

# STATE OF WEST VIRGINIA

## AUDIT REPORT

OF

WEST VIRGINIA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FOR THE PERIOD

JULY 1, 1974 - JUNE 30, 1981



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FOR THE PERIOD

JULY 1, 1974 - JUNE 30, 1981

*West Virginia*



**LEGISLATIVE AUDITOR**

**CHARLESTON**

The Honorable Encil Bailey  
Legislative Auditor  
State Capitol - Main Unit  
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the West Virginia Public Employees' Retirement System.

Our examination covers the period July 1, 1974 through June 30, 1981. The results of our examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1981, and June 30, 1980, are included in this report. The financial statements covering the period July 1, 1974, to and including June 30, 1979, are included in our audit workpapers.

Respectfully submitted,

A handwritten signature in cursive script, reading "Theodford L. Shanklin".

Theodford L. Shanklin, CPA, Director  
Legislative Postaudit Division

TLS/lst;cmh

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ACKNOWLEDGMENT

We extend our thanks and express our appreciation to the Executive Secretary and his staff for their wholehearted cooperation in supplying information and answering the many questions necessary in preparing this report.

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

EXIT CONFERENCE

We held an exit conference on June 2, 1982 with the Executive Secretary and the Administrative Assistant and all findings and recommendations were reviewed and discussed. The Executive Secretary's responses are included in the Summary of Findings, Recommendations and Responses and after our recommendations in the foregoing General Remarks.

## WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

### INTRODUCTION

The West Virginia Public Employeas' Retirement System was created by an Act of the 1961 Legislature to provide a general retirement system for the employees of the State of West Virginia and the employees of other political subdivisions of the State which elect to participate.

The primary purpose of the Act is to provide a state pension plan which supplements the Federal Social Security System. The System makes provision for benefit payments for total and permanent disability, and contains survivor benefits. The System also has a Reciprocal Service Act with the Teachers' Retirement System which permits transfer of service between the two plans.

All State agencies are participating members of the Retirement System. Any other political subdivision, once it elects to become a member of the System, may never withdraw. Employees that are members of the System contribute 4.5% of their gross wages. State employers pay 9.5% of gross wages and non-state employers pay 10.5% of gross wages.

For financing and accounting purposes the West Virginia Public Employees' Retirement System consists of two divisions; namely, the state division for the participation of State employees, and the non-state division for the participation of the public employees who are not State employees. Separate accounting of the System transactions are maintained for each division in sharing the equities of each division in the assets of the System.

The West Virginia Code, Chapter 5, Article 10, under which the System must operate, created the five following separate funds:

- (1) Members' Deposit Fund: "...the fund in which shall be accumulated, at regular interest, the contributions deducted from the compensation of members..."
- (2) Employers' Accumulation Fund: "...the fund in which shall be accumulated the contributions made by the participating public employers to the retirement system..."
- (3) Retirement Reserve Fund: "...the fund from which shall be paid all annuities payable..."
- (4) Income Fund: "...the fund to which shall be credited all interest, dividends and other income from investments of the retirement system..."
- (5) Expense Fund: "...the fund from which shall be paid the expenses incurred in the administration of the retirement system."

It is presumed that when a member retires the total value of the deposit and accumulation funds plus interest would be sufficient to provide the members' retirement benefit.



WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

MEMBERS OF THE BOARD

JUNE 30, 1981

The West Virginia Public Employees' Retirement System's Board of Trustees has the responsibility of administration and management of the System. The trustees also have the authority to make all rules and regulations concerning the System. The Board consists of five trustees, as follows:

|   |                      |
|---|----------------------|
| Larrie Bailey, Chairman . . . . .       | State Treasurer      |
| Charles F. Fox, Vice Chairman . . . . . | General Agent        |
|   | Kansas City Life     |
|   | Insurance Company    |
|   | Charleston, WV       |
| Glen B. Gainer, Jr. . . . .             | State Auditor        |
| Arnold Margolin . . . . .               | Commissioner Finance |
|   | and Administration   |
| Elizabeth J. Poundstone . . . . .       | Recorder-Treasurer   |
|   | City of Buckhannon   |

Each member serves a five year term or until a successor is appointed by the Governor. No member receives compensation for his services but is reimbursed for necessary expenses incurred in carrying out his duties.

The Board of Trustees appoints an Executive Secretary of the System to be the chief administrative officer. This person is not a member of the Board.

The Board is required by the Act to meet at least once each three months. On or before the first day of December in each year, the Board must submit to the Governor and then to the Legislature a report showing the fiscal affairs and transactions of the Retirement System for the preceding fiscal year.

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ADMINISTRATIVE OFFICERS

JUNE 30, 1981

Lewis N. McManus . . . . . Executive Secretary  
George V. Crum . . . . . Administrative Assistant  
Robert A. Nichols . . . . . Systems Analyst  
Jewell J. Dye . . . . . Chief Retirement Consultant  
Jo Ann Humphries . . . . . Secretary

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
SUMMARY OF FINDINGS, RECOMMENDATIONS, AND RESPONSES

DESTRUCTION OF RECORDS

1. We were able to audit the collections of the Public Employees' Retirement System only for fiscal year 1981 because records supporting collection transactions prior to July 1, 1980 had been destroyed.

We recommend the System retain all records until audited and a determination of value has been made in accordance with the West Virginia Code.

Records will be microfilmed and retained as recommended in the report.

(See page 18)

EXPENSE FUND

2. The pro rata share of expenses paid as appropriated by the Legislature is greater than the share of expenses paid by participating employers funded from special revenue and other non-state sources.

We recommend the Board of Trustees apply the same administrative expense fee rate to the General Revenue Fund that is applied to employers whose funds are derived from other sources.

*The Legislature increased the "Expense Appropriation" to accommodate two new employee positions a couple of years ago. At the same time, our employer matching was reduced by the Legislature by \$500,000 to cover other pressing needs. We will make our request to the Legislature as recommended by the report. (See pages 18-20)*

3. The Public Employees' Retirement System has not paid its proper share of employee benefit contributions.

We recommend the Public Employees' Retirement System begin paying its proper share of pension and retirement plan contributions, social security matching, and insurance expenses and reimburse all systems for the unpaid contributions.

*This method of assigning a portion of our employees to a "General Revenue" account was put into effect following a similar decision by the Public Employees Insurance Board when they stopped paying the "retirement matching" for their employees. Upon inquiry, we were told that their funds were "General Revenue" and they did not have to pay the employer match for their employees. While we felt this unfair, we thought we should handle our accounts in the same fashion to save retirement funds for the benefit of our members. In addition, our expenditure schedule was approved by the Department of Finance and Administration in the fashion outlined. We will follow the recommendation if the same requirement is imposed upon Public Employees Insurance Board and any other accounts which may be using this method of saving departmental funds. (See pages 20-22)*

4. During the 1980 fiscal year the Public Employees' Retirement System allowed the Expense Fund to be overspent resulting in a cash deficit of \$9,332.82.

We recommend the balance in the Expense Fund be scrutinized more closely to prevent an overexpenditure occurring in the future.

*Our agency received a refund from the Auditor's Office in an amount slightly in excess of this amount during the fiscal year 1981 which represented funds due for fiscal year 1980. We will, however, comply with the recommendation as such a situation should not exist. (See page 22)*

5. The Board of Investments deducts an advisory fee from interest earned on investments resulting in the Public Employees' Retirement System being in noncompliance with Chapter 5, Article 10, Section 37, West Virginia Code.

We recommend the Public Employees' Retirement System pursue an alteration of the method used by the Board of Investments in charging investment expense to interest earned so the System can comply with the West Virginia Code.

*This charge represents a cost against the investments and is handled in accordance with the procedures in the Treasurer's office. To make the change suggested would result in about triple record-keeping and would not be beneficial to this System since we know what the costs are and they can be identified with ease at any time. We will discuss the suggestion with the Treasurer since it does involve the operation of his investment program for all funds managed in that office. (See pages 22 and 23)*

#### BOARD OF TRUSTEES

6. Expenses incurred by the trustees in the performance of their duties were not approved by the Board of Trustees as provided by the West Virginia Code.

We recommend the Board of Trustees give approval for any expenses incurred by its members, before reimbursement is sought, in accordance with the West Virginia Code.

*The Board has given the Executive Secretary authority to approve such expenses which are paid to only ONE member of our Board. Such authority will be reflected in the minutes of the Board as requested. (See pages 23 and 24)*

7. The Board of Trustees did not meet at least once every three months during the audit period.

We recommend the Board of Trustees meet at least once every three months as specified by the West Virginia Code.

*Quarterly meetings of the Board of Trustees are scheduled and will be held. (See page 24)*

8. The Board of Trustees did not submit the annual report and budget request to the Governor as mandated by the West Virginia Code.

We recommend the annual report and the budget request be submitted by the Board of Trustees to the Governor in accordance with the West Virginia Code.

*We will comply with this recommendation. (See pages 24 and 25)*

9. The Public Employees' Retirement System utilizes the Auditor's Office account status report to record interest earned from investment rather than using the Board of Investment's investment account reports. Thus, interest earned in one year is included in the next year's records and financial reports.

We recommend the System include total interest from investments in records and financial statements of the year in which it is earned.

*We will comply with this recommendation. (See pages 25 and 26)*

10. During our audit of accounts receivable we noted the Board of Trustees had complied on only one occasion with the West Virginia Code with regard to non-state public employer delinquencies.

We recommend any accounts receivable due from a non-state public employer that is sixty days past due be certified to the State Auditor by the Board of Trustees for collection in accordance with the West Virginia Code.

*The Board has attempted to be helpful to our employers in assisting them meet their statutory requirements without the necessity of withholding tax revenues as detailed in the law. This recommendation will be discussed with the Board and the Legislative Auditor will be advised of the procedure that is put into effect. We recognize the strength of the Code and will use it. (See pages 26 and 27)*

11. Included in the accounts receivable at June 30, 1981 was one state agency with outstanding contributions of \$2,738,545.82.

We recommend the West Virginia Public Employees' Retirement System be in communication with the delinquent state agency in an effort to collect the contributions due.

*Communication has been pursued on a regular basis and we have been told that the "funds have been ordered" to catch up those delinquencies. That agency is also awaiting an opinion from the Attorney General concerning the question of their obligation on the "general revenue portion of their appropriation". (See page 27)*

#### ANNUAL ANNUITY VALUATION

12. An annual computation of the annuity reserve liabilities for annuities being paid retirants and beneficiaries has not been prepared since the 1978 fiscal year.

We recommend the Public Employees' Retirement System continue the performance of an annual annuity valuation until such time as the Act is amended so the System complies with the West Virginia Code.

*We will continue to try to get the law changed and will comply with this recommendation. (See pages 27 and 28)*

#### INTERNAL CONTROLS AND ACCOUNTING SYSTEM

13. The procedures performed for the processing of contributions, refunds, annuities and disability and general accounting procedures are not set forth in written form.

We recommend a procedures manual be prepared detailing and standardizing the procedures and controls to be used by employees of the Public Employees' Retirement System.

*This is a good recommendation and it will be considered for adoption. I would like to point out that our agency has very little turnover in our employees and our staff represents experience in this office of 20, years, 17 years, 16 years, 15 years, 12 years and 11 years in our staff. We have provided a PERS HANDBOOK for our retirement consultants for their guidance. This is an expansive booklet covering all the matters which might normally be expected to surface at that level.*

*(See page 30)*



14. No controls exist over long distance telephone calls to prevent abuse.

We recommend controls over long distance telephone calls be implemented.

*A review of our telephone costs for FY-1981 shows that our monthly long distance calls (7-1) averaged less than \$20 and our DAIN (9-1) calls averaged less than \$700 per month. Our employees use the phone extensively for member and retirant contacts and it is significant that we are able to keep our calls at such a low figure for the "7-1" calls while maintaining the level of contact that is required by our statutory assignment. Your recommendation will be considered. (See pages 30 and 31)*

15. Employees of the Public Employees' Retirement System are not required to maintain any records of the time they work each day or sick and annual leave earned and taken.

We recommend the Executive Secretary implement a system whereby employees of the System maintain a record of hours they work and leave earned and taken and such records be retained by the System.

*The record of work, vacation, and sick leave is maintained in this office; however, it is not left to the individual employee to keep his/her own records. Since we have only 20 employees, this records is kept in the office of the Executive Secretary on a daily basis. We have great confidence in this method of keeping such records for this size agency. We will comply with your recommendation about the retention of records. (See pages 31 and 32)*

16. A method of equipment inventory has not been maintained since March, 1980.

We recommend the System update inventory records; tag recent purchases of equipment with State and agency numbers; and, at least once annually someone independent of purchasing perform a check of actual equipment to the inventory record for accuracy of description, tag number, and proper location.

*We will comply with this recommendation. (See page 32)*

17. The balances of the subsidiary ledgers did not support the control ledgers nor could the balances of the control ledgers be traced to the financial statements.

We recommend the subsidiary ledgers be reconciled periodically to the control ledgers.

*We will comply with this recommendation. (See pages 32 and 33)*

#### INVESTMENTS

18. Investments as shown by the System's financial statements were not reconciled with the investments as recorded by the Board of Investments at the time of conversion. As a result the investments reported on the Public Employees' Retirement System balance sheet for the years ended June 30, 1979, June 30, 1980 and June 30, 1981 are understated in the amount of \$3,348,875.56.

We recommend the Public Employees' Retirement System reconcile their investment balance to that of the Board of Investments periodically and any difference be located and corrected.

*Our office is now in the process of reconciling this difference with the office of the Treasurer. A report will be submitted to the*

*Legislative Auditor when this is accomplished. We will comply with your recommendation in this regard. (See pages 33 and 34)*

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of the West Virginia Public Employees' Retirement System. A financial and compliance audit determines whether the financial statements of an audited entity present fairly the financial position and the results of financial operations in accordance with generally accepted accounting principles and whether the entity has complied with laws and regulations that may have a material effect upon the financial statements. The audit covered the period July 1, 1974 through June 30, 1981.

APPROPRIATED FUNDS

During the period of the audit the System used three appropriated accounts which received appropriated monies from the General Revenue Fund of the State. These monies are transferred to the System's special revenue accounts where the actual expenditures are made. The three appropriated accounts are:

| <u>Account Number</u> | <u>Account Description</u>           |
|-----------------------|--------------------------------------|
| 6140-06               | Employers' Accumulation Fund         |
| 6140-07               | Expense Fund                         |
| 6140-08               | Supplemental Benefits for Annuitants |

SPECIAL REVENUE ACCOUNT

The System maintained nineteen special revenue accounts during the period of the audit. These accounts represent funds to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations. Funds are deposited with the State Treasurer in the following special revenue accounts:

|  |   |
|--|---|
| 9200-07 Refunds (State)                          | Accounts from which contributions plus interest are refunded to employees no longer working for an employer who is a member of the System.          |
| 9250-07 Refunds (Non-State)                      |   |
| 9200-08 Annuities (State)                        | Accounts from which monthly annuities are paid to retirees and beneficiaries.   |
| 9250-08 Annuities (Non-State)                    |   |
| 9200-80 Members' Deposit Fund (State)            | Funds to which the contributions deducted from members' gross compensation are deposited.   |
| 9250-80 Members' Deposit Fund (Non-State)        |   |
| 9200-81 Employers' Accumulation Fund (State)     | Funds to which the employers' share of contributions are deposited.   |
| 9250-81 Employers' Accumulation Fund (Non-State) |   |
| 9200-82 Retirement Reserve Fund (State)          | Funds to which the value of all annuities to be paid a retirant is transferred from the Members' Deposit Fund and Employers' Accumulation Fund.     |
| 9250-82 Retirement Reserve Fund (Non-State)      |   |
| 9200-83 Reinstatements (State)                   | Accounts to which contributions are deposited from members who withdrew from the System, have rejoined and wish to reinstate former service credit. |
| 9250-83 Reinstatements (Non-State)               |   |
| 9201-00 Expense Fund - Personal Services         | Funds from which the expenses of administering the Public Employees' Retirement System are paid.  |
| 9201-01 Expense Fund - Current Expenses          |   |
| 9201-03 Expense Fund - Equipment                 |   |
| 9201-80 Expense Fund - Receipts                  | Funds to which administrative expense fees paid by employers belonging to the System are deposited.   |
| 9220-06 Income Fund                              | Funds to which is credited interest, dividends and other income not specifically provided for by the Retirement Act.                                |
| 9220-09 Investments                              | The account by which the investments of the Public Employees' Retirement System are controlled.   |

AREAS OF NONCOMPLIANCE

Chapter 5, Article 10, of the West Virginia Code generally governs the Public Employees' Retirement System. We tested applicable sections of the above plus general State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are listed below.

### Destruction of Records

When we attempted to examine the collections of the Public Employees' Retirement System, we were told by the staff all records supporting collection transactions occurring before July 1, 1980 had been destroyed because of lack of storage space. However, we were able to satisfy ourselves that collections were fairly stated by using alternative auditing procedures.

According to the West Virginia Code, Chapter 5, Article 8, Section 17, "No record shall be destroyed or otherwise disposed of by any agency of the State, unless it is determined by the administrator and the director of the division of archives and history of the department of culture and history that the record has no further administrative, legal, fiscal, research or historical value." The records involved did have further value to the Public Employees' Retirement System and the State because they were unaudited. The System should retain all records until the determination specified by the West Virginia Code has been made. If space is a problem, the Public Employees' Retirement System should seek an arrangement with the Records Management Division of Finance and Administration for storage assistance.

We recommend the Public Employees' Retirement System retain all records until audited and a determination of value has been made in accordance with Chapter 5, Article 8, Section 17, of the West Virginia Code.

Records will be microfilmed and retained as recommended in the report.

### Expense Fund

Each year the Public Employees' Retirement System collects an administrative fee of five dollars per member, retiree, and beneficiary from participating employers funded from special revenue and other non-state sources. The System also receives an appropriation for expenses from the General Revenue Fund. These receipts are deposited in the Expense Fund to pay the costs of administering the System.

The Public Employees' Retirement System received administrative fees of \$188,634.49 in fiscal year 1981 and \$183,905.91 in fiscal year 1980 and from the General Revenue Fund, the System received an appropriation of \$125,000.00 for each fiscal year. Rules and regulations, number 12, adopted by the Board of Trustees of the West Virginia Public Employees' Retirement System states, "Those departments of the State of West Virginia operating from the General Revenue Fund ... appropriations shall have their pro rata share of the expenses paid as appropriated by the Legislature." However, the pro rata share of expenses paid from general revenue is greater than the share of expenses paid by other participating employers.

|  | <u>1981</u>                   | <u>1980</u>                   |
|--|-------------------------------|-------------------------------|
| Employees on June Payroll, Prior Fiscal Year, Paid from General Revenue      | 8,904                         | 8,762                         |
| Additions to Payroll During Year   | <u>1,234</u>                  | <u>1,738</u>                  |
| Total Employees  | 10,138                        | 10,500                        |
| Retirants and Beneficiaries  | <u>2,464</u>                  | <u>2,282</u>                  |
| Total Employees, Retirants and Beneficiaries Paid from General Revenue Funds | 12,602                        | 12,782                        |
| Administrative Fee   | \$ x 5.00                     | \$ x 5.00                     |
| Calculated Appropriation   | <u>\$ 63,010.00</u>           | <u>\$ 63,910.00</u>           |
| Actual Appropriation   | 125,000.00                    | 125,000.00                    |
| Difference (Over Appropriation)  | <u>(\$ 61,990.00)</u>         | <u>(\$ 61,090.00)</u>         |
| Ratio of Appropriation to Number of Employees, Retirants and Beneficiaries   | <u>\$125,000.00</u><br>12,602 | <u>\$125,000.00</u><br>12,782 |
| Administrative Expense Fee Charged General Revenue Fund                      | <u>\$ 9.92</u>                | <u>\$ 9.78</u>                |

Apparently the General Revenue Fund is subsidizing the costs of operating the Public Employees' Retirement System because the five dollar administrative fee does not provide enough revenue. The West Virginia Code, Chapter 5, Article 10, Section 37 states, "The cost of administering the system shall be paid by the State and the other participating public employers on

a proportionate basis to be determined by the board of trustees."

We recommend the Board of Trustees apply the same administrative expense fee rate to the General Revenue Fund that is applied to employers whose funds are derived from other sources.

*The Legislature increased the "Expense Appropriation" to accommodate two new employee positions a couple of years ago. At the same time, our employer matching was reduced by the Legislature by \$500,000 to cover other pressing needs. We will make our request to the Legislature as recommended by the report.*

The Public Employees' Retirement System does not pay its total share of employee benefits. The System does not pay the employers' retirement contributions, social security matching, and insurance expenses of the first seven positions plus a percentage of the eighth position on the payroll. The remaining employees on the payroll are properly matched in contributions to retirement, social security, and insurance.

All employees' salaries are paid from the special revenue account Personal Services (9201-00). Since July 1, 1979, this account is reimbursed monthly by intra-governmental transaction from the appropriated account 6140-07 for the salaries of the first seven positions plus a percentage of the eighth position. The Administrative Assistant stated the result of this transaction is the same as these salaries being paid from the appropriated account and, therefore, employee benefits are included in the appropriations from the General Revenue Fund. However, the West Virginia Code, Chapter 5, Article 10, Section 37 states, "The expense fund shall be the fund from which shall be paid the expenses incurred in the administration of the retirement system." Hence, the salaries of all Public Employees' Retirement System employees must be paid from the Expense Fund which is a special revenue account.

Also, the West Virginia Code, Chapter 5, Article 10, Section 32 (b), states: "In case of any member whose compensation is paid out of moneys



derived in whole or in part out of any special fund, or from any source other than the state, then contributions on behalf of such member in any year shall be paid out of such special fund or by such other source in proportion to that part of the members' compensation derived therefrom for that year."

Since all special revenue accounts must pay for matching of retirement costs, social security contributions, and 70% of insurance expenses for employees having worked less than one year and total insurance expense for employees having worked more than one year, the Public Employees' Retirement System has been underpaying its share of the benefit costs. Total unpaid employee benefits at June 30, 1981 is \$48,978.80 which is applicable to each fiscal year as follows:

|                                     | <u>Year Ended June 30,</u> |                    |
|-------------------------------------|----------------------------|--------------------|
|                                     | <u>1981</u>                | <u>1980</u>        |
| Public Employees' Retirement System | \$12,019.98                | \$11,927.07        |
| Social Security Matching Fund       | 9,545.51                   | -0-                |
| Public Employees' Insurance Board   | 8,150.94                   | 7,335.30           |
|                                     | <u>\$29,716.43</u>         | <u>\$19,262.37</u> |

We recommend the Public Employees' Retirement System begin paying its proper share of pension and retirement plan contributions, social security matching, and insurance expenses and reimburse all systems for the unpaid contributions.

*This method of assigning a portion of our employees to a "General Revenue" account was put into effect following a similar decision by the Public Employees Insurance Board when they stopped paying the "retirement matching" for their employees. Upon inquiry, we were told that their funds were "General Revenue" and they did not have to pay the employer match for their employees. While we felt this unfair, we thought that we should handle our accounts in the same fashion to save retirement funds for the benefit of our members. In addition, our expenditure schedule was approved by the Department of Finance and Administration in the fashion outlined. We will follow the recommendation if the*

*same requirement is imposed upon Public Employees Insurance Board and any other accounts which may be using this method of saving departmental funds.*

We noted during the 1980 fiscal year the Expense Fund was overspent resulting in a cash deficit of \$9,332.82 at June 30, 1980. Further, had the Public Employees' Retirement System paid its' proper share of employee benefits amounting to an additional expense of \$11,927.07 for employers' retirement contributions and \$7,335.30 to the Public Employees' Insurance Board the total deficit in the Expense Fund would have been \$28,595.19 at June 30, 1980.

The West Virginia Code, Chapter 5, Article 10, Section 36 states...  
"Whenever the board determines that the balance in the income fund is more than sufficient to cover the current charges to the fund, the board may, by resolution, provide for contingency reserves or for the transfer of such excess, or portions thereof, to cover the needs of the other funds of the retirement system."

In discussing this situation, the Administrative Assistant stated that normally a control over the fund is maintained and when the need arises a request for a transfer of funds is made to the Board. He could not explain why a request for a transfer of funds was not made at this time.

We recommend the balance in the Expense Fund be scrutinized more closely to prevent the occurrence of an overexpenditure in the future.

*Our agency received a refund from the Auditor's Office in an amount slightly in excess of this amount during the fiscal year 1981 which represented funds due for fiscal year 1980. We will, however, comply with the recommendation as such a situation should not exist.*

During our examination of the monthly interest account reports, we noted the Board of Investments deducts an advisory fee (.5%) from interest earned. This causes the Public Employees' Retirement System to be in noncompliance with the West Virginia Code.

Chapter 5, Article 10, Section 37 of the Code states, "The expense fund shall be the fund from which shall be paid the expenses incurred in the administration of the retirement system." The Board of Investments administrative fee should be charged to the Expense Fund rather than deducted from the interest earned.

We noted the above noncompliance with the West Virginia Code cannot be attributed to the Public Employees' Retirement System. The cause is the accounting procedures adopted by the Board of Investments to charge agencies for investment expenses.

We recommend the Public Employees' Retirement System pursue an alteration of the method used by the Board of Investments in charging investment expenses to interest earned so that the Public Employees' Retirement System can comply with the West Virginia Code.

*This charge represents a cost against the investments and is handled in accordance with the procedures in the Treasurer's office. To make the change suggested would result in about triple record-keeping and would not be beneficial to this System since we know what the costs are and they can be identified with ease at any time. We will discuss the suggestion with the Treasurer since it does involve the operation of his investment program for all funds managed in that office.*

#### Board of Trustees

During our audit of the Public Employees' Retirement System, we noted the Board of Trustees was not in compliance with several sections of the West Virginia Code that specifically mandate duties and procedures for the Board.

Our review of Board of Trustees' expenses showed only one member incurred expenses for carrying out the duties of trustee. The costs were for travel and were in accordance with the Governor's travel regulations. However, we could find no approval of the Board of Trustees for the travel charges to

the State in the minutes of Board meetings or on the travel expense accounts.

The West Virginia Code, Chapter 5, Article 10, Section 8 states, "...Provided, that each trustee shall be reimbursed, upon approval of the board of trustees, for any necessary expenses incurred by him in carrying out his duties of trustee."

We recommend the Board of Trustees give approval for any expenses incurred by its members, before reimbursement is sought, in accordance with the West Virginia Code.

*The Board has given the Executive Secretary authority to approve such expenses which are paid to only ONE member of our Board. Such authority will be reflected in the minutes of the Board as requested.*

During our review of the minutes of Board of Trustees' meetings, we noted a period of six months during which the Board did not meet. A meeting was held July 31, 1980 and the next meeting was not held until January 29, 1981.

The West Virginia Code, Chapter 5, Article 10, Section 10 states, "The board of trustees shall hold a meeting at least once each three months, and shall designate the time and place thereof." We asked the Executive Secretary why there had been a six month period during which the Board did not meet. He explained the Board did not meet because the annual report was not yet ready for presentation to the Board, hence, the quarterly meeting was delayed until the annual report was prepared.

We recommend the Board of Trustees meet at least once every three months as specified by the Code.

*Quarterly meetings of the Board of Trustees are scheduled and will be held.*

During our audit period, none of the financial statements and other data necessary for a proper understanding of the condition of the System as presented in the annual reports was submitted to the Governor by the Board of

Trustees. The annual report was, instead, submitted by the Executive Secretary who is not a member of the Board.

According to the West Virginia Code, Chapter 5, Article 10, Section 11, "The board of trustees shall submit to the governor for transmittal to the legislature, on or before the first day of December in each year, a report showing the fiscal affairs and transactions of the retirement system for the preceding fiscal year."

Also, the West Virginia Code, Chapter 5, Article 10, Section 37 states, "The board shall annually certify to the governor the state's proportionate share of the cost of administration..." During our audit period the budget request served as the certification. This is also submitted by the Executive Secretary. Therefore, the Board is not in compliance with Sections 11 and 37, Article 10, Chapter 5, West Virginia Code.

We recommend the annual report and the budget request be submitted by the Board of Trustees to the Governor in accordance with the West Virginia Code.

*We will comply with this recommendation.*

The West Virginia Code, Chapter 5, Article 10, Section 11 states ... "The said report shall contain, but not be limited to, a financial balance sheet..." The Public Employees' Retirement System recognized interest earned when posted by the Auditor's Office which is not until the interest is transferred from the Board of Investment's interest account to the System's income account. Hence, at year's end if all interest earned has not been transferred into the income account, it is not recognized in the records of financial statements. The Public Employees' Retirement System should utilize the Board of Investments investment account reports to record interest earned instead of the Auditor's Office account status report. The effect of not using the Board's report is that interest earned in the current year is included in next year's financial reports.

We recommend the Public Employees' Retirement System include total interest from investments in records and financial statements of the years in which it is earned.

*We will comply with this recommendation.*

During our audit of accounts receivable we noted nine delinquencies amounting to \$511,794.38 for non-state public employers as of June 30, 1981.

The West Virginia Code, Chapter 5, Article 10, Section 33, paragraph (b) states: "If any participating public employer, other than the State, fails to make any payment due the retirement system for a period of sixty days after the payment is due, the participating public employer shall become delinquent, and such delinquency shall be certified to the state auditor by the board of trustees. If any participating public employer becomes delinquent, as provided herein, the state auditor is authorized and directed to withhold any money due such participating public employer by the State until such delinquency, together with regular interest thereon, from the date due, is satisfied. Such money so withheld by the state auditor shall be paid to the retirement system."

A review of the Board minutes revealed only one non-state employer had been certified to the State Auditor by the Board of Trustees. This occurred at their March 20, 1975 quarterly meeting. This employer was attempting to withdraw from the Public Employees' Retirement System, and the Attorney General ruled it could not. The delinquency was then remitted.

We noted at a Board of Trustees' meeting on April 23, 1981 the Executive Secretary reported to the Board on the delinquency of four non-state accounts which were not specifically named. The Board suggested the Executive Secretary arrange payment programs for the agencies whereby the indebtedness would be remitted along with the current month's contributions. Although such payment plans are currently being utilized, this method of collecting delinquencies is not in compliance with the West Virginia Code. Also, we noted the

total amount of delinquencies has increased subsequent to the end of our audit period, therefore, we question the effectiveness of a payment plan.

We recommend any accounts receivable due from a non-state public employer that is sixty days past due be certified to the State Auditor by the Board of Trustees for collection in accordance with the West Virginia Code.

*The Board has attempted to be helpful to our employers in assisting them meet their statutory requirements without the necessity of withholding tax revenues as detailed in the law. This recommendation will be discussed with the Board and the Legislative Auditor will be advised of the procedure that is put into effect. We recognize the strength of the Code and will use it.*

Included in the accounts receivable at June 30, 1981 was one state agency with outstanding contributions of \$2,738,545.82 and at March 8, 1982, the date our audit work was completed, this receivable balance amounted to \$3,698,928.53. The West Virginia Code does not provide for collection from a delinquent state agency.

We recommend the West Virginia Public Employees' Retirement System be in communication with the delinquent state agency in an effort to collect the contributions due.

*Communication has been pursued on a regular basis and we have been told that the "funds have been ordered" to catch up those delinquencies. That agency is also awaiting an opinion from the Attorney General concerning the question of their obligation on the "general revenue portion of their appropriation".*

#### Annual Annuitant Valuation

During our review of actuarial investigations and valuations we noted an annual computation of the annuity reserve liabilities for annuities being paid retirants and beneficiaries has not been prepared since the 1978 fiscal year.

The West Virginia Code, Chapter 5, Article 10, Section 13 (d) states, "Beginning in one thousand nine hundred sixty-two, the actuary shall annually compute the annuity reserve liabilities for annuities being paid retirants and beneficiaries." The computations have not been performed upon advisement from the actuary doing the work, Edward H. Friend and Company. Mr. Friend states in the Actuarial Valuation of Annuitant Liabilities dated June 30, 1977, Summary, Section F.:

"The purpose served by the annuitant valuation is open to question. The original purpose may have been to track the growth of the liabilities from year to year. At present the determination of liabilities and the comparison of the liabilities to the Retirement Reserve Fund serve little useful purpose. Since both the Retirement Reserve Fund and the annuitant liability represent portions of the overall assets and liabilities of the System, little is gained by valuing the portion without giving full recognition to the status of the System as a whole." Also, "Based on the preceding it is recommended consideration be given to amending the Act to provide that a determination of annuitant liabilities be made in conjunction with the triennial valuation or more often if such determination is deemed necessary as a result of benefit improvements or experience modifications, as recommended by the Actuary and approved by the Trustees..."

We are in agreement with Mr. Friend's recommendation and we urge the Board of Trustees to pursue an amendment to the Act. However, we recommend the Public Employees' Retirement System continue the performance of an annual annuitant valuation until the Act is amended so the System complies with the West Virginia Code.

*We will continue to try to get the law changed and will comply with this recommendation.*



## INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extend of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objectives of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the period July 1, 1974 to June 30, 1981, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be weaknesses.

We noted the procedures performed for the processing of contributions, refunds, annuities and disability, and general accounting procedures are not set forth in written form. If written procedures were prepared, the System would promote better efficiency and provide guidelines for new employees.

We recommend a procedures manual be prepared detailing and standardizing the procedures and controls to be used by employees of the Public Employees' Retirement System.

*This is a good recommendation and it will be considered for adoption. I would like to point out that our agency has very little turnover in our employees and our staff represents experience in this office of 20 years, 17 years, 16 years, 15 years, 12 years, and 11 years in our staff. We have provided a PERS HANDBOOK for our retirement consultants for their guidance. This is an expansive booklet covering all the matters which might normally be expected to surface at that level.*

During our study and evaluation of internal controls, we noted there is no control of long distance telephone calls to prevent abuse. Good controls would comprise a plan to ensure all calls are for business purposes and not for personal reasons. The System should maintain a telephone log which includes the reason for all long distance calls, number calls and the date call was made.

We recommend controls over long distance telephone calls be implemented.

*A review of our telephone costs for FY-1981 shows that our monthly long distance calls (7-1) averaged less than \$20 and our DAIN (9-1) calls averaged less than \$700 per month. Our employees use the phone extensively for member and retirant contacts and it is significant that we are able to keep our calls at such a low figure for the "7-1" calls while maintaining the level of contact that is required by our statutory assignment. Your recommendation will be considered.*

We performed a test on the payroll procedures during which we observed the employees of the Public Employees' Retirement System were not required to maintain any records of the time they worked each day or sick and annual leave earned and taken. The Secretary maintained a log of sick and annual leave accumulation for employees and time worked for hourly employees, however, this log was destroyed at the end of each calendar year.

According to the West Virginia Minimum Wage Law and Regulations, Chapter 21, Article 5C, of the West Virginia Code, effective July 1, 1980, Section 200-2, "The written record or records with respect to each and every employee shall contain: ...(G) Hours worked each workday and total hours worked each work week ..." and according to section 203-1 of the same regulations, "All records of the employer directly relating to wages and hours of persons employed by him shall be kept and preserved by him."

We recommend the Executive Secretary implement a system whereby employees of the System maintain a record of hours they work and leave earned and taken and such records be retained by the System.

*The record of work, vacation, and sick leave is maintained in this office; however, it is not left to the individual employee to keep his/her own records. Since we have only 20 employees, this record is kept in the office of the Executive Secretary on a daily basis. We have great confidence in this method of keeping such records for this size agency. We will comply with your*

*recommendation about the retention of records.*

During our examination of equipment we found an inventory has not been maintained since March, 1980. Since that time, no system for tagging new purchases of equipment with State and agency numbers has existed, nor has any person had the responsibility of recording new purchases on the Department of Finance and Administration inventory records. Furthermore, no one checks the Department of Finance and Administration computer report of equipment to actual equipment in hand at least once a year.

Our test of equipment proved several items had State tag numbers which did not correspond to the description of the item on the computer read-out and several pieces of equipment had no tag number and were not listed on the read-out. Also, an adding machine on the computer read-out could not be located. We were informed this item was taken to surplus property, but no documentation of such a transaction could be found.

A system of internal controls would include a check of inventory against records. The Public Employees' Retirement System should maintain a good method of inventory to eliminate the opportunity for concealment. Additionally, "Equipment, Lost, Stolen, and/or Damaged," page 59 of the Handbook of Purchasing Procedures states, "An annual inventory must be taken by all agencies. When the agency receives its computer read-out of equipment, they should check it against what they have."

We recommend the Public Employees' Retirement System update inventory records; tag recent purchases of equipment with State and agency numbers; and, at least once annually someone independent of purchasing perform a check of actual equipment to the inventory record for accuracy of description, tag number and proper location.

*We will comply with this recommendation.*

While performing a test of the ledgers maintained by the Public Employees' Retirement System, we noted the balances of the subsidiary ledgers did

not support the control ledger. We also could not trace balances of the control ledgers to the financial statements.

Good accounting controls provide for a system of checks to ensure transactions are recorded properly. The records maintained by an agency should provide the support for the financial statements. The control ledger should be utilized to verify the accuracy of transactions posted to the subsidiary ledgers which in turn are supported by deposit slips and intra-governmental transactions.

We recommend the subsidiary ledgers be reconciled periodically to the control ledgers.

*We will comply with this recommendation.*

#### INVESTMENTS

Effective March 17, 1979, the investments of the Public Employees' Retirement System was converted to the State Treasury for management by the West Virginia Board of Investments in compliance with the West Virginia Code, Chapter 12, Article 6. This article, which may be cited as the "Investment Management Law" is enacted to modernize the procedures for the investment of funds of the State and its political subdivisions for the purpose of increasing the investment return of such funds.

Our examination revealed that investments as shown by the System's financial records were not reconciled with the investments as recorded by the Board of Investments at the time of conversion. As a result the investments reported by the Public Employees' Retirement System for the years ended June 30, 1979, June 30, 1980 and June 30, 1981 are understated in the amount of \$3,348,875.56.

We recommend the Public Employees' Retirement System reconcile their investment balance to that of the Board of Investments periodically and any difference be located and corrected.

*Our office is now in the process of reconciling this difference with the office of the Treasurer. A report will be submitted to the Legislative Auditor when this is accomplished. We will comply with your recommendation in this regard.*

AUDITORS' OPINION

The Honorable Encil Bailey  
Legislative Auditor  
State Capitol - Main Unit  
Charleston, West Virginia

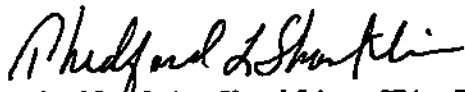
Sir:

We have examined the balance sheet of the West Virginia Public Employees' Retirement System as of June 30, 1981 and June 30, 1980, and the related statement of revenues, expenses and changes in fund balance for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the West Virginia Public Employees' Retirement System at June 30, 1981 and June 30, 1980, and the results of its operations; changes in fund balance, and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Thedford L. Shanklin, CPA, Director  
Legislative Postaudit Division

March 8, 1982

Auditors: James R. Blake, Supervisor-in-Charge  
Susan Rich, Auditor-in-Charge  
Ramamoorthy P. Rao, CPA  
Paul M. McKown  
Robert E. High

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BALANCE SHEET

|  | <u>1981</u>                 | <u>June 30,</u> | <u>1980</u>                 |
|--|-----------------------------|-----------------|-----------------------------|
| <u>Assets</u>                          |                             |                 |                             |
| Cash                                   | \$ 6,372,896.68             | \$              | 1,195,232.29                |
| Accounts Receivable                    | 6,913,015.10                |                 | 4,817,960.64                |
| Investments                            | 424,212,430.09              |                 | 362,866,575.97              |
| Accrued Interest                       | <u>9,916,664.80</u>         |                 | <u>10,066,350.44</u>        |
| <br>TOTAL ASSETS                       | <br><u>\$447,415,006.67</u> |                 | <br><u>\$378,946,119.34</u> |
| <u>Liabilities and Fund Balance</u>    |                             |                 |                             |
| Employees Benefits                     | \$ 48,978.80                | \$              | 19,262.37                   |
| Fund Balance:                          |                             |                 |                             |
| Members' Deposit                       |                             |                 |                             |
| State                                  | 83,362,653.25               |                 | 75,117,195.81               |
| Non-State                              | 27,793,903.15               |                 | 24,094,671.84               |
| Employers' Accumulation                |                             |                 |                             |
| State                                  | 11,018,381.51               |                 | 10,779,809.20               |
| Non-State                              | 25,294,802.82               |                 | 19,191,022.74               |
| Retirement Reserve                     |                             |                 |                             |
| State                                  | 179,129,452.51              |                 | 156,119,911.08              |
| Non-State                              | 52,137,863.74               |                 | 45,319,317.04               |
| Income                                 | 68,564,928.32               |                 | 48,333,524.45               |
| Expense (Deficit)                      | <u>64,042.57</u>            |                 | <u>(28,593.19)</u>          |
|  | <u>447,366,027.87</u>       |                 | <u>378,926,856.97</u>       |
| <br>TOTAL LIABILITIES AND FUND BALANCE | <br><u>\$447,415,006.67</u> |                 | <br><u>\$378,946,119.34</u> |

See Notes to Financial Statements



WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN FUND BALANCE

|                               | <u>Year Ended June 30,</u> |                         |
|-------------------------------|----------------------------|-------------------------|
|                               | <u>1981</u>                | <u>1980</u>             |
| <b>Revenues:</b>              |                            |                         |
| <b>Contributions</b>          |                            |                         |
| Employers'                    | \$ 42,405,135.57           | \$ 37,037,672.18        |
| Employees'                    | 19,161,063.34              | 17,167,428.71           |
| Interest                      | 37,750,708.24              | 30,119,216.33           |
|                               | <u>99,316,907.15</u>       | <u>84,324,317.22</u>    |
| <b>Expenses:</b>              |                            |                         |
| Benefit Payments              | 24,687,736.32              | 21,043,774.88           |
| Refunds                       | 5,718,960.34               | 5,073,464.86            |
| Personal Services             | 268,029.50                 | 190,290.12              |
| Current Expenses              | 202,944.73                 | 272,191.84              |
| Equipment                     | 65.36                      | 226.01                  |
|                               | <u>30,877,736.25</u>       | <u>26,579,947.71</u>    |
| <b>REVENUES OVER EXPENSES</b> | 68,439,170.90              | 57,744,369.51           |
| <b>Beginning Fund Balance</b> | <u>378,926,856.97</u>      | <u>321,182,487.46</u>   |
| <b>Ending Fund Balance</b>    | <u>\$447,366,027.87</u>    | <u>\$378,926,856.97</u> |

See Notes to Financial Statements

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

Note A - General

Chapter 5, Article 10 of the West Virginia Code created and established the West Virginia Public Employees' Retirement System to provide for the orderly retirements of employees, of the State and other participating public employers, who become superannuated because of age or total and permanent disability, and to provide certain survivor benefits. The Retirement System shall constitute a body corporate. All business of the System shall be transacted in the name of West Virginia Public Employees' Retirement System.

Note B - Accounting Policies

The accounting policies of the West Virginia Public Employees' Retirement System conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

1. Trust funds are used to account for assets held by the System in a trustee capacity for participating state and non-state public employees, state employers and participating non-state employers.
2. All pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when incurred with the exception of unpaid vacation and sick pay which is recognized when taken. There is no material effect upon the financial statements by not recognizing unpaid vacation and sick pay when incurred.
3. The System is a member of the West Virginia State Board of Investments Consolidated Pension Pool. The System's share of the Pool is as follows:

|                        | <u>1981</u>             | <u>June 30,</u><br><u>1980</u> |
|------------------------|-------------------------|--------------------------------|
| Long-Term Investments  | \$339,771,960.93        | \$310,466,575.97               |
| Short-Term Investments | 84,440,469.16           | 52,400,000.00                  |
|                        | <u>\$424,212,430.09</u> | <u>\$362,866,575.97</u>        |

The investments are stated at cost or amortized cost. The market value of the long-term investments follows:

|  | <u>1981</u>             | <u>June 30,</u><br><u>1980</u> |
|--|-------------------------|--------------------------------|
|  | <u>\$256,665,000.00</u> | <u>\$277,497,000.00</u>        |

Note C - General Revenue Appropriations Received

The System received general revenue appropriations for use in the Employers' Accumulation, Retirement Reserve and Expense Funds the detail follows:

|                                    | <u>Funds</u>                   |                           |                     | <u>Total</u>           |
|------------------------------------|--------------------------------|---------------------------|---------------------|------------------------|
|                                    | <u>Employers' Accumulation</u> | <u>Retirement Reserve</u> | <u>Expense</u>      |                        |
| Fiscal Year Ended<br>June 30, 1981 |                                |                           |                     |                        |
| Appropriations                     | \$9,500,000.00                 | \$1,700,000.00            | \$125,000.00        | \$11,325,000.00        |
| Expirations                        | -0-                            | 231,300.02                | 2.00                | 231,302.02             |
| Appropriations Received            | <u>\$9,500,000.00</u>          | <u>\$1,468,699.98</u>     | <u>\$124,998.00</u> | <u>\$11,093,697.98</u> |
| Fiscal Year Ended<br>June 30, 1980 |                                |                           |                     |                        |
| Appropriations                     | \$9,000,000.00                 | \$ -0-                    | \$125,000.00        | \$ 9,125,000.00        |
| Expirations                        | -0-                            | -0-                       | -0-                 | -0-                    |
| Appropriations Received            | <u>\$9,000,000.00</u>          | <u>\$ -0-</u>             | <u>\$125,000.00</u> | <u>\$ 9,125,000.00</u> |

Note D - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4½% of their compensation and employees have vested rights under certain circumstances. Contributions by the System are 9½% of the employees' compensation. The System's pension expenses were as follows:

|  | <u>June 30,</u><br><u>1981</u> | <u>1980</u>        |
|--|--------------------------------|--------------------|
|  | <u>\$25,854.10</u>             | <u>\$22,773.60</u> |

The total unfunded liability and its amortization of the pension plan as of June 30, 1980 is:

|                               | <u>State</u>            | <u>Non-State</u>        | <u>Total</u>            |
|-------------------------------|-------------------------|-------------------------|-------------------------|
| Unfunded Liability            | <u>\$ 92,035,902.00</u> | <u>\$ 12,248,682.00</u> | <u>\$104,284,584.00</u> |
| Period to Amoritize Liability | <u>8 Years</u>          | <u>2 Years</u>          | <u>8 Years</u>          |

**SUPPLEMENTAL INFORMATION**

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES

IN CASH BALANCE

|   | <u>Year Ended June 30, 1981</u> |                      |                |                        |
|---|---------------------------------|----------------------|----------------|------------------------|
|   | <u>Trust</u>                    | <u>Funds</u>         | <u>Expense</u> | <u>Total</u>           |
| <b>Cash Receipts:</b>                       |                                 |                      |                |                        |
| Members' Deposit Fund                       |                                 |                      |                |                        |
| State                                       | \$ 13,796,136.45                | \$ -0-               |                | \$ 13,796,136.45       |
| Non-State                                   | 5,745,946.18                    | -0-                  |                | 5,745,946.18           |
| Employers' Accumulation Fund                |                                 |                      |                |                        |
| State - Appropriation                       | 9,500,000.00                    | -0-                  |                | 9,500,000.00           |
| State - Contributions                       | 15,669,929.27                   | -0-                  |                | 15,669,929.27          |
| Non-State - Contributions                   | 12,726,755.22                   | -0-                  |                | 12,726,755.22          |
| Retirement Reserve Fund                     |                                 |                      |                |                        |
| State - Appropriation                       | 1,091,751.43                    | -0-                  |                | 1,091,751.43           |
| State - Transfers                           | 31,695,534.00                   | -0-                  |                | 31,695,534.00          |
| Non-State - Appropriation                   | 376,948.55                      | -0-                  |                | 376,948.55             |
| Non-State - Transfers                       | 9,258,941.00                    | -0-                  |                | 9,258,941.00           |
| Income Fund                                 | 37,900,393.88                   | -0-                  |                | 37,900,393.88          |
| Expense Fund                                |                                 |                      |                |                        |
| State - Appropriation                       | -0-                             | 124,998.00           |                | 124,998.00             |
| Membership Fees                             | -0-                             | 438,679.35           |                | 438,679.35             |
|   | <u>137,762,335.98</u>           | <u>563,677.35</u>    |                | <u>138,326,013.33</u>  |
| <b>Disbursements:</b>                       |                                 |                      |                |                        |
| Members' Deposit Fund                       |                                 |                      |                |                        |
| State - Refunds                             | 3,917,723.14                    | -0-                  |                | 3,917,723.14           |
| Non-State - Refunds                         | 1,801,237.20                    | -0-                  |                | 1,801,237.20           |
| State - Transfers to Retirement Reserve     | 3,967,534.00                    | -0-                  |                | 3,967,534.00           |
| Non-State - Transfers to Retirement Reserve | 1,105,129.00                    | -0-                  |                | 1,105,129.00           |
| Employers' Accumulation Fund                |                                 |                      |                |                        |
| State - Transfers to Retirement Reserve     | 27,728,000.00                   | -0-                  |                | 27,728,000.00          |
| Non-State - Transfers to Retirement Reserve | 8,153,812.00                    | -0-                  |                | 8,153,812.00           |
| Retirement Reserve Fund                     |                                 |                      |                |                        |
| State - Benefits                            | 19,146,802.76                   | -0-                  |                | 19,146,802.76          |
| Non-State - Benefits                        | 5,540,933.56                    | -0-                  |                | 5,540,933.56           |
| Income Fund                                 |                                 |                      |                |                        |
| Investments                                 | 61,345,854.12                   | -0-                  |                | 61,345,854.12          |
| Expense Fund                                |                                 |                      |                |                        |
| Personal Services                           | -0-                             | 268,029.50           |                | 268,029.50             |
| Current Expenses                            | -0-                             | 173,228.30           |                | 173,228.30             |
| Equipment                                   | -0-                             | 65.36                |                | 65.36                  |
|   | <u>132,707,025.78</u>           | <u>441,323.16</u>    |                | <u>133,148,348.94</u>  |
| Receipts Over (Under)                       |                                 |                      |                |                        |
| Disbursements                               | 5,055,310.20                    | 122,354.19           |                | 5,177,664.39           |
| Beginning Cash Balance (Deficit)            | 1,204,565.11                    | (9,332.82)           |                | 1,195,232.29           |
| Ending Cash Balance (Deficit)               | <u>\$ 6,259,875.31</u>          | <u>\$ 113,021.37</u> |                | <u>\$ 6,372,896.68</u> |

Year Ended June 30, 1980

| <u>Trust</u>     | <u>Funds</u> | <u>Expense</u> | <u>Total</u>     |
|------------------|--------------|----------------|------------------|
| \$ 12,149,653.26 | \$           | -0-            | \$ 12,149,653.26 |
| 4,781,215.03     |              | -0-            | 4,781,215.03     |
| 9,000,000.00     |              | -0-            | 9,000,000.00     |
| 16,930,325.82    |              | -0-            | 16,930,325.82    |
| 11,044,347.50    |              | -0-            | 11,044,347.50    |
| -0-              |              | -0-            | -0-              |
| 24,163,225.00    |              | -0-            | 24,163,225.00    |
| -0-              |              | -0-            | -0-              |
| 6,741,050.00     |              | -0-            | 6,741,050.00     |
| 27,752,505.23    |              | -0-            | 27,752,505.23    |
| -0-              |              | 125,000.00     | 125,000.00       |
| -0-              |              | 218,003.64     | 218,003.64       |
| 112,562,321.84   |              | 343,003.64     | 112,905,325.48   |
| 3,661,002.09     |              | -0-            | 3,661,002.09     |
| 1,412,462.77     |              | -0-            | 1,412,462.77     |
| 2,928,522.00     |              | -0-            | 2,928,522.00     |
| 818,630.00       |              | -0-            | 818,630.00       |
| 21,234,703.00    |              | -0-            | 21,234,703.00    |
| 5,922,420.00     |              | -0-            | 5,922,420.00     |
| 16,375,525.57    |              | -0-            | 16,375,525.57    |
| 4,668,249.31     |              | -0-            | 4,668,249.31     |
| 54,753,681.35    |              | -0-            | 54,753,681.35    |
| -0-              |              | 190,290.12     | 190,290.12       |
| -0-              |              | 252,929.47     | 252,929.47       |
| -0-              |              | 226.01         | 226.01           |
| 111,775,196.09   |              | 443,445.60     | 112,218,641.69   |
| 787,125.75       |              | (100,441.96)   | 686,683.79       |
| 417,439.36       |              | 91,109.14      | 508,548.50       |
| \$ 1,204,565.11  | \$           | (9,332.82)     | \$ 1,195,232.29  |

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

REPORT OF REFUNDS

FISCAL YEAR 1980-81

|  | <u>Members Refunded</u> |                  | <u>Total</u> |
|--|-------------------------|------------------|--------------|
|  | <u>State</u>            | <u>Non-State</u> |              |
| Termination                                | 3,058                   | 1,844            | 4,902        |
| Erroneous Deductions                       | 5                       | 7                | 12           |
| Survivors of Deceased Members              | 65                      | 30               | 95           |
| Transferred Service to Teachers Retirement | <u>19</u>               | <u>6</u>         | <u>25</u>    |
| Total Refunds Before Deposits              | 3,147                   | 1,887            | 5,012        |
| Less Redeposits                            | <u>13</u>               | <u>9</u>         | <u>22</u>    |
| TOTAL MEMBERS REFUNDED                     | 3,134                   | 1,878            | 5,012        |

|  | <u>Amount Refunded</u> |                    | <u>Total</u>       |
|--|------------------------|--------------------|--------------------|
|  | <u>State</u>           | <u>Non-State</u>   |                    |
| Termination                                | \$3,788,371            | \$1,753,692        | \$5,542,063        |
| Erroneous Deductions                       | 772                    | 5,052              | 5,824              |
| Survivors of Deceased Members              | 120,757                | 43,501             | 164,258            |
| Transferred Service to Teachers Retirement | <u>21,205</u>          | <u>7,814</u>       | <u>29,019</u>      |
| Total Refunds Before Deposits              | \$3,931,105            | \$1,810,059        | \$5,741,164        |
| Less Redeposits                            | <u>13,382</u>          | <u>8,822</u>       | <u>22,204</u>      |
| TOTAL AMOUNT REFUNDED                      | <u>\$3,917,723</u>     | <u>\$1,801,237</u> | <u>\$5,718,960</u> |

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

REPORT OF REFUNDS

FISCAL YEAR 1979-80

|  | <u>Members Refunded</u> |                  | <u>Total</u> |
|--|-------------------------|------------------|--------------|
|  | <u>State</u>            | <u>Non-State</u> |              |
| Termination                                | 3,477                   | 1,670            | 5,147        |
| Erroneous Deductions                       | 1                       | 2                | 3            |
| Survivors of Deceased Members              | 72                      | 34               | 106          |
| Transferred Service to Teachers Retirement | <u>22</u>               | <u>8</u>         | <u>30</u>    |
| Total Refunds Before Deposits              | 3,572                   | 1,714            | 5,286        |
| Less Redeposits                            | <u>22</u>               | <u>11</u>        | <u>33</u>    |
| TOTAL MEMBERS REFUNDED                     | 3,550                   | 1,703            | 5,253        |

|  | <u>Amount Refunded</u> |                    | <u>Total</u>       |
|--|------------------------|--------------------|--------------------|
|  | <u>State</u>           | <u>Non-State</u>   |                    |
| Termination                                | \$3,497,984            | \$1,339,861        | \$4,837,845        |
| Erroneous Deductions                       | 65                     | 1,310              | 1,375              |
| Survivors of Deceased Members              | 136,059                | 63,260             | 199,319            |
| Transferred Service to Teachers Retirement | <u>38,754</u>          | <u>14,730</u>      | <u>53,484</u>      |
| Total Refunds Before Deposits              | \$3,672,862            | \$1,419,161        | \$5,092,023        |
| Less Redeposits                            | <u>11,860</u>          | <u>6,698</u>       | <u>18,558</u>      |
| TOTAL AMOUNT REFUNDED                      | <u>\$3,661,002</u>     | <u>\$1,412,463</u> | <u>\$5,073,465</u> |



WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF BENEFITS PAID AND PAYABLE

FISCAL YEAR 1980-81

FINANCIAL REPORT

|  | <u>State</u>  | <u>Non-State</u> | <u>Total</u>  |
|--|---------------|------------------|---------------|
| Retirement Reserve Fund Balance—       |               |                  |               |
| 6/30/81 . . . . .                      | \$179,129,452 | \$ 52,137,864    | \$231,267,316 |
| Annuities Paid . . . . .               | 19,146,803    | 5,540,933        | 24,687,736    |
| Reserve Liabilities . . . . .          | 31,695,534    | 9,258,941        | 40,954,475    |
| Employers Contributions Transferred .  | 27,728,000    | 8,153,812        | 35,881,812    |
| Retirants Contributions Transferred .  | 3,967,534     | 1,105,129        | 5,072,663     |
| Interest Earned (Mean Balance of RRF). | 9,369,058     | 2,723,591        | 12,092,649    |
| Average Monthly Annuity . . . . .      | 1,595,567     | 461,744          | 2,057,311     |
| Percentage Contributed by Retirants .  | 12.52%        | 11.94%           | 12.39%        |
| Percentage Contributed by Employers .  | 87.48%        | 88.06%           | 87.61%        |

MEMBERS RETIRED

|                                       | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|---------------------------------------|--------------|------------------|--------------|
| Retirants—7/1/80 . . . . .            | 7,285        | 2,352            | 9,637        |
| Retirants—Fiscal Year 1980-81 . . . . | <u>729</u>   | <u>245</u>       | <u>974</u>   |
| TOTAL . . . . .                       | 8,014        | 2,597            | 10,611       |
| Less Death Annuities . . . . .        | <u>262</u>   | <u>81</u>        | <u>343</u>   |
| TOTAL . . . . .                       | 7,752        | 2,516            | 10,268       |

OPTION ELECTIONS

|                         | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|-------------------------|--------------|------------------|--------------|
| Straight Life . . . . . | 4,243        | 1,354            | 5,597        |
| Option A . . . . .      | 2,274        | 796              | 3,070        |
| Option B . . . . .      | <u>1,235</u> | <u>366</u>       | <u>1,601</u> |
| TOTAL . . . . .         | 7,752        | 2,516            | 10,268       |

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF BENEFITS PAID AND PAYABLE

FISCAL YEAR 1979-80

FINANCIAL REPORT

|  | <u>State</u>  | <u>Non-State</u> | <u>Total</u>  |
|--|---------------|------------------|---------------|
| Retirement Reserve Fund Balance--      |               |                  |               |
| 6/30/80 . . . . .                      | \$156,119,911 | \$ 45,319,317    | \$201,439,228 |
| Annuities Paid . . . . .               | 16,375,526    | 4,668,249        | 21,043,775    |
| Reserve Liabilities . . . . .          | 24,163,225    | 6,741,050        | 30,904,275    |
| Employers Contributions Transferred .  | 21,234,703    | 5,922,420        | 27,157,123    |
| Retirants Contributions Transferred .  | 2,928,522     | 818,630          | 3,747,152     |
| Interest Earned (Mean Balance of RRF). | 8,277,067     | 2,407,818        | 10,684,885    |
| Average Monthly Annuity . . . . .      | 1,364,627     | 389,021          | 1,753,648     |
| Percentage Contributed by Retirants .  | 12.12%        | 12.14%           | 12.13%        |
| Percentage Contributed by Employers .  | 87.88%        | 87.86%           | 87.87%        |

MEMBERS RETIRED

|                                       | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|---------------------------------------|--------------|------------------|--------------|
| Retirants—7/1/79 . . . . .            | 6,849        | 2,230            | 9,079        |
| Retirants—Fiscal Year 1979-80 . . . . | <u>614</u>   | <u>180</u>       | <u>794</u>   |
| TOTAL . . . . .                       | 7,463        | 2,410            | 9,873        |
| Less Death Annuities . . . . .        | <u>178</u>   | <u>58</u>        | <u>236</u>   |
| TOTAL . . . . .                       | 7,285        | 2,352            | 9,637        |

OPTION ELECTIONS

|                         | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|-------------------------|--------------|------------------|--------------|
| Straight Life . . . . . | 4,038        | 1,272            | 5,310        |
| Option A . . . . .      | 2,102        | 737              | 2,839        |
| Option B . . . . .      | <u>1,145</u> | <u>343</u>       | <u>1,488</u> |
| TOTAL . . . . .         | 7,285        | 2,352            | 9,637        |

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATISTICAL INFORMATION OF INTEREST

FISCAL YEAR 1980-81

SOURCE OF FINANCING

|  |                 |
|--|-----------------|
| Employee Contributions . . . . .           | 4½% of Salary   |
| State Employer Contributions . . . . .     | 9½% of Payroll  |
| Non-State Employer Contributions . . . . . | 10½% of Payroll |

MEMBERSHIP

|                                   | <u>Employers</u> | <u>Employees</u> |
|-----------------------------------|------------------|------------------|
| State of West Virginia . . . . .  | All . . . . .    | 23,125           |
| County Commissions . . . . .      | 55 . . . . .     | 3,896            |
| Boards of Health . . . . .        | 55 . . . . .     | 615              |
| Municipalities . . . . .          | 90 . . . . .     | 3,149            |
| Public Corporations . . . . .     | 151 . . . . .    | 3,321            |
| Inactive Former Members . . . . . | - . . . .        | 28,455           |

STATEMENT OF GROWTH

|                | <u>Total Investment</u> | <u>Total Earnings</u> |
|----------------|-------------------------|-----------------------|
| 1971 . . . . . | \$ 76,356,505 . . . . . | \$ 4,275,317          |
| 1972 . . . . . | 91,749,026 . . . . .    | 5,151,555             |
| 1973 . . . . . | 114,603,324 . . . . .   | 7,108,614             |
| 1974 . . . . . | 133,599,250 . . . . .   | 8,359,833             |
| 1975 . . . . . | 153,776,778 . . . . .   | 11,669,539            |
| 1976 . . . . . | 178,319,242 . . . . .   | 12,578,919            |
| 1977 . . . . . | 214,287,376 . . . . .   | 15,874,345            |
| 1978 . . . . . | 256,714,844 . . . . .   | 19,141,673            |
| 1979 . . . . . | 304,764,019 . . . . .   | 20,651,616            |

STATEMENT OF GROWTH (CONT.)

|                |                       |            |
|----------------|-----------------------|------------|
| 1980 . . . . . | 359,517,701 . . . . . | 27,752,535 |
| 1981 . . . . . | 420,863,554 . . . . . | 37,900,394 |

INVESTMENT OF FUNDS

All available funds from this agency are invested by the Board of Investments as authorized under Chapter 12, Article 6 of the Code of the State of West Virginia. The Board is comprised of the Governor, the Treasurer, and the Auditor— with the Treasurer serving as Secretary to the Board. Amendments to the law effective July 1, 1978, authorized the establishment of a "consolidated pension fund" to generate the greatest possible return on invested public funds.

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATISTICAL INFORMATION OF INTEREST

FISCAL YEAR 1979-80

SOURCE OF FINANCING

|  |                 |
|--|-----------------|
| Employee Contributions . . . . .           | 4½% of Salary   |
| State Employer Contributions . . . . .     | 9½% of Payroll  |
| Non-State Employer Contributions . . . . . | 10½% of Payroll |

MEMBERSHIP

|                                   | <u>Employers</u> | <u>Employees</u> |
|-----------------------------------|------------------|------------------|
| State of West Virginia . . . . .  | All . . . . .    | 24,392           |
| County Commissions . . . . .      | 55 . . . . .     | 3,763            |
| Boards of Health . . . . .        | 55 . . . . .     | 544              |
| Municipalities . . . . .          | 87 . . . . .     | 3,045            |
| Public Corporations . . . . .     | 138 . . . . .    | 3,112            |
| Inactive Former Members . . . . . | - . . . .        | 27,433           |

STATEMENT OF GROWTH

|                | <u>Total Investment</u> | <u>Total Earnings</u> |
|----------------|-------------------------|-----------------------|
| 1970 . . . . . | \$ 63,288,892 . . . . . | \$ 3,243,558          |
| 1971 . . . . . | 76,356,505 . . . . .    | 4,275,317             |
| 1972 . . . . . | 91,749,026 . . . . .    | 5,151,555             |
| 1973 . . . . . | 114,603,324 . . . . .   | 7,108,614             |
| 1974 . . . . . | 133,599,250 . . . . .   | 8,359,833             |
| 1975 . . . . . | 153,776,778 . . . . .   | 11,669,539            |
| 1976 . . . . . | 178,319,242 . . . . .   | 12,578,919            |
| 1977 . . . . . | 214,287,376 . . . . .   | 15,874,345            |
| 1978 . . . . . | 256,714,844 . . . . .   | 19,141,673            |

STATEMENT OF GROWTH (CONT.)

|                |                       |            |
|----------------|-----------------------|------------|
| 1979 . . . . . | 304,764,019 . . . . . | 20,651,616 |
| 1980 . . . . . | 359,517,701 . . . . . | 27,752,535 |

INVESTMENT OF FUNDS

All available funds from this agency are invested by the Board of Investments as authorized under Chapter 12, Article 6 of the Code of the State of West Virginia. The Board is comprised of the Governor, the Treasurer, and the Auditor--with the Treasurer serving as Secretary to the Board. Amendments to the law effective July 1, 1978, authorized the establishment of a "consolidated pension fund" to generate the greatest possible return on invested public funds.

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RECAPITULATION OF TYPES OF BENEFITS BEING PAID

FISCAL YEAR ENDING JUNE 30, 1981

AGE AND SERVICE ANNUITY OPTIONS

|                                    | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|------------------------------------|--------------|------------------|--------------|
| Straight Life . . . . .            | 3,879        | 1,274            | 5,153        |
| Option "A" Retirant . . . . .      | 1,016        | 358              | 1,374        |
| Option "A" Beneficiary . . . . .   | 372          | 137              | 509          |
| Option "B" Retirant . . . . .      | 816          | 224              | 1,040        |
| Option "B" Beneficiary . . . . .   | 249          | 89               | 338          |
| Surviving Spouse Benefit . . . . . | <u>509</u>   | <u>191</u>       | <u>700</u>   |
| Sub-Total . . . . .                | 6,841        | 2,273            | 9,114        |

DISABILITY AWARDS

|                                  | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|----------------------------------|--------------|------------------|--------------|
| Straight Life . . . . .          | 364          | 80               | 444          |
| Option "A" Retirant . . . . .    | 235          | 80               | 315          |
| Option "A" Beneficiary . . . . . | 142          | 30               | 172          |
| Option "B" Retirant . . . . .    | 125          | 36               | 161          |
| Option "B" Beneficiary . . . . . | <u>45</u>    | <u>17</u>        | <u>62</u>    |
| Sub-Total . . . . .              | <u>911</u>   | <u>243</u>       | <u>1,154</u> |
| TOTAL . . . . .                  | 7,752        | 2,516            | 10,268       |

RECAPITULATION OF RETIRANT INFORMATION

|                         | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|-------------------------|--------------|------------------|--------------|
| Retirants . . . . .     | 6,435        | 2,052            | 8,487        |
| Beneficiaries . . . . . | <u>1,317</u> | <u>464</u>       | <u>1,781</u> |
| TOTAL . . . . .         | 7,752        | 2,516            | 10,268       |

RECAPITULATION OF TYPES OF BENEFITS BEING PAID (CONT.)

FISCAL YEAR ENDING JUNE 30, 1981

DISABILITY AWARDS  
*Included in Above Totals*

|                         | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|-------------------------|--------------|------------------|--------------|
| Retirants . . . . .     | 724          | 196              | 920          |
| Beneficiaries . . . . . | <u>187</u>   | <u>47</u>        | <u>234</u>   |
|                         | 911          | 243              | 1,154        |
| % of Total . . .        | 11.24%       |                  |              |



WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RECAPITULATION OF TYPES OF BENEFITS BEING PAID

FISCAL YEAR ENDING JUNE 30, 1980

AGE AND SERVICE ANNUITY OPTIONS

|                                    | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|------------------------------------|--------------|------------------|--------------|
| Straight Life . . . . .            | 3,709        | 1,197            | 4,906        |
| Option "A" Retirant . . . . .      | 935          | 323              | 1,258        |
| Option "A" Beneficiary . . . . .   | 340          | 128              | 468          |
| Option "B" Retirant . . . . .      | 762          | 213              | 975          |
| Option "B" Beneficiary . . . . .   | 224          | 79               | 303          |
| Surviving Spouse Benefit . . . . . | <u>483</u>   | <u>189</u>       | <u>672</u>   |
| Sub-Total . . . . .                | 6,453        | 2,129            | 8,582        |

DISABILITY AWARDS

|                                  | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|----------------------------------|--------------|------------------|--------------|
| Straight Life . . . . .          | 329          | 75               | 404          |
| Option "A" Retirant . . . . .    | 206          | 71               | 277          |
| Option "A" Beneficiary . . . . . | 138          | 26               | 164          |
| Option "B" Retirant . . . . .    | 116          | 36               | 152          |
| Option "B" Beneficiary . . . . . | <u>43</u>    | <u>15</u>        | <u>58</u>    |
| Sub-Total . . . . .              | <u>832</u>   | <u>223</u>       | <u>1,055</u> |
| TOTAL . . . . .                  | 7,285        | 2,352            | 9,637        |

RECAPITULATION OF RETIRANT INFORMATION

|                         | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|-------------------------|--------------|------------------|--------------|
| Retirants . . . . .     | 6,057        | 1,915            | 7,972        |
| Beneficiaries . . . . . | <u>1,228</u> | <u>437</u>       | <u>1,665</u> |
| TOTAL . . . . .         | 7,285        | 2,352            | 9,637        |

RECAPITULATION OF TYPES OF BENEFITS BEING PAID (CONT.)

FISCAL YEAR ENDING JUNE 30, 1980

DISABILITY AWARDS  
*Included in Above Totals*

|                         | <u>State</u> | <u>Non-State</u> | <u>Total</u> |
|-------------------------|--------------|------------------|--------------|
| Retirants . . . . .     | 651          | 182              | 833          |
| Beneficiaries . . . . . | <u>181</u>   | <u>41</u>        | <u>222</u>   |
| TOTAL . . . . .         | 832          | 223              | 1,055        |
| % of Total . . . . .    | 10.95%       |                  |              |

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 21<sup>st</sup> day of JUNE,  
1982.

Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the Public Employees' Retirement System; Attorney General; Governor; and, State Auditor.