactions | (3.07) |
| Net realized gain from foreign currency transactions | 0.02 |
| Net decrease in the translation of assets and liabilities in foreign currencies | (1.38) |
| Total from investment operations | <u>(3.80)</u> |
| Net asset value at June 30, 2012 | <u>\$ 19.73</u> |

Time-weighted Total Return * -16.1%

Supplemental Data:

| | |
|------------------------------|--------------|
| Net assets, end of period | \$ 1,926,513 |
| Ratio to average net assets: | |
| Expenses ** | 0.68% |
| Net investment income ** | 3.07% |
| Portfolio turnover rate | 52.72% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

International Equity Pool

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

NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 851,090 |
| Public Employees' Retirement System | 742,277 |
| State Police Death, Disability and Retirement Fund | 82,434 |
| Workers' Compensation Old Fund | 63,582 |
| West Virginia Retiree Health Benefit Trust | 52,944 |
| Revenue Shortfall Reserve Fund - Part B | 22,469 |
| Judges' Retirement System | 21,658 |
| Deputy Sheriff's Retirement System | 19,898 |
| Coal Workers' Pneumoconiosis Fund | 17,334 |
| State Police Retirement System | 13,451 |
| Board of Risk and Insurance Management | 9,310 |
| West Virginia Prepaid Tuition Trust Fund | 8,354 |
| Wildlife Endowment Fund | 6,847 |
| Public Employees Insurance Agency | 6,208 |
| Emergency Medical Services Retirement System | 6,056 |
| West Virginia Department of Environmental Protection Trust | 1,221 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 739 |
| Workers' Compensation Uninsured Employers' Fund | 614 |
| Municipal Police Officers' and Firefighters' Retirement System | 27 |
| Total | <u>\$ 1,926,513</u> |

NOTE 9. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

Short-Term Fixed Income Pool

Short-Term Fixed Income Pool

Audited Financial Statements June 30, 2012

Table of Contents

Independent Auditors' Report

Statement of Assets and Liabilities F-1

Schedule of Investments in Securities F-2

Statement of Operations F-3

Statement of Changes in Net Assets F-4

Notes to Financial Statements F-5



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Short Term Fixed Income Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations and changes in net assets for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Short-Term Fixed Income Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|---|----|-----------|
| Investment securities at amortized cost | \$ | 364,973 |
| Accrued interest receivable | | <u>78</u> |
| Total assets | | 365,051 |

Liabilities

| | | |
|-------------------|----|-----------------------|
| Accrued expenses | | <u>39</u> |
| Net assets | \$ | <u><u>365,012</u></u> |

Analysis of net assets

| | | |
|--|----|-----------------------|
| Paid-in capital | \$ | 364,962 |
| Accumulated undistributed net realized gain from investments | | <u>50</u> |
| Net assets | \$ | <u><u>365,012</u></u> |

Unit data

| | | |
|-----------------------------|----|--------------------|
| Units outstanding | | 364,961,632 |
| Net asset value, unit price | \$ | <u><u>1.00</u></u> |

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--|---------|---------|------------|-----------------------------------|-------------------|------------|
| <u>U. S. Treasury Issues</u> | | | | | | |
| United States Treasury | 0.380 % | 0.088 % | 08/31/2012 | 2,000 | \$ 2,001 | \$ 2,001 |
| United States Treasury | 3.880 | 0.166 | 10/31/2012 | 1,000 | 1,012 | 1,012 |
| United States Treasury | 1.380 | 0.208 | 03/15/2013 | 2,000 | 2,016 | 2,016 |
| Total U. S. Treasury Issues - 1.4% | | | | | 5,029 | 5,029 |
| <u>U. S. Government Agency Issues</u> | | | | | | |
| Federal Farm Credit Bank | 0.320 | 0.220 | 07/23/2012 | 1,000 | 1,000 | 1,000 |
| Federal Farm Credit Bank | 0.150 | 0.194 | 02/06/2013 | 1,000 | 1,000 | 1,000 |
| Federal Home Loan Bank | 0.140 | 0.148 | 09/25/2012 | 4,000 | 4,000 | 4,000 |
| Federal Home Loan Bank | 0.160 | 0.174 | 11/13/2012 | 2,000 | 2,000 | 2,000 |
| Federal Home Loan Bank | 0.390 | 0.330 | 03/01/2013 | 1,000 | 1,000 | 1,001 |
| Federal Home Loan Bank | 0.230 | 0.248 | 04/05/2013 | 1,000 | 1,000 | 1,000 |
| Federal Home Loan Mortgage | 0.130 | 0.168 | 08/08/2012 | 1,000 | 1,000 | 1,000 |
| Federal Home Loan Mortgage | 2.130 | 0.163 | 09/21/2012 | 2,736 | 2,748 | 2,748 |
| Federal National Mortgage Assn | 1.750 | 0.144 | 08/10/2012 | 4,000 | 4,007 | 4,007 |
| Federal National Mortgage Assn | 0.630 | 0.148 | 09/24/2012 | 1,000 | 1,001 | 1,001 |
| Federal National Mortgage Assn | 4.750 | 0.179 | 11/19/2012 | 1,317 | 1,340 | 1,340 |
| Total U. S. Government Agency Issues - 5.5% | | | | | 20,096 | 20,097 |
| <u>Short-term Issues</u> | | | | | | |
| Bank of Nova Scotia | 0.000 | 0.137 | 07/13/2012 | 5,000 | 5,000 | 5,000 |
| Bank of Tokyo Mitsubishi | 0.000 | 0.172 | 07/10/2012 | 6,000 | 6,000 | 6,000 |
| Federal Home Loan Bank | 0.000 | 0.081 | 07/05/2012 | 15,000 | 15,000 | 15,000 |
| Federal Home Loan Bank | 0.000 | 0.115 | 07/11/2012 | 8,000 | 8,000 | 8,000 |
| Federal Home Loan Bank | 0.000 | 0.108 | 07/13/2012 | 15,000 | 15,000 | 15,000 |
| Federal Home Loan Bank | 0.000 | 0.117 | 07/18/2012 | 6,000 | 6,000 | 6,000 |
| Federal Home Loan Bank | 0.000 | 0.085 | 07/20/2012 | 8,000 | 8,000 | 8,000 |
| Federal Home Loan Bank | 0.000 | 0.122 | 07/27/2012 | 2,000 | 2,000 | 2,000 |
| Federal Home Loan Bank | 0.000 | 0.051 | 07/31/2012 | 25,000 | 24,999 | 24,999 |
| Federal Home Loan Bank | 0.000 | 0.122 | 08/01/2012 | 3,500 | 3,500 | 3,500 |
| Federal Home Loan Bank | 0.000 | 0.117 | 08/08/2012 | 2,000 | 2,000 | 2,000 |
| Federal Home Loan Bank | 0.000 | 0.091 | 08/10/2012 | 9,000 | 8,999 | 8,999 |
| Federal Home Loan Bank | 0.000 | 0.107 | 08/29/2012 | 5,000 | 4,999 | 4,999 |
| Federal Home Loan Bank | 0.000 | 0.101 | 08/31/2012 | 3,000 | 2,999 | 2,999 |
| Federal Home Loan Bank | 0.000 | 0.127 | 09/21/2012 | 8,000 | 7,998 | 7,997 |
| Federal Home Loan Bank | 0.000 | 0.183 | 10/17/2012 | 1,000 | 999 | 1,000 |
| Federal Home Loan Bank | 0.000 | 0.162 | 10/31/2012 | 5,000 | 4,997 | 4,998 |
| Federal Home Loan Bank | 0.000 | 0.157 | 11/02/2012 | 12,000 | 11,993 | 11,993 |
| Federal Home Loan Bank | 0.000 | 0.162 | 11/16/2012 | 2,000 | 1,999 | 1,999 |
| Federal Home Loan Mort Corp | 0.000 | 0.081 | 07/02/2012 | 2,000 | 2,000 | 2,000 |
| Federal Home Loan Mort Corp | 0.000 | 0.122 | 07/17/2012 | 1,000 | 1,000 | 1,000 |
| Federal Home Loan Mort Corp | 0.000 | 0.112 | 07/30/2012 | 10,000 | 9,998 | 9,998 |
| Federal Home Loan Mort Corp | 0.000 | 0.122 | 08/06/2012 | 4,000 | 4,000 | 4,000 |
| Federal Home Loan Mort Corp | 0.000 | 0.071 | 08/10/2012 | 4,000 | 4,000 | 4,000 |
| Federal Home Loan Mort Corp | 0.000 | 0.132 | 10/01/2012 | 5,700 | 5,698 | 5,698 |
| Federal Home Loan Mort Corp | 0.000 | 0.133 | 10/22/2012 | 11,000 | 10,995 | 10,994 |
| Federal National Mortgage Assn | 0.000 | 0.152 | 07/02/2012 | 2,000 | 2,000 | 2,000 |
| Newport Funding Corp | 0.000 | 0.223 | 07/02/2012 | 7,279 | 7,279 | 7,279 |
| Repurchase Agreement | 0.140 | 0.140 | 07/02/2012 | 80,588 | 80,588 | 80,588 |
| United States Treasury | 0.000 | 0.051 | 07/05/2012 | 10,000 | 10,000 | 10,000 |
| United States Treasury | 0.000 | 0.046 | 07/12/2012 | 10,000 | 10,000 | 10,000 |
| United States Treasury | 0.000 | 0.082 | 07/19/2012 | 5,000 | 5,000 | 5,000 |
| United States Treasury | 0.000 | 0.042 | 07/26/2012 | 32,500 | 32,498 | 32,499 |
| United States Treasury | 0.000 | 0.081 | 08/02/2012 | 2,000 | 2,000 | 2,000 |
| United States Treasury | 0.000 | 0.077 | 09/06/2012 | 2,312 | 2,312 | 2,312 |
| United States Treasury | 0.000 | 0.097 | 09/13/2012 | 10,000 | 9,998 | 9,998 |
| Total Short-Term Issues - 93.1% | | | | | 339,848 | 339,849 |
| Total Investment Securities - 100.0% | | | | | \$ 364,973 | \$ 364,975 |

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

| | | |
|------------------|----|------------|
| Interest | \$ | 275 |
| Net amortization | | <u>(6)</u> |

Total investment income 269

Expenses

| | | |
|---------------------------|--|-------------|
| Investment advisor fees | | (123) |
| Trustee fee | | (1) |
| Custodian bank fees | | (10) |
| Management fees | | (82) |
| Fiduciary bond fees | | (1) |
| Professional service fees | | <u>(15)</u> |

Total expenses (232)

Investment income, net 37

Net realized gain from investments 4

Net increase in net assets from operations \$ 41

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | | |
|---|----|----------|
| Investment income, net | \$ | 37 |
| Net realized gain from investments | | <u>4</u> |
| Net increase in net assets from operations | | 41 |

Distributions to unitholders

| | | |
|------------------------|--|------|
| Investment income, net | | (37) |
|------------------------|--|------|

Unit transactions

| | | |
|--|--|--------------------|
| Proceeds from sale of units | | 1,960,145 |
| Reinvestment of distributions | | <u>37</u> |
| | | 1,960,182 |
| Amount paid for repurchase of units | | <u>(1,953,944)</u> |
| Net increase in net assets from unit transactions | | <u>6,238</u> |

Increase in net assets 6,242

Net assets, beginning of period 358,770

Net assets, end of period \$ 365,012

Unit data

| | | |
|---|--|-------------------------|
| Units sold | | 1,960,145,352 |
| Units issued from reinvestment of distributions | | <u>36,740</u> |
| | | 1,960,182,092 |
| Units repurchased | | <u>(1,953,944,610)</u> |
| Net increase in units | | <u><u>6,237,482</u></u> |

See accompanying notes to financial statements.

Short-Term Fixed Income Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

The main objective of the Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. manages the Pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Salomon ninety-day T-bill index plus fifteen basis points.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments are carried at amortized cost which approximates fair value. 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. A money market fund is permitted to value its securities at amortized cost so long as the deviation between the amortized cost and current market value remains minimal and results in

Short-Term Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

the computation of a share price that represents fairly the current net asset value per share of the fund. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

Repurchase Agreements - In connection with transactions in repurchase agreements, it is the IMB's policy that its designated custodian 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.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

Amortization - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security.

Distributions to Participants - The net investment income of the Pool is declared as a dividend and distributed daily to the participants based upon their pro rata participation in the Pool. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the Pool and are presented first as distributions to participants, and then as reinvestment of distributions on the Statement of Changes in Net Assets. The Pool does not routinely distribute dividends of net realized gains.

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

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 A1 by Standard & Poor's and P1 by Moody's. Additionally, the Pool must have at least 15 percent of its assets in United States Treasury issues.

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The following table provides information on the weighted average credit ratings of the Pool's investments as of June 30, 2012.

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 are:

Short-Term Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-----------------------|---------|------------|---------|------------|
| Agency discount notes | \$ - | \$ 169,173 | \$ - | \$ 169,173 |
| Agency notes | - | 20,096 | - | 20,096 |
| Commercial paper | - | 18,279 | - | 18,279 |
| Repurchase agreements | - | 80,588 | - | 80,588 |
| U.S. Treasury bills | - | 71,808 | - | 71,808 |
| U.S. Treasury notes | - | 5,029 | - | 5,029 |
| Total | \$ - | \$ 364,973 | \$ - | \$ 364,973 |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

Short-Term Fixed Income Pool

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

NOTE5. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | | |
|--|----|------|
| Net asset value at June 30, 2011 | \$ | 1.00 |
| Income from investment operations: | | |
| Net investment income* | | - |
| Net realized gain (loss) on investment transactions* | | - |
| Total from investment operations | | - |
| Less distributions from net investment income* | | - |
| Net asset value at June 30, 2012 | \$ | 1.00 |

Time-weighted Total Return ** 0.0%

Supplemental Data:

| | | |
|---|----|---------|
| Net assets, end of period | \$ | 365,012 |
| Ratio to average net assets: | | |
| Expenses *** | | 0.09% |
| Net investment income *** | | 0.01% |
| Weighted average days to maturity | | 36 |
| Maximum weighted average investment maturity per Board guidelines | | 60 days |
| Money market yield **** | | 0.03% |

* As percentage is less than 0.01, amount is rounded for reporting purposes

** Return data is net of fees for the full fiscal year

*** All ratios are for the fiscal year

**** The money market yield represents the rate of income, net of expenses, earned over the past month and is not intended to indicate future performance. The return is annualized over a 365-day year, assuming no reinvestment of earnings.

Short-Term Fixed Income Pool

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

NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Employers Contribution Collection Account | \$ 142,994 |
| Workers' Compensation Old Fund | 93,715 |
| Teachers' Retirement System | 67,224 |
| Public Employees' Retirement System | 26,949 |
| Coal Workers' Pneumoconiosis Fund | 12,017 |
| Public Employees Insurance Agency | 9,172 |
| Board of Risk and Insurance Management | 7,008 |
| State Police Retirement System | 1,417 |
| West Virginia Prepaid Tuition Trust Fund | 1,004 |
| Workers' Compensation Uninsured Employers' Fund | 926 |
| State Police Death, Disability and Retirement Fund | 718 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 534 |
| Deputy Sheriff's Retirement System | 468 |
| Judges' Retirement System | 367 |
| Emergency Medical Services Retirement System | 230 |
| Wildlife Endowment Fund | 126 |
| Revenue Shortfall Reserve Fund | 29 |
| Revenue Shortfall Reserve Fund - Part B | 24 |
| Municipal Police Officers' and Firefighters' Retirement System | 22 |
| West Virginia Retiree Health Benefit Trust | 15 |
| West Virginia Department of Environmental Protection Trust | 2 |
| AccessWV | 1 |
| Total | <u>\$ 364,962</u> |

NOTE 7. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

Total Return Fixed Income Pool

Total Return Fixed Income Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|------|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | G-1 |
| Schedule of Investments in Securities | G-2 |
| Option Contracts Written | G-9 |
| Statement of Operations | G-10 |
| Statement of Changes in Net Assets | G-11 |
| Notes to Financial Statements | G-12 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Total Return Fixed Income Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations and changes in net assets for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Total Return Fixed Income Pool

Statement of Assets and Liabilities

June 30, 2010

(Amounts in thousands, except unit data)

Assets

| | |
|--|------------------|
| Investment securities at fair value | \$ 2,231,419 |
| Collateral for securities loaned at fair value (Note 6) | 2,407 |
| Cash denominated in foreign currencies (cost \$2,950) | 2,974 |
| Cash pledged as collateral for derivative contracts | 6,055 |
| Unrealized gain on futures contracts (Note 7) | 118 |
| Unrealized gain on foreign currency forward contracts (Note 9) | 291 |
| Receivables: | |
| Accrued interest | 14,982 |
| Investments sold | 82,638 |
| Dividends | 16 |
| Securities lending income | 15 |
| Other | 188 |
| | <hr/> |
| Total assets | 2,341,103 |

Liabilities

| | |
|--|---------------------|
| Cash overdraft | 10 |
| Accrued expenses | 997 |
| Dividends payable | 5,944 |
| Payable for investments purchased | 18,701 |
| Payable upon return of securities loaned (Note 6) | 4,023 |
| Unrealized loss on futures contracts (Note 7) | 1,518 |
| Unrealized loss on foreign currency forward contracts (Note 9) | 351 |
| Option contracts written | 34 |
| | <hr/> |
| Total liabilities | 31,578 |
| | <hr/> |
| Net assets | \$ 2,309,525 |

Analysis of net assets

| | |
|--|---------------------|
| Paid-in capital | \$ 1,815,302 |
| Accumulated undistributed net investment income | 843 |
| Accumulated undistributed net realized gain from investments | 327,164 |
| Accumulated undistributed net realized gain from foreign currency transactions | 13,984 |
| Unrealized net appreciation of investments | 152,127 |
| Unrealized net appreciation on translation of assets and liabilities in foreign currencies | 105 |
| | <hr/> |
| Net assets | \$ 2,309,525 |

Unit data

| | |
|-----------------------------|-----------------|
| Units outstanding | 162,596,271 |
| Net asset value, unit price | <u>\$ 14.20</u> |

See accompanying notes to financial statements.

Total Return Fixed Income Pool

*****Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value | |
|---|---------|---------|------------|-----------------------------------|-------------------|------------|---------|
| <u>Municipal Bonds</u> | | | | | | | |
| California | 7.500 % | 7.337 % | 04/01/2034 | 16,575 | \$ 16,857 | \$ 20,706 | |
| California | 7.550 | 6.884 | 04/01/2039 | 6,840 | 7,393 | 8,796 | |
| California | 7.300 | 7.353 | 10/01/2039 | 2,155 | 2,141 | 2,675 | |
| California | 7.630 | 7.196 | 03/01/2040 | 1,600 | 1,682 | 2,069 | |
| County of Carroll KY | 0.240 A | 1.095 | 10/01/2032 | 4,800 | 4,049 | 3,811 | |
| Illinois State | 4.960 | 3.643 | 03/01/2016 | 7,550 | 7,889 | 8,124 | |
| Illinois State | 5.370 | 5.365 | 03/01/2017 | 6,600 | 6,600 | 7,273 | |
| Illinois State | 5.670 | 5.058 | 03/01/2018 | 4,275 | 4,400 | 4,734 | |
| Los Angeles Unified Sch Dist | 6.760 | 6.026 | 07/01/2034 | 6,625 | 7,199 | 8,581 | |
| New Jersey Turnpike Authority | 7.100 | 6.680 | 01/01/2041 | 6,015 | 6,321 | 8,480 | |
| Pennsylvania St Higher Ed Assn | 0.280 A | 0.624 | 05/01/2046 | 8,125 | 7,231 | 7,519 | |
| Pennsylvania St Higher Ed Assn | 0.240 A | 0.532 | 05/01/2046 | 2,750 | 2,480 | 2,544 | |
| Wake County Indl FACS-B-ARS | 0.350 A | 1.564 | 10/01/2022 | 6,700 | 5,905 | 5,290 | |
| Wake County Indl FACS-D-ARS | 0.320 A | 1.658 | 10/01/2022 | 3,350 | 2,922 | 2,644 | |
| Total Municipal Bonds - 4.0% | | | | | | 83,069 | 93,246 |
| <u>U. S. Treasury Issues</u> | | | | | | | |
| United States Treasury | 0.630 | 0.202 | 07/31/2012 | 14,795 | 14,800 | 14,801 | |
| United States Treasury | 0.500 | 0.186 | 11/30/2012 | 12,000 | 12,016 | 12,016 | |
| United States Treasury | 0.630 | 0.215 | 04/30/2013 | 15,300 | 15,352 | 15,350 | |
| United States Treasury | 0.380 | 0.256 | 07/31/2013 | 13,000 | 13,017 | 13,016 | |
| United States Treasury | 0.750 | 0.244 | 08/15/2013 | 27,000 | 27,153 | 27,144 | |
| United States Treasury | 1.880 | 0.526 | 02/28/2014 | 1,370 | 1,401 | 1,405 | |
| United States Treasury | 1.250 | 0.859 | 04/15/2014 | 30,000 | 30,208 | 30,490 | |
| United States Treasury | 1.500 | 1.481 | 06/30/2016 | 580 | 580 | 601 | |
| United States Treasury | 1.000 | 0.948 | 08/31/2016 | 4,140 | 4,149 | 4,205 | |
| United States Treasury | 1.380 | 1.418 | 02/28/2019 | 5,160 | 5,146 | 5,269 | |
| United States Treasury | 1.250 | 1.026 | 04/30/2019 | 53,300 | 54,084 | 53,891 | |
| United States Treasury | 2.000 | 1.912 | 11/15/2021 | 59,340 | 59,786 | 61,524 | |
| United States Treasury | 2.000 | 2.128 | 02/15/2022 | 1,200 | 1,187 | 1,240 | |
| United States Treasury * | 2.000 | 1.808 | 01/15/2026 | 26,670 | 31,626 | 39,505 | |
| United States Treasury | 4.380 | 3.583 | 05/15/2040 | 9,370 | 10,612 | 12,487 | |
| United States Treasury | 4.380 | 4.263 | 05/15/2041 | 1,540 | 1,568 | 2,057 | |
| United States Treasury | 3.130 | 3.123 | 11/15/2041 | 13,590 | 13,595 | 14,609 | |
| Total U. S. Treasury Issues - 13.4% | | | | | | 296,280 | 309,610 |
| <u>U. S. Government Agency Issues</u> | | | | | | | |
| <i>U. S. Government Agency MBS (coupon, yield, and maturity date are weighted averages)</i> | | | | | | | |
| FHLMC Issues | 5.774 | 2.899 | 02/21/2037 | 81,050 | 88,038 | 88,640 | |
| FNMA Issues | 5.762 | 2.868 | 02/02/2032 | 227,904 | 246,891 | 252,077 | |
| <i>Total U. S. Government Agency MBS</i> | | | | | | 334,929 | 340,717 |
| <i>U. S. Government Agency CMO</i> | | | | | | | |
| Federal Home Loan Mortgage | 1.410 A | 11.069 | 04/25/2020 | 4,119 | 276 | 285 | |
| Federal Home Loan Mortgage | 1.840 A | 10.267 | 06/25/2020 | 4,329 | 397 | 417 | |
| Federal Home Loan Mortgage | 1.680 A | 10.396 | 08/25/2020 | 38,193 | 3,030 | 3,240 | |
| Federal Home Loan Mortgage | 1.050 | 0.000 | 03/15/2034 | 158 | - | 158 | |
| Federal Home Loan Mortgage | 6.000 | 2.181 | 05/15/2036 | 720 | 829 | 843 | |
| Federal National Mortgage Assn | 7.000 | 3.155 | 11/25/2040 | 16,808 | 18,650 | 19,028 | |
| Federal National Mortgage Assn | 5.500 | 2.182 | 04/25/2042 | 2,700 | 3,020 | 3,053 | |
| Federal National Mortgage Assn | 6.500 | 2.757 | 09/25/2042 | 50 | 55 | 58 | |
| Federal National Mortgage Assn | 6.500 | 4.979 | 12/25/2042 | 2,221 | 2,435 | 2,581 | |
| Federal National Mortgage Assn | 7.500 | 5.102 | 12/25/2045 | 2,461 | 2,774 | 2,873 | |
| <i>Total U.S. Government Agency CMO</i> | | | | | | 31,466 | 32,536 |
| Total U.S. Government Agency Issues - 16.2% | | | | | | 366,395 | 373,253 |
| <u>Corporate Issues</u> | | | | | | | |
| <i>Corporate Bonds</i> | | | | | | | |
| AES Corporation | 8.000 | 8.000 | 06/01/2020 | 6,400 | 6,400 | 7,344 | |
| Ally Financial Inc | 4.500 | 5.531 | 02/11/2014 | 17,420 | 17,145 | 17,660 | |

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity.

*All or portions of these securities are pledged as collateral for futures contracts.

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|------------------------------|--------|-------|------------|-----------------------------------|-------------------|------------|
| American Express Co | 6.150 | 6.072 | 08/28/2017 | 1,250 | 1,254 | 1,481 |
| American Express Co | 6.800 | 6.550 | 09/01/2066 | 1,660 | 1,721 | 1,715 |
| American International Group | 4.250 | 4.448 | 09/15/2014 | 3,200 | 3,187 | 3,316 |
| American International Group | 5.850 | 5.922 | 01/16/2018 | 910 | 907 | 1,006 |
| American International Group | 8.250 | 5.087 | 08/15/2018 | 4,825 | 5,619 | 5,825 |
| American International Group | 6.400 | 6.435 | 12/15/2020 | 2,390 | 2,385 | 2,704 |
| Amgen Inc | 4.500 | 4.506 | 03/15/2020 | 1,290 | 1,290 | 1,419 |
| Anadarko Finance Co | 7.500 | 6.559 | 05/01/2031 | 1,240 | 1,365 | 1,561 |
| Anadarko Petroleum Corp | 6.380 | 6.073 | 09/15/2017 | 740 | 749 | 860 |
| AOL Time Warner Inc | 7.630 | 6.150 | 04/15/2031 | 4,500 | 5,233 | 5,812 |
| AOL Time Warner Inc | 7.700 | 5.911 | 05/01/2032 | 9,474 | 11,437 | 12,372 |
| Asciano Finance | 3.130 | 3.158 | 09/23/2015 | 4,890 | 4,885 | 4,867 |
| ASIF Global Financing XIX | 4.900 | 4.777 | 01/17/2013 | 510 | 510 | 515 |
| AT&T Corp | 8.000 | 6.053 | 11/15/2031 | 2,750 | 3,356 | 4,074 |
| AT&T Inc | 5.500 | 5.575 | 02/01/2018 | 5,076 | 5,058 | 6,032 |
| AT&T Inc | 6.550 | 5.509 | 02/15/2039 | 925 | 1,056 | 1,190 |
| AT&T Inc | 5.350 | 4.605 | 09/01/2040 | 5,000 | 5,585 | 5,738 |
| BAC Capital Trust XI | 6.630 | 7.267 | 05/23/2036 | 15,130 | 14,009 | 16,790 |
| Bank of America Corp | 4.880 | 1.532 | 09/15/2012 | 20 | 20 | 20 |
| Bank of America Corp | 6.500 | 6.500 | 08/01/2016 | 410 | 410 | 450 |
| Bank of America Corp | 5.420 | 3.544 | 03/15/2017 | 600 | 648 | 621 |
| Bank of America Corp | 7.630 | 5.211 | 06/01/2019 | 15,000 | 17,078 | 17,638 |
| Bank of America Corp | 5.630 | 5.979 | 07/01/2020 | 1,510 | 1,476 | 1,617 |
| Bank of America Corp | 5.000 | 5.091 | 05/13/2021 | 1,380 | 1,371 | 1,424 |
| Barclays Bank PLC | 6.750 | 5.134 | 05/22/2019 | 2,900 | 3,169 | 3,383 |
| Barclays Bank PLC | 5.130 | 4.729 | 01/08/2020 | 2,290 | 2,345 | 2,485 |
| BNSF Railway Co 2007-1 P | 6.000 | 4.731 | 04/01/2024 | 903 | 1,005 | 1,055 |
| Boston Properties LP | 5.880 | 5.323 | 10/15/2019 | 4,950 | 5,113 | 5,706 |
| Boston Properties LP | 5.630 | 4.370 | 11/15/2020 | 4,600 | 5,001 | 5,289 |
| Boston Scientific Corp | 6.400 | 4.792 | 06/15/2016 | 9,415 | 9,954 | 10,843 |
| Boston Scientific Corp | 6.000 | 6.466 | 01/15/2020 | 500 | 486 | 596 |
| BP Capital Markets PLC | 3.130 | 3.187 | 10/01/2015 | 3,010 | 3,004 | 3,200 |
| Burlington NO SF 00-1 TR | 8.250 | 3.785 | 01/15/2021 | 313 | 367 | 391 |
| Burlington NO SF 06-2 TR | 5.630 | 3.991 | 04/01/2024 | 436 | 481 | 506 |
| Burlington North Santa Fe | 4.700 | 4.757 | 10/01/2019 | 850 | 847 | 955 |
| Burlington North Santa Fe | 4.100 | 4.153 | 06/01/2021 | 7,075 | 7,047 | 7,760 |
| Calpine Corp | 7.880 | 7.875 | 01/15/2023 | 2,500 | 2,500 | 2,725 |
| Canadia Pacific Railroad Co | 5.750 | 5.922 | 01/15/2042 | 1,950 | 1,903 | 2,222 |
| Capital One Financial Corp | 6.750 | 4.405 | 09/15/2017 | 6,882 | 7,621 | 8,165 |
| Capital One Financial Corp | 4.750 | 4.838 | 07/15/2021 | 3,250 | 3,229 | 3,546 |
| Chesapeake Energy Corp | 0.000 | 0.552 | 12/02/2017 | 1,810 | 1,757 | 1,794 |
| CIGNA Corporation | 8.500 | 4.320 | 05/01/2019 | 3,399 | 4,231 | 4,386 |
| CIGNA Corporation | 7.650 | 6.814 | 03/01/2023 | 1,925 | 2,044 | 2,382 |
| CIGNA Corporation | 7.880 | 6.865 | 05/15/2027 | 1,545 | 1,689 | 1,927 |
| CIGNA Corporation | 6.150 | 5.839 | 11/15/2036 | 3,488 | 3,626 | 4,089 |
| CIGNA Corporation | 5.880 | 5.921 | 03/15/2041 | 1,135 | 1,128 | 1,292 |
| Citigroup Inc | 5.000 | 4.901 | 09/15/2014 | 6,750 | 6,764 | 6,919 |
| Citigroup Inc | 3.950 | 3.505 | 06/15/2016 | 2,160 | 2,195 | 2,213 |
| Citigroup Inc | 6.130 | 5.112 | 11/21/2017 | 15,745 | 16,484 | 17,444 |
| Citigroup Inc | 5.380 | 4.754 | 08/09/2020 | 1,610 | 1,677 | 1,740 |
| Citigroup Inc | 6.880 | 6.929 | 03/05/2038 | 3,460 | 3,438 | 4,232 |
| Comcast Cable Communication | 8.880 | 4.655 | 05/01/2017 | 2,615 | 3,087 | 3,379 |
| Comcast Corp | 6.500 | 4.573 | 01/15/2017 | 4,500 | 4,852 | 5,357 |
| Comcast Corp | 6.300 | 3.377 | 11/15/2017 | 2,700 | 3,085 | 3,246 |
| Comcast Corp | 5.880 | 3.492 | 02/15/2018 | 2,000 | 2,241 | 2,365 |
| Comcast Corp | 6.400 | 5.508 | 05/15/2038 | 2,600 | 2,918 | 3,169 |
| Continental Airlines Inc | 9.250 | 9.250 | 05/10/2017 | 1,071 | 1,071 | 1,168 |
| Continental Airlines Inc | 7.250 | 7.250 | 11/10/2019 | 5,257 | 5,257 | 5,927 |
| Corp Bond Backed CTF-CCE | 0.000 | 7.000 | 05/15/2098 | 5,000 | 3,339 | 3,650 |
| Countrywide Financial Corp | 6.250 | 7.951 | 05/15/2016 | 2,550 | 2,408 | 2,654 |
| Cox Communications Inc | 9.380 | 4.732 | 01/15/2019 | 11,495 | 14,462 | 15,390 |
| Credit Agricole SA | 8.380 | 8.375 | 12/13/2049 | 4,130 | 4,130 | 3,397 |
| CVS Pass Through Trust | 6.940 | 7.044 | 01/10/2030 | 1,918 | 1,918 | 2,272 |
| Delta Air Lines | 6.820 | 6.823 | 08/10/2022 | 2,052 | 2,052 | 2,201 |

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity.

**All or portions of these securities are pledged as collateral for futures contracts.*

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|---------|--------|------------|-----------------------------------|-------------------|------------|
| Deutsche Telekom Int Fin | 5.750 | 5.903 | 03/23/2016 | 1,635 | 1,627 | 1,833 |
| Dow Chemical Company | 8.550 | 5.415 | 05/15/2019 | 6,709 | 7,901 | 8,923 |
| Dow Chemical Company | 9.400 | 5.987 | 05/15/2039 | 7,240 | 10,515 | 11,529 |
| El Paso Corporation | 7.800 | 11.249 | 08/01/2031 | 469 | 339 | 526 |
| El Paso Corporation | 7.750 | 7.814 | 01/15/2032 | 222 | 221 | 250 |
| ERP Operating-LP | 4.630 | 4.504 | 12/15/2021 | 4,400 | 4,440 | 4,779 |
| Export-Import Bank Korea | 4.000 | 4.043 | 01/11/2017 | 6,675 | 6,663 | 7,121 |
| Ford Motor Credit Company | 5.630 | 5.307 | 09/15/2015 | 9,200 | 9,284 | 9,999 |
| Ford Motor Credit Company | 5.750 | 5.750 | 02/01/2021 | 10,300 | 10,300 | 11,315 |
| General Electric Capital Corp | 5.450 | 5.188 | 01/15/2013 | 570 | 571 | 585 |
| General Electric Capital Corp | 5.500 | 4.532 | 01/08/2020 | 7,755 | 8,226 | 8,876 |
| General Electric Capital Corp | 4.380 | 4.185 | 09/16/2020 | 3,550 | 3,597 | 3,841 |
| General Electric Capital Corp | 4.630 | 4.118 | 01/07/2021 | 2,550 | 2,642 | 2,805 |
| General Electric Capital Corp | 4.650 | 3.474 | 10/17/2021 | 2,000 | 2,185 | 2,221 |
| General Electric Capital Corp | 6.380 | 4.051 | 11/15/2067 | 4,910 | 4,847 | 5,113 |
| Glitnir BankI HF | 0.000 N | N/A | 06/15/2016 | 5,000 | 6 | 6 |
| Glitnir BankI HF | 0.000 N | N/A | 09/14/2049 | 600 | 1 | 1 |
| Goldman Sachs Capital II | 4.000 | 5.487 | 12/29/2049 | 3,960 | 3,022 | 2,681 |
| Goldman Sachs Group Inc | 6.150 | 6.141 | 04/01/2018 | 3,680 | 3,682 | 3,989 |
| Goldman Sachs Group Inc | 6.250 | 6.241 | 02/01/2041 | 2,810 | 2,810 | 2,930 |
| Greenpoint Manufacture Housing | 2.980 A | 4.510 | 03/18/2029 | 1,025 | 830 | 833 |
| Greenpoint Manufacture Housing | 3.740 A | 5.517 | 06/19/2029 | 500 | 400 | 400 |
| Greenpoint Manufacture Housing | 3.740 A | 5.463 | 02/20/2030 | 525 | 420 | 418 |
| Greenpoint Manufacture Housing | 3.740 A | 5.020 | 02/20/2032 | 850 | 713 | 646 |
| Greenpoint Manufacture Housing | 3.740 A | 3.754 | 03/13/2032 | 1,125 | 943 | 904 |
| Groupe BPCE | 12.500 | 9.578 | P | 3,317 | 4,329 | 3,339 |
| HCA Inc | 6.300 | 5.640 | 10/01/2012 | 5,750 | 5,759 | 5,808 |
| HCA Inc | 6.250 | 6.252 | 02/15/2013 | 8,000 | 8,000 | 8,180 |
| HCA Inc | 6.750 | 5.618 | 07/15/2013 | 1,400 | 1,416 | 1,460 |
| HCA Inc | 5.750 | 5.633 | 03/15/2014 | 3,300 | 3,306 | 3,453 |
| HCA Inc | 6.380 | 3.610 | 01/15/2015 | 5,295 | 5,647 | 5,626 |
| HCA Inc | 6.500 | 5.853 | 02/15/2016 | 3,500 | 3,573 | 3,771 |
| Health Net Inc | 6.380 | 7.209 | 06/01/2017 | 2,850 | 2,753 | 2,914 |
| Hewlett-Packard Company | 3.300 | 3.346 | 12/09/2016 | 4,300 | 4,292 | 4,495 |
| HSBC Finance Corp | 6.380 | 6.462 | 11/27/2012 | 440 | 440 | 449 |
| HSBC Finance Corp | 6.680 | 7.080 | 01/15/2021 | 1,450 | 1,413 | 1,570 |
| HSBC Holdings PLC | 5.100 | 5.128 | 04/05/2021 | 3,125 | 3,119 | 3,489 |
| HSBC Holdings PLC | 6.500 | 6.137 | 05/02/2036 | 10,725 | 11,201 | 11,824 |
| HSBC Holdings PLC | 6.500 | 6.601 | 09/15/2037 | 490 | 484 | 544 |
| Humana Inc | 7.200 | 6.671 | 06/15/2018 | 2,030 | 2,082 | 2,439 |
| Humana Inc | 8.150 | 8.095 | 06/15/2038 | 730 | 734 | 988 |
| ICICI Bank Limited | 6.380 | 6.675 | 04/30/2022 | 1,994 | 1,784 | 1,775 |
| ILFC E-Capital Trust II | 6.250 | 3.423 | 12/21/2065 | 4,520 | 3,999 | 3,300 |
| John Deere Capital Corp | 5.350 | 5.235 | 04/03/2018 | 1,550 | 1,559 | 1,845 |
| JP Morgan Chase & Co | 5.750 | 5.268 | 01/02/2013 | 1,590 | 1,594 | 1,630 |
| JP Morgan Chase & Co | 5.130 | 5.030 | 09/15/2014 | 40 | 40 | 42 |
| JP Morgan Chase & Co | 5.150 | 5.330 | 10/01/2015 | 790 | 786 | 848 |
| JP Morgan Chase & Co | 4.950 | 4.276 | 03/25/2020 | 7,140 | 7,453 | 7,870 |
| JP Morgan Chase & Co | 4.350 | 3.935 | 08/15/2021 | 4,875 | 5,028 | 5,145 |
| JP Morgan Chase XVII | 5.850 | 6.301 | 08/01/2035 | 807 | 763 | 807 |
| JPM Chase Capital XXV | 6.800 | 6.684 | 10/01/2037 | 1,000 | 1,014 | 1,000 |
| Kaupthing Bank HF | 0.000 N | N/A | 02/28/2015 | 7,930 | 1,963 | 2,022 |
| Kerr-McGee Corporation | 6.950 | 5.912 | 07/01/2024 | 490 | 533 | 606 |
| Kerr-McGee Corporation | 7.880 | 6.593 | 09/15/2031 | 1,665 | 1,895 | 2,159 |
| Kinder Morgan Energy Partners | 5.850 | 7.004 | 09/15/2012 | 150 | 150 | 151 |
| Kinder Morgan Energy Partners | 5.000 | 6.163 | 12/15/2013 | 940 | 925 | 986 |
| Kinder Morgan Energy Partners | 6.000 | 6.219 | 02/01/2017 | 1,610 | 1,596 | 1,859 |
| KLA-Tencor Corporation | 6.900 | 3.149 | 05/01/2018 | 4,900 | 5,872 | 5,853 |
| Kroger Co | 6.400 | 5.641 | 08/15/2017 | 220 | 227 | 263 |
| Kroger Co | 3.400 | 3.466 | 04/15/2022 | 1,600 | 1,591 | 1,599 |
| Lafarge SA | 6.200 | 4.489 | 07/09/2015 | 6,175 | 6,470 | 6,580 |
| Lafarge SA | 6.500 | 5.317 | 07/15/2016 | 7,250 | 7,557 | 7,830 |
| Legg Mason Inc | 5.500 | 5.682 | 05/21/2019 | 5,900 | 5,840 | 5,967 |
| Lehman Bros CAP TR VII | 0.000 N | N/A | 07/19/2017 | 110 | - | - |

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity.

*All or portions of these securities are pledged as collateral for futures contracts.

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|----------------|--------|------------|-----------------------------------|-------------------|------------|
| Lehman Bros CAP TR VII | 0.000 <i>N</i> | N/A | 12/28/2017 | 8,860 | - | - |
| Lehman Bros CAP TR VII | 0.000 <i>N</i> | N/A | 11/29/2049 | 4,430 | - | - |
| Lloyds TSB Bank PLC | 4.200 | 4.163 | 03/28/2017 | 5,675 | 5,684 | 5,854 |
| Lloyds TSB Bank PLC | 5.800 | 5.831 | 01/13/2020 | 2,145 | 2,141 | 2,293 |
| Lorillard Tobacco Company | 8.130 | 6.688 | 06/23/2019 | 2,680 | 2,892 | 3,326 |
| Macys Retail Holdings Inc | 6.650 | 7.294 | 07/15/2024 | 6,415 | 6,086 | 7,718 |
| Macys Retail Holdings Inc | 6.900 | 6.746 | 04/01/2029 | 3,000 | 3,046 | 3,548 |
| Macys Retail Holdings Inc | 6.700 | 6.501 | 07/15/2034 | 1,990 | 2,036 | 2,391 |
| Macys Retail Holdings Inc | 6.380 | 6.832 | 03/15/2037 | 4,100 | 3,877 | 4,844 |
| Merrill Lynch & Company Inc | 6.880 | 6.887 | 04/25/2018 | 8,890 | 8,885 | 9,947 |
| MetLife Inc | 6.400 | 7.089 | 12/15/2036 | 3,170 | 2,918 | 3,107 |
| MMC Corporation Berhad | 6.250 | 4.223 | 01/15/2018 | 4,775 | 5,248 | 5,743 |
| Morgan Stanley | 6.630 | 6.224 | 04/01/2018 | 360 | 367 | 376 |
| National Semiconductor | 6.600 | 5.898 | 06/15/2017 | 2,580 | 2,657 | 3,189 |
| Newfield Exploration Company | 6.630 | 5.817 | 04/15/2016 | 4,650 | 4,776 | 4,766 |
| News America Inc | 6.400 | 5.095 | 12/15/2035 | 2,260 | 2,661 | 2,606 |
| News America Inc | 6.650 | 5.993 | 11/15/2037 | 2,785 | 3,021 | 3,251 |
| Nordea Bank AB | 4.880 | 4.938 | 05/13/2021 | 2,980 | 2,967 | 2,904 |
| Pacific Gas & Electric Corp | 6.050 | 5.913 | 03/01/2034 | 870 | 884 | 1,096 |
| Pacific Life Global Funding | 5.150 | 5.161 | 04/15/2013 | 450 | 450 | 466 |
| Pernod Ricard SA | 2.950 | 2.890 | 01/15/2017 | 650 | 652 | 658 |
| Pernod Ricard SA | 4.450 | 4.213 | 01/15/2022 | 2,140 | 2,179 | 2,217 |
| Petrobras Intl Fin Co | 3.880 | 3.061 | 01/27/2016 | 1,050 | 1,079 | 1,084 |
| Petrobras Intl Fin Co | 5.380 | 4.230 | 01/27/2021 | 5,275 | 5,705 | 5,685 |
| Rabobank Nederland | 11.000 | 10.092 | <i>P</i> | 544 | 593 | 684 |
| Reed Elsevier Capital | 8.630 | 4.177 | 01/15/2019 | 6,550 | 8,200 | 8,310 |
| Reynolds American Inc | 6.750 | 6.619 | 06/15/2017 | 2,330 | 2,343 | 2,797 |
| Reynolds Group Holdings | 6.880 | 6.875 | 02/15/2021 | 1,360 | 1,360 | 1,414 |
| Reynolds Group ISS/Reynold | 7.130 | 6.778 | 04/15/2019 | 400 | 407 | 419 |
| Royal Bank of Scotland Grp PLC | 5.000 | 7.737 | 10/01/2014 | 3,960 | 3,740 | 3,975 |
| Royal Bank of Scotland Grp PLC | 7.640 | 7.640 | <i>P</i> | 1,200 | 1,200 | 798 |
| Royal Bank of Scotland PLC | 4.380 | 4.419 | 03/16/2016 | 3,225 | 3,220 | 3,305 |
| Royal Bank of Scotland PLC | 5.630 | 5.850 | 08/24/2020 | 6,000 | 5,913 | 6,367 |
| Royal Bank of Scotland PLC | 6.130 | 6.175 | 01/11/2021 | 5,325 | 5,308 | 5,916 |
| Safeway Inc | 3.950 | 4.684 | 08/15/2020 | 570 | 542 | 550 |
| Seariver Maritime Inc | 0.000 | 3.908 | 09/01/2012 | 3,180 | 3,160 | 3,162 |
| Southern Natural Gas Co | 5.900 | 5.897 | 04/01/2017 | 570 | 570 | 653 |
| Springleaf Finance Corp | 6.900 | 7.000 | 12/15/2017 | 720 | 717 | 575 |
| Sprint Capital Corp | 6.900 | 7.701 | 05/01/2019 | 1,145 | 1,097 | 1,076 |
| Sprint Capital Corp | 8.750 | 7.015 | 03/15/2032 | 680 | 805 | 619 |
| Sprint Nextel Corporation | 6.000 | 6.743 | 12/01/2016 | 8,075 | 7,847 | 7,732 |
| State Street Corp | 4.960 | 4.727 | 03/15/2018 | 1,980 | 2,002 | 2,120 |
| Student Loan Marketing Assn | 6.000 | 6.327 | 01/25/2017 | 5,775 | 5,701 | 5,966 |
| Student Loan Marketing Assn | 8.450 | 8.317 | 06/15/2018 | 5,225 | 5,256 | 5,852 |
| Teachers Insurance & Annuity | 6.850 | 6.860 | 12/16/2039 | 1,230 | 1,228 | 1,588 |
| Telecom Italia Capital | 5.250 | 5.095 | 11/15/2013 | 2,825 | 2,831 | 2,832 |
| Telecom Italia Capital | 6.170 | 8.076 | 06/18/2014 | 2,075 | 2,005 | 2,091 |
| Telecom Italia Capital | 7.000 | 5.598 | 06/04/2018 | 3,880 | 4,150 | 3,861 |
| Telecom Italia Capital | 7.170 | 7.026 | 06/18/2019 | 2,900 | 2,923 | 2,886 |
| Tenet Healthcare Corporation | 8.880 | 9.625 | 07/01/2019 | 250 | 241 | 281 |
| Tennessee Gas Pipeline | 7.500 | 4.308 | 04/01/2017 | 3,380 | 3,839 | 4,034 |
| Time Warner Cable Inc | 8.750 | 4.805 | 02/14/2019 | 9,990 | 12,197 | 13,282 |
| Time Warner Cable Inc | 8.250 | 4.876 | 04/01/2019 | 975 | 1,162 | 1,274 |
| Time Warner Cable Inc | 4.000 | 4.081 | 09/01/2021 | 5,685 | 5,650 | 5,974 |
| Time Warner Cable Inc | 5.500 | 5.558 | 09/01/2041 | 230 | 228 | 250 |
| Time Warner Entertainment | 8.380 | 8.068 | 07/15/2033 | 3,050 | 3,144 | 4,131 |
| TNK-BP Finance SA | 7.880 | 8.692 | 03/13/2018 | 2,820 | 2,718 | 3,225 |
| Union Pacific Corp | 4.160 | 4.011 | 07/15/2022 | 4,812 | 4,872 | 5,361 |
| Union Pacific RR Co 07-3 | 6.180 | 4.877 | 01/02/2031 | 800 | 869 | 957 |
| United Business Media LT | 5.750 | 5.979 | 11/03/2020 | 3,330 | 3,281 | 3,427 |
| UNP RR Co 1999 Pass Trust | 7.600 | 3.775 | 01/02/2020 | 580 | 667 | 705 |
| UNP RR Co 2005 Pass Trust | 5.080 | 4.326 | 01/02/2029 | 4,198 | 4,377 | 4,719 |
| Vale Overseas Ltd | 6.880 | 6.914 | 11/21/2036 | 2,812 | 2,799 | 3,262 |
| Vedanta Resources PLC | 8.750 | 8.751 | 01/15/2014 | 952 | 952 | 984 |

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity.

**All or portions of these securities are pledged as collateral for futures contracts.*

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--|---------|--------|------------|-----------------------------------|-------------------|------------|
| Verizon Communications | 6.100 | 5.595 | 04/15/2018 | 1,710 | 1,752 | 2,083 |
| Vulcan Materials | 6.500 | 6.521 | 12/01/2016 | 2,850 | 2,848 | 3,000 |
| Vulcan Materials | 7.500 | 7.500 | 06/15/2021 | 2,925 | 2,925 | 3,218 |
| Wachovia Capital Trust | 5.570 | 5.635 | 12/29/2049 | 2,540 | 2,535 | 2,426 |
| Wachovia Corp | 5.630 | 6.046 | 10/15/2016 | 1,050 | 1,034 | 1,184 |
| Wachovia Corp | 5.750 | 4.262 | 02/01/2018 | 7,280 | 7,810 | 8,611 |
| Wal-Mart Stores Inc | 5.800 | 5.143 | 02/15/2018 | 610 | 629 | 752 |
| WellPoint Inc | 5.880 | 5.980 | 06/15/2017 | 260 | 259 | 307 |
| WellPoint Inc | 7.000 | 4.134 | 02/15/2019 | 6,250 | 7,277 | 7,760 |
| Wells Fargo & Company | 5.250 | 3.972 | 10/23/2012 | 140 | 141 | 142 |
| Wells Fargo Capital X | 5.950 | 6.338 | 12/15/2036 | 3,280 | 3,122 | 3,292 |
| Xerox Corporation | 6.400 | 4.485 | 03/15/2016 | 8,525 | 9,076 | 9,749 |
| Xerox Corporation | 6.350 | 3.960 | 05/15/2018 | 7,452 | 8,376 | 8,688 |
| <i>Total Corporate Bonds</i> | | | | | 705,563 | 754,176 |
| <i>Corporate Asset Backed Issues</i> | | | | | | |
| EDUCAP Student Loan Asset Back | 1.790 A | 11.416 | 06/25/2038 | 4,958 | 4,834 | 4,363 |
| Education Funding Capital Trst | 1.790 A | 1.947 | 12/15/2042 | 900 | 767 | 860 |
| Hertz Vehicle Financing LLC | 5.290 | 5.350 | 03/25/2016 | 1,600 | 1,600 | 1,756 |
| Lehman XZ Trust | 0.470 | 13.625 | 04/25/2046 | 4,276 | 2,600 | 2,067 |
| NC State Education Authority | 1.370 | 1.855 | 07/25/2030 | 11,400 | 10,766 | 11,196 |
| Nelnet Student Loan Trust | 0.940 A | 1.920 | 03/22/2032 | 10,700 | 9,617 | 8,667 |
| Pegasus Aviation Lease Sec | 8.370 | 16.049 | 03/25/2030 | 500 | 326 | 145 |
| Public Service New Hampshire | 6.480 | 5.468 | 05/01/2015 | 133 | 135 | 136 |
| SLM Student Loan Trust | 3.310 A | 3.336 | 05/15/2017 | 8,790 | 8,789 | 8,815 |
| <i>Total Corporate Asset Backed Issues</i> | | | | | 39,434 | 38,005 |
| <i>Corporate CMO</i> | | | | | | |
| Banc of America Mortgage Sec | 5.250 A | 6.423 | 12/01/2034 | 3,064 | 2,933 | 2,834 |
| Banc of America Mortgage Sec | 3.130 A | 3.433 | 04/25/2035 | 769 | 752 | 583 |
| Bear Stearns Adj Rate Mortgage | 2.480 | 4.098 | 12/25/2046 | 1,414 | 1,308 | 918 |
| Countrywide Alternative Loan T | 2.630 A | 2.758 | 12/25/2035 | 1,808 | 1,797 | 1,112 |
| Countrywide Home Loans | 2.900 A | 2.897 | 06/20/2036 | 981 | 980 | 614 |
| Indymac Inda Mtg Loan Trust | 5.560 A | 5.522 | 09/25/2037 | 1,470 | 1,469 | 1,162 |
| Indymac Indx Mtg Loan Trust | 0.460 | 14.884 | 04/25/2046 | 1,814 | 983 | 1,009 |
| IndyMac Residential Asset Sec | 4.750 | 4.333 | 02/25/2019 | 2,056 | 2,067 | 2,086 |
| JP Morgan Mortgage Trust | 2.720 A | 3.077 | 08/25/2035 | 1,396 | 1,373 | 1,066 |
| MASTR ARM Trust | 2.730 A | 3.040 | 01/25/2036 | 951 | 934 | 751 |
| MASTR Performing Loan Trust | 7.000 | 6.338 | 08/25/2034 | 74 | 75 | 75 |
| MLCC Mortgage Investors Inc | 2.550 A | 2.915 | 12/25/2034 | 31 | 31 | 31 |
| Morgan Stanley Mortgage Loan | 2.750 A | 2.812 | 10/25/2034 | 1,220 | 1,214 | 1,023 |
| Morgan Stanley Mortgage Loan | 2.840 A | 2.750 | 06/25/2037 | 4,019 | 4,029 | 1,717 |
| WAMU Mortgage Pass-Through Cer | 2.520 A | 2.800 | 08/25/2035 | 1,336 | 1,315 | 1,162 |
| WAMU Mortgage Pass-Through Cer | 2.450 A | 2.838 | 10/25/2035 | 375 | 373 | 359 |
| WAMU Mortgage Pass-Through Cer | 2.450 A | 2.685 | 12/25/2035 | 1,637 | 1,613 | 1,394 |
| Washington Mutual Mortgage | 2.250 A | 2.317 | 11/25/2036 | 175 | 174 | 124 |
| Washington Mutual Mortgage | 2.340 A | 2.341 | 12/25/2036 | 662 | 661 | 454 |
| Washington Mutual Mortgage | 2.710 A | 17.679 | 02/25/2037 | 568 | 316 | 414 |
| Washington Mutual Mortgage | 2.650 A | 2.851 | 03/01/2037 | 189 | 187 | 118 |
| Wells Fargo Mortgage Backed | 2.620 A | 6.538 | 12/25/2034 | 2,449 | 2,010 | 2,420 |
| Wells Fargo Mortgage Backed | 2.660 A | 3.086 | 04/25/2036 | 214 | 213 | 163 |
| <i>Total Corporate CMO</i> | | | | | 26,807 | 21,589 |
| <i>Corporate Preferred Securities</i> | | | | | | |
| Citigroup Capital XIII | 0.000 | 1.694 | | 314 | 8,345 | 8,572 |
| Total Corporate Issues - 35.6% | | | | | 780,149 | 822,342 |
| Foreign Government Bonds | | | | | | |
| Mex Bonos Desarr Fix Rt - 0.3% | 6.5 | 6.083 | 06/09/2022 | 78,200 | 5,864 | 6,293 |

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity.

*All or portions of these securities are pledged as collateral for futures contracts.

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--|--------|-------|----------|-----------------------------------|-------------------|------------|
| Investments in Other Funds | | | | | | |
| Western Asset High Yield Portfolio | | | | | 50,760 | 45,269 |
| Investment Objective - To maximize total return by investing in fixed income securities are rated below investment grade at time of purchase. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset Opportunistic US Dollar High Yield Securities Portfolio, LLC | | | | | 23,197 | 25,871 |
| Investment Objective - To maximize total return by investing in fixed income securities that are rated below investment grade at time of purchase. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset Opportunistic International Investment Grade Securities Portfolio, LLC | | | | | 41,976 | 48,688 |
| Investment Objective - To maximize total return by investing in fixed income securities that are rated investment grade at time of purchase. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset Floating Rate High Income Fund, LLC | | | | | 62,180 | 84,045 |
| Investment Objective - To maximize total return by investing in U.S. dollar-denominated loans, loan participations and below investment grade fixed income securities. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset US Enhanced Cash, LLC | | | | | 38,085 | 41,746 |
| Investment Objective - To maximize total return by investing in investment grade fixed income securities. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset Opportunistic Asian Securities Portfolio, LLC | | | | | 43,343 | 53,056 |
| Investment Objective - To maximize total return by investing in debt and fixed income securities of Asian issuers. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset Non-U.S. Inflation Linked Securities Portfolio, LLC | | | | | 4,909 | 5,032 |
| Investment Objective - To maximize total return by investing in inflation linked securities of non-U.S. issuers (70%) and U.S. issuers (30%). | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset Emerging Markets Local Debt Portfolio, LLC | | | | | 23,724 | 33,089 |
| Investment Objective - To maximize total return by investing in lower rated debt and other fixed income securities of non-U.S. issuers. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |
| Western Asset Opportunistic Structured Securities Portfolio, LLC | | | | | 49,543 | 70,670 |
| Investment Objective - To maximize total return by investing in primarily investment grade asset backed fixed income securities. | | | | | | |
| Redemption Provisions - Daily | | | | | | |
| No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | | |

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity.

**All or portions of these securities are pledged as collateral for futures contracts.*

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|---|--------|-------|----------|-----------------------------------|---------------------|---------------------|
| Western Asset Emerging Markets Corporate Credit Portfolio, LLC Investment Objective - To maximize total return by investing in U.S. dollar- denominated fixed income securities of non-U.S. issuers in developing markets. Redemption Provisions - Daily No underlying investments exceed 5% of net assets of the Total Return Fixed Income | | | | | 22,282 | 34,402 |
| Total Investments in Other Funds - 19.1% | | | | | 359,999 | 441,868 |
| <u>Short-term Issues</u> | | | | | | |
| Dreyfus Cash Management Institutional Fund - 8.0% | | | | 184,078,904 | 184,079 | 184,079 |
| <u>Option Contracts Purchased</u> | | | | | | |
| <i>Call, strike price, expiration</i> | | | | | | |
| US Treasury 10Yr Note Option, 133, August 2012 - 0.0% | | | | 1 | 356 | 728 |
| Total Investment Securities - 96.6% | | | | | <u>\$ 2,076,191</u> | <u>\$ 2,231,419</u> |
| <u>Collateral for Securities Loaned</u> | | | | | | |
| BNY Mellon Securities Lending Overnight Fund | | | | | \$ 2,386 | \$ 2,386 |
| Mellon SL DBT II Liquidating Fund | | | | | 22 | 21 |
| Mellon GSL DBT II Liquidating Trust | | | | | 1,615 | - |
| Total Collateral for Securities Loaned | | | | | <u>\$ 4,023</u> | <u>\$ 2,407</u> |

A - Adjustable rate security. N - Security is in nonaccrual status pending bankruptcy proceeding. P - Perpetual bond, no stated maturity.

**All or portions of these securities are pledged as collateral for futures contracts.*

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Option Contracts Written

June 30, 2012

(Amounts in thousands)

| <u>Type</u> | <u>Description</u> | <u>Maturity</u> | <u>Strike Price</u> | <u>Contracts</u> | <u>Cost</u> | <u>Fair Value</u> |
|---|-------------------------------|-----------------|---------------------|------------------|----------------|-------------------|
| Call | US Treasury 10 Yr Note Option | 8/24/2012 | 136.000 | (181) | \$ (90) | \$ (34) |
| Total Option Contracts Written - (0.0%) | | | | | <u>\$ (90)</u> | <u>\$ (34)</u> |

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

| | |
|--------------------------------------|-----------|
| Interest | \$ 78,641 |
| Dividends | 3,995 |
| Net amortization | (11,945) |
| Securities lending income | 184 |
| Securities lending borrower premiums | 53 |
| Net shareholder litigation proceeds | 14 |

Total investment income 70,942

Expenses

| | |
|-------------------------------|---------|
| Investment advisor fees | (4,293) |
| Trustee fees | (7) |
| Custodian bank fees | (67) |
| Management fees | (713) |
| Fiduciary bond fees | (8) |
| Professional service fees | (130) |
| Securities lending agent fees | (43) |
| Futures commission expense | (155) |

Total expenses (5,416)

Investment income, net 65,526

**Realized and unrealized gain (loss) from
investments and foreign currency**

| | |
|---|---------|
| Net realized loss from: | |
| Investments | (8,901) |
| Foreign currency transactions | (385) |
| Net increase in the fair value of: | |
| Investments | 43,078 |
| Translation of assets and liabilities in foreign currencies | 45 |

Net gain from investments and foreign currency 33,837

Net increase in net assets from operations \$ 99,363

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | |
|---|-----------|
| Investment income, net | \$ 65,526 |
| Net realized loss from investments | (8,901) |
| Net realized loss from foreign currency transactions | (385) |
| Net increase in the fair value of investments | 43,078 |
| Net increase in the translation of assets and liabilities in foreign currencies | 45 |

Net increase in net assets from operations 99,363

Distributions to unitholders

| | |
|------------------------|----------|
| Investment income, net | (65,332) |
|------------------------|----------|

Unit transactions

| | |
|-------------------------------------|-----------|
| Proceeds from sale of units | 223,082 |
| Reinvestment of distributions | 66,399 |
| | 289,481 |
| Amount paid for repurchase of units | (347,903) |

Net decrease in net assets from unit transactions (58,422)

Decrease in net assets (24,391)

Net assets, beginning of period 2,333,916

Net assets, end of period \$ 2,309,525

Unit data

| | |
|---|--------------|
| Units sold | 15,903,453 |
| Units issued from reinvestment of distributions | 4,754,197 |
| | 20,657,650 |
| Units repurchased | (24,952,616) |

Net decrease in units (4,294,966)

See accompanying notes to financial statements.

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in debt securities are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Investments in other funds are valued at the reported net asset values of the individual funds, provided by the fund's management, as a practical expedient for measuring fair value. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Interest rate

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

and total return swap values are based on market values received from third parties or are determined by valuation models. Foreign currency forward contracts are valued at the difference between the forward contract amount and the month-end forward exchange rate. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon on the following basis:

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

The IMB isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from market prices of securities held.

Reported net realized foreign exchange gains and losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities including investments in securities at month end, resulting from changes in the exchange rate.

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

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

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

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

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

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Security Loans - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. For international securities, the collateral is at least 105 percent of the market value of the securities on loan. Cash collateral received is invested in the BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, consisting of the Mellon SL DBT II Liquidating Fund and the Mellon GSL DBT II Liquidating Trust (Liquidating Trust). Cash collateral received is reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. 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 Operations as net increase or decrease in the 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 for the fluctuations of the underlying securities or index. The IMB records futures at fair market value. Gains or losses on open futures positions are unrealized. These gains or losses become realized when the position is closed.

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

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

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

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. Western enters into such contracts to take advantage of the relative changes in currency exchange rates. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts are valued at the prevailing market exchange rates at month end. An unrealized gain or loss is recorded as the difference between the amount valued at month end and the amount to be received or paid at the expiration date. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires.

Total Return Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Total Return Swaps - Total return swaps represent agreements in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. This is owned by the party receiving the set rate payment.

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

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

Amortization - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Statement of Operations in the year of the change.

Distributions to Participants - The monthly net investment income of the Pool is declared as a dividend on the last day of the month and distributed to the participants of the Pool on the first day of the following month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Net Assets. The Pool does not routinely distribute dividends of net realized gains.

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

Total Return Fixed Income Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

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

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Interest Rate Risk

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

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

Total Return Fixed Income Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2012, the Pool held \$432,847 of these securities. This represents approximately 20 percent of the value of the Pool's securities.

Foreign Currency Risk

Of the notes, bonds, asset backed securities, mortgage backed securities, collateralized mortgage obligations and money market fund held by the Pool, only the foreign government bond denominated in Mexican Peso is exposed to foreign currency risk. The market value of this bond is \$6,293, which represents less than 1 percent of the value of the Pool's securities. The Pool also has foreign exchange forward contracts. Refer to Note 10 for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$138,355, or 31 percent, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 6 percent of the value of the Pool's securities. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2012 the IMB was in compliance with this limitation.

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool may include foreign exchange contracts, futures, options, interest rate swaps, and total return swaps. None of these derivative financial instruments are designated as hedging instruments under ASC 815; 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 not designated as hedging instruments and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Assets and Liabilities as of June 30, 2012:

| Derivatives not designated as hedging instruments under ASC 815 | Asset Derivatives | | Liability Derivatives | |
|---|---|-----------------|---|-------------------|
| | Statement of Assets and Liabilities Location | Fair Value | Statement of Assets and Liabilities Location | Fair Value |
| Fixed Income / Interest rate contracts | Investment securities at fair value | \$ 728 | Option contracts written | \$ (34) |
| Fixed Income / Interest rate contracts | Unrealized gain on futures contracts | 118 | Unrealized loss on futures contracts | (1,518) |
| Foreign exchange contracts | Unrealized gain on foreign currency forward contracts | 291 | Unrealized loss on foreign currency forward contracts | (351) |
| Total | | <u>\$ 1,137</u> | | <u>\$ (1,903)</u> |

Total Return Fixed Income Pool

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

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below presents the impact of the derivative financial instruments not designated as hedging instruments recorded in the Statement of Operations for the year ended June 30, 2012:

| Derivatives not designated as hedging instruments under ASC 815 | Statement of Operations Location | Realized Gain (Loss) | Statement of Operations Location | Unrealized Gain (Loss) |
|---|---|-------------------------|---|---------------------------|
| Fixed income / Interest rate contracts | Net realized loss from investments | \$ (42,979) | Net increase in the fair value of investments | \$ 6,994 |
| Foreign exchange contracts | Net realized loss from foreign currency transactions | (199) | Net increase in the fair value of translation of assets and liabilities in foreign currencies | 211 |
| Total | | <u>\$ (43,178)</u> | | <u>\$ 7,205</u> |

NOTE 5. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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, except share data)

NOTE 5. FAIR VALUE MEASUREMENTS (continued)

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|---------------------|-------------|---------------------|
| Agency collateralized mortgage obligations | \$ - | \$ 32,536 | \$ - | \$ 32,536 |
| Agency mortgage backed securities | - | 340,717 | - | 340,717 |
| Commingled funds | - | 441,868 | - | 441,868 |
| Corporate asset backed securities | - | 38,005 | - | 38,005 |
| Corporate bonds and notes | - | 754,176 | - | 754,176 |
| Corporate collateralized mortgage obligations | - | 21,589 | - | 21,589 |
| Foreign currency forward contracts | - | 291 | - | 291 |
| Foreign government bonds | - | 6,293 | - | 6,293 |
| Futures | 118 | - | - | 118 |
| Municipal bonds | - | 93,246 | - | 93,246 |
| Options | 728 | - | - | 728 |
| Preferred securities | 8,572 | - | - | 8,572 |
| Regulated investment companies | - | 184,079 | - | 184,079 |
| Securities lending collateral funds | - | 2,407 | - | 2,407 |
| U.S. Treasury bonds and notes | - | 309,610 | - | 309,610 |
| Total | <u>\$ 9,418</u> | <u>\$ 2,224,817</u> | <u>\$ -</u> | <u>\$ 2,234,235</u> |
| | | | | |
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Foreign currency forward contracts | \$ - | \$ (351) | \$ - | \$ (351) |
| Futures | (1,518) | - | - | (1,518) |
| Options | (34) | - | - | (34) |
| Total | <u>\$ (1,552)</u> | <u>\$ (351)</u> | <u>\$ -</u> | <u>\$ (1,903)</u> |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2012.

| | | | |
|----------------------------------|-----------------|-------------------|-------------------|
| Fair value of securities on loan | \$ 266,126 | | |
| Initial collateral received: | Cost | Fair Value | Unrealized Loss |
| Cash | <u>\$ 4,023</u> | <u>\$ 2,407</u> | <u>\$ (1,616)</u> |
| Non-cash | | 267,586 | |
| Total | | <u>\$ 269,993</u> | |

The Liquidating Trust, referenced in Note 2, was created in October 2008 to account for certain securities issued by Sigma Finance, Inc. The IMB's balance in the Liquidating Trust for all IMB investment pools that participate in the securities lending program was \$10,974 of which \$1,703 was assigned to the Total Return Fixed Income Pool. A loss reserve was established for the entire amount. Through June 30, 2012 the loss reserve has been adjusted to \$1,615 as a result of cash received in the Liquidating Trust. This \$1,615 is included in the unrealized loss reported in the above table.

Total Return Fixed Income Pool

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

NOTE 6. SECURITIES LENDING (continued)

In October 2008, the IMB suspended the distribution of any net securities lending income subject to final dissolution of the Liquidating Trust. For the period October 2008 through June 2012, the pool has recorded, but not distributed \$843 of net securities lending income.

NOTE 7. FUTURES CONTRACTS

At June 30, 2012, open positions in futures contracts denominated in U.S. dollars were as follows:

| Expiration | Open Contracts | | Position | Value at June 30, 2012 | Value Upon Entering Contract | Unrealized Gain (Loss) |
|------------|----------------|-------------------------------|----------|---------------------------|------------------------------------|---------------------------|
| Sep 2012 | 40 | US Ultra Bond Future | Long | \$ 6,674 | \$ 6,563 | \$ 111 |
| Sep 2012 | (452) | US Long Bond Future | Short | (66,882) | (66,443) | (439) |
| Sep 2012 | (2,017) | US Treasury 10 Yr Note Future | Short | (538,035) | (537,109) | (926) |
| Sep 2012 | (163) | US Treasury 2 Yr Note Future | Short | (35,891) | (35,898) | 7 |
| Sep 2012 | (693) | US Treasury 5 Yr Note Future | Short | (85,910) | (85,757) | (153) |
| | | | | <u>\$ (720,044)</u> | <u>\$ (718,644)</u> | <u>\$ (1,400)</u> |

At June 30, 2012, the Pool had pledged cash of \$6,055 and securities of \$3,660 to cover margin requirements on open futures contracts.

NOTE 8. OPTION CONTRACTS

A summary of the activity in short (written) option positions for the period ended June 30, 2012 is as follows:

| | Puts | | Calls | |
|--------------------------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| | Number of Contracts | Premiums (Received)/Paid | Number of Contracts | Premiums (Received)/Paid |
| Options outstanding at June 30, 2011 | (2,344) | \$ (4,118) | (1,685) | \$ (3,307) |
| Options written | (2,012) | (615) | (1,654) | (1,136) |
| Options closed | 2,892 | 4,509 | 2,963 | 4,260 |
| Options expired | 1,464 | 224 | 195 | 93 |
| Options outstanding at June 30, 2012 | - | \$ - | (181) | \$ (90) |

NOTE 9. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2012, open foreign currency forward contracts were as follows:

| Position | Foreign Currency | Inception Date | Expiration Date | Receivable | | Payable | | Unrealized Gain (Loss) |
|----------|----------------------------|-------------------|--------------------|--------------------------|-----------------------|--------------------------|-----------------------|---------------------------|
| | | | | (in foreign currency) | (in U. S. dollars) | (in foreign currency) | (in U. S. dollars) | |
| Long | Mexican Peso ^a | 05/02/2012 | 08/16/2012 | 133,952 | \$ 9,929 | \$ 10,280 | \$ (351) | |
| Short | Euro Currency ^b | 05/08/2012 | 08/16/2012 | | 6,280 | 4,829 | 149 | |
| Short | Euro Currency ^c | 05/08/2012 | 08/16/2012 | | 5,423 | 4,160 | 142 | |
| | | | | | <u>\$ 21,632</u> | <u>\$ 21,692</u> | <u>\$ (60)</u> | |

Counterparty, Moody's Rating, S&P Rating

a - Morgan Stanley, Baa1, A-

b - Citigroup Inc, Baa2, A-

c - BNY Mellon, Aa3, A+

Total Return Fixed Income Pool

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

NOTE 10. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | | |
|---|----|--------|
| Net asset value at June 30, 2011 | \$ | 13.98 |
| Income from investment operations: | | |
| Net investment income | | 0.40 |
| Net realized and unrealized gain on investment transactions | | 0.22 |
| Total from investment operations | | 0.62 |
| Less distributions from net investment income | | (0.40) |
| Net asset value at June 30, 2012 | \$ | 14.20 |

Time-weighted Total Return * 4.5%

Supplemental Data:

| | | |
|------------------------------|----|-----------|
| Net assets, end of period | \$ | 2,309,525 |
| Ratio to average net assets: | | |
| Expenses ** | | 0.23% |
| Net investment income ** | | 2.84% |
| Portfolio turnover rate | | 52.23% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

NOTE 11. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012. The balances do not include the dividend declared by the Pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

| Participant | Account Value |
|--|---------------|
| Teachers' Retirement System | \$ 630,620 |
| Public Employees' Retirement System | 610,968 |
| Workers' Compensation Old Fund | 370,417 |
| Revenue Shortfall Reserve Fund - Part B | 140,306 |
| Revenue Shortfall Reserve Fund | 136,333 |
| West Virginia Retiree Health Benefit Trust | 101,163 |
| Coal Workers' Pneumoconiosis Fund | 75,557 |
| Public Employees Insurance Agency | 71,384 |
| State Police Death, Disability and Retirement Fund | 68,131 |
| Board of Risk and Insurance Management | 40,518 |
| Judges' Retirement System | 17,901 |
| Deputy Sheriff's Retirement System | 16,635 |
| State Police Retirement System | 11,146 |
| Wildlife Endowment Fund | 5,767 |
| Emergency Medical Services Retirement System | 5,099 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 3,203 |
| Workers' Compensation Uninsured Employers' Fund | 2,379 |
| West Virginia Department of Environmental Protection Trust | 1,104 |
| AccessWV | 869 |
| Municipal Police Officers' and Firefighters' Retirement System | 25 |
| Total | \$ 2,309,525 |

Total Return Fixed Income Pool

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

NOTE 12. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

Core Fixed Income Pool

Core Fixed Income Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|------|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | H-1 |
| Schedule of Investments in Securities | H-2 |
| Statement of Operations | H-20 |
| Statement of Changes in Net Assets | H-21 |
| Notes to Financial Statements | H-22 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Core Fixed Income Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations and changes in net assets for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Core Fixed Income Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|---|----|-----------------|
| Investment securities at fair value | \$ | 1,201,301 |
| Collateral for securities loaned at fair value (Note 5) | | 25,305 |
| Receivables: | | |
| Accrued interest | | 8,219 |
| Investments sold | | 657 |
| Securities lending income | | 6 |
| | | <u> </u> |
| Total assets | | 1,235,488 |

Liabilities

| | | |
|---|----|-------------------------|
| Accrued expenses | | 247 |
| Dividends payable | | 3,146 |
| Payable for investments purchased | | 3,575 |
| Payable upon return of securities loaned (Note 5) | | 25,314 |
| | | <u> </u> |
| Total liabilities | | 32,282 |
| | | <u> </u> |
| Net assets | \$ | <u><u>1,203,206</u></u> |

Analysis of net assets

| | | |
|--|----|-------------------------|
| Paid-in capital | \$ | 1,049,381 |
| Accumulated undistributed net realized gain from investments | | 66,401 |
| Unrealized net appreciation of investments | | 87,424 |
| | | <u> </u> |
| Net assets | \$ | <u><u>1,203,206</u></u> |

Unit data

| | | |
|-----------------------------|----|---------------------|
| Units outstanding | | 106,026,287 |
| Net asset value, unit price | \$ | <u><u>11.35</u></u> |

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|-------------------------------------|---------|---------|------------|-----------------------------------|-------------------|------------|
| <u>Municipal Bonds</u> | | | | | | |
| American Municipal Power-Ohio | 7.500 % | 7.314 % | 02/15/2050 | 580 | \$ 594 | \$ 776 |
| Illinois | 5.100 | 5.763 | 06/01/2033 | 350 | 322 | 331 |
| New York St Dorm Authority | 5.600 | 5.787 | 03/15/2040 | 260 | 253 | 330 |
| Ohio State University | 4.800 | 4.853 | 06/01/2111 | 761 | 753 | 842 |
| Port Authority NY and NJ | 5.650 | 5.647 | 11/01/2040 | 600 | 600 | 733 |
| Tennessee Valley Authority | 0.000 | 3.210 | 11/01/2025 | 1,000 | 654 | 669 |
| Tennessee Valley Authority | 5.880 | 3.791 | 04/01/2036 | 350 | 464 | 487 |
| Tennessee Valley Authority | 5.250 | 5.275 | 09/15/2039 | 98 | 98 | 128 |
| Tennessee Valley Authority | 4.630 | 4.693 | 09/15/2060 | 400 | 395 | 485 |
| Total Municipal Bonds - 0.4% | | | | | 4,133 | 4,781 |
| <u>U. S. Treasury Issues</u> | | | | | | |
| United States Treasury | 0.000 | 1.446 | 11/15/2014 | 2,550 | 2,464 | 2,527 |
| United States Treasury | 11.250 | 0.514 | 02/15/2015 | 900 | 1,151 | 1,154 |
| United States Treasury | 4.000 | 0.529 | 02/15/2015 | 1,000 | 1,090 | 1,094 |
| United States Treasury | 0.000 | 2.704 | 02/15/2015 | 150 | 140 | 148 |
| United States Treasury | 4.500 | 0.549 | 02/15/2016 | 2,000 | 2,283 | 2,285 |
| United States Treasury | 2.630 | 2.861 | 02/29/2016 | 200 | 198 | 215 |
| United States Treasury | 2.630 | 1.977 | 04/30/2016 | 1,670 | 1,709 | 1,800 |
| United States Treasury | 0.000 | 0.628 | 05/15/2016 | 500 | 488 | 488 |
| United States Treasury | 0.000 | 3.087 | 08/15/2016 | 5,300 | 4,670 | 5,153 |
| United States Treasury | 3.130 | 3.241 | 10/31/2016 | 9,300 | 9,257 | 10,282 |
| United States Treasury | 0.000 | 2.257 | 11/15/2016 | 3,120 | 2,828 | 3,021 |
| United States Treasury | 3.250 | 3.132 | 12/31/2016 | 10,560 | 10,611 | 11,761 |
| United States Treasury | 4.630 | 3.056 | 02/15/2017 | 6,500 | 6,936 | 7,658 |
| United States Treasury | 0.000 | 3.275 | 02/15/2017 | 6,122 | 5,267 | 5,910 |
| United States Treasury | 3.250 | 2.910 | 03/31/2017 | 11,600 | 11,773 | 12,966 |
| United States Treasury | 3.130 | 2.432 | 04/30/2017 | 6,715 | 6,926 | 7,477 |
| United States Treasury | 2.750 | 2.381 | 05/31/2017 | 2,280 | 2,319 | 2,501 |
| United States Treasury | 8.880 | 3.186 | 08/15/2017 | 9,360 | 11,857 | 13,171 |
| United States Treasury | 4.750 | 2.706 | 08/15/2017 | 18,645 | 20,452 | 22,367 |
| United States Treasury | 0.000 | 2.162 | 08/15/2017 | 500 | 448 | 479 |
| United States Treasury | 4.250 | 1.181 | 11/15/2017 | 600 | 696 | 708 |
| United States Treasury | 0.000 | 3.493 | 11/15/2017 | 7,050 | 5,853 | 6,725 |
| United States Treasury | 2.750 | 2.731 | 12/31/2017 | 15,000 | 15,014 | 16,529 |
| United States Treasury | 2.630 | 2.849 | 01/31/2018 | 6,000 | 5,931 | 6,576 |
| United States Treasury | 3.500 | 2.488 | 02/15/2018 | 1,000 | 1,053 | 1,144 |
| United States Treasury | 0.000 | 3.537 | 02/15/2018 | 3,950 | 3,244 | 3,749 |
| United States Treasury | 0.000 | 3.743 | 08/15/2018 | 500 | 398 | 470 |
| United States Treasury | 1.750 | 1.519 | 10/31/2018 | 11,000 | 11,153 | 11,510 |
| United States Treasury | 1.380 | 1.286 | 11/30/2018 | 9,895 | 9,949 | 10,121 |
| United States Treasury | 3.130 | 3.136 | 05/15/2019 | 2,090 | 2,088 | 2,375 |
| United States Treasury | 0.000 | 4.013 | 05/15/2019 | 4,550 | 3,463 | 4,202 |
| United States Treasury | 0.000 | 4.021 | 08/15/2019 | 300 | 226 | 275 |
| United States Treasury | 3.380 | 1.596 | 11/15/2019 | 400 | 449 | 463 |
| United States Treasury | 8.500 | 3.516 | 02/15/2020 | 1,750 | 2,329 | 2,682 |
| United States Treasury | 0.000 | 4.006 | 05/15/2020 | 4,500 | 3,293 | 4,053 |
| United States Treasury | 8.750 | 2.660 | 05/15/2020 | 1,400 | 1,999 | 2,190 |
| United States Treasury | 0.000 | 2.982 | 05/15/2020 | 18,037 | 14,267 | 16,169 |
| United States Treasury | 8.750 | 3.033 | 08/15/2020 | 8,550 | 12,031 | 13,485 |
| United States Treasury | 2.630 | 1.762 | 08/15/2020 | 1,300 | 1,384 | 1,431 |
| United States Treasury | 0.000 | 3.412 | 08/15/2020 | 8,550 | 6,491 | 7,609 |
| United States Treasury | 0.000 | 3.774 | 11/15/2020 | 700 | 511 | 618 |
| United States Treasury | 0.000 | 4.230 | 02/15/2021 | 200 | 139 | 175 |
| United States Treasury | 8.130 | 3.524 | 05/15/2021 | 1,000 | 1,348 | 1,560 |
| United States Treasury | 0.000 | 1.842 | 05/15/2021 | 2,100 | 1,785 | 1,820 |
| United States Treasury | 0.000 | 3.501 | 11/15/2021 | 5,000 | 3,612 | 4,262 |
| United States Treasury | 0.000 | 3.851 | 02/15/2022 | 1,250 | 866 | 1,057 |
| United States Treasury | 7.130 | 3.585 | 02/15/2023 | 1,000 | 1,310 | 1,529 |
| United States Treasury | 0.000 | 2.453 | 05/15/2023 | 900 | 690 | 726 |
| United States Treasury | 0.000 | 4.526 | 05/15/2024 | 1,100 | 647 | 854 |
| United States Treasury | 0.000 | 4.240 | 08/15/2024 | 1,100 | 661 | 845 |
| United States Treasury | 0.000 | 6.392 | 11/15/2024 | 250 | 138 | 190 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|---|--------|--------|------------|-----------------------------------|-------------------|------------|
| United States Treasury | 0.000 | 6.934 | 02/15/2025 | 700 | 367 | 527 |
| United States Treasury | 6.000 | 4.435 | 02/15/2026 | 400 | 463 | 586 |
| United States Treasury | 0.000 | 2.772 | 02/15/2026 | 300 | 206 | 217 |
| United States Treasury | 0.000 | 4.862 | 05/15/2026 | 850 | 437 | 610 |
| United States Treasury | 6.750 | 4.073 | 08/15/2026 | 625 | 803 | 980 |
| United States Treasury | 0.000 | 2.801 | 08/15/2026 | 350 | 236 | 249 |
| United States Treasury | 6.500 | 4.024 | 11/15/2026 | 550 | 697 | 848 |
| United States Treasury | 0.000 | 4.130 | 11/15/2026 | 5,500 | 3,052 | 3,868 |
| United States Treasury | 6.630 | 3.506 | 02/15/2027 | 1,000 | 1,352 | 1,563 |
| United States Treasury | 0.000 | 3.193 | 02/15/2027 | 16,825 | 10,555 | 11,725 |
| United States Treasury | 6.380 | 4.079 | 08/15/2027 | 400 | 503 | 616 |
| United States Treasury | 0.000 | 4.707 | 08/15/2027 | 950 | 470 | 650 |
| United States Treasury | 6.130 | 4.343 | 11/15/2027 | 150 | 180 | 227 |
| United States Treasury | 0.000 | 4.358 | 11/15/2027 | 1,500 | 773 | 1,017 |
| United States Treasury | 0.000 | 4.552 | 02/15/2028 | 2,050 | 1,015 | 1,378 |
| United States Treasury | 0.000 | 4.851 | 05/15/2028 | 100 | 47 | 67 |
| United States Treasury | 5.500 | 4.534 | 08/15/2028 | 1,050 | 1,165 | 1,512 |
| United States Treasury | 0.000 | 4.822 | 11/15/2028 | 2,000 | 917 | 1,312 |
| United States Treasury | 0.000 | 4.655 | 02/15/2029 | 300 | 140 | 195 |
| United States Treasury | 0.000 | 4.554 | 05/15/2029 | 150 | 70 | 97 |
| United States Treasury | 6.130 | 2.572 | 08/15/2029 | 100 | 149 | 154 |
| United States Treasury | 0.000 | 3.206 | 08/15/2029 | 800 | 464 | 512 |
| United States Treasury | 0.000 | 4.399 | 11/15/2029 | 700 | 329 | 444 |
| United States Treasury | 0.000 | 4.598 | 02/15/2030 | 1,100 | 494 | 692 |
| United States Treasury | 6.250 | 4.023 | 05/15/2030 | 600 | 769 | 947 |
| United States Treasury | 0.000 | 3.768 | 05/15/2030 | 400 | 205 | 250 |
| United States Treasury | 0.000 | 4.619 | 08/15/2030 | 900 | 393 | 557 |
| United States Treasury | 0.000 | 4.447 | 11/15/2030 | 950 | 423 | 583 |
| United States Treasury | 5.380 | 4.031 | 02/15/2031 | 1,300 | 1,524 | 1,894 |
| United States Treasury | 0.000 | 4.919 | 11/15/2032 | 1,450 | 724 | 827 |
| United States Treasury | 0.000 | 6.998 | 05/15/2033 | 1,200 | 488 | 672 |
| United States Treasury | 0.000 | 7.445 | 08/15/2033 | 700 | 272 | 388 |
| United States Treasury | 0.000 | 7.666 | 11/15/2033 | 1,000 | 379 | 550 |
| United States Treasury | 0.000 | 4.533 | 02/15/2034 | 750 | 285 | 408 |
| United States Treasury | 0.000 | 7.942 | 05/15/2034 | 500 | 183 | 270 |
| United States Treasury | 0.000 | 4.755 | 08/15/2034 | 450 | 219 | 241 |
| United States Treasury | 0.000 | 3.166 | 02/15/2035 | 400 | 197 | 210 |
| United States Treasury | 4.500 | 3.144 | 02/15/2036 | 1,700 | 2,080 | 2,283 |
| United States Treasury | 0.000 | 4.591 | 05/15/2036 | 200 | 68 | 101 |
| Total U. S. Treasury Issues - 23.2% | | | | | 248,978 | 278,786 |
| U. S. Government Agency Issues | | | | | | |
| <i>U. S. Government Agency MBS (coupon, yield, and maturity date are weighted averages)</i> | | | | | | |
| FHLMC Issues | 4.986 | 2.862 | 09/12/2033 | 47,632 | 50,675 | 51,909 |
| FNMA Issues | 4.626 | 3.179 | 09/09/2025 | 106,690 | 111,489 | 117,679 |
| GNMA Issues | 6.649 | 4.265 | 01/01/2036 | 2,999 | 3,238 | 3,446 |
| <i>Total U. S. Government Agency MBS</i> | | | | | 165,402 | 173,034 |
| <i>U. S. Government Agency CMO (coupon, yield, and maturity date are weighted averages)</i> | | | | | | |
| FDIC Issues | 2.980 | 3.027 | 12/06/2020 | 1,184 | 1,182 | 1,227 |
| FHLMC Issues | 5.975 | 5.048 | 12/08/2033 | 121,045 | 92,428 | 98,611 |
| FNMA Issues | 5.754 | 5.367 | 05/19/2033 | 160,401 | 125,721 | 135,199 |
| GNMA Issues | 8.051 | 14.796 | 09/16/2034 | 73,537 | 26,464 | 33,447 |
| <i>Total U. S. Government Agency CMO</i> | | | | | 245,795 | 268,484 |
| <i>U. S. Government Agency Bonds</i> | | | | | | |
| FannieMae STRIPS | 0.000 | 5.737 | 11/15/2021 | 1,000 | 650 | 804 |
| Federal Farm Credit Bank | 5.130 | 3.384 | 11/15/2018 | 1,000 | 1,099 | 1,220 |
| Federal Home Loan Mortgage | 5.500 | 3.324 | 08/23/2017 | 2,900 | 3,196 | 3,553 |
| Federal National Mortgage Assn | 0.000 | 2.342 | 07/05/2014 | 2,300 | 2,197 | 2,259 |
| Federal National Mortgage Assn | 5.000 | 2.195 | 05/11/2017 | 3,000 | 3,386 | 3,573 |
| Federal National Mortgage Assn | 5.380 | 3.276 | 06/12/2017 | 2,000 | 2,190 | 2,423 |
| FICO | 0.000 | 5.655 | 09/26/2019 | 700 | 497 | 616 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--|--------|-------|------------|-----------------------------------|-------------------|------------|
| RFCO Strip Principal | 0.000 | 2.607 | 07/15/2020 | 2,700 | 2,232 | 2,353 |
| <i>Total U. S. Government Agency Bonds</i> | | | | | 15,447 | 16,801 |
| Total U. S. Government Agency Issues - 38.1% | | | | | 426,644 | 458,319 |
| Corporate Issues | | | | | | |
| <i>Corporate Bonds</i> | | | | | | |
| ABB Finance USA Inc | 1.630 | 1.772 | 05/08/2017 | 81 | 80 | 81 |
| ABB Finance USA Inc | 2.880 | 3.129 | 05/08/2022 | 117 | 114 | 118 |
| ABB Finance USA Inc | 4.380 | 4.568 | 05/08/2042 | 58 | 56 | 62 |
| Ace Ina Hldg Inc | 5.880 | 3.570 | 06/15/2014 | 240 | 250 | 262 |
| Ace Ina Hldg Inc | 5.600 | 2.613 | 05/15/2015 | 430 | 465 | 481 |
| ADT Corp | 3.500 | 3.528 | 07/15/2022 | 105 | 105 | 105 |
| Aetna Inc | 6.750 | 4.720 | 12/15/2037 | 390 | 507 | 510 |
| Aetna Inc | 4.500 | 4.766 | 05/15/2042 | 71 | 68 | 72 |
| AFLAC Inc | 8.500 | 5.066 | 05/15/2019 | 100 | 120 | 131 |
| AFLAC Inc | 6.450 | 6.488 | 08/15/2040 | 108 | 107 | 125 |
| African Development Bank | 8.800 | 3.096 | 09/01/2019 | 1,000 | 1,364 | 1,358 |
| AGL Capital Corporation | 4.450 | 2.753 | 04/15/2013 | 260 | 263 | 267 |
| AGL Capital Corporation | 5.250 | 4.315 | 08/15/2019 | 400 | 422 | 463 |
| AGL Capital Corporation | 3.500 | 3.683 | 09/15/2021 | 353 | 348 | 364 |
| AGL Capital Corporation | 5.880 | 5.887 | 03/15/2041 | 120 | 120 | 153 |
| Aid-Israel | 0.000 | 2.110 | 08/15/2017 | 1,000 | 898 | 938 |
| Aid-Israel | 0.000 | 1.950 | 03/15/2018 | 5,000 | 4,476 | 4,627 |
| AIG Sunamer Global Fin X | 6.900 | 6.417 | 03/15/2032 | 110 | 116 | 133 |
| Alabama Power Co | 6.130 | 5.106 | 05/15/2038 | 128 | 147 | 170 |
| Alberta Energy Company Ltd | 8.130 | 5.675 | 09/15/2030 | 200 | 255 | 258 |
| Allstate Corp | 5.000 | 3.585 | 08/15/2014 | 470 | 483 | 508 |
| Allstate Life Global Fn Trust | 5.380 | 1.804 | 04/30/2013 | 300 | 309 | 312 |
| American Airlines PT TRS 11-1 | 5.250 | 5.250 | 01/31/2021 | 115 | 115 | 119 |
| American Airlines PT TRS 11-2 | 8.630 | 8.624 | 10/15/2021 | 122 | 122 | 128 |
| American Express Co | 7.000 | 4.743 | 03/19/2018 | 595 | 661 | 736 |
| American Express Credit Co | 5.880 | 2.100 | 05/02/2013 | 20 | 21 | 21 |
| American Express Credit Co | 7.300 | 4.692 | 08/20/2013 | 600 | 617 | 641 |
| American Express Credit Co | 5.130 | 3.529 | 08/25/2014 | 845 | 873 | 913 |
| American Express Credit Co | 2.800 | 2.818 | 09/19/2016 | 340 | 340 | 355 |
| American Honda Finance | 2.600 | 2.601 | 09/20/2016 | 410 | 410 | 424 |
| American Honda Finance | 7.630 | 4.560 | 10/01/2018 | 500 | 582 | 640 |
| American Water Cap Corp | 6.090 | 3.499 | 10/15/2017 | 300 | 337 | 351 |
| American Water Cap Corp | 6.590 | 5.338 | 10/15/2037 | 300 | 352 | 373 |
| Ameritech Capital Funding | 6.450 | 5.178 | 01/15/2018 | 70 | 74 | 80 |
| Amgen Inc | 6.150 | 3.425 | 06/01/2018 | 285 | 326 | 342 |
| Amgen Inc | 5.700 | 5.035 | 02/01/2019 | 210 | 218 | 247 |
| Amgen Inc | 3.450 | 3.826 | 10/01/2020 | 610 | 594 | 632 |
| Amgen Inc | 4.950 | 5.002 | 10/01/2041 | 200 | 198 | 204 |
| Amgen Inc | 5.650 | 5.684 | 06/15/2042 | 103 | 102 | 115 |
| Anadarko Finance Co | 7.500 | 5.295 | 05/01/2031 | 400 | 504 | 504 |
| Anadarko Petroleum Corp | 7.630 | 3.498 | 03/15/2014 | 130 | 139 | 143 |
| Anadarko Petroleum Corp | 8.700 | 8.260 | 03/15/2019 | 300 | 306 | 392 |
| Anadarko Petroleum Corp | 6.950 | 5.873 | 06/15/2019 | 285 | 302 | 349 |
| Anheuser-Busch | 1.500 | 1.501 | 07/14/2014 | 264 | 264 | 268 |
| Anheuser-Busch | 7.750 | 5.152 | 01/15/2019 | 580 | 662 | 766 |
| Anheuser-Busch | 8.200 | 5.072 | 01/15/2039 | 255 | 371 | 405 |
| ANR Pipeline | 9.630 | 5.447 | 11/01/2021 | 240 | 313 | 360 |
| Aon Corporation | 3.500 | 3.605 | 09/30/2015 | 121 | 121 | 126 |
| Apache Corporation | 6.000 | 1.594 | 09/15/2013 | 480 | 505 | 510 |
| Apache Corporation | 4.750 | 4.767 | 04/15/2043 | 153 | 153 | 170 |
| Appalachian Power Company | 5.950 | 6.624 | 05/15/2033 | 250 | 231 | 279 |
| Arizona Public Service | 4.500 | 4.557 | 04/01/2042 | 103 | 102 | 106 |
| Arrow Electronics Inc | 6.880 | 6.098 | 07/01/2013 | 175 | 176 | 185 |
| Arrow Electronics Inc | 3.380 | 2.440 | 11/01/2015 | 140 | 144 | 145 |
| Arrow Electronics Inc | 6.880 | 5.965 | 06/01/2018 | 235 | 246 | 273 |
| Arrow Electronics Inc | 7.500 | 6.484 | 01/15/2027 | 225 | 246 | 260 |
| ASIF Global Financing XIX | 4.900 | 1.745 | 01/17/2013 | 907 | 922 | 915 |
| Associates Corp NA | 6.950 | 9.379 | 11/01/2018 | 350 | 310 | 395 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|-------------------------------|---------|-------|------------|-----------------------------------|-------------------|------------|
| AT&T Corp | 8.000 | 6.187 | 11/15/2031 | 41 | 49 | 61 |
| AT&T Inc | 5.500 | 4.564 | 02/01/2018 | 370 | 387 | 440 |
| AT&T Inc | 5.600 | 5.167 | 05/15/2018 | 565 | 577 | 676 |
| AT&T Inc | 5.800 | 3.067 | 02/15/2019 | 200 | 233 | 244 |
| AT&T Inc | 4.450 | 4.232 | 05/15/2021 | 500 | 508 | 566 |
| AT&T Inc | 6.300 | 6.622 | 01/15/2038 | 600 | 575 | 747 |
| AT&T Inc | 5.350 | 5.341 | 09/01/2040 | 1,374 | 1,376 | 1,577 |
| Atmos Energy Corp | 6.350 | 2.859 | 06/15/2017 | 875 | 1,015 | 1,039 |
| Atmos Energy Corp | 8.500 | 8.529 | 03/15/2019 | 150 | 150 | 201 |
| AUST & NZ Banking Group | 3.250 | 3.339 | 03/01/2016 | 200 | 199 | 207 |
| BAE Systems Holdings Inc | 5.200 | 2.802 | 08/15/2015 | 195 | 209 | 212 |
| BAE Systems Holdings Inc | 6.380 | 3.389 | 06/01/2019 | 255 | 302 | 298 |
| Bank of America Corp | 4.900 | 3.276 | 05/01/2013 | 500 | 507 | 511 |
| Bank of America Corp | 7.380 | 7.510 | 05/15/2014 | 600 | 599 | 645 |
| Bank of America Corp | 5.130 | 8.762 | 11/15/2014 | 300 | 277 | 313 |
| Bank of America Corp | 6.500 | 6.545 | 08/01/2016 | 500 | 499 | 549 |
| Bank of America Corp | 5.630 | 5.039 | 10/14/2016 | 250 | 256 | 266 |
| Bank of America Corp | 5.650 | 5.545 | 05/01/2018 | 2,100 | 2,111 | 2,246 |
| Bank of America Corp | 5.630 | 5.431 | 07/01/2020 | 190 | 192 | 203 |
| Bank of America Corp | 5.000 | 4.730 | 05/13/2021 | 775 | 790 | 800 |
| Bank of Nova Scotia | 3.400 | 3.428 | 01/22/2015 | 127 | 127 | 134 |
| Bank of Nova Scotia | 1.650 | 1.686 | 10/29/2015 | 345 | 345 | 353 |
| Bank of Nova Scotia | 4.380 | 4.395 | 01/13/2021 | 214 | 214 | 241 |
| Bank Tokyo - Mitsubishi UFJ | 3.850 | 3.859 | 01/22/2015 | 356 | 356 | 376 |
| Barclays Bank PLC | 5.200 | 5.227 | 07/10/2014 | 400 | 400 | 421 |
| Barclays Bank PLC | 6.750 | 5.145 | 05/22/2019 | 950 | 1,037 | 1,108 |
| Barclays Bank PLC | 5.130 | 5.231 | 01/08/2020 | 500 | 497 | 543 |
| Barclays PLC | 2.250 | 2.352 | 05/10/2017 | 203 | 202 | 203 |
| Barrick NA Finance LLC | 4.400 | 3.338 | 05/30/2021 | 208 | 225 | 224 |
| BB&T Corporation | 5.700 | 1.547 | 04/30/2014 | 340 | 365 | 369 |
| BB&T Corporation | 3.200 | 2.245 | 03/15/2016 | 365 | 377 | 386 |
| BB&T Corporation | 4.900 | 5.999 | 06/30/2017 | 800 | 763 | 878 |
| BB&T Corporation | 6.850 | 7.048 | 04/30/2019 | 225 | 223 | 284 |
| BellSouth Corporation | 5.200 | 4.342 | 09/15/2014 | 300 | 305 | 326 |
| BellSouth Corporation | 6.000 | 5.368 | 11/15/2034 | 149 | 161 | 166 |
| Berkshire Hathaway Fin | 4.600 | 4.335 | 05/15/2013 | 100 | 100 | 103 |
| Berkshire Hathaway Fin | 5.100 | 1.733 | 07/15/2014 | 600 | 640 | 653 |
| Berkshire Hathaway Fin | 2.450 | 2.497 | 12/15/2015 | 477 | 476 | 498 |
| Berkshire Hathaway Fin | 5.400 | 3.505 | 05/15/2018 | 300 | 330 | 354 |
| Berkshire Hathaway Inc | 1.900 | 1.901 | 01/31/2017 | 190 | 190 | 194 |
| BG Energy Capital PLC | 5.130 | 5.239 | 10/15/2041 | 200 | 197 | 221 |
| BHP Billiton Financial USA | 5.500 | 5.577 | 04/01/2014 | 200 | 200 | 217 |
| BHP Billiton Financial USA | 6.500 | 4.225 | 04/01/2019 | 720 | 815 | 917 |
| BlackRock Inc | 6.250 | 4.677 | 09/15/2017 | 500 | 536 | 605 |
| BlackRock Inc | 3.380 | 3.438 | 06/01/2022 | 360 | 358 | 365 |
| Blackstone Holdings Financial | 5.880 | 5.938 | 03/15/2021 | 550 | 548 | 574 |
| BNY Mellon | 4.500 | 2.783 | 04/01/2013 | 305 | 309 | 314 |
| BNY Mellon | 5.130 | 3.868 | 08/27/2013 | 350 | 355 | 368 |
| BNY Mellon | 2.950 | 2.978 | 06/18/2015 | 500 | 500 | 527 |
| BNY Mellon | 4.600 | 4.625 | 01/15/2020 | 115 | 115 | 130 |
| Boeing Company | 5.130 | 4.019 | 02/15/2013 | 100 | 101 | 103 |
| Boeing Company | 4.880 | 4.664 | 02/15/2020 | 230 | 233 | 276 |
| Boeing Company | 6.130 | 5.181 | 02/15/2033 | 150 | 168 | 196 |
| Boston Gas Company | 4.490 | 4.487 | 02/15/2042 | 85 | 85 | 90 |
| BP Capital Markets PLC | 3.630 | 3.625 | 05/08/2014 | 100 | 100 | 105 |
| BP Capital Markets PLC | 3.880 | 3.148 | 03/10/2015 | 730 | 744 | 782 |
| BP Capital Markets PLC | 3.250 | 3.245 | 05/06/2022 | 377 | 377 | 390 |
| British Telecom PLC | 5.950 | 5.942 | 01/15/2018 | 275 | 275 | 322 |
| British Telecom PLC | 9.630 A | 6.540 | 12/15/2030 | 145 | 193 | 218 |
| Bunge Limited Finance Co | 5.880 | 6.484 | 05/15/2013 | 50 | 50 | 52 |
| Bunge Limited Finance Co | 8.500 | 7.220 | 06/15/2019 | 373 | 398 | 466 |
| Bunge NA Finance LP | 5.900 | 7.617 | 04/01/2017 | 54 | 50 | 60 |
| Burlington North Santa Fe | 5.900 | 4.746 | 07/01/2012 | 150 | 150 | 150 |
| Burlington North Santa Fe | 5.650 | 4.368 | 05/01/2017 | 225 | 237 | 264 |
| Burlington North Santa Fe | 4.700 | 4.722 | 10/01/2019 | 350 | 350 | 393 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|--------|--------|------------|-----------------------------------|-------------------|------------|
| Burlington North Santa Fe | 3.450 | 3.479 | 09/15/2021 | 106 | 106 | 111 |
| Burlington North Santa Fe | 7.290 | 6.510 | 06/01/2036 | 80 | 88 | 106 |
| Burlington Resources Inc | 8.200 | 4.182 | 03/15/2025 | 180 | 251 | 257 |
| Cameron International Corp | 1.600 | 1.615 | 04/30/2015 | 79 | 79 | 79 |
| Canadian Natural Resources Ltd | 5.700 | 3.408 | 05/15/2017 | 300 | 331 | 351 |
| Canadian Natural Resources Ltd | 5.900 | 4.608 | 02/01/2018 | 615 | 654 | 726 |
| Capital One Bank USA NA | 6.500 | 10.704 | 06/13/2013 | 100 | 96 | 105 |
| Capital One Financial Corp | 7.380 | 5.321 | 05/23/2014 | 295 | 306 | 324 |
| Capital One Financial Corp | 5.500 | 10.399 | 06/01/2015 | 200 | 176 | 218 |
| Capital One Financial Corp | 6.750 | 4.906 | 09/15/2017 | 1,055 | 1,143 | 1,252 |
| Capital One Financial Corp | 4.750 | 4.860 | 07/15/2021 | 400 | 397 | 436 |
| Cargill Inc | 7.350 | 5.427 | 03/06/2019 | 250 | 277 | 315 |
| Cargill Inc | 4.310 | 4.716 | 05/14/2021 | 106 | 103 | 116 |
| Cargill Inc | 3.300 | 3.343 | 03/01/2022 | 485 | 483 | 494 |
| Caterpillar Financial Services | 5.850 | 4.754 | 09/01/2017 | 820 | 861 | 984 |
| Caterpillar Financial Services | 5.450 | 3.907 | 04/15/2018 | 280 | 302 | 334 |
| Caterpillar Financial Services | 7.150 | 6.151 | 02/15/2019 | 395 | 416 | 516 |
| CBS Corp | 5.750 | 5.766 | 04/15/2020 | 53 | 53 | 62 |
| Cellco Partnership/Verizon Wir | 8.500 | 3.044 | 11/15/2018 | 220 | 289 | 301 |
| Centel Capital Corp | 9.000 | 6.495 | 10/15/2019 | 200 | 229 | 233 |
| Centerpoint Energy Houston | 5.750 | 5.100 | 01/15/2014 | 185 | 187 | 198 |
| Centerpoint Energy Houston | 7.000 | 5.151 | 03/01/2014 | 185 | 190 | 204 |
| Centerpoint Energy Inc | 6.500 | 3.256 | 05/01/2018 | 310 | 363 | 368 |
| Centerpoint Energy Resources | 5.950 | 3.744 | 01/15/2014 | 165 | 170 | 176 |
| Centerpoint Energy Resources | 6.130 | 2.810 | 11/01/2017 | 300 | 349 | 351 |
| Charles Schwab Corp | 4.950 | 1.866 | 06/01/2014 | 500 | 529 | 536 |
| Chubb Corp | 5.750 | 1.792 | 05/15/2018 | 48 | 59 | 59 |
| Cisco Systems Inc | 5.500 | 4.491 | 02/22/2016 | 210 | 217 | 244 |
| Cisco Systems Inc | 4.450 | 4.555 | 01/15/2020 | 250 | 248 | 289 |
| Cisco Systems Inc | 5.500 | 5.644 | 01/15/2040 | 300 | 294 | 371 |
| Citigroup Inc | 6.380 | 6.536 | 08/12/2014 | 295 | 294 | 316 |
| Citigroup Inc | 6.010 | 3.809 | 01/15/2015 | 300 | 316 | 322 |
| Citigroup Inc | 4.750 | 4.876 | 05/19/2015 | 87 | 87 | 91 |
| Citigroup Inc | 4.590 | 3.858 | 12/15/2015 | 563 | 576 | 589 |
| Citigroup Inc | 6.000 | 5.589 | 08/15/2017 | 1,865 | 1,897 | 2,043 |
| Citigroup Inc | 6.130 | 7.050 | 11/21/2017 | 555 | 531 | 615 |
| Citigroup Inc | 8.500 | 6.863 | 05/22/2019 | 470 | 510 | 580 |
| Citigroup Inc | 5.380 | 5.507 | 08/09/2020 | 300 | 297 | 324 |
| Citigroup Inc | 7.000 | 6.049 | 12/01/2025 | 490 | 532 | 562 |
| Citigroup Inc | 8.130 | 8.310 | 07/15/2039 | 350 | 343 | 467 |
| Cleveland Electric Illum | 7.880 | 5.053 | 11/01/2017 | 300 | 339 | 375 |
| Cleveland Electric Illum | 8.880 | 7.005 | 11/15/2018 | 225 | 246 | 301 |
| CME Group Inc | 5.750 | 1.735 | 02/15/2014 | 507 | 539 | 547 |
| CNA Financial Corp | 5.850 | 3.764 | 12/15/2014 | 250 | 262 | 268 |
| CNA Financial Corp | 6.500 | 4.776 | 08/15/2016 | 285 | 303 | 321 |
| CNA Financial Corp | 5.880 | 5.917 | 08/15/2020 | 170 | 170 | 187 |
| Coca-Cola Company | 3.630 | 3.725 | 03/15/2014 | 100 | 100 | 105 |
| Coca-Cola Company | 4.880 | 4.993 | 03/15/2019 | 100 | 99 | 119 |
| Coca-Cola Company | 3.300 | 3.310 | 09/01/2021 | 104 | 104 | 112 |
| Coca-Cola Refresh USA | 4.250 | 2.511 | 03/01/2015 | 250 | 261 | 272 |
| Comcast Cable Comm Holdings | 9.460 | 7.137 | 11/15/2022 | 775 | 903 | 1,128 |
| Comcast Cable Holdings | 10.130 | 5.959 | 04/15/2022 | 240 | 313 | 352 |
| Comcast Corp | 5.900 | 4.629 | 03/15/2016 | 625 | 651 | 720 |
| Comcast Corp | 4.950 | 3.412 | 06/15/2016 | 95 | 100 | 107 |
| Comcast Corp | 6.500 | 5.409 | 01/15/2017 | 200 | 209 | 238 |
| Comerica Bank | 5.200 | 4.930 | 08/22/2017 | 250 | 253 | 280 |
| Commonwealth REIT | 6.650 | 9.690 | 01/15/2018 | 430 | 374 | 466 |
| Commonwealth REIT | 5.880 | 6.166 | 09/15/2020 | 325 | 319 | 336 |
| Connecticut Light and Power | 5.650 | 2.391 | 05/01/2018 | 435 | 512 | 517 |
| ConocoPhillips | 5.200 | 3.086 | 05/15/2018 | 501 | 557 | 592 |
| ConocoPhillips | 6.650 | 3.716 | 07/15/2018 | 294 | 340 | 368 |
| ConocoPhillips | 5.750 | 5.911 | 02/01/2019 | 100 | 99 | 122 |
| ConocoPhillips | 6.000 | 4.520 | 01/15/2020 | 940 | 1,028 | 1,182 |
| Cons Edison Co of NY | 5.100 | 4.756 | 06/15/2033 | 200 | 209 | 223 |
| Cons Edison Co of NY | 6.300 | 5.749 | 08/15/2037 | 150 | 161 | 204 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|----------------------------|---------|-------|------------|-----------------------------------|-------------------|------------|
| Cons Edison Co of NY | 5.500 | 5.713 | 12/01/2039 | 350 | 340 | 440 |
| Consumers Energy Company | 6.700 | 5.661 | 09/15/2049 | 394 | 457 | 507 |
| Corp Andina De Fomento | 3.750 | 3.542 | 01/15/2016 | 532 | 536 | 553 |
| Countrywide Financial Corp | 6.250 | 5.331 | 05/15/2016 | 600 | 619 | 624 |
| Cox Communications Inc | 5.450 | 3.845 | 12/15/2014 | 225 | 233 | 248 |
| Cox Communications Inc | 5.880 | 2.193 | 12/01/2016 | 200 | 231 | 233 |
| Credit Suisse New York | 5.000 | 2.419 | 05/15/2013 | 200 | 204 | 206 |
| Credit Suisse New York | 5.500 | 5.524 | 05/01/2014 | 170 | 170 | 180 |
| Credit Suisse New York | 5.400 | 5.020 | 01/14/2020 | 230 | 235 | 239 |
| Credit Suisse USA Inc | 4.880 | 6.376 | 01/15/2015 | 250 | 241 | 268 |
| Credit Suisse USA Inc | 5.130 | 3.775 | 08/15/2015 | 680 | 707 | 742 |
| Credit Suisse USA Inc | 5.850 | 4.666 | 08/16/2016 | 400 | 417 | 453 |
| Credit Suisse USA Inc | 7.130 | 5.535 | 07/15/2032 | 275 | 328 | 358 |
| CRH America Inc | 6.000 | 3.793 | 09/30/2016 | 254 | 276 | 278 |
| Crown Castle Towers LLC | 3.210 | 3.009 | 08/15/2015 | 350 | 352 | 356 |
| CSX Corp | 6.250 | 3.733 | 03/15/2018 | 640 | 721 | 770 |
| CSX Corp | 7.380 | 6.722 | 02/01/2019 | 200 | 207 | 255 |
| CSX Corp | 4.250 | 3.511 | 06/01/2021 | 335 | 354 | 366 |
| CVS Pass Through Trust | 5.930 | 6.000 | 01/10/2034 | 248 | 248 | 275 |
| CVS Pass Through Trust | 6.130 | 6.066 | 09/15/2039 | 735 | 741 | 914 |
| Daimler Finance NA LLC | 6.500 | 4.196 | 11/15/2013 | 610 | 628 | 654 |
| Daimler Finance NA LLC | 2.950 | 2.988 | 01/11/2017 | 300 | 300 | 311 |
| Danaher Corp | 3.900 | 3.903 | 06/23/2021 | 275 | 275 | 306 |
| Deere & Company | 2.600 | 2.629 | 06/08/2022 | 179 | 179 | 179 |
| Deere & Company | 3.900 | 3.942 | 06/09/2042 | 77 | 76 | 76 |
| Dell Inc | 5.650 | 4.846 | 04/15/2018 | 317 | 330 | 365 |
| Dell Inc | 5.880 | 3.475 | 06/15/2019 | 550 | 631 | 647 |
| Delta Air Lines 2010 -2A | 4.950 | 4.950 | 05/23/2019 | 124 | 124 | 131 |
| Delta Air Lines 2011-1 | 5.300 | 5.300 | 04/15/2019 | 69 | 69 | 74 |
| Delta Air Lines 2012-1A | 4.750 | 4.751 | 05/07/2020 | 175 | 175 | 178 |
| Detroit Edison Company | 3.900 | 2.752 | 06/01/2021 | 310 | 338 | 343 |
| Detroit Edison Company | 2.650 | 2.668 | 06/15/2022 | 53 | 53 | 53 |
| Deutsche Bank AG London | 2.380 | 2.409 | 01/11/2013 | 435 | 435 | 438 |
| Deutsche Bank AG London | 3.880 | 3.962 | 08/18/2014 | 305 | 304 | 318 |
| Deutsche Telekom Int Fin | 6.750 | 4.691 | 08/20/2018 | 200 | 222 | 241 |
| Deutsche Telekom Int Fin | 6.000 | 5.652 | 07/08/2019 | 635 | 647 | 750 |
| Deutsche Telekom Int Fin | 8.750 A | 5.629 | 06/15/2030 | 170 | 229 | 236 |
| Devon Energy Corporation | 6.300 | 3.229 | 01/15/2019 | 495 | 584 | 607 |
| Devon Energy Corporation | 3.250 | 3.320 | 05/15/2022 | 244 | 243 | 248 |
| Devon Energy Corporation | 4.750 | 4.806 | 05/15/2042 | 157 | 156 | 165 |
| Diageo Capital PLC | 5.200 | 1.199 | 01/30/2013 | 200 | 205 | 205 |
| Diageo Capital PLC | 4.830 | 4.387 | 07/15/2020 | 402 | 414 | 468 |
| Diageo Finance BV | 5.500 | 2.553 | 04/01/2013 | 265 | 271 | 275 |
| Diageo Investment Corp | 2.880 | 2.917 | 05/11/2022 | 290 | 289 | 298 |
| Directv Holdings/Fing | 4.600 | 4.608 | 02/15/2021 | 400 | 400 | 425 |
| Directv Holdings/Fing | 6.000 | 6.098 | 08/15/2040 | 750 | 740 | 817 |
| Discovery Communications | 4.950 | 5.000 | 05/15/2042 | 100 | 99 | 104 |
| DnB Boligkreditt AS | 2.100 | 2.193 | 10/14/2015 | 300 | 299 | 305 |
| Dominion Resources Inc | 6.400 | 4.717 | 06/15/2018 | 465 | 505 | 568 |
| Dominion Resources Inc | 5.200 | 3.297 | 08/15/2019 | 50 | 56 | 59 |
| Dominion Resources Inc | 4.900 | 4.999 | 08/01/2041 | 64 | 63 | 72 |
| Dow Chemical Company | 7.600 | 2.207 | 05/15/2014 | 235 | 258 | 262 |
| Dow Chemical Company | 5.900 | 2.031 | 02/15/2015 | 335 | 368 | 374 |
| Dow Chemical Company | 8.550 | 5.720 | 05/15/2019 | 417 | 483 | 555 |
| Dow Chemical Company | 4.250 | 4.284 | 11/15/2020 | 64 | 64 | 69 |
| Dow Chemical Company | 4.130 | 4.174 | 11/15/2021 | 114 | 114 | 122 |
| Duke Energy Carolinas | 7.000 | 4.034 | 11/15/2018 | 250 | 291 | 324 |
| Duke Energy Carolinas | 4.300 | 4.304 | 06/15/2020 | 211 | 211 | 241 |
| Duke Energy Carolinas | 3.900 | 2.696 | 06/15/2021 | 210 | 230 | 234 |
| Duke Energy Corp | 3.550 | 3.552 | 09/15/2021 | 116 | 116 | 123 |
| Duke Energy Ohio Inc | 5.450 | 5.010 | 04/01/2019 | 395 | 405 | 477 |
| DuPont EI de Nemours Co | 6.000 | 3.208 | 07/15/2018 | 608 | 700 | 756 |
| DuPont EI de Nemours Co | 5.600 | 4.670 | 12/15/2036 | 320 | 363 | 403 |
| DuPont EI de Nemours Co | 4.900 | 4.987 | 01/15/2041 | 125 | 123 | 146 |
| Eaton Corporation | 7.630 | 4.412 | 04/01/2024 | 325 | 420 | 429 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|--------|-------|------------|-----------------------------------|-------------------|------------|
| eBay Inc | 3.250 | 3.427 | 10/15/2020 | 1,110 | 1,095 | 1,163 |
| Ecolab Inc | 5.500 | 4.517 | 12/08/2041 | 540 | 626 | 648 |
| Encana Corp | 6.500 | 5.141 | 05/15/2019 | 100 | 108 | 119 |
| Enel Finance International NV | 5.130 | 5.144 | 10/07/2019 | 700 | 699 | 669 |
| Eni SpA | 5.700 | 5.741 | 10/01/2040 | 250 | 249 | 248 |
| Entergy Gulf States LA | 6.000 | 3.328 | 05/01/2018 | 380 | 433 | 442 |
| EOG Resources Inc | 5.630 | 5.356 | 06/01/2019 | 200 | 203 | 240 |
| EOG Resources Inc | 4.400 | 2.949 | 06/01/2020 | 340 | 375 | 383 |
| Erac USA Finance Company | 2.250 | 2.317 | 01/10/2014 | 286 | 286 | 288 |
| ERP Operating-LP | 4.630 | 3.708 | 12/15/2021 | 425 | 456 | 462 |
| Exelon Generation Co LLC | 5.350 | 1.710 | 01/15/2014 | 360 | 380 | 381 |
| Exelon Generation Co LLC | 4.000 | 4.013 | 10/01/2020 | 288 | 288 | 290 |
| Exelon Generation Co LLC | 5.750 | 5.778 | 10/01/2041 | 86 | 86 | 90 |
| Federal Home Loan Bank | 5.500 | 3.658 | 07/15/2036 | 400 | 517 | 540 |
| Fifth Third Bancorp | 3.630 | 2.956 | 01/25/2016 | 455 | 465 | 480 |
| Florida Power & Light | 5.950 | 4.176 | 10/01/2033 | 120 | 150 | 158 |
| Florida Power & Light | 5.960 | 5.307 | 04/01/2039 | 335 | 366 | 448 |
| Florida Power Corp | 6.400 | 5.331 | 06/15/2038 | 280 | 322 | 382 |
| FMR LLC | 6.450 | 6.504 | 11/15/2039 | 250 | 248 | 286 |
| Ford Motor Credit Company LLC | 4.210 | 4.207 | 04/15/2016 | 220 | 220 | 228 |
| France Telecom | 4.380 | 2.478 | 07/08/2014 | 700 | 726 | 735 |
| France Telecom | 8.500 | 5.593 | 03/01/2031 | 230 | 307 | 323 |
| Freeport-McMoRan Copper & Gold | 2.150 | 2.317 | 03/01/2017 | 534 | 530 | 526 |
| Gap Inc | 5.950 | 6.848 | 04/12/2021 | 243 | 229 | 252 |
| General Electric Capital Corp | 5.900 | 5.926 | 05/13/2014 | 1,500 | 1,499 | 1,629 |
| General Electric Capital Corp | 5.500 | 3.739 | 06/04/2014 | 675 | 697 | 728 |
| General Electric Capital Corp | 2.250 | 2.266 | 11/09/2015 | 675 | 675 | 689 |
| General Electric Capital Corp | 5.630 | 5.805 | 09/15/2017 | 400 | 396 | 459 |
| General Electric Capital Corp | 5.630 | 4.505 | 05/01/2018 | 1,290 | 1,360 | 1,483 |
| General Electric Capital Corp | 6.000 | 5.091 | 08/07/2019 | 2,435 | 2,565 | 2,849 |
| General Electric Capital Corp | 5.500 | 5.614 | 01/08/2020 | 1,320 | 1,311 | 1,511 |
| General Electric Capital Corp | 4.380 | 4.424 | 09/16/2020 | 445 | 444 | 481 |
| General Electric Capital Corp | 5.880 | 8.520 | 01/14/2038 | 200 | 145 | 230 |
| General Electric Company | 5.250 | 4.386 | 12/06/2017 | 605 | 629 | 706 |
| General Mills Inc | 5.200 | 4.836 | 03/17/2015 | 100 | 101 | 111 |
| General Mills Inc | 5.650 | 4.103 | 02/15/2019 | 470 | 512 | 567 |
| Georgia Power Company | 5.250 | 5.030 | 12/15/2015 | 200 | 201 | 227 |
| Glaxosmithkline Cap Inc | 4.380 | 3.625 | 04/15/2014 | 215 | 218 | 229 |
| Glaxosmithkline Cap Inc | 6.380 | 5.354 | 05/15/2038 | 275 | 314 | 378 |
| Goldman Sachs Group Inc | 5.150 | 2.636 | 01/15/2014 | 300 | 311 | 312 |
| Goldman Sachs Group Inc | 3.630 | 3.576 | 02/07/2016 | 415 | 416 | 415 |
| Goldman Sachs Group Inc | 5.750 | 5.226 | 10/01/2016 | 50 | 51 | 53 |
| Goldman Sachs Group Inc | 6.250 | 7.134 | 09/01/2017 | 290 | 279 | 315 |
| Goldman Sachs Group Inc | 5.950 | 5.036 | 01/18/2018 | 200 | 209 | 214 |
| Goldman Sachs Group Inc | 6.150 | 5.862 | 04/01/2018 | 535 | 542 | 580 |
| Goldman Sachs Group Inc | 7.500 | 5.619 | 02/15/2019 | 2,980 | 3,285 | 3,398 |
| Goldman Sachs Group Inc | 5.380 | 5.493 | 03/15/2020 | 450 | 447 | 463 |
| Goldman Sachs Group Inc | 6.000 | 5.227 | 06/15/2020 | 240 | 252 | 256 |
| Goldman Sachs Group Inc | 5.250 | 5.257 | 07/27/2021 | 138 | 138 | 140 |
| Goldman Sachs Group Inc | 6.750 | 6.519 | 10/01/2037 | 140 | 144 | 137 |
| Goldman Sachs Group LP | 8.000 | 3.407 | 03/01/2013 | 210 | 216 | 217 |
| GTE Corporation | 6.840 | 3.750 | 04/15/2018 | 200 | 232 | 245 |
| GTE Corporation | 8.750 | 5.975 | 11/01/2021 | 250 | 299 | 351 |
| GTP Acquisition Partners | 4.350 | 4.387 | 06/15/2041 | 606 | 606 | 634 |
| Halliburton Company | 6.150 | 4.627 | 09/15/2019 | 360 | 393 | 445 |
| Halliburton Company | 7.450 | 7.646 | 09/15/2039 | 100 | 98 | 148 |
| HCP Inc | 3.750 | 3.828 | 02/01/2019 | 105 | 105 | 105 |
| Hewlett-Packard Company | 6.130 | 2.327 | 03/01/2014 | 375 | 398 | 403 |
| Hewlett-Packard Company | 4.750 | 1.527 | 06/02/2014 | 105 | 111 | 111 |
| Hewlett-Packard Company | 5.400 | 4.620 | 03/01/2017 | 280 | 289 | 313 |
| Hewlett-Packard Company | 4.380 | 4.398 | 09/15/2021 | 492 | 491 | 506 |
| Hewlett-Packard Company | 6.000 | 6.010 | 09/15/2041 | 485 | 484 | 535 |
| Historic TW Inc | 9.150 | 6.369 | 02/01/2023 | 945 | 1,145 | 1,313 |
| Home Depot Inc | 5.400 | 5.921 | 03/01/2016 | 500 | 491 | 576 |
| Honeywell International | 5.400 | 3.475 | 03/15/2016 | 360 | 384 | 412 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|------------------------------|--------|-------|------------|-----------------------------------|-------------------|------------|
| Honeywell International | 5.300 | 1.677 | 03/01/2018 | 205 | 245 | 244 |
| HSBC Bank PLC | 1.630 | 1.673 | 07/07/2014 | 364 | 364 | 367 |
| HSBC Bank PLC | 3.500 | 3.518 | 06/28/2015 | 116 | 116 | 121 |
| HSBC Bank PLC | 3.100 | 3.108 | 05/24/2016 | 229 | 229 | 236 |
| HSBC Bank PLC | 4.130 | 4.199 | 08/12/2020 | 389 | 387 | 405 |
| HSBC Bank PLC | 4.750 | 4.761 | 01/19/2021 | 300 | 300 | 327 |
| HSBC Bank USA | 4.630 | 3.425 | 04/01/2014 | 320 | 326 | 334 |
| HSBC Finance Corp | 4.750 | 7.304 | 07/15/2013 | 17 | 17 | 18 |
| HSBC Finance Corp | 0.720 | 7.423 | 01/15/2014 | 500 | 451 | 494 |
| HSBC Finance Corp | 5.000 | 7.423 | 06/30/2015 | 455 | 425 | 485 |
| HSBC Finance Corp | 5.500 | 4.032 | 01/19/2016 | 300 | 314 | 325 |
| HSBC Holdings PLC | 4.880 | 4.389 | 01/14/2022 | 350 | 363 | 387 |
| IBM Corp | 1.950 | 2.071 | 07/22/2016 | 168 | 167 | 173 |
| IBM Corp | 7.630 | 5.057 | 10/15/2018 | 330 | 375 | 440 |
| IBM Corp | 8.380 | 3.317 | 11/01/2019 | 460 | 610 | 655 |
| IBM Corp | 4.000 | 5.503 | 06/20/2042 | 508 | 397 | 531 |
| Indiana Michigan Power | 7.000 | 4.840 | 03/15/2019 | 145 | 163 | 180 |
| Intel Corporation | 3.300 | 3.328 | 10/01/2021 | 456 | 455 | 487 |
| Intuit Inc | 5.750 | 3.578 | 03/15/2017 | 863 | 943 | 988 |
| Jackson National Life Global | 5.380 | 2.699 | 05/08/2013 | 500 | 511 | 518 |
| Jefferies Group Inc | 5.130 | 5.082 | 04/13/2018 | 340 | 341 | 330 |
| Jefferies Group Inc | 8.500 | 6.829 | 07/15/2019 | 590 | 644 | 640 |
| Jefferies Group Inc | 6.450 | 8.192 | 06/08/2027 | 330 | 281 | 314 |
| John Deere Capital Corp | 5.100 | 1.753 | 01/15/2013 | 185 | 188 | 190 |
| John Deere Capital Corp | 5.750 | 4.607 | 09/10/2018 | 233 | 247 | 283 |
| John Deere Capital Corp | 2.250 | 2.292 | 04/17/2019 | 166 | 166 | 170 |
| John Sevier Comb Cycle | 4.630 | 4.275 | 01/15/2042 | 1,158 | 1,209 | 1,296 |
| Johnson Controls Inc | 5.000 | 4.342 | 03/30/2020 | 500 | 521 | 565 |
| Johnson Controls Inc | 4.250 | 4.101 | 03/01/2021 | 80 | 81 | 86 |
| Kansas City Power and Light | 5.300 | 5.343 | 10/01/2041 | 385 | 383 | 424 |
| KCP&L Greater Missouri | 11.880 | 2.285 | 07/01/2012 | 270 | 270 | 270 |
| Kellogg Company | 4.250 | 3.896 | 03/06/2013 | 100 | 100 | 102 |
| Kellogg Company | 1.750 | 1.864 | 05/17/2017 | 115 | 114 | 115 |
| Kellogg Company | 3.250 | 2.783 | 05/21/2018 | 333 | 341 | 357 |
| Kellogg Company | 3.130 | 3.224 | 05/17/2022 | 174 | 173 | 177 |
| Key Bank NA | 5.800 | 5.972 | 07/01/2014 | 350 | 349 | 375 |
| Keycorp | 6.500 | 1.971 | 05/14/2013 | 200 | 208 | 209 |
| Keycorp | 5.100 | 3.462 | 03/24/2021 | 325 | 365 | 362 |
| Kimberly Clark Corporation | 7.500 | 4.845 | 11/01/2018 | 250 | 286 | 335 |
| Kohl's Corporation | 6.250 | 5.839 | 12/15/2017 | 90 | 92 | 108 |
| Kraft Foods Group Inc | 3.500 | 3.608 | 06/06/2022 | 150 | 149 | 154 |
| Kraft Foods Group Inc | 5.000 | 5.046 | 06/04/2042 | 103 | 102 | 109 |
| Kraft Foods Inc | 6.500 | 3.328 | 08/11/2017 | 900 | 1,032 | 1,092 |
| Kraft Foods Inc | 6.130 | 5.169 | 08/23/2018 | 435 | 457 | 529 |
| Kraft Foods Inc | 5.380 | 4.838 | 02/10/2020 | 734 | 758 | 869 |
| Kroger Co | 7.500 | 3.797 | 01/15/2014 | 278 | 293 | 305 |
| Kroger Co | 6.400 | 6.119 | 08/15/2017 | 100 | 101 | 120 |
| Kroger Co | 6.150 | 4.223 | 01/15/2020 | 760 | 852 | 910 |
| Kroger Co | 7.500 | 5.003 | 04/01/2031 | 250 | 325 | 325 |
| Lincoln National Corp | 4.850 | 4.867 | 06/24/2021 | 89 | 89 | 93 |
| Lincoln National Corp | 4.200 | 4.200 | 03/15/2022 | 94 | 94 | 94 |
| Lockheed Martin Corp | 4.250 | 3.666 | 11/15/2019 | 305 | 316 | 341 |
| Lockheed Martin Corp | 5.720 | 5.765 | 06/01/2040 | 300 | 298 | 360 |
| Lowe's Companies Inc | 7.110 | 5.609 | 05/15/2037 | 195 | 234 | 263 |
| Lowe's Companies Inc | 4.650 | 4.676 | 04/15/2042 | 217 | 216 | 230 |
| Macquarie Group | 7.300 | 4.640 | 08/01/2014 | 560 | 589 | 596 |
| Macquarie Group | 7.630 | 7.269 | 08/13/2019 | 475 | 484 | 511 |
| Macquarie Group | 6.250 | 6.395 | 01/14/2021 | 237 | 235 | 236 |
| Macys Retail Holdings Inc | 7.450 | 3.417 | 07/15/2017 | 300 | 356 | 365 |
| Manitoba Province | 2.130 | 2.165 | 04/22/2013 | 43 | 43 | 44 |
| Manuf & Traders Trust Co | 6.630 | 6.113 | 12/04/2017 | 715 | 729 | 835 |
| Marathon Oil Corp | 6.000 | 3.633 | 10/01/2017 | 200 | 222 | 236 |
| Marathon Oil Corp | 5.900 | 3.517 | 03/15/2018 | 110 | 123 | 129 |
| Mass Mutual Global Funding | 3.630 | 2.408 | 07/16/2012 | 350 | 350 | 350 |
| Mass Mutual Global Funding | 2.880 | 2.960 | 04/21/2014 | 122 | 122 | 126 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|--------|-------|------------|-----------------------------------|-------------------|------------|
| Mass Mutual Global Funding | 2.300 | 2.313 | 09/28/2015 | 144 | 144 | 148 |
| Massachusetts Electric | 5.900 | 5.924 | 11/15/2039 | 182 | 181 | 232 |
| Medco Health Solutions | 7.130 | 3.921 | 03/15/2018 | 485 | 564 | 598 |
| Merrill Lynch & Company Inc | 6.400 | 5.451 | 08/28/2017 | 1,100 | 1,146 | 1,197 |
| Merrill Lynch & Company Inc | 6.880 | 6.034 | 04/25/2018 | 650 | 676 | 727 |
| Met Life Global Funding I | 2.500 | 2.011 | 01/11/2013 | 915 | 917 | 924 |
| Met Life Global Funding I | 5.130 | 3.308 | 04/10/2013 | 485 | 492 | 501 |
| Met Life Global Funding I | 5.130 | 2.453 | 06/10/2014 | 315 | 331 | 338 |
| Met Life Global Funding I | 3.650 | 3.670 | 06/14/2018 | 1,000 | 999 | 1,059 |
| Metlife Institutional Funding | 1.360 | 1.368 | 04/04/2014 | 250 | 250 | 251 |
| Microsoft Corporation | 1.630 | 1.717 | 09/25/2015 | 360 | 359 | 372 |
| Monsanto Company | 5.130 | 5.008 | 04/15/2018 | 160 | 161 | 189 |
| Monumental Global Funding | 5.500 | 4.142 | 04/22/2013 | 100 | 101 | 104 |
| Morgan Stanley | 5.300 | 4.052 | 03/01/2013 | 550 | 554 | 561 |
| Morgan Stanley | 4.750 | 8.248 | 04/01/2014 | 250 | 236 | 252 |
| Morgan Stanley | 6.000 | 4.819 | 05/13/2014 | 825 | 842 | 855 |
| Morgan Stanley | 4.200 | 4.209 | 11/20/2014 | 331 | 331 | 330 |
| Morgan Stanley | 5.450 | 4.660 | 01/09/2017 | 800 | 825 | 808 |
| Morgan Stanley | 6.250 | 7.603 | 08/28/2017 | 430 | 406 | 444 |
| Morgan Stanley | 5.950 | 6.578 | 12/28/2017 | 685 | 665 | 704 |
| Morgan Stanley | 6.630 | 5.923 | 04/01/2018 | 650 | 672 | 680 |
| Morgan Stanley | 5.630 | 6.198 | 09/23/2019 | 1,310 | 1,266 | 1,297 |
| Morgan Stanley | 5.750 | 5.667 | 01/25/2021 | 115 | 116 | 113 |
| National Australia Bank | 2.500 | 2.500 | 01/08/2013 | 200 | 200 | 202 |
| National Australia Bank | 2.750 | 2.778 | 09/28/2015 | 200 | 200 | 204 |
| National Australia Bank | 3.000 | 3.060 | 07/27/2016 | 500 | 499 | 512 |
| National Bank of Canada | 1.650 | 1.659 | 01/30/2014 | 451 | 451 | 459 |
| National City Bank | 5.800 | 5.680 | 06/07/2017 | 850 | 854 | 968 |
| National Rural Utilities Co-op | 2.630 | 2.677 | 09/16/2012 | 60 | 60 | 60 |
| National Rural Utilities Co-op | 5.450 | 2.605 | 02/01/2018 | 195 | 224 | 231 |
| National Rural Utilities Co-op | 10.380 | 4.908 | 11/01/2018 | 410 | 529 | 594 |
| National Semiconductor | 6.600 | 2.140 | 06/15/2017 | 430 | 520 | 532 |
| Nationwide Mutual Insurance | 9.380 | 7.512 | 08/15/2039 | 615 | 747 | 809 |
| NBC Universal | 5.150 | 3.184 | 04/30/2020 | 200 | 227 | 230 |
| NBC Universal | 4.380 | 4.528 | 04/01/2021 | 150 | 148 | 165 |
| NBC Universal | 5.950 | 5.969 | 04/01/2041 | 175 | 175 | 207 |
| Nevada Power Company | 6.500 | 2.997 | 08/01/2018 | 355 | 424 | 440 |
| Nevada Power Company | 7.130 | 5.401 | 03/15/2019 | 300 | 329 | 383 |
| Nevada Power Company | 5.380 | 5.396 | 09/15/2040 | 51 | 51 | 60 |
| New York Life Global Fdg | 4.650 | 3.682 | 05/09/2013 | 285 | 287 | 294 |
| New York Life Global Fdg | 3.000 | 2.610 | 05/04/2015 | 515 | 520 | 542 |
| News America Inc | 7.250 | 5.514 | 05/18/2018 | 64 | 70 | 77 |
| News America Inc | 8.880 | 7.611 | 04/26/2023 | 450 | 489 | 573 |
| News America Inc | 7.750 | 5.876 | 01/20/2024 | 150 | 173 | 180 |
| News America Inc | 7.300 | 7.225 | 04/30/2028 | 250 | 252 | 291 |
| News America Inc | 6.650 | 6.115 | 11/15/2037 | 125 | 134 | 146 |
| Nextera Energy Capital | 6.000 | 6.006 | 03/01/2019 | 125 | 125 | 147 |
| Niagara Mohawk Power | 4.880 | 4.881 | 08/15/2019 | 100 | 100 | 113 |
| NiSource Finance Corp | 6.400 | 3.049 | 03/15/2018 | 750 | 881 | 876 |
| NiSource Finance Corp | 5.450 | 3.637 | 09/15/2020 | 299 | 337 | 335 |
| Nissan Motor Acceptance | 4.500 | 2.640 | 01/30/2015 | 500 | 523 | 533 |
| Noble Holding International | 3.950 | 3.979 | 03/15/2022 | 45 | 45 | 46 |
| Nomura Holdings Inc | 5.000 | 2.878 | 03/04/2015 | 195 | 206 | 202 |
| Nomura Holdings Inc | 6.700 | 6.403 | 03/04/2020 | 200 | 204 | 222 |
| Nordea Bank AB | 4.880 | 4.938 | 05/13/2021 | 355 | 353 | 346 |
| Norfolk Southern Corp | 7.250 | 5.354 | 02/15/2031 | 575 | 702 | 796 |
| Northern States Power- Minn | 6.250 | 5.620 | 06/01/2036 | 360 | 390 | 490 |
| Northern States Power- Minn | 5.350 | 5.363 | 11/01/2039 | 64 | 64 | 79 |
| Northern Trust Company | 6.500 | 4.266 | 08/15/2018 | 250 | 280 | 305 |
| Northern Trust Corp | 5.500 | 4.130 | 08/15/2013 | 102 | 104 | 107 |
| Northrop Grumman Corp | 5.050 | 3.699 | 08/01/2019 | 490 | 531 | 565 |
| Nova Scotia Province | 9.250 | 4.643 | 03/01/2020 | 200 | 259 | 293 |
| Nucor Corporation | 5.750 | 4.303 | 12/01/2017 | 242 | 259 | 291 |
| Nucor Corporation | 5.850 | 2.905 | 06/01/2018 | 615 | 713 | 740 |
| Ohio Power Company | 6.050 | 6.649 | 05/01/2018 | 205 | 199 | 245 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|-------------------------------|--------|-------|------------|-----------------------------------|-------------------|------------|
| Oncor Electric Delivery | 6.800 | 4.100 | 09/01/2018 | 615 | 704 | 735 |
| Ontario (Province Of) | 2.950 | 2.975 | 02/05/2015 | 1,000 | 999 | 1,055 |
| Ontario (Province Of) | 0.950 | 0.957 | 05/26/2015 | 1,945 | 1,945 | 1,954 |
| Ontario (Province Of) | 2.700 | 2.710 | 06/16/2015 | 500 | 500 | 527 |
| Oracle Corporation | 4.950 | 0.926 | 04/15/2013 | 125 | 129 | 129 |
| Oracle Corporation | 5.750 | 5.177 | 04/15/2018 | 250 | 257 | 303 |
| Oracle Corporation | 5.000 | 4.688 | 07/08/2019 | 400 | 407 | 475 |
| Oracle Corporation | 6.500 | 5.656 | 04/15/2038 | 605 | 674 | 826 |
| Oracle Corporation | 5.380 | 5.278 | 07/15/2040 | 270 | 274 | 331 |
| Oversea-Chinese Banking | 1.630 | 1.694 | 03/13/2015 | 598 | 597 | 600 |
| Paccar Financial Corp | 1.550 | 1.168 | 09/29/2014 | 230 | 232 | 233 |
| Pacific Gas & Electric Corp | 8.250 | 3.561 | 10/15/2018 | 605 | 762 | 815 |
| Pacific Gas & Electric Corp | 3.250 | 3.312 | 09/15/2021 | 49 | 49 | 51 |
| Pacific Life Global Funding | 5.150 | 4.555 | 04/15/2013 | 170 | 171 | 176 |
| Pacific Life Global Funding | 5.000 | 4.976 | 05/15/2017 | 400 | 400 | 422 |
| PacifiCorp | 5.500 | 4.874 | 01/15/2019 | 350 | 362 | 418 |
| PacifiCorp | 6.100 | 5.153 | 08/01/2036 | 316 | 357 | 415 |
| Parker-Hannifin Corp | 3.500 | 3.059 | 09/15/2022 | 600 | 623 | 639 |
| PC Financial Partnership | 5.000 | 2.386 | 11/15/2014 | 180 | 191 | 194 |
| Pennsylvania Electric Co | 6.050 | 3.448 | 09/01/2017 | 210 | 236 | 239 |
| Pepsico Inc | 7.900 | 4.259 | 11/01/2018 | 171 | 205 | 228 |
| Petro-Canada | 6.050 | 5.383 | 05/15/2018 | 447 | 462 | 529 |
| Petro-Canada | 6.800 | 6.466 | 05/15/2038 | 225 | 234 | 281 |
| Pfizer Inc | 4.650 | 2.187 | 03/01/2018 | 205 | 232 | 236 |
| PG&E Corp | 5.750 | 5.875 | 04/01/2014 | 150 | 150 | 161 |
| Pharmacia Corporation | 6.500 | 4.660 | 12/01/2018 | 700 | 771 | 887 |
| Philips Electronics NV | 5.750 | 3.507 | 03/11/2018 | 80 | 89 | 95 |
| Philips Electronics NV | 7.200 | 4.879 | 06/01/2026 | 180 | 222 | 237 |
| Pitney Bowes Inc | 4.880 | 2.626 | 08/15/2014 | 200 | 209 | 208 |
| Pitney Bowes Inc | 5.600 | 4.431 | 03/15/2018 | 100 | 106 | 104 |
| Pitney Bowes Inc | 6.250 | 5.189 | 03/15/2019 | 240 | 254 | 253 |
| PNC Bank NA | 6.880 | 4.989 | 04/01/2018 | 250 | 273 | 298 |
| PNC Funding Corp | 5.250 | 5.111 | 11/15/2015 | 300 | 301 | 330 |
| PNC Funding Corp | 5.630 | 3.845 | 02/01/2017 | 300 | 322 | 334 |
| PNC Funding Corp | 5.130 | 5.150 | 02/08/2020 | 160 | 160 | 185 |
| Potash Corp-Saskatchewan | 3.750 | 2.830 | 09/30/2015 | 500 | 514 | 535 |
| Potomac Electric Power | 7.900 | 5.749 | 12/15/2038 | 335 | 432 | 546 |
| PPG Industries Inc | 7.400 | 4.939 | 08/15/2019 | 260 | 298 | 324 |
| PPG Industries Inc | 9.000 | 6.096 | 05/01/2021 | 625 | 748 | 851 |
| PPL Energy Supply LLC | 4.600 | 4.604 | 12/15/2021 | 590 | 590 | 605 |
| Praxair Inc | 3.950 | 3.652 | 06/01/2013 | 130 | 130 | 134 |
| Praxair Inc | 4.380 | 4.446 | 03/31/2014 | 200 | 200 | 213 |
| Praxair Inc | 5.200 | 3.733 | 03/15/2017 | 510 | 542 | 597 |
| Pricoa Global Funding 1 | 5.450 | 5.499 | 06/11/2014 | 350 | 350 | 379 |
| Principal Life Global | 5.050 | 8.354 | 03/15/2015 | 500 | 461 | 542 |
| Principal Life Inc Fdg | 5.100 | 3.519 | 04/15/2014 | 400 | 411 | 428 |
| Progress Energy Carolina | 5.300 | 4.589 | 01/15/2019 | 200 | 208 | 240 |
| Progress Energy Carolina | 2.800 | 2.826 | 05/15/2022 | 83 | 83 | 84 |
| Progress Energy Inc | 6.050 | 6.115 | 03/15/2014 | 150 | 150 | 162 |
| Progress Energy Inc | 7.750 | 5.834 | 03/01/2031 | 100 | 122 | 141 |
| Prudential Insurance Company | 8.300 | 5.843 | 07/01/2025 | 650 | 794 | 856 |
| PSEG Power LLC | 5.130 | 4.780 | 04/15/2020 | 504 | 515 | 559 |
| PSEG Power LLC | 4.150 | 4.161 | 09/15/2021 | 152 | 152 | 158 |
| Public Service Colorado | 3.200 | 3.247 | 11/15/2020 | 45 | 45 | 48 |
| Public Service Electric & Gas | 5.380 | 5.083 | 11/01/2039 | 169 | 176 | 210 |
| Public Service Oklahoma | 5.150 | 5.186 | 12/01/2019 | 118 | 118 | 137 |
| Public Service Oklahoma | 4.400 | 4.494 | 02/01/2021 | 137 | 136 | 152 |
| Quebec Province | 6.350 | 4.145 | 01/30/2026 | 900 | 1,104 | 1,215 |
| Rabobank Nederland | 3.200 | 3.310 | 03/11/2015 | 500 | 499 | 515 |
| Rabobank Nederland | 2.130 | 2.177 | 10/13/2015 | 114 | 114 | 114 |
| Rabobank Nederland | 4.500 | 4.534 | 01/11/2021 | 219 | 218 | 232 |
| Rabobank Nederland | 3.880 | 3.970 | 02/08/2022 | 426 | 423 | 433 |
| Rabobank Nederland | 5.800 | 6.007 | 09/30/2110 | 300 | 290 | 310 |
| Rabobank Nederland Utrec | 3.380 | 3.394 | 01/19/2017 | 82 | 82 | 84 |
| Republic Services Inc | 5.500 | 3.442 | 09/15/2019 | 360 | 407 | 417 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|-----------------------------|--------|-------|------------|-----------------------------------|-------------------|------------|
| Republic Services Inc | 3.550 | 3.583 | 06/01/2022 | 309 | 308 | 312 |
| Rio Tinto Fin USA Ltd | 8.950 | 2.511 | 05/01/2014 | 605 | 674 | 691 |
| Rio Tinto Fin USA Ltd | 3.500 | 3.593 | 11/02/2020 | 51 | 51 | 54 |
| Rio Tinto Fin USA Ltd | 3.750 | 3.781 | 09/20/2021 | 588 | 587 | 632 |
| Royal Bank of Canada | 2.300 | 2.357 | 07/20/2016 | 855 | 853 | 878 |
| Ryder System Inc | 3.600 | 3.623 | 03/01/2016 | 180 | 180 | 190 |
| Ryder System Inc | 2.500 | 2.534 | 03/01/2017 | 158 | 158 | 159 |
| Ryder System Inc | 3.500 | 3.533 | 06/01/2017 | 96 | 96 | 101 |
| Sabmiller PLC | 5.500 | 2.683 | 08/15/2013 | 500 | 515 | 523 |
| San Diego Gas & Electric | 5.350 | 5.359 | 05/15/2040 | 27 | 27 | 35 |
| Sempra Energy | 8.900 | 4.603 | 11/15/2013 | 347 | 366 | 382 |
| Sempra Energy | 6.500 | 6.539 | 06/01/2016 | 100 | 100 | 118 |
| Sempra Energy | 9.800 | 5.170 | 02/15/2019 | 450 | 564 | 624 |
| Shell International Fin | 1.880 | 1.916 | 03/25/2013 | 75 | 75 | 76 |
| Shell International Fin | 4.000 | 3.740 | 03/21/2014 | 575 | 577 | 609 |
| Shell International Fin | 3.100 | 3.115 | 06/28/2015 | 73 | 73 | 78 |
| Shell International Fin | 4.300 | 4.343 | 09/22/2019 | 285 | 284 | 331 |
| Shell International Fin | 4.380 | 4.434 | 03/25/2020 | 290 | 289 | 338 |
| Shell International Fin | 6.380 | 6.026 | 12/15/2038 | 140 | 146 | 198 |
| Siemens Financieringsmat | 6.130 | 5.126 | 08/17/2026 | 470 | 517 | 584 |
| Simon Property Group LP | 6.750 | 6.414 | 05/15/2014 | 140 | 141 | 152 |
| Simon Property Group LP | 5.630 | 4.874 | 08/15/2014 | 50 | 51 | 54 |
| Simon Property Group LP | 6.100 | 9.051 | 05/01/2016 | 325 | 295 | 370 |
| Simon Property Group LP | 6.130 | 5.748 | 05/30/2018 | 140 | 143 | 166 |
| Simon Property Group LP | 7.380 | 6.200 | 06/15/2018 | 166 | 176 | 205 |
| Simon Property Group LP | 5.650 | 4.550 | 02/01/2020 | 275 | 294 | 321 |
| Southern Cal Edison | 4.150 | 4.153 | 09/15/2014 | 100 | 100 | 107 |
| Southern Cal Edison | 6.050 | 6.110 | 03/15/2039 | 250 | 248 | 336 |
| Southern Cal Edison | 5.500 | 5.634 | 03/15/2040 | 170 | 167 | 216 |
| Southern Company | 4.150 | 3.107 | 05/15/2014 | 500 | 509 | 528 |
| Southern Company | 1.950 | 1.982 | 09/01/2016 | 130 | 130 | 133 |
| Southtrust Bank NA | 7.690 | 5.873 | 05/15/2025 | 400 | 465 | 480 |
| Southwestern Electric Power | 6.450 | 5.261 | 01/15/2019 | 115 | 122 | 139 |
| Southwestern Public Service | 8.750 | 5.352 | 12/01/2018 | 288 | 341 | 389 |
| Spectra Energy Capital | 6.200 | 5.541 | 04/15/2018 | 445 | 458 | 531 |
| Spectra Energy Capital | 6.750 | 8.473 | 07/15/2018 | 160 | 147 | 187 |
| Spectra Energy Capital | 8.000 | 5.666 | 10/01/2019 | 450 | 512 | 576 |
| Stadshypotek AB | 1.450 | 1.457 | 09/30/2013 | 697 | 697 | 702 |
| Staples Inc | 9.750 | 6.071 | 01/15/2014 | 325 | 342 | 363 |
| State Street Corp | 4.300 | 3.345 | 05/30/2014 | 500 | 509 | 532 |
| Statoil ASA | 3.130 | 2.281 | 08/17/2017 | 692 | 720 | 745 |
| Statoil ASA | 3.150 | 3.172 | 01/23/2022 | 350 | 349 | 365 |
| SunTrust Banks Inc | 5.250 | 2.676 | 11/05/2012 | 371 | 374 | 376 |
| SunTrust Banks Inc | 3.600 | 3.282 | 04/15/2016 | 630 | 637 | 654 |
| Svenska Handelsbanken AB | 3.130 | 3.127 | 07/12/2016 | 494 | 494 | 510 |
| Svenska Handelsbanken AB | 2.880 | 2.895 | 04/04/2017 | 463 | 463 | 469 |
| Talisman Energy | 7.750 | 4.568 | 06/01/2019 | 475 | 563 | 583 |
| Talisman Energy | 5.500 | 5.629 | 05/15/2042 | 450 | 442 | 462 |
| Target Corp | 7.000 | 5.065 | 01/15/2038 | 440 | 561 | 618 |
| TCI Communications Inc | 7.880 | 7.698 | 02/15/2026 | 100 | 101 | 135 |
| Teco Finance Inc | 5.150 | 2.920 | 03/15/2020 | 340 | 392 | 389 |
| Telecom Italia Capital | 4.950 | 4.108 | 09/30/2014 | 400 | 407 | 397 |
| Telecom Italia Capital | 7.000 | 8.462 | 06/04/2018 | 100 | 93 | 100 |
| Telefonica Emisiones SAU | 5.860 | 3.741 | 02/04/2013 | 200 | 202 | 200 |
| Telefonica Emisiones SAU | 6.420 | 4.065 | 06/20/2016 | 500 | 543 | 480 |
| Telefonica Emisiones SAU | 6.220 | 5.139 | 07/03/2017 | 300 | 314 | 282 |
| Telefonica Emisiones SAU | 5.880 | 5.877 | 07/15/2019 | 50 | 50 | 45 |
| Telefonica Emisiones SAU | 5.460 | 5.462 | 02/16/2021 | 117 | 117 | 102 |
| Teva Pharm Fin IV BV | 3.650 | 3.175 | 11/10/2021 | 445 | 462 | 468 |
| The Mosiac Company | 3.750 | 3.667 | 11/15/2021 | 363 | 365 | 379 |
| The Mosiac Company | 4.880 | 4.971 | 11/15/2041 | 33 | 33 | 35 |
| Thomson Reuters Corp | 4.700 | 4.744 | 10/15/2019 | 150 | 150 | 170 |
| Time Warner Cable Inc | 8.250 | 4.379 | 02/14/2014 | 730 | 774 | 813 |
| Time Warner Cable Inc | 6.750 | 4.658 | 07/01/2018 | 150 | 166 | 183 |
| Time Warner Cable Inc | 8.750 | 4.412 | 02/14/2019 | 300 | 374 | 399 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|--------|-------|------------|-----------------------------------|-------------------|------------|
| Time Warner Cable Inc | 7.300 | 6.397 | 07/01/2038 | 300 | 334 | 385 |
| Time Warner Entertainment | 8.380 | 4.362 | 03/15/2023 | 225 | 302 | 305 |
| Time Warner Entertainment | 8.380 | 6.560 | 07/15/2033 | 325 | 392 | 440 |
| Toronto-Dominion Bank | 2.200 | 2.140 | 07/29/2015 | 1,350 | 1,352 | 1,405 |
| Total Capital International SA | 1.550 | 1.589 | 06/28/2017 | 112 | 112 | 112 |
| Total Capital SA | 2.300 | 2.129 | 03/15/2016 | 540 | 543 | 561 |
| Toyota Motor Credit Corp | 3.200 | 2.095 | 06/17/2015 | 70 | 72 | 74 |
| Toyota Motor Credit Corp | 2.000 | 2.110 | 09/15/2016 | 2,950 | 2,937 | 2,998 |
| Trans-Canada Pipelines | 6.500 | 6.574 | 08/15/2018 | 250 | 249 | 311 |
| Trans-Canada Pipelines | 7.130 | 3.233 | 01/15/2019 | 400 | 491 | 512 |
| Trans-Canada Pipelines | 3.800 | 2.870 | 10/01/2020 | 300 | 320 | 330 |
| Trans-Canada Pipelines | 7.630 | 7.632 | 01/15/2039 | 50 | 50 | 75 |
| Transocean Inc | 6.500 | 6.390 | 11/15/2020 | 960 | 967 | 1,089 |
| Travelers PPTY Casualty | 7.750 | 5.666 | 04/15/2026 | 410 | 491 | 550 |
| Tyco International Finance | 8.500 | 4.734 | 01/15/2019 | 495 | 599 | 678 |
| Tyco/Tyco International Fin SA | 7.000 | 4.057 | 12/15/2019 | 200 | 238 | 263 |
| UBS AG Stamford CT | 3.880 | 3.970 | 01/15/2015 | 500 | 499 | 517 |
| UBS AG Stamford CT | 5.880 | 5.576 | 12/20/2017 | 300 | 304 | 335 |
| UBS AG Stamford CT | 5.750 | 4.472 | 04/25/2018 | 100 | 106 | 111 |
| Union Carbide Corp | 7.500 | 5.809 | 06/01/2025 | 250 | 288 | 301 |
| Union Pacific Corp | 4.160 | 4.011 | 07/15/2022 | 358 | 362 | 399 |
| Union Pacific Corp | 2.950 | 2.956 | 01/15/2023 | 43 | 43 | 43 |
| Union Pacific Corp | 5.780 | 4.235 | 07/15/2040 | 310 | 388 | 386 |
| Union Pacific Corp | 4.300 | 4.307 | 06/15/2042 | 50 | 50 | 50 |
| United Mexican States | 6.380 | 3.627 | 01/16/2013 | 630 | 639 | 648 |
| United Mexican States | 4.750 | 4.839 | 03/08/2044 | 564 | 556 | 608 |
| United Mexican States | 5.750 | 5.959 | 10/12/2110 | 326 | 315 | 371 |
| United Technologies Corp | 6.130 | 3.413 | 02/01/2019 | 696 | 805 | 862 |
| United Technologies Corp | 3.100 | 3.109 | 06/01/2022 | 106 | 106 | 111 |
| United Technologies Corp | 5.400 | 5.468 | 05/01/2035 | 170 | 169 | 203 |
| United Technologies Corp | 4.500 | 4.576 | 06/01/2042 | 143 | 141 | 157 |
| UNP RR CO 2003 PASS TRUST | 4.700 | 5.675 | 01/02/2024 | 81 | 77 | 88 |
| UPS of America Inc | 8.380 | 4.731 | 04/01/2020 | 125 | 154 | 174 |
| UPS of America Inc | 8.380 | 5.178 | 04/01/2030 | 230 | 306 | 337 |
| US Bancorp | 2.880 | 2.977 | 11/20/2014 | 450 | 449 | 470 |
| US Bancorp | 2.450 | 2.059 | 07/27/2015 | 456 | 461 | 473 |
| US Bancorp | 4.130 | 4.000 | 05/24/2021 | 275 | 278 | 308 |
| Verizon Communications | 5.550 | 3.794 | 02/15/2016 | 165 | 175 | 189 |
| Verizon Communications | 5.500 | 4.897 | 02/15/2018 | 720 | 741 | 852 |
| Verizon Communications | 8.750 | 4.820 | 11/01/2018 | 345 | 418 | 474 |
| Verizon Communications | 8.950 | 5.546 | 03/01/2039 | 170 | 250 | 280 |
| Verizon Communications | 7.350 | 7.564 | 04/01/2039 | 400 | 390 | 574 |
| Verizon Maryland Inc | 7.150 | 7.864 | 05/01/2023 | 400 | 379 | 416 |
| Verizon New England Inc | 7.880 | 6.381 | 11/15/2029 | 330 | 381 | 404 |
| Verizon Pennsylvania | 8.350 | 7.266 | 12/15/2030 | 400 | 444 | 526 |
| Verizon Virginia Inc | 4.630 | 4.968 | 03/15/2013 | 375 | 374 | 385 |
| Viacom Inc | 4.500 | 3.263 | 03/01/2021 | 340 | 372 | 377 |
| Viacom Inc | 3.880 | 4.076 | 12/15/2021 | 177 | 174 | 188 |
| Viacom Inc | 7.880 | 6.380 | 07/30/2030 | 380 | 440 | 488 |
| Virginia Electric & Power Co | 5.400 | 4.990 | 04/30/2018 | 490 | 500 | 587 |
| Vodafone Group | 5.750 | 6.019 | 03/15/2016 | 200 | 198 | 231 |
| Vodafone Group | 5.450 | 4.869 | 06/10/2019 | 369 | 381 | 443 |
| Volkswagen Intl Fin NV | 1.630 | 1.728 | 08/12/2013 | 100 | 100 | 101 |
| Wachovia Bank NA | 0.800 | 3.030 | 03/15/2016 | 850 | 783 | 816 |
| Wachovia Corp | 5.500 | 4.298 | 05/01/2013 | 1,400 | 1,414 | 1,455 |
| Wachovia Corp | 5.250 | 2.817 | 08/01/2014 | 102 | 107 | 109 |
| Wachovia Corp | 5.750 | 5.126 | 06/15/2017 | 775 | 796 | 902 |
| Wachovia Corp | 5.750 | 5.587 | 02/01/2018 | 775 | 780 | 917 |
| Wal-Mart Stores Inc | 7.550 | 5.479 | 02/15/2030 | 350 | 431 | 525 |
| Wal-Mart Stores Inc | 5.250 | 5.736 | 09/01/2035 | 425 | 399 | 514 |
| Waste Management Inc | 7.380 | 3.803 | 03/11/2019 | 437 | 528 | 552 |
| Waste Management Inc | 4.750 | 4.596 | 06/30/2020 | 622 | 628 | 700 |
| WEA Finance/WT Fin Aust | 6.750 | 5.451 | 09/02/2019 | 658 | 707 | 776 |
| WellPoint Inc | 5.880 | 5.236 | 06/15/2017 | 500 | 513 | 590 |
| Wells Fargo & Company | 5.000 | 7.000 | 11/15/2014 | 100 | 96 | 107 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------------|---------|-------|------------|-----------------------------------|-------------------|------------|
| Wells Fargo & Company | 3.680 | 3.008 | 06/15/2016 | 390 | 400 | 415 |
| Wells Fargo & Company | 5.630 | 5.429 | 12/11/2017 | 865 | 872 | 1,010 |
| Wells Fargo & Company | 4.600 | 4.319 | 04/01/2021 | 380 | 388 | 424 |
| Wells Fargo Bank NA | 4.750 | 2.821 | 02/09/2015 | 565 | 592 | 606 |
| Westpac Banking Corp | 4.200 | 2.749 | 02/27/2015 | 345 | 358 | 367 |
| Westpac Banking Corp | 4.880 | 4.884 | 11/19/2019 | 406 | 406 | 440 |
| Wisconsin Electric Power | 6.000 | 0.833 | 04/01/2014 | 257 | 280 | 280 |
| Wisconsin Electric Power | 2.950 | 3.070 | 09/15/2021 | 11 | 11 | 11 |
| Wyeth | 5.500 | 1.972 | 02/01/2014 | 190 | 200 | 204 |
| Xcel Energy Inc | 4.700 | 4.741 | 05/15/2020 | 45 | 45 | 52 |
| Xerox Corporation | 6.750 | 4.601 | 02/01/2017 | 191 | 208 | 222 |
| Xerox Corporation | 2.950 | 2.732 | 03/15/2017 | 230 | 232 | 233 |
| Xerox Corporation | 5.630 | 5.438 | 12/15/2019 | 350 | 354 | 394 |
| XTO Energy Inc | 5.500 | 1.534 | 06/15/2018 | 310 | 380 | 380 |
| <i>Total Corporate Bonds</i> | | | | | 252,381 | 271,566 |
| <i>Corporate Asset Backed Issues</i> | | | | | | |
| Academic Laon Funding Trust | 1.050 | 1.096 | 12/27/2022 | 600 | 599 | 599 |
| AH Mortgage Advance Trust | 2.980 | 3.000 | 03/13/2013 | 753 | 753 | 759 |
| AH Mortgage Advance Trust | 3.370 | 3.400 | 05/10/2013 | 2,334 | 2,334 | 2,361 |
| AH Mortgage Advance Trust | 2.230 | 2.250 | 05/10/2013 | 723 | 723 | 722 |
| AH Mortgage Advance Trust | 3.720 | 3.750 | 03/13/2014 | 1,575 | 1,575 | 1,579 |
| Ally Auto Receivables Trust | 1.110 | 1.115 | 11/15/2013 | 843 | 843 | 846 |
| Ally Auto Receivables Trust | 1.450 | 1.458 | 05/15/2014 | 119 | 119 | 120 |
| Ally Auto Receivables Trust | 1.550 | 1.576 | 10/15/2014 | 357 | 357 | 362 |
| Ally Auto Receivables Trust | 1.380 | 1.393 | 01/15/2015 | 285 | 285 | 287 |
| American Credit Acceptance Rec | 1.960 | 1.970 | 01/15/2014 | 154 | 154 | 154 |
| American Credit Acceptance Rec | 3.040 | 3.060 | 10/15/2015 | 320 | 320 | 320 |
| Americredit Auto Receivables | 1.660 | 1.669 | 03/17/2014 | 8 | 8 | 8 |
| Americredit Auto Receivables | 1.050 | 1.057 | 11/10/2014 | 123 | 123 | 123 |
| Americredit Auto Receivables | 0.840 | 0.849 | 11/10/2014 | 470 | 470 | 471 |
| Americredit Auto Receivables | 1.140 | 1.156 | 04/08/2015 | 434 | 434 | 435 |
| Banc of America Auto Trust | 1.310 | 1.315 | 07/15/2014 | 115 | 115 | 116 |
| Banc of America Auto Trust | 1.940 | 1.954 | 06/15/2017 | 510 | 510 | 518 |
| Bank of America Auto Trust | 0.780 | 0.783 | 03/15/2015 | 295 | 295 | 296 |
| Bank of America Auto Trust | 3.520 | 3.555 | 06/15/2016 | 125 | 125 | 126 |
| Bank of America Auto Trust | 2.180 | 2.198 | 02/15/2017 | 310 | 310 | 314 |
| Carmax Auto Owner Trust | 1.560 | 1.572 | 07/15/2014 | 105 | 105 | 106 |
| Camow Auto Receivables Trust | 2.090 | 2.101 | 08/15/2013 | 375 | 375 | 375 |
| Chase Funding Mortgage Loan | 4.500 | 6.133 | 11/25/2034 | 353 | 347 | 359 |
| Chase Funding Mortgage Loan | 5.350 A | 7.604 | 11/25/2034 | 500 | 469 | 445 |
| Chase Funding Mortgage Loan | 4.280 | 8.710 | 11/25/2034 | 646 | 591 | 606 |
| Chrysler Financial Auto Sec | 2.820 | 2.842 | 01/15/2016 | 19 | 19 | 19 |
| CNH Equipment Trust | 1.540 | 1.552 | 07/15/2014 | 34 | 34 | 34 |
| CNH Equipment Trust | 0.650 | 0.651 | 07/15/2015 | 354 | 354 | 354 |
| CNH Equipment Trust | 1.200 | 1.209 | 05/16/2016 | 375 | 375 | 377 |
| CNH Equipment Trust | 2.040 | 2.055 | 10/17/2016 | 256 | 256 | 263 |
| CNH Equipment Trust | 0.940 | 0.945 | 05/15/2017 | 328 | 328 | 329 |
| CPS Auto Trust | 3.680 | 2.514 | 05/16/2016 | 354 | 361 | 363 |
| CPS Auto Trust | 4.210 | 4.249 | 09/15/2016 | 460 | 460 | 472 |
| CPS Auto Trust | 2.780 | 2.802 | 11/15/2016 | 341 | 341 | 342 |
| CPS Auto Trust | 2.520 | 2.540 | 03/15/2017 | 1,278 | 1,278 | 1,278 |
| Ford Credit Auto Owner Trust | 4.500 | 4.548 | 07/15/2014 | 297 | 297 | 303 |
| Honda Auto Receivables Trust | 2.310 | 2.329 | 05/15/2013 | 2 | 2 | 2 |
| Honda Auto Receivables Trust | 0.770 | 0.774 | 03/16/2015 | 189 | 189 | 189 |
| Honda Auto Receivables Trust | 3.300 | 3.329 | 09/15/2015 | 250 | 250 | 252 |
| Honda Auto Receivables Trust | 0.970 | 0.972 | 03/16/2016 | 68 | 68 | 68 |
| Huntington Auto Trust | 0.810 | 0.822 | 05/15/2015 | 308 | 308 | 309 |
| Huntington Auto Trust | 1.010 | 1.016 | 01/15/2016 | 400 | 400 | 402 |
| Huntington Auto Trust | 1.310 | 1.313 | 11/15/2016 | 400 | 400 | 405 |
| Hyuandai Auto Receivables Trst | 0.970 | 0.984 | 11/15/2013 | 282 | 282 | 283 |
| Hyuandai Auto Receivables Trst | 1.630 | 1.638 | 07/15/2015 | 400 | 400 | 408 |
| Hyuandai Auto Receivables Trust | 0.720 | 0.726 | 03/15/2016 | 346 | 346 | 347 |
| John Deere Owner Trust | 1.290 | 1.296 | 01/15/2016 | 365 | 365 | 368 |
| John Deere Owner Trust | 1.960 | 1.974 | 04/16/2018 | 285 | 285 | 292 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--|---------|--------|------------|-----------------------------------|-------------------|------------|
| LAI Vehicle Lease Securitizat | 2.550 | 2.672 | 09/15/2016 | 280 | 280 | 280 |
| Mercedes-Benz Auto Rec Trust | 1.420 | 1.433 | 07/15/2013 | 117 | 117 | 118 |
| Mercedes-Benz Auto Rec Trust | 0.850 | 0.853 | 03/15/2014 | 273 | 273 | 274 |
| NCUA Guaranteed Notes | 0.590 A | 0.589 | 12/07/2020 | 237 | 237 | 238 |
| Newcastle Investment Trust | 2.450 | 2.446 | 12/10/2033 | 224 | 224 | 224 |
| Nissan Auto Receivables Trust | 0.870 | 0.878 | 07/15/2014 | 303 | 303 | 304 |
| Nissan Auto Receivables Trust | 1.310 | 1.319 | 09/15/2016 | 300 | 300 | 303 |
| Park Place Securities Inc | 0.870 | 1.187 | 10/25/2034 | 932 | 886 | 884 |
| Residential Asset Mtg Prod | 0.590 | 11.220 | 10/25/2035 | 600 | 579 | 521 |
| Residential Asset Mtg Prod | 0.550 | 9.443 | 03/25/2036 | 1,300 | 1,141 | 1,119 |
| Residential Asset Sec Corp | 0.620 | 6.270 | 10/25/2035 | 430 | 429 | 417 |
| Santander Drive Auto Rec Trust | 2.060 | 2.070 | 08/15/2013 | 150 | 150 | 150 |
| Santander Drive Auto Rec Trust | 1.080 | 1.084 | 04/15/2016 | 132 | 132 | 132 |
| Santander Drive Auto Rec Trust | 2.390 | 1.421 | 06/15/2017 | 400 | 406 | 410 |
| Saxon Asset Securities Trust | 4.790 A | 4.566 | 06/25/2033 | 283 | 287 | 283 |
| SNAAC Auto Receivables Trust | 1.780 | 1.794 | 09/15/2014 | 255 | 255 | 255 |
| Springleaf Mortgage Loan Trust | 2.670 | 2.593 | 09/25/2057 | 433 | 433 | 432 |
| Springleaf Mortgage Loan Trust | 6.000 | 7.970 | 09/25/2057 | 650 | 590 | 568 |
| Toyota Auto Rec Owner Trust | 0.770 | 0.775 | 04/15/2014 | 534 | 534 | 534 |
| Trafigura Securitisation Fin | 2.640 | 2.656 | 04/15/2015 | 1,190 | 1,190 | 1,190 |
| USAA Auto Owner Trust | 2.530 | 2.544 | 07/15/2015 | 295 | 295 | 299 |
| Westgate Resorts | 4.500 | 4.378 | 09/20/2015 | 1,255 | 1,255 | 1,256 |
| Westlake Auto Receivables Trst | 1.080 | 1.083 | 07/15/2013 | 37 | 37 | 37 |
| Westlake Auto Receivables Trst | 1.490 | 1.496 | 06/16/2014 | 303 | 303 | 303 |
| <i>Total Corporate Asset Backed Issues</i> | | | | | 30,373 | 30,397 |
| <i>Corporate CMO</i> | | | | | | |
| A10 Securitization | 3.490 | 3.518 | 04/15/2024 | 974 | 974 | 977 |
| AH Mortgage Advance Trust | 3.270 | 3.306 | 09/15/2013 | 1,334 | 1,334 | 1,349 |
| AH Mortgage Advance Trust | 6.900 | 7.000 | 09/15/2013 | 500 | 500 | 512 |
| American General Mortgage Loan | 5.150 | 3.581 | 03/25/2040 | 484 | 493 | 495 |
| American General Mortgage Loan | 5.750 | 4.067 | 09/25/2048 | 1,525 | 1,533 | 1,536 |
| American General Mortgage Loan | 5.750 | 4.878 | 09/25/2048 | 1,100 | 1,104 | 1,117 |
| American General Mortgage Loan | 5.750 | 8.297 | 09/25/2048 | 1,300 | 1,253 | 1,331 |
| ASG Resecuritization Trust | 5.230 A | 5.188 | 05/24/2036 | 400 | 400 | 388 |
| ASG Resecuritization Trust | 5.230 A | 9.872 | 05/24/2036 | 741 | 709 | 734 |
| ASG Resecuritization Trust | 0.450 A | 0.965 | 10/28/2036 | 327 | 317 | 320 |
| ASG Resecuritization Trust | 2.650 A | 6.748 | 03/26/2037 | 1,222 | 1,163 | 1,202 |
| ASG Resecuritization Trust | 2.530 A | 11.914 | 06/26/2037 | 723 | 588 | 720 |
| ASG Resecuritization Trust | 6.000 | 9.714 | 06/28/2037 | 954 | 943 | 987 |
| Banc of Amer Altern Loan Trust | 5.000 | 4.723 | 09/25/2018 | 425 | 427 | 436 |
| Banc of Amer Altern Loan Trust | 5.500 | 7.384 | 02/25/2019 | 402 | 384 | 410 |
| Banc of Amer Altern Loan Trust | 5.500 | 5.566 | 09/25/2019 | 278 | 277 | 282 |
| Banc of Amer Altern Loan Trust | 5.500 | 8.324 | 09/25/2033 | 292 | 260 | 297 |
| Banc of Amer Altern Loan Trust | 5.500 | 5.699 | 11/25/2033 | 328 | 326 | 337 |
| Banc of Amer Altern Loan Trust | 6.000 | 6.644 | 01/25/2034 | 319 | 310 | 333 |
| Banc of Amer Altern Loan Trust | 6.000 | 6.659 | 01/25/2034 | 515 | 497 | 538 |
| Banc of America Commercial Mtg | 5.410 | 2.846 | 09/10/2016 | 450 | 490 | 498 |
| Banc of America Commercial Mtg | 4.670 | 5.024 | 07/10/2043 | 400 | 397 | 437 |
| Banc of America Commercial Mtg | 4.730 | 7.964 | 07/10/2043 | 600 | 550 | 624 |
| Banc of America Commercial Mtg | 5.890 | 6.051 | 07/10/2044 | 1,000 | 996 | 1,129 |
| Banc of America Commercial Mtg | 5.370 | 10.517 | 09/10/2045 | 660 | 570 | 733 |
| Banc of America Commercial Mtg | 5.120 | 5.057 | 10/10/2045 | 230 | 230 | 257 |
| Banc of America Commercial Mtg | 5.630 | 6.516 | 07/10/2046 | 700 | 682 | 789 |
| Banc of America Funding Corp | 5.500 | 5.704 | 10/25/2034 | 718 | 711 | 736 |
| Banc of America Funding Corp | 5.050 A | 5.441 | 12/20/2034 | 216 | 214 | 214 |
| Banc of America Funding Corp | 5.370 A | 4.613 | 02/26/2035 | 874 | 908 | 920 |
| Banc of America Mortgage Sec | 0.700 | 1.662 | 08/25/2018 | 244 | 240 | 234 |
| Banc of America Mortgage Sec | 5.000 | 3.903 | 04/25/2019 | 140 | 142 | 144 |
| Banc of America Mortgage Sec | 6.500 | 6.781 | 09/25/2032 | 220 | 218 | 233 |
| Banc of America Mortgage Sec | 3.090 A | 3.244 | 04/25/2033 | 319 | 316 | 320 |
| Banc of America Mortgage Sec | 5.500 | 4.676 | 05/25/2033 | 778 | 789 | 799 |
| Banc of America Mortgage Sec | 3.130 A | 3.125 | 06/25/2033 | 302 | 302 | 297 |
| Banc of America Mortgage Sec | 3.130 A | 3.255 | 04/25/2034 | 920 | 914 | 905 |
| Banc of America Mortgage Sec | 5.500 | 2.968 | 04/25/2034 | 1,400 | 1,460 | 1,439 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|----------|--------|------------|-----------------------------------|-------------------|------------|
| Bank of America Corp | 5.750 | 10.175 | 09/20/2034 | 415 | 366 | 438 |
| BCAP LLC Trust | 5.440 A | 4.915 | 08/26/2012 | 238 | 238 | 238 |
| BCAP LLC Trust | 5.500 | 7.002 | 11/26/2034 | 969 | 920 | 987 |
| BCAP LLC Trust | 5.020 A | 4.373 | 04/26/2035 | 344 | 347 | 336 |
| BCAP LLC Trust | 1.050 | 3.742 | 01/26/2036 | 392 | 357 | 370 |
| BCAP LLC Trust | 5.250 | 5.230 | 05/26/2037 | 41 | 41 | 41 |
| BCAP LLC Trust | 4.930 A | 5.789 | 05/26/2037 | 950 | 937 | 929 |
| BCAP LLC Trust | 5.750 | 6.038 | 06/26/2037 | 636 | 628 | 642 |
| BCAP LLC Trust | 3.070 A | 2.323 | 07/26/2045 | 1,117 | 1,135 | 1,048 |
| Bear Stearns Adj Rate Mortgage | 4.980 A | 4.821 | 07/25/2033 | 291 | 292 | 291 |
| Bear Stearns Adj Rate Mortgage | 5.090 A | 4.828 | 05/25/2034 | 241 | 243 | 241 |
| Bear Stearns Adj Rate Mortgage | 2.220 A | 2.833 | 08/25/2035 | 434 | 420 | 421 |
| Bear Stearns Commercial Mtg | 5.620 A | 4.821 | 03/11/2039 | 235 | 238 | 264 |
| Bear Stearns Commercial Mtg | 0.270 A | 9.669 | 06/11/2041 | 14,257 | 216 | 204 |
| Bear Stearns Commercial Mtg | 5.470 | 2.094 | 06/11/2041 | 500 | 525 | 534 |
| Bear Stearns Commercial Mtg | 5.540 | 10.089 | 10/12/2041 | 300 | 263 | 343 |
| Chase Mortgage Finance Corp | 5.000 | 3.291 | 03/25/2018 | 233 | 240 | 238 |
| Chase Mortgage Finance Corp | 2.980 A | 3.367 | 02/25/2037 | 838 | 822 | 838 |
| Chase Mortgage Finance Corp | 2.870 A | 2.933 | 02/25/2037 | 203 | 203 | 202 |
| Chase Mortgage Finance Corp | 3.090 A | 4.365 | 07/25/2037 | 536 | 498 | 486 |
| Citicorp Mortgage Securities | 5.500 | 3.155 | 06/25/2034 | 667 | 697 | 699 |
| Citigroup Commercial Mortgage | 4.830 A | 4.789 | 05/15/2043 | 400 | 400 | 423 |
| Citigroup Mortgage Loan Trust | 5.250 | 15.896 | 10/25/2033 | 394 | 322 | 402 |
| Citigroup Mortgage Loan Trust | 5.070 A | 4.786 | 08/25/2034 | 190 | 191 | 192 |
| Citigroup Mortgage Loan Trust | 2.610 A | 2.726 | 02/25/2035 | 346 | 344 | 345 |
| Citigroup Mortgage Loan Trust | 5.500 | 5.480 | 05/25/2035 | 401 | 401 | 392 |
| Citigroup Mortgage Loan Trust | 6.000 | 9.864 | 06/25/2036 | 880 | 806 | 917 |
| Citigroup Mortgage Loan Trust | 4.000 | 2.841 | 11/25/2036 | 2,716 | 2,767 | 2,788 |
| Citigroup Mortgage Loan Trust | 4.500 | 2.848 | 12/25/2036 | 2,945 | 3,026 | 3,033 |
| Citigroup Mortgage Loan Trust | 3.020 A | 2.463 | 11/25/2038 | 944 | 948 | 937 |
| Citigroup/Deutsche Bank Commer | 0.080 A | 3.707 | 01/15/2046 | 72,239 | 207 | 152 |
| Citigroup/Deutsche Bank Commer | 0.200 A | 14.949 | 12/11/2049 | 41,303 | 363 | 326 |
| Commercial Mortgage Pass-Thru | 4.980 | 9.224 | 05/10/2043 | 1,000 | 917 | 1,093 |
| Countrywide Home Loans | 4.500 | 5.608 | 06/25/2019 | 383 | 373 | 390 |
| Countrywide Home Loans | 5.250 | 5.252 | 09/25/2033 | 72 | 72 | 72 |
| Countrywide Home Loans | 5.000 | 6.294 | 10/25/2033 | 777 | 740 | 773 |
| Countrywide Home Loans | 5.250 | 5.884 | 04/25/2034 | 1,491 | 1,455 | 1,541 |
| Credit Suisse Mortgage Capital | 5.500 | 5.500 | 10/27/2035 | 74 | 73 | 73 |
| Credit Suisse Mortgage Capital | 3.250 | 3.164 | 07/27/2037 | 939 | 941 | 941 |
| Credit Suisse Mortgage Capital | 2.500 A | 1.911 | 10/26/2037 | 134 | 134 | 131 |
| Credit Suisse Mortgage Capital | 5.850 | 5.892 | 03/15/2039 | 500 | 502 | 550 |
| Credit Suisse Mortgage Capital | 1.250 A | 1.849 | 02/27/2047 | 1,495 | 1,490 | 1,490 |
| Credit Suisse Mortgage Capital | 1.250 A | 1.509 | 06/28/2047 | 83 | 83 | 83 |
| Credit Suisse Mortgage Capital | 4.250 A | 8.360 | 06/25/2050 | 300 | 280 | 274 |
| CS First Boston Mortgage Sec | 2.970 A | 3.870 | 06/25/2033 | 497 | 478 | 463 |
| CS First Boston Mortgage Sec | 5.250 | 6.159 | 11/25/2033 | 1,254 | 1,225 | 1,294 |
| CS First Boston Mortgage Sec | 5.500 | 3.185 | 09/25/2034 | 664 | 702 | 695 |
| CS First Boston Mortgage Sec | 5.500 | 3.906 | 12/25/2034 | 735 | 771 | 775 |
| CS First Boston Mortgage Sec | 18.180 A | 19.572 | 06/25/2035 | 83 | 81 | 91 |
| CS First Boston Mortgage Sec | 4.730 | 4.846 | 07/15/2037 | 400 | 399 | 422 |
| CW Capital Cobalt | 5.220 | 2.745 | 08/15/2048 | 245 | 268 | 271 |
| Deutsche ALT-A Sec Inc Mtg | 5.660 A | 5.918 | 02/25/2020 | 264 | 262 | 273 |
| Deutsche Mortgage Securities | 0.370 A | 8.629 | 04/26/2037 | 404 | 404 | 391 |
| First Horizon Mortgage Ps Thru | 4.500 | 4.426 | 09/25/2018 | 507 | 507 | 517 |
| Fontainebleau Miami Beach Trst | 2.890 | 2.898 | 05/05/2017 | 841 | 841 | 855 |
| GE Capital Commercial Mortgage | 4.830 | 4.279 | 06/10/2048 | 1,000 | 1,013 | 1,035 |
| GE Capital Commercial Mortgage | 4.850 | 4.385 | 06/10/2048 | 500 | 506 | 505 |
| GMAC Commercial Mortgage Sec | 5.240 | 10.435 | 11/10/2045 | 1,810 | 1,566 | 1,965 |
| GMAC Mortgage Corp Loan Trust | 5.000 | 4.356 | 01/25/2020 | 285 | 289 | 293 |
| GMAC Mortgage Corp Loan Trust | 3.050 A | 3.985 | 10/19/2033 | 783 | 753 | 789 |
| GMAC Mortgage Corp Loan Trust | 5.000 | 6.078 | 10/25/2033 | 418 | 402 | 414 |
| GMAC Mortgage Corp Loan Trust | 5.000 | 8.437 | 11/25/2033 | 834 | 769 | 870 |
| GMAC Mortgage Corp Loan Trust | 3.000 A | 3.313 | 12/19/2033 | 1,234 | 1,215 | 1,228 |
| GMAC Mortgage Corp Loan Trust | 6.500 | 5.698 | 01/25/2035 | 536 | 551 | 549 |
| Greenwich Capital Comm Funding | 4.860 A | 5.694 | 01/10/2015 | 210 | 206 | 218 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|---------|--------|------------|-----------------------------------|-------------------|------------|
| GS Mortgage Securities Corp | 5.550 | 9.297 | 04/10/2038 | 1,000 | 897 | 1,112 |
| GSR Mortgage Loan Trust | 6.000 | 7.170 | 09/25/2034 | 708 | 679 | 743 |
| GSR Mortgage Loan Trust | 0.600 | 7.809 | 03/25/2035 | 550 | 351 | 455 |
| GSR Mortgage Loan Trust | 0.750 | 4.053 | 06/25/2035 | 228 | 206 | 215 |
| GSR Mortgage Loan Trust | 5.500 | 10.943 | 01/25/2037 | 97 | 82 | 94 |
| Household Home Equity Loan Tst | 0.510 | 4.348 | 01/20/2035 | 195 | 173 | 182 |
| Household Home Equity Loan Tst | 0.730 | 5.117 | 01/20/2035 | 391 | 340 | 351 |
| Household Home Equity Loan Tst | 0.400 | 4.299 | 01/20/2036 | 404 | 353 | 371 |
| Household Home Equity Loan Tst | 0.390 | 3.114 | 03/20/2036 | 348 | 314 | 328 |
| Household Home Equity Loan Tst | 0.440 | 1.599 | 03/20/2036 | 231 | 209 | 212 |
| Household Home Equity Loan Tst | 5.600 | 5.193 | 03/20/2036 | 389 | 388 | 392 |
| Household Home Equity Loan Tst | 1.440 | 4.168 | 11/20/2036 | 522 | 453 | 494 |
| IMPAC CMB Trust | 0.550 | 3.012 | 05/25/2035 | 422 | 379 | 385 |
| IMPAC Secured Assets Corp | 5.500 | 6.771 | 08/25/2033 | 629 | 591 | 661 |
| IMPAC Secured Assets Corp | 0.600 | 3.153 | 05/25/2036 | 527 | 454 | 500 |
| IMPAC Secured Assets Corp | 0.600 | 6.139 | 08/25/2036 | 882 | 775 | 844 |
| JP Morgan Chase Commercial Mtg | 5.770 A | 2.397 | 07/12/2014 | 700 | 741 | 749 |
| JP Morgan Chase Commercial Mtg | 5.540 A | 4.397 | 08/12/2037 | 700 | 720 | 707 |
| JP Morgan Chase Commercial Mtg | 4.400 | 2.085 | 01/12/2039 | 700 | 722 | 729 |
| JP Morgan Chase Commercial Mtg | 5.550 | 3.506 | 05/12/2045 | 500 | 537 | 564 |
| JP Morgan Chase Commercial Mtg | 5.400 | 9.292 | 05/15/2045 | 950 | 835 | 1,075 |
| JP Morgan Chase Commercial Mtg | 0.400 | 5.266 | 05/15/2047 | 800 | 746 | 746 |
| JP Morgan Mortgage Trust | 2.660 A | 2.793 | 11/25/2033 | 1,151 | 1,141 | 1,147 |
| JP Morgan Mortgage Trust | 2.920 A | 3.970 | 08/25/2034 | 1,510 | 1,440 | 1,473 |
| JP Morgan Mortgage Trust | 5.010 A | 4.940 | 02/25/2035 | 1,000 | 1,001 | 1,011 |
| JP Morgan Mortgage Trust | 4.430 A | 3.634 | 02/25/2035 | 105 | 106 | 106 |
| JP Morgan Mortgage Trust | 2.850 A | 2.797 | 07/25/2035 | 871 | 872 | 848 |
| JP Morgan Re-REMIC | 4.320 A | 4.174 | 08/26/2035 | 458 | 458 | 447 |
| Lake Country Mortgage Loan Tst | 0.600 | 2.191 | 07/25/2034 | 591 | 566 | 569 |
| LB-UBS Commercial Mortgage Tst | 5.160 | 7.515 | 01/15/2016 | 300 | 282 | 334 |
| LB-UBS Commercial Mortgage Tst | 4.370 | 2.169 | 03/15/2036 | 598 | 618 | 625 |
| LB-UBS Commercial Mortgage Tst | 0.210 A | 15.395 | 02/15/2041 | 24,451 | 242 | 272 |
| Master Adjustable Rate Mtgage | 2.660 A | 5.190 | 11/21/2034 | 229 | 225 | 231 |
| Master Adjustable Rate Mtgage | 2.660 A | 2.827 | 11/21/2034 | 1,350 | 1,337 | 1,333 |
| Master Reperforming Loan Trust | 0.600 | 6.946 | 05/25/2035 | 773 | 520 | 606 |
| Master Resecuritization Trust | 13.630 | 27.578 | 05/28/2035 | 439 | 240 | 342 |
| MASTR Asset Securitization | 5.500 | 10.908 | 09/25/2033 | 128 | 112 | 133 |
| MASTR Asset Securitization | 5.250 | 3.842 | 12/25/2033 | 1,097 | 1,132 | 1,149 |
| Merrill Lynch Mortgage Invest | 2.750 A | 3.352 | 07/25/2033 | 172 | 168 | 173 |
| Merrill Lynch Mortgage Trust | 5.850 A | 5.531 | 05/12/2039 | 260 | 263 | 295 |
| Merrill Lynch/Countrywide Comm | 0.220 A | 9.386 | 12/12/2049 | 15,510 | 192 | 191 |
| MLCC Mortgage Investors Inc | 0.990 | 3.562 | 04/25/2029 | 394 | 330 | 363 |
| MLCC Mortgage Investors Inc | 1.470 | 3.336 | 08/25/2029 | 419 | 388 | 389 |
| MLCC Mortgage Investors Inc | 2.610 A | 2.957 | 08/25/2034 | 293 | 287 | 285 |
| MLCC Mortgage Investors Inc | 2.350 A | 2.796 | 12/25/2034 | 618 | 603 | 622 |
| Morgan Stanley Capital I | 4.050 | 3.906 | 06/15/2021 | 340 | 343 | 368 |
| Morgan Stanley Capital I | 5.820 A | 5.796 | 06/11/2042 | 250 | 251 | 290 |
| Morgan Stanley Capital I | 0.180 A | 11.555 | 12/15/2043 | 15,831 | 200 | 221 |
| Morgan Stanley Capital I | 0.400 A | 41.699 | 02/12/2044 | 42,888 | 367 | 302 |
| Morgan Stanley Capital Inc | 1.000 A | 5.840 | 01/25/2035 | 67 | 59 | 67 |
| Morgan Stanley Mortgage Loan | 5.670 A | 5.260 | 04/25/2034 | 327 | 332 | 333 |
| Morgan Stanley Mortgage Loan | 5.500 | 23.487 | 08/25/2034 | 4,399 | 540 | 534 |
| Morgan Stanley Reremic Trust | 2.000 | 1.853 | 09/27/2017 | 2,427 | 2,433 | 2,433 |
| Morgan Stanley Reremic Trust | 0.250 | 6.841 | 03/27/2019 | 400 | 272 | 266 |
| Morgan Stanley Re-REMIC Trust | 4.970 | 2.440 | 04/16/2040 | 1,400 | 1,448 | 1,471 |
| Morgan Stanley Re-REMIC Trust | 3.000 | 2.636 | 07/17/2056 | 160 | 160 | 160 |
| Morgan Stanley Re-REMIC Trust | 5.000 | 3.111 | 07/17/2056 | 1,450 | 1,471 | 1,479 |
| NCUA Guaranteed Notes | 2.650 | 2.866 | 01/01/2018 | 3,466 | 3,447 | 3,625 |
| NCUA Guaranteed Notes | 2.900 | 1.547 | 10/29/2020 | 1,100 | 1,173 | 1,173 |
| NCUA Guaranteed Notes | 0.800 A | 0.801 | 12/08/2020 | 888 | 888 | 892 |
| NCUA Guaranteed Notes | 2.400 | 2.461 | 12/08/2020 | 465 | 464 | 477 |
| Prime Mortgage Trust | 6.000 | 5.261 | 02/25/2034 | 269 | 277 | 284 |
| RBSSP Resecuritization Trust | 6.500 | 3.789 | 02/26/2036 | 595 | 606 | 631 |
| RBSSP Resecuritization Trust | 4.000 | 4.230 | 05/26/2037 | 432 | 428 | 427 |
| Residential Accredit Loans | 16.110 | 16.515 | 10/25/2017 | 158 | 159 | 178 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--------------------------------|---------|--------|------------|-----------------------------------|-------------------|------------|
| Residential Accredit Loans | 0.900 | 3.194 | 07/25/2033 | 447 | 401 | 385 |
| Residential Accredit Loans | 5.500 | 5.536 | 08/25/2033 | 649 | 649 | 671 |
| Residential Accredit Loans | 5.750 | 7.409 | 10/25/2033 | 492 | 460 | 511 |
| Residential Accredit Loans | 5.500 | 13.881 | 05/25/2034 | 1,558 | 1,090 | 1,415 |
| Residential Funding Mtg Sec I | 5.500 | 1.445 | 05/25/2022 | 804 | 814 | 810 |
| Salomon Brothers Mortgage Sec | 3.950 A | 9.679 | 04/25/2032 | 202 | 174 | 170 |
| Salomon Brothers Mortgage Sec | 2.740 A | 3.440 | 09/25/2033 | 662 | 642 | 623 |
| Springleaf Mortgage Loan Trust | 4.050 A | 4.006 | 01/25/2058 | 997 | 996 | 1,011 |
| Springleaf Mortgage Loan Trust | 5.450 | 5.625 | 01/25/2058 | 1,000 | 989 | 1,000 |
| Structured Asset Investment | 0.520 A | 7.470 | 06/25/2035 | 272 | 270 | 260 |
| Structured Asset Mortgage Inv | 0.000 | 8.871 | 07/25/2032 | 171 | 117 | 166 |
| Structured Asset Mortgage Inv | 0.900 A | 2.102 | 10/19/2034 | 610 | 553 | 540 |
| Structured Asset Securities Co | 3.450 | 5.138 | 02/25/2032 | 307 | 283 | 281 |
| Structured Asset Securities Co | 0.750 | 7.871 | 06/25/2033 | 490 | 451 | 470 |
| Structured Asset Securities Co | 5.500 | 6.017 | 10/25/2033 | 682 | 667 | 690 |
| Structured Asset Securities Co | 5.280 A | 5.630 | 11/25/2033 | 196 | 193 | 207 |
| Structured Asset Securities Co | 5.030 A | 5.138 | 12/25/2033 | 250 | 248 | 251 |
| Structured Asset Securities Co | 5.540 | 6.371 | 12/25/2033 | 1,188 | 1,142 | 1,163 |
| Structured Asset Securities Co | 5.550 A | 6.291 | 03/25/2034 | 578 | 559 | 582 |
| Structured Asset Securities Co | 4.690 A | 4.481 | 02/25/2035 | 1,027 | 1,039 | 1,017 |
| Structured Asset Securities Co | 5.000 | 13.553 | 05/25/2035 | 178 | 136 | 176 |
| Thornburg Mtg Securities Trust | 0.890 | 2.364 | 09/25/2043 | 679 | 632 | 656 |
| TIAA Seasoned Commercial Mtg | 5.620 A | 5.079 | 08/15/2039 | 2,500 | 2,518 | 2,675 |
| UBS-BAMLL Trust | 3.660 | 3.439 | 06/10/2022 | 578 | 590 | 590 |
| Vendee Mortgage Trust | 6.750 | 5.797 | 06/15/2026 | 709 | 745 | 838 |
| Vendee Mortgage Trust | 6.750 | 4.201 | 06/15/2028 | 588 | 667 | 684 |
| Vericrest Opportunity Loan | 4.210 | 4.250 | 03/25/2049 | 283 | 283 | 285 |
| Volt 12-RPL1 LLC | 4.950 | 5.000 | 03/25/2049 | 2,311 | 2,311 | 2,311 |
| Wachovia Bank Comm Mtg Trust | 5.210 | 2.725 | 01/15/2041 | 652 | 686 | 693 |
| Wachovia Bank Comm Mtg Trust | 5.920 A | 8.272 | 05/15/2043 | 1,440 | 1,347 | 1,637 |
| WAMU Mortgage Pass-Through Cer | 5.500 | 5.566 | 08/25/2019 | 536 | 534 | 561 |
| WAMU Mortgage Pass-Through Cer | 2.420 A | 3.056 | 08/25/2033 | 228 | 221 | 224 |
| WAMU Mortgage Pass-Through Cer | 2.480 A | 2.627 | 08/25/2033 | 251 | 249 | 251 |
| WAMU Mortgage Pass-Through Cer | 2.450 A | 2.690 | 09/25/2033 | 864 | 853 | 867 |
| WAMU Mortgage Pass-Through Cer | 2.550 A | 2.839 | 09/25/2033 | 338 | 330 | 339 |
| WAMU Mortgage Pass-Through Cer | 5.250 | 7.957 | 10/25/2033 | 2,017 | 1,879 | 2,117 |
| WAMU Mortgage Pass-Through Cer | 16.380 | 15.754 | 11/25/2033 | 172 | 174 | 177 |
| WAMU Mortgage Pass-Through Cer | 0.650 | 2.703 | 03/25/2034 | 174 | 171 | 171 |
| WAMU Mortgage Pass-Through Cer | 2.590 A | 4.066 | 06/25/2034 | 244 | 227 | 244 |
| WAMU Mortgage Pass-Through Cer | 2.590 A | 2.664 | 06/25/2034 | 610 | 607 | 606 |
| WAMU Mortgage Pass-Through Cer | 5.500 | 6.196 | 06/25/2034 | 857 | 827 | 877 |
| WAMU Mortgage Pass-Through Cer | 5.000 | 3.468 | 07/25/2034 | 589 | 608 | 612 |
| Washington Mutual MSC Mortgage | 0.000 | 17.440 | 07/25/2033 | 204 | 132 | 162 |
| Washington Mutual MSC Mortgage | 5.500 | 45.091 | 05/25/2035 | 671 | 60 | 114 |
| Wells Fargo Mortgage Backed | 4.750 | 4.542 | 12/25/2018 | 791 | 792 | 820 |
| Wells Fargo Mortgage Backed | 5.000 | 3.504 | 01/25/2020 | 267 | 275 | 273 |
| Wells Fargo Mortgage Backed | 5.000 | 3.931 | 11/25/2020 | 230 | 233 | 241 |
| Wells Fargo Mortgage Backed | 4.440 A | 4.580 | 11/25/2033 | 743 | 739 | 748 |
| Wells Fargo Mortgage Backed | 4.740 A | 2.618 | 12/25/2033 | 237 | 239 | 238 |
| Wells Fargo Mortgage Backed | 4.960 A | 4.724 | 02/25/2034 | 418 | 419 | 425 |
| Wells Fargo Mortgage Backed | 2.660 A | 4.102 | 09/25/2034 | 1,433 | 1,341 | 1,440 |
| Wells Fargo Mortgage Backed | 2.730 A | 3.809 | 10/25/2034 | 562 | 532 | 564 |
| Wells Fargo Mortgage Backed | 2.650 A | 3.362 | 10/25/2034 | 494 | 479 | 491 |
| Wells Fargo Mortgage Backed | 2.650 A | 4.935 | 10/25/2034 | 340 | 311 | 340 |
| Wells Fargo Mortgage Backed | 2.620 A | 4.137 | 12/25/2034 | 695 | 654 | 699 |
| Wells Fargo Mortgage Backed | 2.910 A | 6.619 | 12/25/2034 | 335 | 300 | 340 |
| Wells Fargo Mortgage Backed | 2.620 A | 3.969 | 12/25/2034 | 463 | 439 | 466 |
| Wells Fargo Mortgage Backed | 2.910 A | 3.677 | 12/25/2034 | 335 | 329 | 342 |
| Wells Fargo Mortgage Backed | 2.690 A | 3.785 | 06/25/2035 | 181 | 172 | 175 |
| Wells Fargo Mortgage Loan Trst | 2.850 A | 2.725 | 08/27/2037 | 468 | 468 | 468 |
| WF-RBS Commercial Mortgage Tst | 4.380 | 4.266 | 05/15/2021 | 600 | 605 | 659 |
| WF-RBS Commercial Mortgage Tst | 3.440 | 3.324 | 01/15/2022 | 400 | 404 | 411 |
| <i>Total Corporate CMO</i> | | | | | 139,631 | 145,724 |

Total Corporate Issues - 37.1%

422,385

447,687

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|---|--------|-------|----------|-----------------------------------|-------------------|--------------|
| <u>Short-term Issues</u> | | | | | | |
| Dreyfus Cash Management Institutional Fund - 1.0% | | | | 11,727,961 | 11,728 | 11,728 |
| Total Investment Securities - 99.8% | | | | | \$ 1,113,868 | \$ 1,201,301 |
| <u>Collateral for Securities Loaned</u> | | | | | | |
| BNY Mellon Securities Lending Overnight Fund | | | | | \$ 25,080 | \$ 25,080 |
| Mellon SL DBT II Liquidating Fund | | | | | 234 | 225 |
| Total Collateral for Securities Loaned | | | | | \$ 25,314 | \$ 25,305 |

A - Adjustable rate security.

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

| | | |
|---------------------------|----|------------|
| Interest | \$ | 57,105 |
| Dividends | | 11 |
| Net amortization | | (10,625) |
| Securities lending income | | <u>129</u> |

Total investment income 46,620

Expenses

| | | |
|-------------------------------------|--|------------|
| Investment advisor fees | | (1,797) |
| Trustee fees | | (4) |
| Custodian bank fees | | (63) |
| Management fees | | (369) |
| Fiduciary bond fees | | (4) |
| Professional service fees | | (67) |
| Securities lending agent fees | | (22) |
| Securities lending borrower rebates | | <u>(8)</u> |

Total expenses (2,334)

Investment income, net 44,286

Realized and unrealized gain from investments

| | | |
|---|--|---------------|
| Net realized gain from investments | | 10,347 |
| Net increase in the fair value of investments | | <u>38,372</u> |

Net gain from investments 48,719

Net increase in net assets from operations \$ 93,005

See accompanying notes to financial statements.

Core Fixed Income Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | |
|---|---------------|
| Investment income, net | \$ 44,286 |
| Net realized gain from investments | 10,347 |
| Net increase in the fair value of investments | <u>38,372</u> |

Net increase in net assets from operations 93,005

Distributions to unitholders

| | |
|------------------------|----------|
| Investment income, net | (44,286) |
|------------------------|----------|

Unit transactions

| | |
|-------------------------------------|------------------|
| Proceeds from sale of units | 162,026 |
| Reinvestment of distributions | <u>45,613</u> |
| | 207,639 |
| Amount paid for repurchase of units | <u>(243,167)</u> |

Net decrease in net assets from unit transactions (35,528)

Increase in net assets 13,191

Net assets, beginning of period 1,190,015

Net assets, end of period \$ 1,203,206

Unit data

| | |
|---|---------------------|
| Units sold | 14,501,744 |
| Units issued from reinvestment of distributions | <u>4,081,804</u> |
| | 18,583,548 |
| Units repurchased | <u>(21,712,802)</u> |

Net decrease in units (3,129,254)

See accompanying notes to financial statements.

Core Fixed Income Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in debt securities are carried at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

Core Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Security Loans - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. For international securities, the collateral is at least 105 percent of the market value of the securities on loan. Cash collateral received is invested in the BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically the Mellon SL DBT II Liquidating Fund. Cash collateral received is reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. 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 Operations as net increase or decrease in the fair value of investments.

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

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

Amortization - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Statement of Operations in the year of the change.

Distributions to Participants - The monthly net investment income is declared as a dividend on the last day of the month and distributed to the participants of the Pool on the first day of the following month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Net Assets. The Pool does not routinely distribute dividends of net realized gains.

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.

Core Fixed Income Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's collateral reinvestment fund.

Interest Rate Risk

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

Core Fixed Income Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

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

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2012, the Pool held \$617,639 of these securities. This represents approximately 51 percent of the value of the Pool's securities.

Foreign Currency Risk

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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.

Core Fixed Income Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

The table below summarizes the valuation of the investment securities in accordance with ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|---------------------|-------------|---------------------|
| Agency bonds and notes | \$ - | \$ 16,801 | \$ - | \$ 16,801 |
| Agency collateralized mortgage obligations | - | 268,484 | - | 268,484 |
| Agency mortgage backed securities | - | 173,034 | - | 173,034 |
| Corporate asset backed securities | - | 30,397 | - | 30,397 |
| Corporate bonds and notes | - | 271,566 | - | 271,566 |
| Corporate collateralized mortgage obligations | - | 145,724 | - | 145,724 |
| Municipal bonds | - | 4,781 | - | 4,781 |
| Regulated investment companies | - | 11,728 | - | 11,728 |
| Securities lending collateral funds | - | 25,305 | - | 25,305 |
| U.S. Treasury bonds and notes | - | 278,786 | - | 278,786 |
| Total | <u>\$ -</u> | <u>\$ 1,226,606</u> | <u>\$ -</u> | <u>\$ 1,226,606</u> |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2012.

| | | | |
|----------------------------------|------------------|-------------------|------------------------|
| Fair value of securities on loan | \$ 84,459 | | |
| Initial collateral received: | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Loss</u> |
| Cash | <u>\$ 25,314</u> | \$ 25,305 | <u>\$ (9)</u> |
| Non-cash | | 60,875 | |
| Total | | <u>\$ 86,180</u> | |

Core Fixed Income Pool

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

NOTE 6. FINANCIAL HIGHLIGHTS

| | |
|---|--------------|
| Per Unit Operating Performance: | |
| Net asset value at June 30, 2011 | \$ 10.90 |
| Income from investment operations: | |
| Net investment income | 0.42 |
| Net realized and unrealized gain on investment transactions | 0.45 |
| Total from investment operations | 0.87 |
| Less distributions from net investment income | (0.42) |
| Net asset value at June 30, 2012 | \$ 11.35 |
| | |
| Time-weighted Total Return * | 8.1% |
| | |
| Supplemental Data: | |
| Net assets, end of period | \$ 1,203,206 |
| Ratio to average net assets: | |
| Expenses ** | 0.19% |
| Net investment income ** | 3.71% |
| Portfolio turnover rate | 21.56% |
| | |
| * Return data is net of fees for the full fiscal year | |
| ** All ratios are for the fiscal year | |

NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012. The balances do not include the dividend declared by the Pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 299,345 |
| Public Employees' Retirement System | 294,141 |
| Workers' Compensation Old Fund | 200,247 |
| Revenue Shortfall Reserve Fund - Part B | 75,840 |
| Revenue Shortfall Reserve Fund | 73,920 |
| West Virginia Retiree Health Benefit Trust | 54,696 |
| Coal Workers' Pneumoconiosis Fund | 40,858 |
| West Virginia Prepaid Tuition Trust Fund | 39,505 |
| Public Employees Insurance Agency | 38,603 |
| State Police Death, Disability and Retirement Fund | 32,774 |
| Board of Risk and Insurance Management | 21,908 |
| Judges' Retirement System | 8,623 |
| Deputy Sheriff's Retirement System | 8,022 |
| State Police Retirement System | 5,379 |
| Wildlife Endowment Fund | 2,784 |
| Emergency Medical Services Retirement System | 2,463 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 1,732 |
| Workers' Compensation Uninsured Employers' Fund | 1,288 |
| West Virginia Department of Environmental Protection Trust | 596 |
| AccessWV | 471 |
| Municipal Police Officers' and Firefighters' Retirement System | 11 |
| Total | \$ 1,203,206 |

Core Fixed Income Pool

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

NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

TIPS Pool

TIPS Pool

Audited Financial Statements June 30, 2012

Table of Contents

Independent Auditors' Report

Statement of Assets and Liabilities I-1

Schedule of Investments in Securities I-2

Statement of Operations I-3

Statement of Changes in Net Assets I-4

Notes to Financial Statements I-5



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) TIPS Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations and changes in net assets for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

TIPS Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|---|----|----------------|
| Investment securities at fair value | \$ | 739,173 |
| Collateral for securities loaned at fair value (Note 5) | | 1,585 |
| Receivables: | | |
| Accrued interest | | 4,117 |
| Investments sold | | 19,633 |
| Securities lending income | | <u>27</u> |
| Total assets | | 764,535 |

Liabilities

| | | |
|---|-----------|------------------------------|
| Accrued expenses | | 73 |
| Dividends payable | | 2,211 |
| Payable for investments purchased | | 19,290 |
| Payable upon return of securities loaned (Note 5) | | <u>1,586</u> |
| Total liabilities | | <u>23,160</u> |
| Net assets | \$ | <u><u>741,375</u></u> |

Analysis of net assets

| | | |
|--|-----------|------------------------------|
| Paid-in capital | \$ | 661,007 |
| Accumulated undistributed net realized gain from investments | | 27,925 |
| Unrealized net appreciation of investments | | <u>52,443</u> |
| Net assets | \$ | <u><u>741,375</u></u> |

Unit data

| | | |
|-----------------------------|----|---------------------|
| Units outstanding | | 67,079,863 |
| Net asset value, unit price | \$ | <u><u>11.05</u></u> |

See accompanying notes to financial statements.

TIPS Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value Shares | Amortized Cost | Fair Value |
|---|---------|-----------|------------|---------------------|-------------------|------------|
| <u>U.S. Treasury Issues</u> | | | | | | |
| United States Treasury | 1.880 % | (0.605) % | 07/15/2013 | 17,920 | \$ 23,028 | \$ 22,999 |
| United States Treasury | 2.000 | (0.463) | 01/15/2014 | 18,881 | 24,403 | 24,428 |
| United States Treasury | 1.250 | (0.454) | 04/15/2014 | 13,889 | 15,561 | 15,602 |
| United States Treasury | 2.000 | (0.419) | 07/15/2014 | 17,371 | 22,252 | 22,481 |
| United States Treasury | 1.630 | (0.267) | 01/15/2015 | 16,563 | 20,918 | 21,226 |
| United States Treasury | 0.500 | (0.400) | 04/15/2015 | 19,411 | 21,128 | 21,403 |
| United States Treasury | 1.880 | (0.212) | 07/15/2015 | 15,213 | 19,138 | 19,589 |
| United States Treasury | 2.000 | (0.072) | 01/15/2016 | 15,072 | 18,752 | 19,341 |
| United States Treasury | 0.130 | (0.920) | 04/15/2016 | 42,018 | 45,294 | 45,624 |
| United States Treasury | 2.500 | (0.034) | 07/15/2016 | 15,474 | 19,431 | 20,204 |
| United States Treasury | 2.380 | 0.130 | 01/15/2017 | 13,401 | 16,839 | 17,664 |
| United States Treasury | 0.130 | (1.313) | 04/15/2017 | 14,627 | (1,873) | 15,650 |
| United States Treasury | 2.630 | 0.060 | 07/15/2017 | 11,807 | 14,752 | 15,589 |
| United States Treasury | 1.630 | 0.262 | 01/15/2018 | 12,602 | 14,874 | 15,825 |
| United States Treasury | 1.380 | 0.293 | 07/15/2018 | 12,795 | 14,532 | 15,597 |
| United States Treasury | 2.130 | 0.403 | 01/15/2019 | 11,874 | 14,135 | 15,239 |
| United States Treasury | 1.880 | 0.447 | 07/15/2019 | 13,392 | 15,854 | 17,274 |
| United States Treasury | 1.380 | 0.532 | 01/15/2020 | 16,449 | 18,586 | 20,375 |
| United States Treasury | 1.250 | 0.592 | 07/15/2020 | 25,492 | 28,275 | 31,280 |
| United States Treasury | 1.130 | 0.853 | 01/15/2021 | 29,280 | 31,477 | 35,483 |
| United States Treasury | 0.630 | 0.152 | 07/15/2021 | 31,996 | 34,044 | 36,424 |
| United States Treasury | 0.130 | (0.337) | 01/15/2022 | 39,836 | 42,270 | 42,893 |
| United States Treasury | 2.380 | 1.098 | 01/15/2025 | 19,684 | 27,598 | 31,677 |
| United States Treasury | 2.000 | 1.156 | 01/15/2026 | 15,054 | 19,283 | 22,299 |
| United States Treasury | 2.380 | 1.204 | 01/15/2027 | 12,281 | 16,187 | 18,808 |
| United States Treasury | 1.750 | 1.242 | 01/15/2028 | 12,796 | 15,050 | 17,615 |
| United States Treasury | 3.630 | 1.328 | 04/15/2028 | 11,136 | 20,997 | 24,435 |
| United States Treasury | 2.500 | 1.018 | 01/15/2029 | 14,945 | 19,382 | 22,219 |
| United States Treasury | 3.880 | 1.348 | 04/15/2029 | 13,327 | 25,698 | 30,114 |
| United States Treasury | 3.380 | 1.388 | 04/15/2032 | 4,215 | 7,332 | 8,806 |
| United States Treasury | 2.130 | 1.531 | 02/15/2040 | 8,124 | 9,792 | 12,287 |
| United States Treasury | 2.130 | 1.442 | 02/15/2041 | 15,099 | 18,315 | 22,672 |
| United States Treasury | 0.750 | 0.615 | 02/15/2042 | 14,597 | 15,273 | 15,645 |
| Total U.S. Treasury Issues - 99.6% | | | | | 686,323 | 738,767 |
| <u>Short-term Issues</u> | | | | | | |
| Dreyfus Cash Management Institutional Fund - 0.1% | | | | 405,581 | 406 | 406 |
| Total Investment Securities - 99.7% | | | | | \$ 686,729 | \$ 739,173 |
| <u>Collateral for Securities Loaned</u> | | | | | | |
| BNY Mellon Securities Lending Overnight Fund | | | | | \$ 1,571 | \$ 1,571 |
| Mellon SL DBT II Liquidating Fund | | | | | 15 | 14 |
| Total Collateral for Securities Loaned | | | | | \$ 1,586 | \$ 1,585 |

A - Adjustable rate security.

See accompanying notes to financial statements.

TIPS Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

| | | |
|---------------------------|----|------------|
| Interest | \$ | 12,660 |
| Dividends | | 1 |
| Net accretion | | 7,465 |
| Securities lending income | | <u>343</u> |

Total investment income 20,469

Expenses

| | | |
|-------------------------------------|--|------------|
| Investment advisor fees | | (181) |
| Trustee fees | | (3) |
| Custodian bank fees | | (21) |
| Management fees | | (257) |
| Fiduciary bond fees | | (3) |
| Professional service fees | | (46) |
| Securities lending agent fees | | (63) |
| Securities lending borrower rebates | | <u>(2)</u> |

Total expenses (576)

Investment income, net 19,893

Realized and unrealized gain from investments

| | | |
|---|--|---------------|
| Net realized gain from investments | | 27,699 |
| Net increase in the fair value of investments | | <u>46,560</u> |

Net gain from investments 74,259

Net increase in net assets from operations \$ 94,152

See accompanying notes to financial statements.

TIPS Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | |
|---|---------------|
| Investment income, net | \$ 19,893 |
| Net realized gain from investments | 27,699 |
| Net increase in the fair value of investments | <u>46,560</u> |

Net increase in net assets from operations 94,152

Distributions to unitholders

| | |
|------------------------|----------|
| Investment income, net | (19,893) |
|------------------------|----------|

Unit transactions

| | |
|-------------------------------------|------------------|
| Proceeds from sale of units | 108,305 |
| Reinvestment of distributions | <u>23,673</u> |
| | 131,978 |
| Amount paid for repurchase of units | <u>(356,555)</u> |

Net decrease in net assets from unit transactions (224,577)

Decrease in net assets (150,318)

Net assets, beginning of period 891,693

Net assets, end of period \$ 741,375

Unit data

| | |
|---|---------------------|
| Units sold | 10,159,760 |
| Units issued from reinvestment of distributions | <u>2,222,552</u> |
| | 12,382,312 |
| Units repurchased | <u>(33,223,221)</u> |

Net decrease in units (20,840,909)

See accompanying notes to financial statements.

TIPS Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in TIPS are carried at fair value, which is determined by a third party pricing service based quoted market prices, generally using the midpoint of the bid and offer price, and applying the relevant inflation factor. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

TIPS Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Security Loans - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. Cash collateral received is invested in the BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically the Mellon SL DBT II Liquidating Fund. Cash collateral received is reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. 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 Operations as net increase or decrease in the fair value of investments.

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

Amortization - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security.

Distributions to Participants - The monthly net investment income is declared as a dividend on the last day of the month and distributed to the participants of the Pool on the first day of the following month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Net Assets. The Pool does not routinely distribute dividends of net realized gains.

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

TIPS Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's collateral reinvestment fund.

Interest Rate Risk

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

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

Foreign Currency Risk

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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.

TIPS Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-------------|-------------------|-------------|-------------------|
| Regulated investment companies | \$ - | \$ 406 | \$ - | \$ 406 |
| Securities lending collateral funds | - | 1,585 | - | 1,585 |
| U.S. Treasury issues | - | 738,767 | - | 738,767 |
| Total | <u>\$ -</u> | <u>\$ 740,758</u> | <u>\$ -</u> | <u>\$ 740,758</u> |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2012.

| | | | |
|----------------------------------|-----------------|-------------------|-----------------|
| Fair value of securities on loan | \$ 438,717 | | |
| Initial collateral received: | Cost | Fair Value | Unrealized Loss |
| Cash | <u>\$ 1,586</u> | \$ 1,585 | <u>\$ (1)</u> |
| Non-cash | | 446,129 | |
| Total | | <u>\$ 447,714</u> | |

NOTE 6. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | |
|---|-----------------|
| Net asset value at June 30, 2011 | \$ 10.14 |
| Income from investment operations: | |
| Net investment income | 0.26 |
| Net realized and unrealized gain on investment transactions | 0.91 |
| Total from investment operations | 1.17 |
| Less distributions from net investment income | (0.26) |
| Net asset value at June 30, 2012 | <u>\$ 11.05</u> |

Time-weighted Total Return * 11.6%

Supplemental Data:

| | |
|------------------------------|------------|
| Net assets, end of period | \$ 741,375 |
| Ratio to average net assets: | |
| Expenses ** | 0.06% |
| Net investment income ** | 2.38% |
| Portfolio turnover rate | 27.33% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

TIPS Pool

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

NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012. The balances do not include the dividend declared by the Pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Revenue Shortfall Reserve Fund | \$ 211,804 |
| Teachers' Retirement System | 129,355 |
| Public Employees' Retirement System | 113,259 |
| Workers' Compensation Old Fund | 96,245 |
| Revenue Shortfall Reserve Fund - Part B | 50,344 |
| West Virginia Retiree Health Benefit Trust | 45,634 |
| Public Employees Insurance Agency | 27,835 |
| Coal Workers' Pneumoconiosis Fund | 26,446 |
| Board of Risk and Insurance Management | 14,109 |
| State Police Death, Disability and Retirement Fund | 12,312 |
| Judges' Retirement System | 3,268 |
| Deputy Sheriff's Retirement System | 3,001 |
| State Police Retirement System | 1,998 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 1,107 |
| AccessWV | 1,105 |
| Wildlife Endowment Fund | 1,033 |
| Workers' Compensation Uninsured Employers' Fund | 934 |
| Emergency Medical Services Retirement System | 902 |
| West Virginia Department of Environmental Protection Trust | 680 |
| Municipal Police Officers' and Firefighters' Retirement System | 4 |
| Total | <u>\$ 741,375</u> |

NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

TRS Annuity Pool

TRS Annuity Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|-----|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | J-1 |
| Schedule of Investments in Securities | J-2 |
| Statement of Operations | J-3 |
| Statement of Changes in Net Assets | J-4 |
| Statement of Cash Flows | J-5 |
| Notes to Financial Statements | J-6 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) TRS Annuity Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 TRS Annuity Pool as of June 30, 2012, and the results of its operations, changes in net assets, and cash flows for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

TRS Annuity Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|---|----|--------|
| Investment securities at amortized cost | \$ | 53,093 |
|---|----|--------|

Liabilities

| | | |
|------------------|--|-----------|
| Accrued expenses | | <u>70</u> |
|------------------|--|-----------|

| | | |
|-------------------|-----------|----------------------|
| Net assets | \$ | <u>53,023</u> |
|-------------------|-----------|----------------------|

Analysis of net assets

| | | |
|-----------------|----|--------|
| Paid-in capital | \$ | 28,437 |
|-----------------|----|--------|

| | | |
|---|--|---------------|
| Accumulated undistributed net investment income | | <u>24,586</u> |
|---|--|---------------|

| | | |
|-------------------|-----------|----------------------|
| Net assets | \$ | <u>53,023</u> |
|-------------------|-----------|----------------------|

Unit data

| | | |
|-------------------|--|-----------|
| Units outstanding | | 4,547,031 |
|-------------------|--|-----------|

| | | |
|-----------------------------|----|--------------|
| Net asset value, unit price | \$ | <u>11.66</u> |
|-----------------------------|----|--------------|

See accompanying notes to financial statements.

TRS Annuity Pool

Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| <u>Security Name</u> | <u>Shares</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|--|---------------|---------------------------|-------------------|
| <u>Annuity Contract</u> | | | |
| Variable Annuity Life Insurance Company - 100.1% | 53,092,919 | \$ 53,093 | \$ 53,093 |

See accompanying notes to financial statements.

TRS Annuity Pool

Statement of Operations
Year Ended June 30, 2012
(Amounts in thousands)

Investment income

Interest \$ 4,301

Expenses

Management fees (31)

Professional service fees (122)

Total expenses (153)

Investment income, net 4,148

Net increase in net assets from operations \$ 4,148

See accompanying notes to financial statements.

TRS Annuity Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

Investment income, net \$ 4,148

Unit transactions

Proceeds from sale of units 88

Amount paid for repurchase of units (55,058)

Net decrease in net assets from unit transactions (54,970)

Decrease in net assets (50,822)

Net assets, beginning of period 103,845

Net assets, end of period \$ 53,023

Unit data

Units sold 7,851

Units repurchased (4,752,451)

Net decrease in units (4,744,600)

See accompanying notes to financial statements.

TRS Annuity Pool

Statement of Cash Flows Year Ended June 30, 2012 *(Amounts in thousands)*

Cash flows from operating activities

| | | |
|--|----|---------------|
| Net increase in net assets from operations | \$ | 4,148 |
| Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities: | | |
| Purchase of investment securities | | (4,301) |
| Sale of investment securities | | 55,058 |
| Increase in accrued expenses | | <u>65</u> |
| Net cash provided by operating activities | | 54,970 |

Cash flows from financing activities

| | | |
|--|--|------------------------|
| Proceeds from units sold | | 88 |
| Paid for repurchase of units | | <u>(55,058)</u> |
| Net cash used in financing activities | | <u>(54,970)</u> |

Net change in cash -

Cash

| | | |
|-------------------|----|-----------------|
| Beginning balance | | - |
| Ending balance | \$ | <u><u>-</u></u> |

See accompanying notes to financial statements.

TRS Annuity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

TRS Annuity Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. The VALIC contract is a private contract between the issuer and the IMB and is not a marketable security. It is carried at fair value using a discounted cash flow model based on the underlying cash flows of the contract, implicit rate of return, and estimated credit risk premiums using observable market data. At June 30, 2012 amortized cost approximated fair value.

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Interest Income - Interest income is recognized as earned on the accrual method.

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

The Pool is not subject to custodial credit risk.

Interest Rate Risk

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

Foreign Currency Risk

The Pool is not subject to foreign currency risk.

TRS Annuity Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| <u>Assets</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------|----------------|----------------|------------------|------------------|
| Annuity contract | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 53,093</u> | <u>\$ 53,093</u> |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2012 was as follows:

| | <u>Annuity contract</u> |
|--|-------------------------|
| Balance at June 30, 2011 | \$ 103,850 |
| Net realized gain/(loss) | - |
| Net change in unrealized appreciation/(depreciation) | - |
| Purchases | 4,301 |
| Sales | (55,058) |
| Net transfers in/(out) of Level 3 | - |
| Balance at June 30, 2012 | <u>\$ 53,093</u> |

TRS Annuity Pool

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

NOTE 5. FINANCIAL HIGHLIGHTS

| Per Unit Operating Performance: | |
|--|-----------------|
| Net asset value at June 30, 2011 | \$ 11.18 |
| Net investment income from investment operations | 0.48 |
| Net asset value at June 30, 2012 | <u>\$ 11.66</u> |
| Time-weighted Total Return * | 4.4% |
| Supplemental Data: | |
| Net assets, end of period | \$ 53,023 |
| Ratio to average net assets: | |
| Expenses ** | 0.16% |
| Net investment income ** | 4.25% |
| Portfolio turnover rate | 4.40% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

NOTE 6. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

Private Equity Pool

Private Equity Pool

Audited Financial Statements June 30, 2012

Table of Contents

Independent Auditors' Report

Statement of Assets and Liabilities K-1

Schedule of Investments in Securities K-2

Statement of Operations K-7

Statement of Changes in Net Assets K-8

Statement of Cash Flows K-9

Notes to Financial Statements K-10



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Private Equity Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 Equity Pool as of June 30, 2012, and the results of its operations, changes in net assets, and cash flows for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Private Equity Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | |
|---|--------------|
| Investment securities at fair value | \$ 1,027,697 |
| Advance on investment in other funds (Note 5) | 436 |
| Dividends receivable | <u>4</u> |

Total assets 1,028,137

Liabilities

| | |
|------------------|------------|
| Accrued expenses | <u>199</u> |
|------------------|------------|

Net assets \$ 1,027,938

Analysis of net assets

| | |
|--|----------------|
| Paid-in capital | \$ 823,150 |
| Accumulated undistributed net investment loss | (5,066) |
| Accumulated undistributed net realized loss from investments | (18,634) |
| Unrealized net appreciation of investments | <u>228,488</u> |

Net assets \$ 1,027,938

Unit data

| | |
|-----------------------------|------------------------|
| Units outstanding | 87,281,775 |
| Net asset value, unit price | <u><u>\$ 11.78</u></u> |

See accompanying notes to financial statements.

Private Equity Pool

*****Schedule of Investments in Securities

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|--|--------|-------------------|------------|
| <u>Partnerships</u> | | | |
| Advent International GPE VI - A. L.P. | | \$ 30,267 | \$ 37,715 |
| Investment Objective - To provide risk capital for, and make investments in the securities of, privately held and publicly listed companies primarily in Europe and North America. | | | |
| Redemption Provisions - Upon termination of the partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Carlyle Partners V, LP | | 28,961 | 32,928 |
| Investment Objective - To generate superior, long-term capital appreciation through privately negotiated equity and equity related investments. | | | |
| Redemption Provisions - Upon termination of the partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Franklin Park Venture Fund Series 2008, L.P. | | 14,562 | 16,533 |
| Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. | | | |
| Redemption Provisions - Upon termination of the partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Franklin Park Venture Fund Series 2009, L.P. | | 10,989 | 12,582 |
| Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. | | | |
| Redemption Provisions - Upon termination of the partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Franklin Park Venture Fund Series 2010, L.P. | | 5,733 | 5,588 |
| Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. | | | |
| Redemption Provisions - Upon termination of the partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Franklin Park Venture Fund Series 2011, L.P. | | 3,247 | 3,035 |
| Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. | | | |
| Redemption Provisions - Upon termination of the partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Franklin Park Venture Fund Series 2012, L.P. | | 641 | 641 |
| Investment Objective - To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets. | | | |
| Redemption Provisions - Upon termination of the partnership. | | | |
| A detail of the underlying investments is not available. | | | |

See accompanying notes to financial statements.

Private Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|--|--------|-------------------|------------|
| H.I.G. Bayside Debt & LBO Fund II, L.P. Investment Objective - To invest in distressed debt obligations and other securities of distressed lower middle market companies. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 21,260 | 23,204 |
| Hellman & Friedman Capital Partners VII, L.P. Investment Objective - To make investments, both domestically and internationally, in public and private companies seeking long-term capital appreciation. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 8,713 | 7,766 |
| Insight Equity II, L.P. Investment Objective - To acquire underperforming, operationally challenged, or financially distressed small and middle market businesses and to seek to reorganize operations and strategy to restore profitability and growth. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 17,329 | 14,190 |
| Insight Equity Mezzanine I, L.L.P. Investment Objective - To invest in mezzanine securities issued by companies in which Insight is also an equity sponsor. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 3,439 | 3,502 |
| JFL Equity Investors III, L.P. Investment Objective - To seek long-term capital appreciation by acquiring, holding, and disposing of securities involved in or connected with defense, aerospace, marine, or engineering industries. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 15,182 | 13,320 |
| KPS Special Situations Fund III (Supplemental), L.P. Investment Objective - Seek to invest alongside KPS Special Situations Fund III, L.P. and KPS Special Situations Fund III (A), L.P., to make controlling equity and equity-related investments in underperforming or distressed companies engaged in manufacturing, transportation, and service industries that need immediate and significant change. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 21,824 | 22,815 |
| LLR Equity Partners III, L.P. Investment Objective - To provide investors with substantial long-term capital gains by investing in a diversified portfolio of equity securities. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 29,144 | 33,767 |

See accompanying notes to financial statements.

Private Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|---|--------|-------------------|------------|
| Mason Wells Buyout Fund III, L.P. Investment Objective - To deliver superior risk-adjusted investment returns by applying the Mason Wells Value Creation System to drive improvements to operating and financial performance at portfolio companies. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 12,637 | 10,782 |
| Natural Gas Partners IX, L.P. Investment Objective - To generate long-term capital gains through equity investments in companies engaged in the energy and resource related industries, with an emphasis on privately negotiated equity investments in North American oil and gas companies. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 38,292 | 47,368 |
| NGP Natural Resources X, L.P. Investment Objective - To generate long-term capital gains through equity investments in companies engaged in the energy, water, and food and agriculture sectors, with an emphasis on privately negotiated equity investments in North American oil and gas companies. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 3,220 | 2,882 |
| Odyssey Investment Partners Fund IV, L.P. Investment Objective - To seek long-term capital appreciation by principally pursuing control oriented equity and equity related investments in middle market companies located primarily in the United States. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 18,003 | 24,304 |
| Platinum Equity Capital Partners II, L.P. Investment Objective - To make private investments in equity, equity oriented or debt securities that offer equity-like returns, of underperforming companies to generate capital appreciation. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 32,164 | 40,291 |
| Riverside Fund IV, L.P. Investment Objective - To pursue and add value to control investments in small, profitable healthcare and technology companies primarily in the United States through financial and operational improvements and to grow the companies both organically and through add-on acquisitions. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 24,039 | 23,892 |

See accompanying notes to financial statements.

Private Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|--|---------|-------------------|------------|
| TA XI, L.P. Investment Objective - To achieve capital appreciation with relatively modest risk by originating investments in profitable, middle-market companies in growth industries. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 16,100 | 15,739 |
| Thoma Bravo Fund X, L.P. Investment Objective - To seek long-term capital appreciation by acquiring, holding, and disposing of securities involved in or connected with enterprise and infrastructure software, financial and business services, and education. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 6,443 | 6,314 |
| Wellspring Capital Partners V, L.P. Investment Objective - To target under-managed or underperforming companies possessing strong core franchises and solid fundamentals in the consumer products, manufacturing, retail, distribution, and business and consumer service industries. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 10,681 | 9,400 |
| Welsh, Carson, Anderson & Stowe XI, L.P. Investment Objective - To provide capital to domestic or foreign corporations, partnerships and joint ventures and to assist in developing the business of those enterprises. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 29,043 | 32,902 |
| Wicks Capital Partners Fund IV, L.P. Investment Objective - To invest in and build middle market businesses in selected segments of the information, education and media industries. Redemption Provisions - Upon termination of the partnership. A detail of the underlying investments is not available. | | 4,665 | 3,791 |
| Total Partnerships - 43.3% | | 406,578 | 445,251 |
| <u>Investments in Other Funds</u> | | | |
| Bridgewater All Weather Portfolio II, LTD Investment Objective - To seek to provide attractive returns with relatively limited risks, with no material bias to perform better or worse in any particular type of economic environment. Redemption Provisions - Monthly on the first business day A detail of the underlying investments is not available. | 352,206 | 360,010 | 549,825 |
| Total Investments in Other Funds - 53.5% | | 360,010 | 549,825 |

See accompanying notes to financial statements.

Private Equity Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| <u>Security Name</u> | <u>Shares</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|---|---------------|---------------------------|---------------------|
| <u>Short-term Issues</u> | | | |
| Dreyfus Cash Management Institutional Fund - 3.2% | 32,620,862 | 32,621 | 32,621 |
| Total Investment Securities - 100.0% | | <u>\$ 799,209</u> | <u>\$ 1,027,697</u> |

See accompanying notes to financial statements.

Private Equity Pool

Statement of Changes in Net Assets
Year Ended June 30, 2012
(Amounts in thousands, except for unit data)

Operations

| | |
|---|---------------|
| Investment loss, net | \$ (1,272) |
| Net realized gain from investments | 94,599 |
| Net increase in the fair value of investments | <u>49,896</u> |

Net increase in net assets from operations 143,223

Unit transactions

| | |
|-------------------------------------|------------------|
| Proceeds from sale of units | 81,081 |
| Amount paid for repurchase of units | <u>(217,534)</u> |

Net decrease in net assets from unit transactions (136,453)

Increase in net assets 6,770

Net assets, beginning of period 1,021,168

Net assets, end of period \$ 1,027,938

Unit data

| | |
|-------------------|---------------------|
| Units sold | 7,365,159 |
| Units repurchased | <u>(19,893,711)</u> |

Net decrease in units (12,528,552)

See accompanying notes to financial statements.

Private Equity Pool

Statement of Cash Flows Year Ended June 30, 2012 *(Amounts in thousands)*

Cash flows from operating activities

| | |
|---|-----------------|
| Net increase in net assets from operations | \$ 143,223 |
| Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (187,454) |
| Proceeds from disposition of investment securities | 324,221 |
| Purchases and sales of short-term investment securities, net | 1,349 |
| Increase in advance on investment in other funds | (436) |
| Increase in dividends receivable | (1) |
| Increase in accrued expenses | 46 |
| Net realized gain from investments | (94,599) |
| Net increase in the fair value of investments | <u>(49,896)</u> |
| Net cash provided by operating activities | 136,453 |

Cash flows from financing activities

| | |
|--|-------------------------|
| Proceeds from units sold | 81,081 |
| Paid for repurchase of units | <u>(217,534)</u> |
| Net cash used in financing activities | <u>(136,453)</u> |

Net change in cash -

Cash

| | |
|-------------------|--------------------|
| Beginning balance | <u>-</u> |
| Ending balance | <u><u>\$ -</u></u> |

See accompanying notes to financial statements.

Private Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

The accompanying financial statements reflect only the investments and investment related operations of the IMB's Private 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.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$995,076 of investments in private partnerships and other investment funds which are reported at fair value. For all of these investments, the IMB has concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. 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 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

Private Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the carrying amount of such investments is a reasonable estimate of fair value as of June 30, 2012. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions.

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on investments in private equity funds are recognized when the private equity fund has realized its interest in a portfolio company and we have sufficient information as to the amount and date of the distribution. Gains and losses on the sale of other investments are recognized at the time of sale by the average cost method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

NOTE 3. INVESTMENT RISK DISCLOSURES

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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

Private Equity Pool

Notes to Financial Statements

(Amounts in thousands, except share data)

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|---------|-----------|------------|--------------|
| Regulated investment companies | \$ - | \$ 32,621 | \$ - | \$ 32,621 |
| Investments in other funds | - | - | 549,825 | 549,825 |
| Partnerships | - | - | 445,251 | 445,251 |
| Total | \$ - | \$ 32,621 | \$ 995,076 | \$ 1,027,697 |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2012 was as follows:

| | Investments in other funds | Partnerships |
|---------------------------------------|-------------------------------|--------------|
| Balance at June 30, 2011 | \$ 735,267 | \$ 252,081 |
| Net realized gain | 83,837 | 10,762 |
| Net change in unrealized appreciation | 20,721 | 29,175 |
| Purchases | - | 187,454 |
| Sales | (290,000) | (34,221) |
| Net transfers in/(out) of Level 3 | - | - |
| Balance at June 30, 2012 | \$ 549,825 | \$ 445,251 |

NOTE 5. ADVANCE ON INVESTMENTS IN OTHER FUNDS

As of June 30, 2012, the IMB has recorded an advance on investment in other funds, related to a distribution due from Natural Gas Partners X, L.P. as a result of a subsequent closing of additional limited partners who funded their relative share of capital previously called.

Private Equity Pool

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

NOTE 6. COMMITMENTS

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

NOTE 7. FINANCIAL HIGHLIGHTS

| Per Unit Operating Performance: | |
|---|--------------|
| Net asset value at June 30, 2011 | \$ 10.23 |
| Income from investment operations: | |
| Net investment loss | (0.01) |
| Net realized and unrealized gain on investment transactions | 1.56 |
| Total from investment operations | 1.55 |
| Net asset value at June 30, 2012 | \$ 11.78 |
| | |
| Time-weighted Total Return * | 15.1% |
| | |
| Supplemental Data: | |
| Net assets, end of period | \$ 1,027,938 |
| Ratio to average net assets: | |
| Expenses ** | 0.13% |
| Net investment income ** | -0.12% |
| Portfolio turnover rate | 18.79% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

NOTE 8. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 503,734 |
| Public Employees' Retirement System | 435,948 |
| State Police Death, Disability and Retirement Fund | 48,464 |
| Judges' Retirement System | 12,702 |
| Deputy Sheriff's Retirement System | 11,695 |
| State Police Retirement System | 7,821 |
| Wildlife Endowment Fund | 4,032 |
| Emergency Medical Services Retirement System | 3,525 |
| Municipal Police Officers' and Firefighters' Retirement System | 17 |
| Total | \$ 1,027,938 |

NOTE 9. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

Real Estate Pool

Real Estate Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|------|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | L-1 |
| Schedule of Investments in Securities | L-2 |
| Statement of Operations | L-8 |
| Statement of Changes in Net Assets | L-9 |
| Statement of Cash Flows | L-10 |
| Notes to Financial Statements | L-11 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Real Estate Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 Real Estate Pool as of June 30, 2012, and the results of its operations, changes in net assets, and cash flows for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Real Estate Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | | |
|---|----|----------------|
| Investment securities at fair value | \$ | 636,957 |
| Collateral for securities loaned at fair value (Note 5) | | 4,200 |
| Cash denominated in foreign currencies (cost \$15) | | 15 |
| Receivables: | | |
| Investments sold | | 3,933 |
| Foreign tax withholding | | 16 |
| Interest | | 1,158 |
| Dividends | | 1,180 |
| Securities lending income | | 6 |
| | | <u>6</u> |
| Total assets | | 647,465 |

Liabilities

| | | |
|---|-----------|-----------------------|
| Cash overdraft | | 32 |
| Accrued expenses | | 502 |
| Payable for investments purchased | | 2,537 |
| Payable upon return of securities loaned (Note 5) | | 4,201 |
| | | <u>4,201</u> |
| Total liabilities | | 7,272 |
| Net assets | \$ | <u>640,193</u> |

Analysis net assets

| | | |
|--|-----------|-----------------------|
| Paid-in capital | \$ | 558,719 |
| Accumulated undistributed net investment income | | 15,593 |
| Accumulated undistributed net realized gain from investments | | 25,099 |
| Accumulated undistributed net realized gain from foreign currency transactions | | 263 |
| Unrealized net appreciation of investments | | 40,307 |
| Unrealized net appreciation on translation of assets and liabilities in foreign currencies | | 212 |
| | | <u>212</u> |
| Net assets | \$ | <u>640,193</u> |

Unit data

| | | |
|-----------------------------|----|-------------|
| Units outstanding | | 66,548,998 |
| Net asset value, unit price | \$ | <u>9.62</u> |

See accompanying notes to financial statements.

Real Estate Pool

*******Schedule of Investments in Securities**
June 30, 2012
(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|---|--------|-------------------|------------|
| <u>Investments in Other Funds</u> | | | |
| ABR Chesapeake Investors IV, LP | | \$ 15,000 | \$ 15,175 |
| Investment Objective: To generate a 14% net return to investors through the acquisition of moderately leveraged real estate assets generally valued between \$10 million and \$30 million in the value-add sector. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| AG Core Plus Realty Fund III, L.P. | | 12,500 | 12,782 |
| Investment Objective - To invest in core plus equity real estate investments primarily located in the U.S. that provide opportunities to enhance and stabilize returns, and to generate a gross return ranging from 13% - 15%. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Blackstone RE Partners Europe III, L.P. | | 6,441 | 8,445 |
| Investment Objective -To invest in a broad range of real estate and real estate related investments in Europe. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| BPG Investment Partnership IX, L.P. | | 10,204 | 10,206 |
| Investment Objective -To invest in a broad range of real estate assets in the U.S. in which value can be enhanced through intense operations and asset management, and to generate an internal rate of return in excess of 12%, net of fees, costs, and carried interest. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| CIM VI-1, LLC | | 1,295 | 1,250 |
| To invest in substantially stabilized core real estate and real estate related assets located in urban areas that are experiencing positive transition due to urbanization trends. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| DRA Growth & Income Fund VII, LLC | | 8,631 | 8,817 |
| Investment Objective - To capitalize on inefficiencies in real estate markets and to make real estate investments that provide value-add opportunities expected to provide investors a 12-15% rate of return on their investments. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Invesco Core Real Estate - U.S.A., L.P. | | 30,000 | 39,753 |
| Investment Objective - The Fund will invest in core properties located in the United States. | | | |
| Redemption Provisions - Quarterly with 90 days written notice. | | | |
| A detail of the underlying investments is not available. | | | |
| Kennedy Wilson Real Estate Fund IV, L.P. | | 24,813 | 24,836 |
| Investment Objective - To seek targeted real estate investment in opportunistic and value-add strategies located primarily in the western United States. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |
| Lone Star Real Estate Fund II, L.P. | | 5,639 | 5,925 |
| Investment Objective - To invest in global real estate investments in distressed commercial real estate debt and equity. | | | |
| Redemption Provisions - Upon termination of partnership. | | | |
| A detail of the underlying investments is not available. | | | |

See accompanying notes to financial statements.

Real Estate Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|--|---------|-------------------|------------|
| Lone Star Fund VII, L.P. Investment Objective - To invest in global real estate investments in distressed loans and securities, with a focus on single family and residential assets. Redemption Provisions - Upon termination of partnership. A detail of the underlying investments is not available. | | 6,078 | 7,270 |
| Mesa West Real Estate Income Fund II, L.P. Investment Objective - To originate and service first mortgage and mezzanine loans on middle-market, value-added and traditional commercial real estate assets in the United States. Redemption Provisions - Upon termination of partnership. A detail of the underlying investments is not available. | | 21,137 | 22,592 |
| Oaktree Real Estate Opportunities Fund V, L.P. Investment Objective - To target distressed real estate debt and equity investments that provide an opportunity for substantial long-term capital appreciation and current income. Redemption Provisions - Upon termination of partnership. A detail of the underlying investments is not available. | | 21,500 | 21,963 |
| Quadrant Fund I, LLC Investment Objective - To achieve a highly stable dividend yield and attractive total return by investing in real estate assets on a relative value basis across private and public, debt and equity investments. Redemption Provisions - Quarterly on the last business day. No underlying investments exceed 5% of net assets of the Private Real Estate Pool. | | 15,000 | 12,754 |
| RCG Longview Debt Fund IV, L.P. Investment Objective - To generate attractive risk-adjusted returns by capitalizing on inefficiencies in the commercial real estate lending marketplace by making debt and debt-like investments in real estate assets. Redemption Provisions - Upon termination of partnership. A detail of the underlying investments is not available. | | 28,690 | 26,195 |
| RREEF America REIT II, Inc. Investment Objective - To invest in a portfolio of core equity investments in income producing real property diversified by property type and geographically in the United States. Redemption Provisions - Quarterly with 45 days written notice. A detail of the underlying investments is not available. | | 30,000 | 37,134 |
| UBS Trumbull Property Fund Investment Objective - To invest in a portfolio of core equity investments in income producing real property diversified by property type and geographically in the United States. Redemption Provisions - Quarterly with 60 days written notice. A detail of the underlying investments is not available. | | 50,000 | 57,966 |
| Total Investments in Other Funds - 48.9% | | 286,928 | 313,063 |
| <u>Equity Securities</u> | | | |
| <i>Australia</i> | | | |
| Centro Retail Australia | 83,000 | 164 | 168 |
| CFS Retail Property Trust | 91,957 | 169 | 183 |
| Dexus Property Group | 327,200 | 263 | 312 |
| Goodman Group | 90,405 | 279 | 340 |
| GPT Group | 120,880 | 345 | 408 |
| Investa Office Fund | 52,100 | 118 | 145 |
| Mirvac Group | 44,800 | 57 | 59 |
| Stockland | 167,100 | 613 | 528 |
| Westfield Group | 89,600 | 893 | 873 |
| Westfield Retail Trust | 131,690 | 270 | 385 |
| <i>Total Australia - 0.5%</i> | | 3,171 | 3,401 |
| <i>Bermuda</i> | | | |
| Great Eagle Holdings Ltd | 15,000 | 44 | 38 |
| Hongkong Land Holdings | 143,084 | 861 | 817 |
| Kerry Properties Ltd | 185,800 | 945 | 792 |

See accompanying notes to financial statements.

Real Estate Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|--------------------------------------|---------|-------------------|------------|
| Shangri-La Asia Ltd | 240,416 | 544 | 458 |
| <i>Total Bermuda - 0.3%</i> | | 2,394 | 2,105 |
| <i>Brazil</i> | | | |
| Sonae Sierra Brasil - 0.0% | 3,800 | 46 | 55 |
| <i>Canada</i> | | | |
| Boardwalk | 11,900 | 548 | 684 |
| Calloway | 6,200 | 141 | 170 |
| Canadian | 3,000 | 100 | 120 |
| Cominar Real Estate Investment | 2,600 | 52 | 61 |
| Primaris Retail | 2,500 | 46 | 58 |
| RioCan | 43,584 | 1,040 | 1,184 |
| <i>Total Canada - 0.4%</i> | | 1,927 | 2,277 |
| <i>Cayman Islands</i> | | | |
| Agile Property Holdings Ltd | 139,000 | 170 | 178 |
| China Resources Land Ltd | 76,000 | 149 | 155 |
| Country Garden Holdings Co | 444,787 | 180 | 174 |
| Lifestyle International Hldngs | 310,000 | 704 | 676 |
| Longfor Properties | 55,000 | 78 | 86 |
| <i>Total Cayman Islands - 0.2%</i> | | 1,281 | 1,269 |
| <i>China</i> | | | |
| Guangzhou R&F Properties Corp - 0.0% | 185,000 | 284 | 243 |
| <i>France</i> | | | |
| Fonciere des Regions | 832 | 62 | 60 |
| ICADE | 6,810 | 716 | 515 |
| Klepierre | 14,634 | 519 | 481 |
| Societe Immobiliere de Locatio | 860 | 106 | 82 |
| Unibail-Rodamco | 6,740 | 1,362 | 1,241 |
| <i>Total France - 0.4%</i> | | 2,765 | 2,379 |
| <i>Germany</i> | | | |
| Deutsche Wohnen AG-BR | 2,800 | 44 | 47 |
| GSW Immobilien AG | 5,707 | 164 | 195 |
| <i>Total Germany - 0.0%</i> | | 208 | 242 |
| <i>Hong Kong</i> | | | |
| China Overseas Land & Invstmnt | 320,000 | 654 | 742 |
| Hang Lung Properties Ltd | 270,000 | 1,133 | 912 |
| Hysan Development Company | 193,192 | 705 | 730 |
| Link REIT | 118,600 | 399 | 484 |
| Sino Land Company Ltd. | 131,612 | 196 | 197 |
| Sun Hung Kai Properties Ltd | 47,552 | 724 | 559 |
| Wharf Hldgs Ltd | 76,720 | 465 | 421 |
| <i>Total Hong Kong - 0.6%</i> | | 4,276 | 4,045 |
| <i>Japan</i> | | | |
| AEON Mall Company Ltd | 26,000 | 593 | 550 |
| Daiwa House Industry Co Ltd | 42,000 | 458 | 593 |
| Japan Real Estate Inv Corp | 34 | 305 | 311 |
| Japan Retail Fund Inv Corp | 88 | 125 | 140 |
| Kenedix Realty Investment Corp | 22 | 79 | 71 |
| Mitsubishi Estate Co Ltd | 75,137 | 1,285 | 1,335 |
| Mitsui Fudosan Co Ltd | 84,600 | 1,518 | 1,622 |
| Nippon Accommodations Fund | 12 | 78 | 78 |
| Nippon Building Fund Inc | 9 | 86 | 87 |
| Nomura Real Estate Holdings | 7,100 | 130 | 129 |
| Sumitomo Realty & Development | 4,000 | 83 | 97 |
| Tokyo Tatemono Company Ltd | 45,000 | 156 | 168 |
| United Urban Investment Corp | 56 | 59 | 60 |
| <i>Total Japan - 0.8%</i> | | 4,955 | 5,241 |

See accompanying notes to financial statements.

Real Estate Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|--|---------|-------------------|------------|
| <i>Netherlands</i> | | | |
| Corio NV - 0.0% | 4,674 | 261 | 205 |
| <i>Singapore</i> | | | |
| CapitaCommercial Trust | 257,000 | 273 | 257 |
| CapitaLand Ltd | 305,804 | 854 | 652 |
| CapitaMall Trust | 112,000 | 164 | 169 |
| City Developments Ltd | 66,000 | 582 | 584 |
| Global Logistic Properties | 121,700 | 191 | 201 |
| Keppel Land Ltd | 41,000 | 108 | 104 |
| Wing Tai Holdings Ltd | 176,000 | 230 | 185 |
| <i>Total Singapore - 0.3%</i> | | 2,402 | 2,152 |
| <i>Spain</i> | | | |
| Melia International SA - 0.1% | 60,000 | 506 | 349 |
| <i>Sweden</i> | | | |
| Castellum AB | 28,288 | 342 | 342 |
| Hufvudstaden AB | 6,780 | 71 | 73 |
| <i>Total Sweden - 0.1%</i> | | 413 | 415 |
| <i>Thailand</i> | | | |
| Central Pattana Public Company - 0.1% | 325,200 | 301 | 476 |
| <i>United Kingdom</i> | | | |
| British Land Company PLC | 24,416 | 191 | 195 |
| Derwent London PLC | 30,740 | 722 | 893 |
| Great Portland Estates PLC | 74,974 | 387 | 463 |
| Hammerson PLC | 107,370 | 706 | 746 |
| Land Securities Group PLC | 88,805 | 942 | 1,029 |
| Safestore Holdings PLC | 33,000 | 66 | 53 |
| SEGRO | 30,062 | 118 | 102 |
| Shaftesbury PLC | 33,433 | 218 | 270 |
| <i>Total United Kingdom - 0.6%</i> | | 3,350 | 3,751 |
| <i>United States</i> | | | |
| Alexandria Real Estate Equity | 6,200 | 446 | 451 |
| American Campus Communities | 8,300 | 252 | 373 |
| American Tower REIT Inc | 2,900 | 193 | 203 |
| Apartment Investment & Mgmt Co | 82,000 | 2,053 | 2,216 |
| Apartment Investment & Mgmt Co - Preferred Stock | 315,000 | 7,881 | 7,884 |
| Ashford Hospitality Trust - Preferred Stock | 13,000 | 307 | 325 |
| Avalonbay Communities Inc | 28,900 | 3,712 | 4,088 |
| BioMed Realty Trust Inc | 81,150 | 1,483 | 1,516 |
| Boston Properties Inc | 41,200 | 3,894 | 4,465 |
| Brandywine Realty Trust - Preferred Stock | 16,702 | 415 | 424 |
| BRE Properties Inc | 7,500 | 324 | 375 |
| Brookfield Properties Corp | 42,300 | 703 | 737 |
| CBL & Associates Properties - Preferred Stock | 218,350 | 5,326 | 5,579 |
| Colonial Properties Trust | 75,100 | 1,571 | 1,663 |
| Commonwealth REIT - Preferred Stock | 75,000 | 1,852 | 2,036 |
| Corporate Office Properties | 55,350 | 1,268 | 1,301 |
| DDR Corp | 50,700 | 607 | 742 |
| DDR Corp - Preferred Stock | 100,000 | 2,495 | 2,507 |
| Douglas Emmett Inc | 17,700 | 350 | 409 |
| Duke Realty Corp - Preferred Stock | 480,000 | 12,528 | 12,619 |
| Equity Lifestyle Properties - Preferred Stock | 100,000 | 2,523 | 2,610 |
| Equity Residential | 112,250 | 6,408 | 7,000 |
| Essex Property Trust Inc | 9,100 | 1,104 | 1,401 |
| Extra Space Storage Inc | 44,650 | 1,164 | 1,366 |
| Federal Realty Investment Trst | 15,500 | 1,355 | 1,613 |
| General Growth Properties Inc | 183,934 | 2,897 | 3,327 |
| Glimcher Realty Trust - Preferred Stock | 215,000 | 5,160 | 5,429 |
| HCP Inc | 115,850 | 4,611 | 5,114 |

See accompanying notes to financial statements.

Real Estate Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|---|------------|-------------------|----------------|
| Health Care REIT | 69,550 | 3,714 | 4,055 |
| Highwoods Properties Inc | 4,400 | 141 | 148 |
| Host Hotels & Resorts Inc | 243,550 | 3,784 | 3,853 |
| Hudson Pacific Properties - Preferred Stock | 500,000 | 12,593 | 13,330 |
| Kilroy Realty Corporation | 6,000 | 268 | 290 |
| Kimco Realty Corporation | 17,600 | 322 | 335 |
| Liberty Property Trust | 10,800 | 349 | 398 |
| Macerich Company | 43,400 | 2,246 | 2,563 |
| Mack-Cali Realty Corp | 73,150 | 2,025 | 2,126 |
| Parkway Properties Inc - Preferred Stock | 63,000 | 1,581 | 1,578 |
| Pebblebrook Hotel Trust | 4,200 | 83 | 98 |
| Post Properties Inc | 7,000 | 292 | 343 |
| Prologis Inc | 166,381 | 5,205 | 5,529 |
| Public Storage | 41,750 | 5,411 | 6,029 |
| Regency Centers Corp | 48,500 | 2,042 | 2,307 |
| Simon Property Group | 70,970 | 8,762 | 11,047 |
| SL Green Realty Corp | 47,150 | 3,342 | 3,783 |
| SL Green Realty Corp - Preferred Stock | 389,000 | 9,741 | 9,904 |
| STAG Industrial Inc - Preferred Stock | 45,750 | 1,150 | 1,182 |
| Starwood Hotels & Resorts Inc | 29,350 | 1,572 | 1,556 |
| Tanger Factory Outlet Centers | 6,400 | 160 | 205 |
| Taubman Centers Inc | 9,400 | 445 | 725 |
| Taubman Centers Inc - Preferred Stock | 41,000 | 1,035 | 1,043 |
| UDR Inc | 123,050 | 3,074 | 3,180 |
| Ventas Inc | 85,800 | 4,444 | 5,415 |
| Vornado Realty Trust | 40,450 | 3,288 | 3,397 |
| <i>Total United States - 25.4%</i> | | <u>149,951</u> | <u>162,192</u> |
| Total Equity Securities - 29.8% | | 178,491 | 190,797 |
| <u>Short-term Issues</u> | | | |
| Dreyfus Cash Management Institutional Fund - 2.9% | 18,676,948 | 18,677 | 18,677 |

(Continued)

See accompanying notes to financial statements.

Real Estate Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Coupon | Yield | Maturity | Par Value, Shares or Contracts | Amortized Cost | Fair Value |
|--|---------|---------|------------|-----------------------------------|-------------------|------------|
| <u>Corporate Issues</u> | | | | | | |
| <i>Corporate Bonds</i> | | | | | | |
| Colonial Realty LP | 6.150 % | 2.714 % | 04/15/2013 | 1,836 | \$ 1,885 | \$ 1,883 |
| Colonial Realty LP | 6.250 | 3.959 | 06/15/2014 | 9,793 | 10,212 | 10,370 |
| Colonial Realty LP | 5.500 | 4.489 | 10/01/2015 | 6,759 | 6,963 | 7,147 |
| Colonial Realty LP | 6.050 | 4.951 | 09/01/2016 | 2,000 | 2,082 | 2,158 |
| Commonwealth REIT | 5.750 | 4.215 | 11/01/2015 | 1,226 | 1,284 | 1,277 |
| Commonwealth REIT | 6.250 | 4.845 | 08/15/2016 | 4,000 | 4,208 | 4,221 |
| Commonwealth REIT | 6.250 | 5.024 | 06/15/2017 | 5,000 | 5,266 | 5,349 |
| Corporate Office Property LP | 4.250 | 4.469 | 04/15/2030 | 19,518 | 18,997 | 19,201 |
| DDR Corp | 9.630 | 4.919 | 03/15/2016 | 2,772 | 3,209 | 3,367 |
| Equity One, Inc | 6.000 | 4.272 | 09/15/2016 | 400 | 426 | 440 |
| Health Care REIT | 3.630 | 3.886 | 03/15/2016 | 12,000 | 11,894 | 12,337 |
| Health Care REIT | 6.200 | 4.217 | 06/01/2016 | 1,100 | 1,178 | 1,211 |
| Hospitality Properties Trust | 5.130 | 4.362 | 02/15/2015 | 1,440 | 1,467 | 1,482 |
| Kilroy Realty Corporation | 5.000 | 3.817 | 11/03/2015 | 2,212 | 2,293 | 2,354 |
| Prolgois LP | 5.630 | 4.078 | 11/15/2015 | 2,560 | 2,683 | 2,790 |
| Prolgois LP | 5.750 | 4.069 | 04/01/2016 | 6,000 | 6,347 | 6,552 |
| Prolgois LP | 2.630 | 2.671 | 05/15/2038 | 11,500 | 11,401 | 11,500 |
| Reckson Operating Partnership | 5.880 | 4.083 | 08/15/2014 | 6,586 | 6,823 | 6,892 |
| Reckson Operating Partnership | 6.000 | 4.561 | 03/31/2016 | 7,250 | 7,606 | 7,705 |
| Rouse Company | 5.380 | 5.375 | 11/26/2013 | 4,701 | 4,701 | 4,748 |
| Senior Housing Prop Trust | 4.300 | 4.627 | 01/15/2016 | 1,435 | 1,419 | 1,436 |
| Total Corporate Bonds - 17.9% | | | | | 112,344 | 114,420 |
| Total Investment Securities - 99.5% | | | | | \$ 596,440 | \$ 636,957 |
| <u>Collateral for Securities Loaned</u> | | | | | | |
| BNY Mellon Securities Lending Overnight Fund | | | | | \$ 4,163 | \$ 4,163 |
| Mellon SL DBT II Liquidating Fund | | | | | 38 | 37 |
| Total Collateral for Securities Loaned | | | | | \$ 4,201 | \$ 4,200 |

See accompanying notes to financial statements.

Real Estate Pool

Statement of Operations Year Ended June 30, 2012 *(Amounts in thousands)*

Investment income

| | | |
|--|----|-------|
| Interest | \$ | 2,448 |
| Operating income from real estate partnerships | | 1,938 |
| Dividends, net of foreign withholding taxes | | 5,458 |
| Fund closing interest | | 108 |
| Net amortization | | (387) |
| Securities lending income | | 7 |
| Securities lending borrower premiums | | 44 |
| | | <hr/> |
| Total investment income | | 9,616 |

Expenses

| | | |
|-------------------------------|--|---------|
| Investment advisor fees | | (1,253) |
| Trustee fees | | (1) |
| Custodian bank fees | | (84) |
| Management fees | | (136) |
| Fiduciary bond fees | | (1) |
| Professional service fees | | (522) |
| Management fees - external | | (1,083) |
| Securities lending agent fees | | (10) |
| | | <hr/> |
| Total expenses | | (3,090) |
| | | <hr/> |
| Investment income, net | | 6,526 |

Realized and unrealized gain (loss) from investments and foreign currency

| | | |
|---|----|-------------|
| Net realized gain from: | | |
| Investments | | 3,397 |
| Foreign currency transactions | | 138 |
| Net increase (decrease) in the fair value of: | | |
| Investments | | 31,145 |
| Translation of assets and liabilities in foreign currencies | | (1,025) |
| | | <hr/> |
| Net gain from investments and foreign currency | | 33,655 |
| | | <hr/> |
| Net increase in net assets from operations | \$ | 40,181 |
| | | <hr/> <hr/> |

See accompanying notes to financial statements.

Real Estate Pool

Statement of Changes in Net Assets

Year Ended June 30, 2012

(Amounts in thousands, except unit data)

Operations

| | | |
|---|----|----------------|
| Investment income, net | \$ | 6,526 |
| Net realized gain from investments | | 3,397 |
| Net realized gain from foreign currency transactions | | 138 |
| Net increase in the fair value of investments | | 31,145 |
| Net decrease in the translation of assets and liabilities in foreign currencies | | <u>(1,025)</u> |

Net increase in net assets from operations 40,181

Unit transactions

| | | |
|-------------------------------------|--|----------------|
| Proceeds from sale of units | | 353,575 |
| Amount paid for repurchase of units | | <u>(1,394)</u> |

Net increase in net assets from unit transactions 352,181

Increase in net assets 392,362

Net assets, beginning of period 247,831

Net assets, end of period \$ 640,193

Unit data

| | | |
|-------------------|--|------------------|
| Units sold | | 39,055,838 |
| Units repurchased | | <u>(156,003)</u> |

Net increase in units 38,899,835

See accompanying notes to financial statements.

Real Estate Pool

Statement of Cash Flows Year Ended June 30, 2012 (Amounts in thousands)

Cash flows from operating activities

| | | |
|---|----|------------------|
| Net increase in net assets from operations | \$ | 40,181 |
| Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities: | | |
| Purchase of investment securities | | (427,156) |
| Proceeds from disposition of investment securities | | 72,876 |
| Purchases and sales of short-term investment securities, net | | (1,666) |
| Increase in receivable for investments sold | | (3,825) |
| Increase in foreign tax withholding receivable | | (4) |
| Increase in interest receivable | | (1,158) |
| Increase in dividends receivable | | (1,036) |
| Increase in securities lending receivable | | (4) |
| Increase in accrued expenses | | 325 |
| Increase in payable for investments purchased | | 2,537 |
| Net amortization | | 387 |
| Net realized gain from investments | | (3,397) |
| Net realized gain from foreign currency transactions | | (138) |
| Net increase in the fair value of investments | | (31,145) |
| Net decrease in the translation of assets and liabilities in foreign currencies | | 1,025 |
| | | <u>1,025</u> |
| Net cash used in operating activities | | (352,198) |

Cash flows from financing activities

| | | |
|--|--|----------------|
| Proceeds from units sold | | 353,575 |
| Paid for repurchase of units | | (1,394) |
| | | <u>(1,394)</u> |
| Net cash provided by financing activities | | 352,181 |
| | | |
| Net change in cash | | (17) |

Cash

| | | |
|-------------------|----|--------------------|
| Beginning balance | | - |
| Ending balance | \$ | <u><u>(17)</u></u> |

See accompanying notes to financial statements.

Real Estate Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

The accompanying financial statements reflect only the investments and investment related operations of the IMB's Real Estate 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.

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$313,063 of such investments in partnerships and other investment funds which are reported at fair value. For all of these investments, the IMB has concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. 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

Real Estate Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 carrying amount of such investments is a reasonable estimate of fair value as of June 30, 2012. Foreign currency forward contracts have relatively short durations and are valued at the prevailing market exchange rates at month end. Investments in REITs are carried at fair value, which is determined by a third party pricing service based on quoted market prices. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions. Commissions on the purchases of securities by the IMB are a component of the security price quoted by the seller and are included in the investment cost.

Security Loans - The IMB, through its agent, the Bank of New York Mellon, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102 percent of the market value of the securities loaned. For international securities, the collateral is at least 105 percent of the market value of the securities on loan. Cash collateral received is invested in the BNY Institutional Cash Reserves Trust, specifically the BNY Mellon Securities Lending Overnight Fund, and the Mellon GSL Reinvestment Trust, specifically the Mellon SL DBT II Liquidating Fund. Cash collateral received is reported at fair value on the Statement of Assets and Liabilities. Securities loaned remain on the Statement of Assets and Liabilities and Schedule of Investments in Securities. 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. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses, and unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of investments. 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 Operations as net increase or decrease in the fair value of investments.

Foreign Currency - Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at exchange rates reported by the Bank of New York Mellon on the following basis:

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

The IMB isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from market prices of securities held.

Reported net realized foreign exchange gains and losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities including investments in securities at month end, resulting from changes in the exchange rate.

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 managers enter into such contracts to hedge the assets and liabilities related to securities denominated in a foreign currency. 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

Real Estate Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

end. An unrealized gain or loss is recorded as the difference between the amount valued at month end and the amount to be received or paid at the expiration date. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires.

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on investments in real estate funds are recognized when the real estate fund has realized its interest in a portfolio holding and we have sufficient information as to the amount and date of the distribution. Gains and losses on the sale of other investments are recognized at the time of sale by the average cost method.

Interest Income - Interest income is recognized as earned on the accrual method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

Operating Income - Operating income from real estate partnerships is recognized when distributed to the partners.

Amortization - Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

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 Assets and Liabilities. Dividend income is reported net of withheld taxes on the Statement of Operations.

NOTE 3. INVESTMENT RISK DISCLOSURES

Credit Risk

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

Real Estate Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

At June 30, 2012, the Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's collateral reinvestment fund.

Interest Rate Risk

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

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

Foreign Currency Risk

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

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

Real Estate Pool

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

NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Corporate bonds | \$ - | \$ 114,420 | \$ - | \$ 114,420 |
| Equity securities | 190,797 | - | - | 190,797 |
| Regulated investment companies | - | 18,677 | - | 18,677 |
| Investments in other funds | - | - | 313,063 | 313,063 |
| Securities lending collateral funds | - | 4,200 | - | 4,200 |
| Total | <u>\$ 190,797</u> | <u>\$ 137,297</u> | <u>\$ 313,063</u> | <u>\$ 641,157</u> |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2012 was as follows:

| | Investments in other funds |
|---------------------------------------|-------------------------------|
| Balance at June 30, 2011 | \$ 175,132 |
| Net realized gain | 2,506 |
| Net change in unrealized appreciation | 21,519 |
| Purchases | 121,518 |
| Sales | (7,612) |
| Net transfers in/(out) of Level 3 | - |
| Balance at June 30, 2012 | <u>\$ 313,063</u> |

Real Estate Pool

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

NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2012.

| | | | | | |
|----------------------------------|----|--------------|-------------------|------------------------|--|
| Fair value of securities on loan | \$ | 3,963 | | | |
| Initial collateral received: | | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Loss</u> | |
| Cash | \$ | <u>4,201</u> | \$ 4,200 | <u>\$ (1)</u> | |
| Non-cash | | | - | | |
| Total | | | <u>\$ 4,200</u> | | |

NOTE 6. COMMITMENTS

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

NOTE 7. FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2012, open foreign currency forward contracts are as follows:

| Position | Foreign Currency | Inception Date | Expiration Date | Receivable | | Payable | | Unrealized Gain (Loss) |
|----------|--------------------|----------------|-----------------|-----------------------|--------------------|-----------------------|--------------------|------------------------|
| | | | | (in foreign currency) | (in U. S. dollars) | (in foreign currency) | (in U. S. dollars) | |
| Long | Australian Dollar | 06/27/2012 | 07/02/2012 | 35 | \$ 35 | \$ 35 | - | - |
| Long | Euro Currency Unit | 06/28/2012 | 07/02/2012 | 1 | 2 | 2 | - | - |
| Long | Hong Kong Dollar | 06/29/2012 | 07/03/2012 | 95 | 12 | 12 | - | - |
| Short | British Pound | 06/27/2012 | 07/02/2012 | | 9 | 6 | 9 | - |
| Short | British Pound | 06/28/2012 | 07/03/2012 | | 4 | 3 | 4 | - |
| Short | British Pound | 06/29/2012 | 07/05/2012 | | 14 | 9 | 14 | - |
| Short | Euro Currency Unit | 06/27/2012 | 07/02/2012 | | 4 | 3 | 4 | - |
| Short | Hong Kong Dollar | 06/28/2012 | 07/03/2012 | | 21 | 160 | 21 | - |
| Short | Hong Kong Dollar | 06/29/2012 | 07/03/2012 | | - | 1 | - | - |
| Short | Hong Kong Dollar | 06/29/2012 | 07/03/2012 | | 1 | 8 | 1 | - |
| Short | Hong Kong Dollar | 06/29/2012 | 07/03/2012 | | 9 | 73 | 9 | - |
| Short | Hong Kong Dollar | 06/29/2012 | 07/05/2012 | | 13 | 102 | 13 | - |
| Short | Singapore Dollar | 06/27/2012 | 07/02/2012 | | 3 | 4 | 3 | - |
| Short | Singapore Dollar | 06/28/2012 | 07/03/2012 | | 2 | 2 | 2 | - |
| Short | Singapore Dollar | 06/29/2012 | 07/05/2012 | | 3 | 4 | 3 | - |
| | | | | | <u>\$ 132</u> | | <u>\$ 132</u> | <u>\$ -</u> |

The contracts listed above were initiated to correspond to transactions in securities trading in foreign currencies. The fair value, gains and losses, and risks are not material to the Pool.

Real Estate Pool

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

NOTE 8. FINANCIAL HIGHLIGHTS

Per Unit Operating Performance:

| | | |
|---|----|--------|
| Net asset value at June 30, 2011 | \$ | 8.96 |
| Income from investment operations: | | |
| Net investment income | | 0.14 |
| Net realized and unrealized gain on investment transactions | | 0.54 |
| Net decrease in the translation of assets and liabilities in foreign currencies | | (0.02) |
| Total from investment operations | | 0.66 |
| Net asset value at June 30, 2012 | \$ | 9.62 |

Time-weighted Total Return * 7.5%

Supplemental Data:

| | | |
|------------------------------|----|---------|
| Net assets, end of period | \$ | 640,193 |
| Ratio to average net assets: | | |
| Expenses ** | | 0.72% |
| Net investment income ** | | 1.52% |
| Portfolio turnover rate | | 18.08% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

NOTE 9. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 312,255 |
| Public Employees' Retirement System | 273,496 |
| State Police Death, Disability and Retirement Fund | 29,721 |
| Judges' Retirement System | 7,928 |
| Deputy Sheriff's Retirement System | 7,273 |
| State Police Retirement System | 4,829 |
| Wildlife Endowment Fund | 2,503 |
| Emergency Medical Services Retirement System | 2,177 |
| Municipal Police Officers' and Firefighters' Retirement System | 11 |
| Total | \$ 640,193 |

NOTE 10. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

June 30, 2012

Hedge Fund Pool

Hedge Fund Pool

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|---------------------------------------|-----|
| Independent Auditors' Report | |
| Statement of Assets and Liabilities | M-1 |
| Schedule of Investments in Securities | M-2 |
| Statement of Operations | M-6 |
| Statement of Changes in Net Assets | M-7 |
| Statement of Cash Flows | M-8 |
| Notes to Financial Statements | M-9 |



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of assets and liabilities of The West Virginia Investment Management Board (WVIMB) Hedge Fund Pool, including the schedule of investments in securities, as of June 30, 2012, and the related statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of WVIMB management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVIMB's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on a basis of accounting following generally accepted accounting principles established by the Financial Accounting Standards Board and American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than generally accepted accounting principles for state and local governments established by the Government Accounting Standards Board.

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 as of June 30, 2012, and the results of its operations, changes in net assets, and cash flows for the year then ended, on the basis of accounting described in note 1.

KPMG LLP

September 20, 2012

Hedge Fund Pool

Statement of Assets and Liabilities

June 30, 2012

(Amounts in thousands, except unit data)

Assets

| | |
|---|-------------------|
| Investment securities at fair value | \$ 1,033,463 |
| Advance on investment in other funds (Note 5) | 130,000 |
| Receivables: | |
| Investments sold | 69,372 |
| Accrued Interest | 15 |
| Dividends | 9 |
| | <u> </u> |
| Total assets | 1,232,859 |

Liabilities

| | |
|-------------------|----------------------------|
| Accrued expenses | <u>186</u> |
| Net assets | <u>\$ 1,232,673</u> |

Analysis of net assets

| | |
|--|----------------------------|
| Paid-in capital | \$ 1,127,693 |
| Accumulated undistributed net investment loss | (3,447) |
| Accumulated undistributed net realized gain from investments | 9,784 |
| Unrealized net appreciation of investments | 98,643 |
| | <u> </u> |
| Net assets | <u>\$ 1,232,673</u> |

Unit data

| | |
|-----------------------------|-----------------|
| Units outstanding | 112,539,354 |
| Net asset value, unit price | <u>\$ 10.95</u> |

See accompanying notes to financial statements.

Hedge Fund Pool

*******Schedule of Investments in Securitigu**
June 30, 2012
(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|---|--------|-------------------|------------|
| <u>Investments in Other Funds</u> | | | |
| AllBlue Limited | | \$ 48,048 | \$ 67,819 |
| Investment Objective - To provide consistent long-term appreciation of assets through active investment in a diversified portfolio. | | | |
| Redemption Provisions - Monthly on the first business day with 33 days prior written notice subject to provisions on maximum withdrawals. | | | |
| A detail of the underlying investments is not available. | | | |
| AQR Delta Offshore Fund II, Ltd. | | 29,975 | 29,900 |
| Investment Objective - To produce high, risk-adjusted returns while targeting a low, long-term correlation to traditional markets. | | | |
| Redemption Provisions - Semi-monthly with 15 days prior written notice. | | | |
| A detail of the underlying investments is not available. | | | |
| Anchorage Capital Partners Offshore, Ltd. | | 30,000 | 30,696 |
| Investment Objective - To earn superior risk-adjusted returns while emphasizing preservation of capital. | | | |
| Redemption Provisions - Hard lock-up through September 30, 2011 then annually with 90 days prior written notice subject to provisions on maximum withdrawals. | | | |
| A detail of the underlying investments is not available. | | | |
| Brevan Howard Fund Limited | | 38,256 | 50,602 |
| Investment Objective - To generate consistent long-term appreciation through active leveraged trading and investment on a global basis. | | | |
| Redemption Provisions - Monthly with 90 days prior written notice subject to provisions on maximum withdrawals. | | | |
| A detail of the underlying investments is not available. | | | |
| Bridgewater Pure Alpha Ltd. | | 38,624 | 54,344 |
| Investment Objective - To achieve substantial capital appreciation in a wide range of asset classes using proprietary investment systems. | | | |
| Redemption Provisions - Monthly with 5 days prior written notice. | | | |
| A detail of the underlying investments is not available. | | | |
| Bridgewater Pure Alpha Major Markets, Ltd. | | 13,900 | 14,789 |
| Investment Objective - To achieve substantial capital appreciation in a wide range of asset classes using proprietary investment systems. | | | |
| Redemption Provisions - Monthly with 5 days prior written notice. | | | |
| A detail of the underlying investments is not available. | | | |
| CQS Convertible & Quantitative Strategies | | 33,234 | 32,422 |
| Investment Objective - To achieve attractive risk-adjusted returns over the medium to long term. | | | |
| Redemption Provisions - Monthly with 90 days prior written notice subject to provisions on maximum withdrawals. | | | |
| A detail of the underlying investments is not available. | | | |

See accompanying notes to financial statements.

Hedge Fund Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|---|--------|-------------------|------------|
| Davidson Kempner International, Ltd. Investment Objective - To achieve capital appreciation. Redemption Provisions - Quarterly with 60 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available. | | 57,917 | 72,774 |
| Double Black Diamond Ltd. Investment Objective - To produce returns substantially in excess of those derived from risk-free investments without a substantial increase in overall risk. Redemption Provisions - Hard lock-up through December 31, 2011 then quarterly with 60 days prior written notice subject to maximum withdrawal provisions. A detail of the underlying investments is not available. | | 60,000 | 60,429 |
| GoldenTree Offshore Fund, Ltd. Investment Objective - To achieve superior risk-adjusted total returns through investments in public and private non-investment grade and nonrated debt securities. Redemption Provisions - Quarterly with 90 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available. | | 31,280 | 40,887 |
| Graham Global Investment Fund II, Ltd. Investment Objective - To achieve long-term capital appreciation through professionally managed trading in derivative instruments of global fixed income, foreign exchange, commodities, and other stock indices. Redemption Provisions - Monthly with 3 days prior written notice. A detail of the underlying investments is not available. | | 30,000 | 25,140 |
| Highbridge Capital Corporation Investment Objective - To attain consistent capital appreciation with low volatility through arbitrage and absolute return investment strategies in the global equity and corporate debt securities markets. Redemption Provisions - Redemption has been requested and proceeds will be paid subject to provisions on maximum withdrawals and upon liquidation of investments. A detail of the underlying investments is not available. | | 12,135 | 12,900 |
| Ivory Offshore Flagship Fund, Ltd. Investment Objective - To take long and short positions primarily in equity securities of publicly traded companies. Redemption Provisions - Quarterly with 45 days prior written notice. A detail of the underlying investments is not available. | | 27,487 | 29,445 |

See accompanying notes to financial statements.

Hedge Fund Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|--|--------|-------------------|------------|
| Magnetar Capital Fund II, Ltd. Investment Objective - To achieve superior risk-adjusted returns. Redemption Provisions - Quarterly with 90 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available. | | 73,638 | 76,022 |
| MW Eureka Fund Investment Objective - To provide investors with above average absolute returns primarily through investing and trading in equities and equity related instruments. Redemption Provisions - Monthly with 30 days prior written notice. A detail of the underlying investments is not available. | | 45,000 | 48,301 |
| M&G Episode Inc. Investment Objective - To deliver attractive returns with appropriate volatility by seeking to exploit the mis-pricing of asset class and intra-asset class risk. Redemption Provisions - Monthly with 30 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available. | | 28,247 | 27,658 |
| O'Connor Global Multi-Strategy Alpha, Ltd. Investment Objective - To realize consistently high risk-adjusted appreciation in the value of its assets. Redemption Provisions - Quarterly with 60 days prior written notice. A detail of the underlying investments is not available. | | 51,959 | 69,104 |
| OZ Asia Overseas Fund, Ltd. Investment Objective - To achieve consistent, absolute returns with low volatility primarily by seeking to exploit pricing inefficiencies in equity debt securities of Asian companies. Redemption Provisions - Hard lock-up through September 30, 2011 then annually with 45 days prior written notice. A detail of the underlying investments is not available. | | 40,000 | 42,136 |
| Perry Partners International, Inc. Investment Objective - To achieve positive annual returns accompanied by a low level of beta and volatility in correlation relative to equity markets. Redemption Provisions - Quarterly with 90 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available. | | 60,000 | 68,060 |
| Pershing Square International, Ltd. Investment Objective - To invest in long and short investment opportunities that exhibit significant valuation discrepancies between current trading prices and intrinsic business value. Redemption Provisions - Hard lockup until September 2013, then quarterly with 65 days prior written notice subject to maximum withdrawal restrictions. A detail of the underlying investments is not available. | | 30,000 | 32,855 |

See accompanying notes to financial statements.

Hedge Fund Pool

Schedule of Investments in Securities (continued)

June 30, 2012

(Amounts in thousands, except share data)

| Security Name | Shares | Amortized Cost | Fair Value |
|---|---------|-------------------|---------------------|
| PFM Diversified Offshore Fund Investment Objective - To generate attractive risk-adjusted capital appreciation by employing a variety of strategies primarily focused in liquid equity markets. Redemption Provisions - Eighty-five percent lockup until January 2015, then every three years with 45 days prior written notice and subject to maximum withdrawal restrictions. A detail of the underlying investments is not available. | | 45,000 | 43,951 |
| Shepherd Investments International, Ltd. Investment Objective - To achieve an attractive rate of return, relative to the level of risk assumed. Redemption Provisions - Redemption has been requested and proceeds will be paid subject to provisions on maximum withdrawals and upon liquidation of investments. A detail of the underlying investments is not available. | | 3,023 | 3,017 |
| Taconic Opportunity Offshore Fund Ltd. Investment Objective - To provide solid risk-adjusted, absolute returns by focusing on bottom-up, research-driven, probabilistic investing. Redemption Provisions - Quarterly with 60 days prior written notice subject to provisions on maximum withdrawals. A detail of the underlying investments is not available. | | 60,000 | 64,744 |
| Tenor Opportunity Fund, Ltd. Investment Objective - To generate attractive risk-adjusted returns by employing a variety of strategies primarily focused on convertible arbitrage. Redemption Provisions - Quarterly with 60 days prior written notice subject to to maximum withdrawal provisions. A detail of the underlying investments is not available. | | 29,999 | 30,866 |
| VICIS Capital Fund (International) The IMB has elected to withdraw from the VICIS Capital fund. Our redemption has been requested and proceeds will be paid to us as investments are liquidated. | | 16,620 | 4,124 |
| Total Investment in Other Funds - 83.8% | | 934,342 | 1,032,985 |
| <u>Short-term Issues</u> | | | |
| Dreyfus Cash Management Institutional Fund - 0.0% | 477,568 | 478 | 478 |
| Total Investment Securities 83.8% | | <u>\$ 934,820</u> | <u>\$ 1,033,463</u> |

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Changes in Net Assets
Year Ended June 30, 2012
(Amounts in thousands, except unit data)

Operations

| | | |
|---|----|----------------|
| Investment loss, net | \$ | (879) |
| Net realized gain from investments | | 811 |
| Net decrease in the fair value of investments | | <u>(3,204)</u> |
| Net decrease in net assets from operations | | (3,272) |

Unit transactions

| | | |
|--|--|-----------------------|
| Proceeds from sale of units | | 188,303 |
| Amount paid for repurchase of units | | <u>(25,281)</u> |
| Net increase in net assets from unit transactions | | <u>163,022</u> |

Increase in net assets 159,750

Net assets, beginning of period 1,072,923

Net assets, end of period \$ 1,232,673

Unit data

| | | |
|------------------------------|--|---------------------------------|
| Units sold | | 17,249,257 |
| Units repurchased | | <u>(2,321,162)</u> |
| Net increase in units | | <u><u>14,928,095</u></u> |

See accompanying notes to financial statements.

Hedge Fund Pool

Statement of Cash Flows
Year Ended June 30, 2012
(Amounts in thousands)

Cash flows from operating activities

| | | |
|---|----|-----------|
| Net decrease in net assets from operations | \$ | (3,272) |
| Adjustments to reconcile net decrease in net assets from operations to net cash used in operating activities: | | |
| Purchase of investment securities | | (152,500) |
| Proceeds from disposition of investment securities | | 105,512 |
| Purchases and sales of short-term investment securities, net | | 3,693 |
| Increase in advance on investment in other securities | | (100,000) |
| Increase in receivable for investments sold | | (18,908) |
| Increase in accrued interest receivable | | (15) |
| Increase in dividends receivable | | (7) |
| Increase in accrued expenses | | 82 |
| Net realized gain from investments | | (811) |
| Net decrease in the fair value of investments | | 3,204 |
| | | <hr/> |
| Net cash used in operating activities | | (163,022) |

Cash flows from financing activities

| | | |
|--|--|----------|
| Proceeds from units sold | | 188,303 |
| Paid for repurchase of units | | (25,281) |
| | | <hr/> |
| Net cash provided by financing activities | | 163,022 |
| | | <hr/> |
| Net change in cash | | - |

Cash

| | | |
|-------------------|----|-------------|
| Beginning balance | | - |
| Ending balance | \$ | - |
| | | <hr/> <hr/> |

See accompanying notes to financial statements.

Hedge Fund Pool

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

NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

These financial statements have been prepared on a basis of accounting following U.S. generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants applicable to investment companies, which is a comprehensive basis of accounting other than GAAP for state and local governments established by the Government Accounting Standards Board. The IMB has selected this basis of accounting because it believes that the disclosures required for investment companies better reflect the purpose and operations of the Pool.

A summary of the differences between financial statements prepared in accordance with GAAP for investment companies and GAAP for state and local governments are as follows:

| | Investment Company GAAP | State and Local GAAP |
|---------------------------------------|----------------------------|-------------------------|
| Management Discussion and Analysis | Not required | Required |
| Schedule of Investments in Securities | Required | Not required |
| Statement of Operations | Required | Not required |
| Investment Risk Disclosures | Not required | Required |
| Financial Highlights | Required | Not required |

There are no differences in the reported amounts of assets, liabilities, net assets, investment operations, distributions, or unit transactions between GAAP for investment companies and GAAP for state and local governments.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The IMB invests funds of the State and its component units, all of which are government entities. Investments in other funds, which are not publicly traded, are carried at net asset value as a practical expedient for fair market value. The Pool has \$1,032,985 of investments in such alternative investment funds which are reported at fair value. For all of these investments, the IMB has concluded that the net asset value reported by the underlying fund approximates the fair value of the investment. 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 interests in the funds. Although a secondary market exists for these

Hedge Fund Pool

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 redemption rights in the funds were restricted or eliminated and 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 carrying amount of such investments is a reasonable estimate of fair value as of June 30, 2012. The investment in the Dreyfus Cash Management Institutional Fund, a regulated investment company money market mutual fund, is valued at \$1.00 per share. This is a reasonable estimate of the fair value and is the basis for current transactions.

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

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investment Gains and Losses - Gains and losses on the sale of investments in other funds are recognized at the time of sale by the average cost method.

Dividend Income - Dividend income is recognized on the ex-dividend date.

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

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 - In accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes, the IMB has considered and assessed the impact of uncertain tax positions and determined that it has no such positions and therefore there is no impact on the Pool's financial statements. 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, 2012.

NOTE 3. INVESTMENT RISK DISCLOSURES

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

NOTE 4. FAIR VALUE MEASUREMENTS

ASC 820 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).

ASC 820 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 ASC 820 are:

Hedge Fund Pool

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

NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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 ASC 820 fair value hierarchy levels as of June 30, 2012:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|---------|---------|--------------|--------------|
| Investments in other funds | \$ - | \$ - | \$ 1,032,985 | \$ 1,032,985 |
| Regulated investment companies | - | 478 | - | 478 |
| Total | \$ - | \$ 478 | \$ 1,032,985 | \$ 1,033,463 |

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2012.

The reconciliation of the beginning and ending balances of Level 3 investments for the year ended June 30, 2012 was as follows:

| | Investments in other funds |
|---------------------------------------|-------------------------------|
| Balance at June 30, 2011 | \$ 988,390 |
| Net realized gain | 811 |
| Net change in unrealized depreciation | (3,204) |
| Purchases | 152,500 |
| Sales | (105,512) |
| Net transfers in/(out) of Level 3 | - |
| Balance at June 30, 2012 | \$ 1,032,985 |

NOTE 5. ADVANCE ON INVESTMENTS IN OTHER FUNDS

On June 28, 2012 the IMB funded \$10 million to Anchorage Capital Group, L.L.C. As of June 30, 2012, this amount has been recorded as an advance on investments in other funds. The terms of Anchorage Capital Partners Offshore, Ltd. require subscription amounts to be received at least one day in advance of the subscription day which occurred on July 1, 2012 for the IMB.

On June 28, 2012 the IMB funded \$10 million to Marshall Wace Funds plc. As of June 30, 2012, this amount has been recorded as an advance on investments in other funds. The terms of MW Eureka Fund require subscription amounts to be received at least two days in advance of the subscription day which occurred on July 1, 2012 for the IMB.

On June 28, 2012 the IMB funded \$60 million to Pine River Capital Management L.P. As of June 30, 2012, this amount has been recorded as an advance on investments in other funds. The terms of Pine River Fund Ltd. require subscription amounts to be received at least one day in advance of the subscription day which occurred on July 1, 2012 for the IMB.

Hedge Fund Pool

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

NOTE 5. ADVANCE ON INVESTMENTS IN OTHER FUNDS (continued)

On June 28, 2012 the IMB funded \$50 million to Scopia Fund Management, LLC. As of June 30, 2012, this amount has been recorded as an advance on investments in other funds. The terms of Scopia PX International Limited require subscription amounts to be received at least one day in advance of the subscription day which occurred on July 1, 2012 for the IMB.

NOTE 6. FINANCIAL HIGHLIGHTS

| Per Unit Operating Performance: | |
|---|-----------------|
| Net asset value at June 30, 2011 | \$ 10.99 |
| Income from investment operations: | |
| Net investment loss | (0.01) |
| Net realized and unrealized loss on investment transactions | (0.03) |
| Total from investment operations | (0.04) |
| Net asset value at June 30, 2012 | <u>\$ 10.95</u> |
| Time-weighted Total Return * | -0.3% |
| Supplemental Data: | |
| Net assets, end of period | \$ 1,232,673 |
| Ratio to average net assets: | |
| Expenses ** | 0.08% |
| Net investment income ** | -0.08% |
| Portfolio turnover rate | 10.01% |

* Return data is net of fees for the full fiscal year

** All ratios are for the fiscal year

NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2012.

| <u>Participant</u> | <u>Account Value</u> |
|--|----------------------|
| Teachers' Retirement System | \$ 509,625 |
| Public Employees' Retirement System | 443,916 |
| West Virginia Retiree Health Benefit Trust | 88,796 |
| Coal Workers' Pneumoconiosis Fund | 51,312 |
| State Police Death, Disability and Retirement Fund | 48,974 |
| Board of Risk and Insurance Management | 27,434 |
| Public Employees Insurance Agency | 18,261 |
| Judges' Retirement System | 12,917 |
| Deputy Sheriff's Retirement System | 11,851 |
| State Police Retirement System | 7,950 |
| Wildlife Endowment Fund | 4,055 |
| Emergency Medical Services Retirement System | 3,579 |
| Workers' Compensation Self-Insured Guaranty Risk Pool | 2,168 |
| Workers' Compensation Uninsured Employers' Fund | 1,819 |
| Municipal Police Officers' and Firefighters' Retirement System | 16 |
| Total | <u>\$ 1,232,673</u> |

Hedge Fund Pool

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

NOTE 8. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date the Pool's financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.

Audited Financial Statements

Administrative Fund

Audited Financial Statements

June 30, 2012

Administrative Fund

Administrative Fund

Audited Financial Statements June 30, 2012

Table of Contents

| | |
|--|---|
| Management's Discussion and Analysis (Unaudited) | i |
| Independent Auditors' Report | |
| Statement of Net Assets | 1 |
| Statement of Revenues, Expenses, and Changes in Net Assets | 2 |
| Statement of Cash Flows | 3 |
| Notes to Financial Statements | 4 |

Administrative Fund

Management's Discussion and Analysis (Unaudited)

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, 2012. 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 \$34 million as compared to \$32 million for the previous fiscal year. The change primarily results from an increase in fees attributed to higher assets under management. Assets of the investment pools managed by the IMB increased by \$416 million from the previous year.
- Fees paid to outside investment advisors increased by \$2.5 million over the previous year as a result of an increase in assets under management. The average expense ratio for investment advisor fees across all pools was 20.9 basis points for the year as compared to 19.9 basis points for the previous year.
- Custodian bank fees decreased by \$265,000 from the previous year largely as a result of lower transaction costs which can be attributed to completing manager transitions in the prior year. The effect of the increase in assets was minimized as a result of a full year at a revised lower custody fee schedule adopted during the prior year.
- Fees for professional services increased by \$102,000. This increase is primarily attributable to higher legal fees.
- Administrative expenses increased by \$131,000, or 3.5 percent from the previous year. The expense ratio for administrative expenses was 3.1 basis points of average net assets which is the same as the previous year. Salaries increased by \$122,000 from \$2,114,000 to \$2,236,000. This was partially offset by a reduction in healthcare costs of \$51,000. In total, administrative expenses were \$1,132,000 lower than the expenses included in the fiscal year budget approved by the Board of Trustees.
- Dividend income was consistent with the prior year.

THE FINANCIAL REPORTS

This financial report consists of three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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 Assets presents the IMB Administrative Fund's assets and liabilities, with the difference between the two reported as net assets. The Statement of Revenues, Expenses, and Changes in Net Assets describe how the IMB Administrative Fund's net assets 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 Assets. This statement also contains a reconciliation of the operating profit as reported in the Statement of Revenues, Expenses, and Changes in Net Assets to the cash provided by the IMB Administrative Fund's operating activities during the year.

Administrative Fund

Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS

The IMB Administrative Fund's total assets as of June 30, 2012, were \$11.4 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. This was \$1.0 million higher than the previous year.

Total liabilities as of June 30, 2012, were \$7.0 million, consisting of invoices payable and accrued liabilities for investment management and consulting fees, custodial fees, and administrative expenses. This also was \$1.0 million higher than the previous year.

The increases in assets and liabilities can be primarily attributed to higher fees payable to investment advisors. This in turn results in higher receivables from the investment portfolios.

| Table 1 Net Assets and Assets Under Management (In thousands) | 2012 | 2011 |
|--|-----------------|-----------------|
| Cash and cash equivalents | \$ 5,930 | \$ 6,183 |
| Receivables | 5,257 | 4,026 |
| Other assets | <u>179</u> | <u>155</u> |
| Total assets | 11,366 | 10,364 |
| Total liabilities | <u>(6,959)</u> | <u>(6,022)</u> |
| Net assets | <u>\$ 4,407</u> | <u>\$ 4,342</u> |
| Composition of net assets: | | |
| Invested in capital assets | \$ 99 | \$ 40 |
| Unrestricted | 4,308 | 4,302 |
| Assets under management at June 30 | \$ 13,173,093 | \$ 12,757,293 |

| Table 2 Changes in Net Assets (In thousands) | 2012 | 2011 | Percentage Change |
|---|-----------------|-----------------|--------------------------|
| Investment service fees | \$ 34,426 | \$ 31,950 | 7.7% |
| Expenses | | | |
| Advisor fees | (26,754) | (24,290) | 10.1% |
| Custodian fees | (1,030) | (1,295) | -20.5% |
| Trustee fees | (40) | (50) | -20.0% |
| Fiduciary bond expense | (44) | (51) | -13.7% |
| Professional service fees | (2,580) | (2,477) | 4.1% |
| Administrative expenses | <u>(3,914)</u> | <u>(3,783)</u> | <u>3.5%</u> |
| Operating profit | 64 | 4 | n/a |
| Non-operating revenues | <u>1</u> | <u>1</u> | <u>n/a</u> |
| Increase in net assets | 65 | 5 | n/a |
| Net assets – beginning of year | <u>4,342</u> | <u>4,337</u> | <u>0.1%</u> |
| Net assets – end of year | <u>\$ 4,407</u> | <u>\$ 4,342</u> | <u>1.5%</u> |

CAPITAL ASSETS

The IMB Administrative Fund made acquisitions of capital assets totaling \$79,329 during the current fiscal year. Also, there were no disposals of capital assets.

Administrative Fund

Management's Discussion and Analysis (Unaudited)

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.



KPMG LLP
BNY Mellon Center
Suite 2500
500 Grant Street
Pittsburgh, PA 15219-2598

Independent Auditors' Report

Board of Trustees
The West Virginia Investment Management Board:

We have audited the accompanying statement of net assets of The West Virginia Investment Management Board Administrative Fund (the Fund), an internal service fund of the State of West Virginia, as of June 30, 2012, and the related statements of revenues, expense, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. 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 of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, The West Virginia Investment Management Board is comprised of an Administrative Fund and distinct Investment Pools. These financial statements present only the Administrative Fund of the West Virginia Investment Management Board and do not include the financial position and results of operations of the Investment Pools. Accordingly, these financial statements do not purport to, and do not, present the complete financial position of The West Virginia Investment Management Board as of June 30, 2012, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Administrative Fund as of June 30, 2012, and the changes in its net assets, and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical



Board of Trustees
The West Virginia Investment Management Board
Page 2 of 2

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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.

KPMG LLP

September 20, 2012

Administrative Fund

Statement of Net Assets June 30, 2012

Assets

Current assets:

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 5,930,249 |
| Accounts receivable | 5,257,072 |
| Prepaid expenses | 79,497 |
| Dividend receivable | 49 |

Total current assets 11,266,867

Capital assets:

| | |
|-------------------------------|-----------|
| Equipment | 652,962 |
| Office furniture | 115,231 |
| Other depreciable property | 46,750 |
| Leasehold improvements | 45,492 |
| Less accumulated depreciation | (761,190) |

Total capital assets (net of accumulated depreciation) 99,245

Total assets 11,366,112

Liabilities

Current liabilities:

| | |
|---------------------------------------|-----------|
| Accounts payable and accrued expenses | 6,959,600 |
|---------------------------------------|-----------|

Total current liabilities 6,959,600

Total liabilities 6,959,600

Net assets

| | |
|----------------------------|-----------|
| Invested in capital assets | 99,245 |
| Unrestricted | 4,307,267 |

Total net assets \$ 4,406,512

See accompanying notes to financial statements.

Administrative Fund

Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2012

Operating revenues

| | |
|-------------------------|----------------------|
| Investment service fees | <u>\$ 34,426,449</u> |
|-------------------------|----------------------|

| | |
|---------------------------------|-------------------|
| Total operating revenues | <u>34,426,449</u> |
|---------------------------------|-------------------|

Operating expenses

| | |
|---------------------------|------------------|
| Advisor fees | 26,753,943 |
| Custodian fees | 1,030,440 |
| Trustee fees | 40,000 |
| Fiduciary bond expenses | 43,800 |
| Professional service fees | 2,579,864 |
| Administrative expenses | <u>3,914,210</u> |

| | |
|---------------------------------|-------------------|
| Total operating expenses | <u>34,362,257</u> |
|---------------------------------|-------------------|

| | |
|-------------------------|--------|
| Operating income | 64,192 |
|-------------------------|--------|

Nonoperating revenues

| | |
|-----------------|------------|
| Dividend income | <u>679</u> |
|-----------------|------------|

| | |
|------------------------------------|------------|
| Total nonoperating revenues | <u>679</u> |
|------------------------------------|------------|

| | |
|-------------------------------|--------|
| Increase in net assets | 64,871 |
|-------------------------------|--------|

| | |
|-------------------------------|------------------|
| Net assets, beginning of year | <u>4,341,641</u> |
|-------------------------------|------------------|

| | |
|--------------------------------|----------------------------|
| Net assets, end of year | <u><u>\$ 4,406,512</u></u> |
|--------------------------------|----------------------------|

See accompanying notes to financial statements.

Administrative Fund

Statement of Cash Flows Year Ended June 30, 2012

Cash flows from operating activities

| | |
|------------------------------|--------------------|
| Cash received from customers | \$ 33,192,423 |
| Cash paid to suppliers | (30,267,928) |
| Cash paid to employees | <u>(3,098,706)</u> |

Net cash used in operating activities (174,211)

Cash flows from capital and related financing activities

| | |
|-----------------------|-----------------|
| Purchase of equipment | <u>(79,329)</u> |
|-----------------------|-----------------|

Net cash used for capital and related financing activities (79,329)

Cash flows from investing activities

| | |
|--------------------------|------------|
| Dividends on investments | <u>689</u> |
|--------------------------|------------|

Net cash provided by investing activities 689

Net decrease in cash and cash equivalents (252,851)

Cash and cash equivalents, beginning of year 6,183,100

Cash and cash equivalents, end of year \$ 5,930,249

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

| | |
|---|----------------|
| Operating income | \$ 64,192 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Depreciation | 20,050 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | (1,234,026) |
| Decrease in prepaid expenses | 38,503 |
| Increase in accounts payable and accrued expenses | <u>937,070</u> |

Total adjustments (238,403)

Net cash provided in operating activities \$ (174,211)

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.

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.

Property & Equipment - Purchased equipment is recorded at cost. Donated equipment is recorded at estimated fair value at date of donation. Depreciation on purchased and donated assets is provided for over the estimated useful lives of the assets ranging from three years to five 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.

Government Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" - The IMB Administrative Fund applies all applicable GASB pronouncements, and has elected to apply only those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 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.

Recently Issued Governmental Accounting Standards Board Pronouncements - GASB has issued Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", effective for periods beginning after December 15, 2011. This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary. The adoption of this GASB is not expected to have a material impact on the financial statements.

Administrative Fund

Notes to Financial Statements

NOTE 3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012 was as follows:

| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> |
|---|-----------------------------|------------------|------------------|--------------------------|
| Capital assets, being depreciated: | | | | |
| Office equipment | \$ 620,383 | \$ 32,579 | \$ - | \$ 652,962 |
| Office furniture | 115,231 | - | - | 115,231 |
| Other depreciable property | - | 46,750 | - | 46,750 |
| Leasehold improvements | 45,492 | - | - | 45,492 |
| Total capital assets, being depreciated | 781,106 | 79,329 | - | 860,435 |
| Less accumulated depreciation for: | | | | |
| Office equipment | (580,417) | (20,050) | - | (600,467) |
| Office furniture | (115,231) | - | - | (115,231) |
| Other depreciable property | - | - | - | - |
| Leasehold improvements | (45,492) | - | - | (45,492) |
| Total accumulated depreciation | (741,140) | (20,050) | - | (761,190) |
| Capital assets, net | <u>\$ 39,966</u> | <u>\$ 59,279</u> | <u>\$ -</u> | <u>\$ 99,245</u> |

Depreciation expense of \$20,050 was charged to the investment management activity and is included in the administrative expenses.

NOTE 4. OPERATING LEASES

On December 7, 2006, the IMB executed an amendment to renew its long-term lease, originally dated August 26, 2002, for a period of five years beginning on January 1, 2008 at a monthly cost of \$15,523. Under the original and amended lease, beginning on January 1, 2004, 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 2003 amounts. Rent expense for the year ended June 30, 2012 totaled \$201,259.

Subsequent to June 30, 2012, the IMB executed an amendment to extend the lease effective January 1, 2013 for an additional seven years through December 31, 2019, and, to acquire additional space of approximately 1,586 rentable square feet. Under the original and amended lease, beginning on January 1, 2013, 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 2012 amounts.

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

Fiscal Years ending June 30:

| | |
|------------|--------------------|
| 2013 | \$ 208,953 |
| 2014 | \$ 231,625 |
| 2015 | \$ 231,625 |
| 2016 | \$ 231,625 |
| 2017 | \$ 231,625 |
| Thereafter | <u>\$ 810,688</u> |
| Total | <u>\$1,946,141</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 IMB contributes 10 percent of each covered employee's salary. Contributions for the year ended June 30, 2012 totaled \$210,888. 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 \$2,500 for single employees and \$5,000 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 Directors, discontinue funding the annual credits or terminate the Plan at any time without liability for such discontinuance or termination.

Contributions made to the Plan by the IMB for the year ended June 30, 2012 were \$68,000.

NOTE 6. CASH AND INVESTMENT RISK

At June 30, 2012, 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.

NOTE 7. SUBSEQUENT EVENTS

Management has performed an evaluation of events subsequent to June 30, 2012 through September 20, 2012, the date these financial statements were available for issuance. Management has determined that there were no significant subsequent events which have not been recognized in the Pool's financial statements that require disclosure.