

STATE OF WEST VIRGINIA
AUDIT REPORT
OF
WEST VIRGINIA
CONSOLIDATED PUBLIC RETIREMENT BOARD
TEACHERS RETIREMENT SYSTEM
FOR THE PERIOD
JULY 1, 2003 - JUNE 30, 2006



OFFICE OF THE LEGISLATIVE AUDITOR
CAPITOL BUILDING
CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS RETIREMENT SYSTEM

FOR THE PERIOD

JULY 1, 2003 - JUNE 30, 2006

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance



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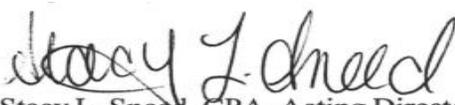
CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the Teachers Retirement System as administered by the Consolidated Public Retirement Board (CPRB).

Our examination covers the period July 1, 2003 through June 30, 2006. The results of this examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 2006 and June 30, 2005 are included in this report.

Respectfully submitted,


Stacy L. Sneed, CPA, Acting Director
Legislative Post Audit Division

SLS/ela:gkc

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS RETIREMENT SYSTEM

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WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
TEACHERS RETIREMENT SYSTEM
EXIT CONFERENCE

We held an exit conference on August 31, 2007 with the Executive Director of the Consolidated Public Retirement Board (CPRB) and all findings and recommendations were reviewed and discussed. The Sending Unit's responses are included in bold and italics in the Executive Summary and after our findings in the General Remarks section of this report.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
TEACHERS RETIREMENT SYSTEM

INTRODUCTION

Consolidated Public Retirement Board

Effective July 1, 1991, Chapter 5, Article 10D of the West Virginia Code created the Consolidated Public Retirement Board (CPRB). The CPRB's duties are to administer all State Retirement Systems. It shall have all the powers, duties, responsibilities and liabilities of the Public Employees Retirement System (PERS); the Teachers Retirement System (TRS); the Teachers' Defined Contribution Retirement System (TDCRS or TDC Plan); the Death, Disability and Retirement System (Plan A) of the Division of Public Safety; and the Judges' Retirement System (JRS). Subsequent to July 1, 1991, the CPRB also began administering (in addition to the aforementioned retirement systems) the West Virginia State Police Retirement System (Plan B) on March 12, 1994 and the Death, Disability and Retirement Fund for Deputy Sheriffs on July 1, 1998. Additionally, the CPRB is responsible for administering a 457 Deferred Compensation Plan, which members of the other State Retirement Systems can utilize to supplement their regular retirement.

The CPRB's board consists of 14 members as follows: the Governor; State Treasurer; State Auditor; Secretary of the Department of Administration; four residents of the State who are not members, retirees or beneficiaries of any of the retirement systems; a member, annuitant or retiree of the Public Employees Retirement System who is or was a State employee; a member, annuitant or retiree of the Public Employees Retirement System who is not or was not a State employee; a member, annuitant or retiree of the Teachers Retirement System; a member, annuitant or retiree of the Division of Public Safety Death, Disability and Retirement System; a

member, annuitant or retiree of the Deputy Sheriff's Death, Disability and Retirement System; and, a member, annuitant or retiree of the Teachers' Defined Contribution Retirement System.

The board elects from its own number a chairman and vice chairman. The board is granted the authority under State law to appoint an executive director to be the chief administrative officer of all of the retirement systems. The executive director is responsible for employing, with the board's approval, such administrative, technical and clerical employees as are required in the proper operation of the retirement systems. Also, the board is authorized by State law to employ a State retirement actuary or actuarial firm and be represented by an attorney who is licensed to practice law in the State of West Virginia who is not a member of any of the retirement systems administered by the CPRB.

The board is required by law to meet at least once every three months, with seven voting members constituting a quorum. All board meetings must be public. Members serve without compensation for their services, provided that each member is reimbursed, upon board approval, for any necessary expenses incurred by them in carrying out their duties. No public employee member may suffer any loss of salary or wages on account of their service as a trustee.

West Virginia Teachers Retirement System

The State Teachers' Retirement System (TRS) was established on July 1, 1941 for the purpose of providing retirement benefits for teachers and school service personnel. TRS is a defined benefit plan that currently has approximately 18,633 active members and 27,389 retired members. An active member contributes 6% of his or her gross monthly salary into the retirement plan. The employer contributes an additional 15% of the member's gross monthly salary into the plan for employees hired before July 1, 2005 and 7.5% for employees hired for the first time on or after July 1, 2005.

In order to qualify for regular retirement benefits, a member of TRS must meet eligibility requirements. A member who is currently in covered employment may retire under the following conditions:

<u>Retirement Age</u>	<u>Amount of Benefit</u>	<u>Requirements</u>
60	Full	Must have five or more years of service
55	Full	Must have 30 or more years of service
Any Age	Full	Must have 35 or more years of service
Before 55	Reduced	Must have at least 30 but less than 35 years of service

Deferred Retirement

A member who is not currently working for a participating employer and has not withdrawn his or her contributions may retire under the following conditions:

<u>Retirement Age</u>	<u>Amount of Benefit</u>	<u>Requirements</u>
62	Full	Must have five or more years of contributing service
60	Full	Must have 20 years of contributing service

A regular retirement benefit, paid in equal monthly installments, is an amount equal to 2% of a member's final average salary multiplied by the member's years of service credit. Final average salary refers to the average of the five highest fiscal year salaries out of the last 15 fiscal years of contributing service. Normally, this figure will come from the last five years of employment.

The different annuity options available to members are as follows:

Option A - Straight Life

A lifetime annuity payable monthly to the member that is determined under the regular benefit formula without adjustment. There are no death benefits payable under this option.

Option C - 100% Joint & Survivor

A reduced annuity payable monthly to the member for his or her lifetime. Upon the death of the member, the named survivor will receive the same amount for his or her lifetime.

Option D - 50% Joint & Survivor

A reduced annuity payable monthly to the member for his or her lifetime. Upon the death of the member, the named survivor will receive one-half of the monthly payment for his or her lifetime.

Option E - 120 Payments

A reduced annuity payable monthly to the member. If the member dies before receiving all 120 monthly payments, the remainder of those 120 monthly payments shall be payable to the member's named beneficiary or the member's estate. With all the above options, any unpaid employee contributions, plus interest, remaining at the retiree's or survivor's death will be refunded to the named beneficiary or the member's estate.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS RETIREMENT SYSTEM

CONSOLIDATED PUBLIC RETIREMENT BOARD MEMBERS AND STAFF

AS OF JUNE 30, 2006

Governor Joe Manchin III.....Ex Officio

Robert W. Ferguson, Jr., Department of Administration
Cabinet Secretary Ex Officio

Glen B. Gainer III, State Auditor Vice Chairman - Ex Officio

John D. Perdue, State TreasurerEx Officio

William B. McGinleyState Resident

Janet F. WilsonState Resident

David L. Wyant Chairman - State Resident

Carl A. GuthrieState Resident

Paul HardestyState Employee Member
Public Employees Retirement System

Drema Evans.....Non-State Employee Member
Public Employees Retirement System

E. Gene Davis Teachers Retirement System Member

David Anderson Teachers' Defined Contribution
Retirement System Member

Lt. Col. Steve Tucker Division of Public Safety's Death,
Disability and Retirement Fund Member

Donald T. MurrayDeputy Sheriff's Death, Disability
and Retirement Fund Member

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS RETIREMENT SYSTEM
CONSOLIDATED PUBLIC RETIREMENT BOARD STAFF
AS OF JUNE 30, 2006

Anne Werum Lambright Executive Director
Terasa L. Miller Deputy Director
Vicki Sutton Loans Division Manager
Lisa Trump Membership Division Manager
Jo Ann Edwards Assistant Manager of Benefits
Harry Mandel Board Actuary
Lori Cottrill Accounting Manager
Cynthia Boyd Internal Auditor

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS RETIREMENT SYSTEM

EXECUTIVE SUMMARY

Unusual Annuity Transaction

1. Three instances of incorrect payments of annuities were discovered by the CPRB's Internal Auditor, the discovery of three instances and the underlying facts were relayed to us by CPRB's Internal Auditor in conjunction with our current audit. Specifically, the surviving spouse of a deceased member was awarded an annuity; however, it appears the deceased member did not meet the criteria of having 25 years of service. Another member who had served as an elected member of a county commission was allowed to remit contributions for this service time after the effective date of their retirement. Lastly, a member was granted an annuity effective February 2, 2000; however, the member had only 29.478 years of service credit rather than the 30 years required by State Law.

Auditors' Recommendation

We recommend the CPRB comply with the provisions of Chapter 18, Article 7A, Sections 23 and 25 of the West Virginia Code, as amended.

Spending Unit's Response

We will comply with your recommendation. (See pages 16 - 22.)

Overpayment of Retirement Annuities

2. During our testing of retirement annuities for the audit period of July 1, 2003 through June 30, 2006, we noted a retiree received a total overpayment of

\$34,132.60 in retirement annuities for the time period of September 2003 through August 2006.

Auditors' Recommendation

We recommend the CPRB comply with Chapter 18, Article 7A, Section 13a of the West Virginia Code, as amended, by ensuring retired members who return to full-time employment for the State as a teacher have their regular annuities reduced to their guaranteed annuity in accordance with the provisions of this section. We further recommend that the CPRB continue in its attempt to collect all overpayments to the retiree.

Spending Unit's Response

We will comply with your recommendation. (See pages 22 - 24.)

Incorrect Refunds of Accumulated Contributions

3. Of the 51 refund transactions tested which were processed by the CPRB during the period of July 1, 2003 through June 30, 2006, a total of 34 members and beneficiaries received a total net underpayment of \$18,241.68. Additionally the CPRB could not provide us with documentation which supports the request for payment to three refund recipients.

Auditors' Recommendation

We recommend the CPRB comply with the Chapter 18, Article 7A, Section 23 of the West Virginia Code, as amended.

Spending Unit's Response

We will comply with your recommendation. (See pages 23 - 29.)

Incorrect Federal Tax Withholdings

4. During our testing of the processing of death benefits paid to the beneficiaries of deceased retirees during the period July 1, 2003 to June 30, 2006, we discovered two instances where beneficiaries' Federal tax withholdings were incorrectly calculated resulting in an underpayment to the beneficiaries totaling \$2,355.40.

Auditors' Recommendation

We recommend the CPRB comply with their own internal procedures by ensuring the proper amount of Federal tax is withheld on lump sum payments made to beneficiaries of deceased retirees.

Spending Unit's Response

We will comply with your recommendation. (See pages 29 - 32.)

Overpayment of Employer Contribution

5. During Fiscal Year 2004, three employers overpaid \$1,135.35 in employer contributions.

Auditors' Recommendation

We recommend the CPRB comply with the provisions of Chapter 18, Article 7A, Section 14 of the West Virginia Code, as amended, by strengthening internal controls over the remittance of employer contributions.

Spending Unit's Response

We will comply with your recommendation. (See pages 32 - 34.)

Overpayment for Purchase of Service Credit

6. During our audit of service credit purchases by eligible Teachers' Retirement System members of the CPRB for the period of July 1, 2003 through June 30, 2006, we found one transaction out of the ten tested where the member's cost to purchase service credit was incorrectly calculated resulting in an overpayment by the member in the amount of \$411.65.

Auditors' Recommendation

We recommend the CPRB comply with Chapter 18, Article 7A, Section 17 of the West Virginia Code by ensuring that costs associated with service credit purchases are properly calculated. We further recommend that the CPRB refund the amount overpaid by the member.

Spending Unit's Response

We will comply with your recommendation. (See pages 34 and 35.)

Underpayment of Loan

7. During our audit of loan payments, we found one instance where a Teachers Retirement System loan recipient underpaid \$208.82 on a loan.

Auditors' Recommendation

We recommend the CPRB comply with the provisions of Chapter 18, Article 7A, Section 34 of the West Virginia Code.

Spending Unit's Response

We will comply with your recommendation. (See pages 35 - 37.)

Contributions Deposited to Incorrect Accounts

8. During our audit, we noted contributions remitted by the counties were deposited

into incorrect accounts resulting in the Teachers Accumulation Account being understated by \$119,252.07 and the Employers Accumulation Account being overstated by \$119,252.07.

Auditors' Recommendation

We recommend CPRB to comply with the provisions of Chapter 18, Article 7A, Section 18 of the West Virginia Code, as amended, by strengthening internal controls over deposits of employer and employee contributions.

Spending Unit's Response

We will comply with your recommendation. (See pages 37 - 39.)

Duplicate Records in System

9. During our preparation of the population for our test of new member enrollments into the Teachers Retirement System for the period July 1, 2003 through June 30, 2006, we found four instances where there were duplicate records in the CPRB's mainframe system for new members who joined the Teachers Retirement System.

Auditors' Recommendation

We recommend the CPRB comply with Chapter 18, Article 7A, Sections 13 and 14 of the West Virginia Code, as amended, by ensuring that new members have only one account set up in the mainframe system to reduce the risk of underpayment of any monies or benefits due the member upon withdrawal from the system.

Spending Unit's Response

CPRB disagrees with the characterization of this finding, although it is in agreement that an error occurred. Duplicate records were not entered into the

system. A social security number was entered incorrectly which caused two (2) accounts for the same individual to be created. The data entry has been corrected and there is now only one account for this member. (See pages 39 - 41.)

Incomplete Enrollment Forms

10. During our testing of new enrollments of individuals who became active members of the Teacher's Retirement System during the period July 1, 2003 through June 30, 2006, we found one instance where a membership enrollment form had not been completed by the member upon enrollment in the retirement system and one instance where a membership form was not signed or dated by the member.

Auditors' Recommendation

We recommend the CPRB comply with Chapter 18, Article 7A, Section 14 of the West Virginia Code, as amended, by ensuring that new members of the Teachers Retirement System submit completed membership enrollment forms.

Spending Unit's Response

We will comply with your recommendation. (See pages 41 and 42.)

Death Certificates Not Located

11. During the audit period, we found one instance out of 25 deceased annuitants tested where we could not locate a death certificate in CPRB's imaging system. We requested the death certificate from the CPRB, however, they were unable to provide us with the document.

Auditors' Recommendation

We recommend CPRB to comply with the provisions of Chapter 18, Article 7A, Section 23 by strengthening internal controls over the collection of death

certificates.

Spending Unit's Response

We will comply with your recommendation. (See pages 42 and 43.)

Unfunded Liability of Teachers Retirement System (Informational Only)

12. As of July 1, 2006, the Teachers Retirement System had an unfunded accrued liability of \$4,703,408,000. (See pages 44 and 45.)

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
TEACHERS RETIREMENT SYSTEM
GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Teachers Retirement System as

administered by the West Virginia Consolidated Public Retirement Board (CPRB). The audit covered the period July 1, 2003 through June 30, 2006.

SPECIAL REVENUE ACCOUNTS

During the audit period, the CPRB maintained several special revenue accounts to contain the retirement contributions received and to account for all expenditures related to the operation of the Teachers Retirement System as required by law. Monies collected were deposited with the State Treasurer in the following special revenue accounts:

<u>Account Number</u>	<u>Description</u>
2600.....	TRS Teachers Accumulation Account Contributions of members; members withdrawing or dying before retirement paid from this account; loan account is also handled in this account.
2601	TRS Employers Accumulation Account Contributions of employers through State appropriations transferred to benefit account upon members' retirement.
2602	TRS Benefit Account Appropriations and contributions transferred from accounts 2600 & 2601 for annuity payments.
2603	TRS Expense Account Appropriations, contributions, transfers from reserve account, plus earned interest on loans to members used for administrative expenses.
2604	TRS Reserve Account Gifts, bequests & accumulated monies from other investments to protect liabilities of retirement system.

2606	TRS School Aid Formula Funds Holding Account Transfers from account 0317-019 to pay employers share of teachers' retirement.
2607	TRS Teachers Employers Contribution Collection Account Transfers from account 2606 for School Aid Money and Employer Contributions.

COMPLIANCE MATTERS

Chapter 18, Article 7A of the West Virginia Code generally governs the administration of the Teachers Retirement System. We tested applicable sections of the above plus other applicable chapters, articles, and sections of the West Virginia Code as they pertain to financial matters. Our findings are discussed below.

Unusual Annuity Transactions

Three instances of incorrect payments of annuities were discovered by the CPRB's Internal Auditor, the discovery of three instances and the underlying facts were relayed to us by CPRB's Internal Auditor in conjunction with our current audit. The facts and circumstances concerning these three annuities are described below.

Member #1 - Before a surviving spouse of a deceased member can receive an annuity, the deceased member must have been at least 50 years of age and must have had at least 25 years total service as a teacher at the time of his or her death in accordance with Chapter 18, Article 7A, Section 23, as amended, of the West Virginia Code.

Specifically, Chapter 18, Article 7A, Section 23, as amended, of the West Virginia Code, states in part:

If the contributor was at least fifty years old, and if his or her total service as a teacher was at least twenty-five years at the time of his or her death, then the surviving spouse of the deceased, provided the spouse is designated as the sole refund

beneficiary, is eligible for an annuity computed as though the deceased were actually a retired teacher at the time of death, and had selected a survivorship option which pays the spouse the same monthly amount which would have been received by the deceased; or

(2) If the facts do not permit payment under the preceding paragraph (1), then the following sum shall be paid to the refund beneficiary of the contributor: The contributor's accumulated contributions with refund interest up to the year of his or her death plus the amount of his or her accumulated contributions. The latter sum shall emanate from the employer's accumulation fund." **(Emphasis added)**

The deceased member in this case met the criteria of being at least 50 years of age; however, records indicate that the deceased member did not meet the criteria of having 25 years of service. In the year of death, the CPRB relies on the county to report how many months of service the deceased member had during the year of death. The county reports the service on *Form SS96*. The form in the deceased member's retirement file received by the CPRB on February 13, 2006 indicated that the deceased member had 2.8 months of service credit in the year the member became deceased. This amount would give the deceased member a total of 25.033 years of service credit when combined with the deceased member's service credit from previous fiscal years.

However, a copy of *Form SS96* faxed directly to the CPRB's Internal Auditor from the Berkeley County School's Accountant on June 21, 2007 indicated that the employee only had 2.3 months of service credit in the year that the member became deceased. This amount would only give the deceased member a total of 24.978 years of service credit when combined with the deceased member's service credit from previous fiscal years. All information in the employee's file indicated that the deceased member was only eligible for 24.978 years of service credit. At some point, the form in the possession of CPRB was changed from 2.3 months of service credit to 2.8 months of service credit, thereby giving the member enough service credit to retire and earn

an annuity. According to CPRB's Executive Director, an internal investigation could not determine who was responsible for changing the form or whether the form was changed by Berkeley County School personnel or personnel of the CPRB.

Member #2 - In this case, the member had served as an elected member of a county commission during Fiscal Years 2003, 2002 and 2001. Chapter 18, Article 7A, Section 23, as amended, of the West Virginia Code, states in part:

Chapter 18, Article 7A, Section 23 of the West Virginia Code, states in part:

“...(e) No members shall be considered absent from service while serving as a member or employee of the Legislature of the state of West Virginia during any duly constituted session of that body or while serving as an elected member of a county commission during any duly constituted session of that body....”

In addition, Chapter 18, Article 7A, Section 23, as amended, of the West Virginia Code, further states in part:

“(m) Notwithstanding any provision of this article to the contrary, when a member is or has been elected to serve as a member of the Legislature, and the proper discharge of his or her duties of public office require that member to be absent from his or her teaching or administrative duties, the time served in discharge of his or her duties of the legislative office are credited as time served for purposes of computing service credit: Provided, That the Board may not require any additional contributions from that member in order for the Board to credit him or her with the contributing service credit earned while discharging official legislative duties: Provided, however, That nothing in this section may be construed to relieve the employer from making the employer contribution at the member's regular salary rate or rate of pay from that employer on the contributing service credit earned while the member is discharging his or her official legislative duties. These employer payments shall commence as of the first day of June, two thousand: Provided further, That any member to which the provisions of this subsection apply may elect to pay to the Board an amount equal to what his or her contribution would have been for those periods of time he or she was serving in the Legislature. The periods of time upon which the member paid his or her contribution shall then be included for purposes of determining his or her final average salary

as well as for determining years of service: And provided further, That a member using the provisions of this subsection is not required to pay interest on any contributions he or she may decide to make.”

Chapter 18, Article 7A, Section 23 of the West Virginia Code specifically states that no member shall be considered absent from service while serving as an elected member of a county commission. We noted that the member had not made contributions during the time that the member served as an elected member of the county commission. We further noted that the member’s effective retirement date as indicated in the member’s retirement records was July 1, 2003. The CPRB’s policy does not allow any further transactions past the effective date of retirement including repayment of loans, remittance of contributions, etc.

However, records indicate that the CPRB allowed this member to remit contributions for the time served on the county commission, thereby allowing the service credit for this time to be included when determining the member’s annuity resulting in an increase in the member’s annuity. Further, Chapter 18, Article 7A, Section 23 of the West Virginia Code specifically allows members who have been elected to serve as a member of the Legislature to include the salary earned while serving as a member as part of the final average salary when determining the member’s annuity. The Code does not specifically allow this option for members serving as a member of a county commission. However, the CPRB allowed this member’s salary earned while serving on the county commission to be included in the final average salary, thereby increasing the member’s annuity. According to the Executive Director of the CPRB, court rulings have established county commission service as being synonymous with Legislative service as defined in Chapter 18, Article 7A, Section 23 of the West Virginia Code. Further, the Executive Director of the CPRB stated that court rulings have established that a member’s effective date of

retirement does not become effective until the member cashes their first retirement check. In this case, the Executive Director explained that the member's first retirement check was dated December 4, 2003, which is after the November 2003 date that the member remitted the contributions for the county commission service.

Member # 3 - Before a member can receive an annuity, the member must have been at least 55 years of age and must have had at least 30 years total service at retirement in accordance with Chapter 18, Article 7A, Section 25 of the West Virginia Code, as amended, states in part,

A. . . (b) Any member who has attained the age of fifty-five years and who has served thirty years as a teacher in West Virginia is eligible for an annuity."

In this case, the records in the member's retirement file indicate that the member only had 29.478 years of service credit when the CPRB allowed the member to retire on February 1, 2000. Further, records indicate that the top administrators of CPRB at the time were aware that the member did not have enough service credit to amount to the 30 years required by law, however, an executive decision was made by the Executive Director of CPRB and CPRB Legal Counsel to give the member the approximate six months of service credit needed. Records indicate that the executive decision was made based upon "errors our Agency made in computing his records" and "the volatility of this member." The current administration of the CPRB could not find any reason why this member was given the approximate one-half year of service credit by the previous administration and stated that this decision is not the current practice of the CPRB. During our audit, we noted no instances of members being given service credit by the order of an executive decision when that service credit had not been earned.

We recommend the CPRB comply with the provisions of Chapter 18, Article 7A, Sections 23 and 25 of the West Virginia Code.

Spending Unit's Response

CPRB is in agreement that its Internal Auditor found these unusual annuity transactions and shared them with Post-Audits.

As to Member #1, CPRB is in agreement with the description of the matter and of the internal investigation; however, my conclusion was that it was more likely that the form was changed by someone at Berkeley County Schools than by someone at CPRB but that I could probably never prove who changed the form. The surviving spouse of the member has been apprised of the audit reports, that he will not receive a monthly annuity and that the remaining amounts in his deceased wife's retirement account will come to him in a lump sum.

As to Member #2, CPRB is in agreement with the description of the transactions, that the statute (WV Code §18-7A-17 not §18-7A-23 as stated in the report on page 18) provides that no TRS member shall be considered absent from service while serving as an elected member of the Legislature or a county commission during any duly constituted session of that body, and that Member #2 paid for her county commission service before she received her first retirement check, as is the administrative procedure.

As to Member #3, CPRB is in agreement with the description of the transactions and is still unable to offer a reason based on the files. I can offer a possible reason that a decision was made that it would be less costly to give the member the additional service than to litigate but that is only a guess and not documented in the records.

Overpayment of Retirement Annuities

During our testing of retirement annuities for the audit period of July 1, 2003 through June 30, 2006, we noted a retiree received a total overpayment of \$34,132.60 in retirement annuities for the time period of September 2003 through August 2006.

The teacher retired from the Teachers Retirement System on July 1, 1999 at which time the teacher started to receive her regular monthly retirement annuity. Effective August 19, 2003, the retiree returned to full-time employment with Kanawha County Schools. In accordance with State law, a retiree who returns to full-time employment is to receive a “guaranteed annuity” which, in effect, is a reduction of the employee regular annuity. Therefore, at the time of re-employment, the retiree’s “regular annuity” of \$1,982.90 should have been reduced to the guaranteed annuity of \$1,036.35. However, the regular annuity was not reduced until September of 2006. As a result, the retiree was overpaid a total of \$34,132.60 for the time period of September 2003 through August 2006 as seen in the schedule that follows:

<u>Fiscal Year (FY)</u>	<u>Calculated Benefit to be Paid</u>	<u>Actual Benefit Paid</u>	<u>Overpayment/ (Underpayment)</u>
2004*	\$10,363.50	\$19,829.00	\$ 9,465.50
2005	12,436.20	23,794.80	11,358.60
2006	12,436.20	23,794.80	11,358.60
2007**	2,134.88	4,084.78	<u>1,949.90</u>
		Total	<u>\$34,132.60</u>

*September 2003 through June 2004
 **July 2006 through August 2006

Chapter 18, Article 7A, Section 13a of the West Virginia Code, as amended, states in part, the following:

“ . . . Retired teachers who qualified for an annuity because of age or service may not receive prior service allowance from the retirement board when employed as a teacher and when regularly employed by the state of West Virginia. The payment of such allowance shall be

discontinued on the first day of the month within such employment begins, and shall be resumed on the first day of the month succeeding the month within which such employment ceases. The annuity paid any such teacher on the first retirement resulting from the teachers' accumulation fund and the employers' accumulation fund shall continue throughout the governmental service and thereafter according to the option selected by the teacher upon first retirement...."

Annuity benefits paid to retirees are paid from the Benefit Account. By not ensuring a retiree is being paid the correct retirement annuity, the CPRB runs the risk of misstating the Benefit Account. In this particular case, the balance of the Benefit Account would be understated by \$34,132.60, the total amount overpaid to the retiree.

In a letter dated August 14, 2003, the Director of Human Resources of Kanawha County Schools informed an employee of the CPRB that the retiree had returned to full-time employment with Kanawha County Schools effective August 19, 2003, and that the retiree's annuity, based on his understanding, was to be reduced. The letter upon receipt was to be forwarded to the Benefits Section so that the retiree's regular annuity would be reduced to the guaranteed annuity. However, the CPRB's Internal Auditor discovered in July of 2006 that the retiree's regular annuity had not been reduced. Upon confirmation of this fact by CPRB personnel, the retiree's regular annuity benefit was reduced to the guaranteed annuity effective September 2006.

As of March 2006, the CPRB had not recouped any of the overpayment from the retiree. According to the CPRB's Executive Director, the CPRB has contacted the retiree several times in an attempt to collect the overpayment.

We recommend the CPRB comply with Chapter 18, Article 7A, Section 13a of the West Virginia Code, as amended, by ensuring retired members who return to full-time

employment for the State as a teacher have their regular annuities reduced to their guaranteed annuity in accordance with the provisions of this section. We further recommend that the CPRB continue the attempt to collect all overpayments made to the retiree.

Spending Unit's Response

CPRB agrees that a retiree who returned to work received an overpayment in the amount of \$34,132.60. Although she has been contacted multiple times, the retiree has, to date, not repaid any of this overpayment. Her monthly annuity benefit has been reduced to the minimum guaranteed annuity.

The Board has adopted an Error Correction Policy which mandates that all overpayments (except de Minimis) be collected by CPRB staff. This particular matter has been turned over to counsel for collection pursuant to this policy.

Incorrect Refunds of Accumulated Contributions

Of the 51 refund transactions tested which were processed by the CPRB during the period of July 1, 2003 through June 30, 2006, a total of 34 members and beneficiaries received a total net underpayment of \$18,241.68. Additionally, the CPRB could not provide us with documentation which supports the request for payment to three refund recipients.

Five members were underpaid their refunded amounts of accumulated contributions (i.e. contributions plus interest) totaling \$1,119.22 and one member was overpaid a total of \$79.11. Additionally, 15 beneficiaries were underpaid their refunded amounts of accumulated contributions totaling \$16,930.48. However, during our testing of the sample, we found an additional 13 beneficiaries who were not included in our original sample who were underpaid the amount of accumulated contributions totaling \$271.09. As a result of the incorrect

payments mentioned above, a total of 34 members and beneficiaries received a total underpayment, net of applicable taxes, of \$18,241.68. The incorrect payments to the 34 refund recipients of accumulated contributions are further explained in the schedule below:

	<u>Refund Recipient</u>	<u>Fiscal Year of Refund</u>	<u>Audited Net Refund</u>	<u>CPRB Net Refund</u>	<u>Overpayment / (Underpayment) Amount</u>
1	Member #1	2004	\$ 22,318.35	\$ 21,346.32	(\$ 972.03)
2	Member #2	2004	24,749.38	24,681.85	(67.53)
3	Member #3	2004	8,045.26	8,002.35	(42.91)
4	Member #4	2004	106.67	92.02	(14.65)
5	Member #5	2004	28,069.29	28,047.19	(22.10)
6	Member #6	2004	44,569.48	44,648.59	79.11
7	Beneficiary #1	2004	36,215.07	33,862.55	(2,352.52)
8	Beneficiary #2	2004	9,952.72	9,942.32	(10.40)
9	Beneficiary #3*	2004	12,186.89	12,173.88	(13.01)
10	Beneficiary #4*	2004	9,952.72	9,942.32	(10.40)
11	Beneficiary #5*	2004	9,952.72	9,942.32	(10.40)
12	Beneficiary #6*	2004	12,186.89	12,173.87	(13.02)
13	Beneficiary #7	2004	51,869.45	43,211.57	(8,657.88)
14	Beneficiary #8	2004	25,188.05	25,060.09	(127.96)
15	Beneficiary #9	2004	27,767.86	27,625.69	(142.17)
16	Beneficiary #10*	2004	27,767.89	27,625.73	(142.16)
17	Beneficiary #11*	2004	27,767.89	27,625.73	(142.16)
18	Beneficiary #12	2004	25,594.77	25,448.12	(146.65)
19	Beneficiary #13*	2004	25,594.77	25,448.12	(146.65)
20	Beneficiary #14	2004	333.91	0.36	(333.55)
21	Beneficiary #15	2005	18,777.26	18,497.73	(279.53)
22	Beneficiary #16*	2005	18,777.26	18,497.73	(279.53)

	<u>Refund Recipient</u>	<u>Fiscal Year of Refund</u>	<u>Audited Net Refund</u>	<u>CPRB Net Refund</u>	<u>Overpayment / (Underpayment) Amount</u>
23	Beneficiary #17	2005	103,620.82	101,888.30	(1,732.52)
24	Beneficiary #18	2005	17,568.07	17,251.67	(316.40)
25	Beneficiary #19*	2005	21,960.09	21,564.59	(395.50)
26	Beneficiary #20	2006	80,134.98	80,016.10	(118.88)
27	Beneficiary #21	2006	2,540.51	2,564.39	23.88
28	Beneficiary #22*	2006	2,895.77	3,172.98	277.21
29	Beneficiary #23*	2006	2,895.77	3,172.98	277.21
30	Beneficiary #24*	2006	77,062.32	77,786.73	724.41
31	Beneficiary #25	2006	112,064.44	110,611.37	(1,453.07)
32	Beneficiary #26	2006	29,931.40	29,574.38	(357.02)
33	Beneficiary #27*	2006	33,175.43	32,778.34	(397.09)
34	Beneficiary #28	2006		<u>51,319.93</u>	<u>(925.81)</u>
	Total		<u>\$1,003,839.89</u>	<u>\$985,598.21</u>	<u>(\$18,241.68)</u>

*Beneficiary who was not included as part of our original sample.

In a majority of the instances above, the errors were the result of an incorrect amount of interest being refunded to the members or beneficiaries.

Further, of the 51 refunds of accumulated contribution transactions tested, the CPRB could not provide us with three *Off System Transactions Cover Sheets for Payroll* and the attached supporting documentation which documents the request for payment to three refund recipients. We could not with any certainty, verify if the three refund payments totaling \$110,398.99 for members' refunds were paid to the members nor could we verify if the payments were paid to the members in a timely manner.

Chapter 18, Article 7A, Section 23 of the West Virginia Code, as amended, states in

part:

“ . . . (a) A contributor who withdraws from service for any cause other than death or retirement shall, **upon application, be paid his accumulated contributions, plus refund interest up to the end of the fiscal year preceding the year in which application is made,** but in no event shall interest be paid beyond the end of five years following the year in which the last contribution was made: Provided, That such contributor, at the time of application, is then no longer under contract, verbal or otherwise, to serve as a teacher; . . .

. . . (2) If the facts do not permit payment under the preceding paragraph (1), then the following sum shall be paid to the refund beneficiary of the contributor: **The contributor's accumulated contributions with refund interest up to the year of his or her death plus the amount of his or her accumulated contributions....” (Emphasis added)**

Any incorrect payment of accumulated contributions to a member or beneficiary would cause a misstatement in the accounts of the Teachers Retirement System. In this instance, the incorrect payments of contributions and interest would cause the Teachers Accumulation Account and the Reserve Account, respectively, to be understated by \$18,241.68.

Regarding the underpayments to members, the Membership Division Manager stated that the CPRB now has computer programming in place to calculate the current Fiscal Year's interest when a refund is processed after interest has been posted, but before contributions are posted for the last Fiscal Year. Regarding the overpayment to members, the Membership Division Manager told us that the CPRB relies on the amount of contributions reported by the payroll clerks from the various county boards on the *Employer Verification Form* when calculating the amount to be refunded. The amount reported during the year by the payroll clerk may differ from the amount that is reported at the end of the fiscal year on the annual “ED Report.”

In regards to the incorrect payments to beneficiaries, The Executive Director told us, that the CPRB should be calculating the beneficiaries' refunds based on the West Virginia Code. The Executive Director further stated that the CPRB's computer system is set up so that members' contributions and interest are posted only once per year and that this ultimately interferes with the calculation of the beneficiaries refunded amount of accumulated contributions.

Regarding the documentation not provided, the Accounting Manager said that the boxes which contained the WVFIMS "O Documents" were taken from storage and sent the CPRB's main office at the Capital Complex. While these boxes were being maintained at the Capital Complex, several individual people had searched these boxes. The Accounting Manager stated whoever searched the boxes had completely disorganized the boxes to the point where the three O Documents could not be located. The Accounting Manager stated that the CPRB will continue their efforts to attempt to locate the missing O Documents.

We recommend the CPRB comply with Chapter 18, Article 7A, Section 23 of the West Virginia Code, as amended.

Spending Unit's Response

CPRB is in agreement that these refunds were incorrectly paid. As noted in your report, CPRB has instituted new computer programming to calculate the interest on the current year contributions for refunds made after July 1. This should prevent this problem from reoccurring.

Incorrect Federal Tax Withholdings

During our testing of the processing of death benefits paid to the beneficiaries of deceased retirees during the period July 1, 2003 to June 30, 2006, we discovered two instances where beneficiaries' Federal tax withholdings were incorrectly calculated resulting in an

underpayment to the beneficiaries totaling \$2,355.40. The underpayments are illustrated in the schedule below.

<u>Beneficiary</u>	<u>Calculated Amount of Federal Tax to be Withheld</u>	<u>Actual Amount of Federal Tax Withheld</u>	<u>Overpayment/ (Underpayment)</u>
#1	\$11,996.56	\$13,112.64	(\$1,116.08)
#2	1,614.61	2,853.93	<u>(1,239.32)</u>
		Total	<u>(\$2,355.40)</u>

Beneficiary #1 - After reducing the deceased retiree's accumulated contributions by the benefits which had been paid to the retiree before death and any unused non-taxable contributions, the resulting amount to be taxed at the 20% Federal tax rate was \$59,982.81. The amount of Federal tax to be withheld from the gross death benefit payment was \$11,996.56. However, the amount of Federal tax that was actually withheld from the beneficiary's payment was \$13,112.64 resulting in overpayment in Federal taxes by the beneficiary of \$1,116.08.

Beneficiary #2 - After reducing the deceased retiree's accumulated contributions by the benefits which had been paid to the retiree before death and any unused non-taxable contributions, the resulting amount to be taxed at the 10% Federal rate was \$16,146.09. The amount of Federal tax to be withheld from the gross death benefit payment was \$1,614.61. The amount of Federal tax that was actually withheld from the beneficiary's payment was \$2,853.83 resulting in overpayment in Federal taxes by the beneficiary of \$1,239.32.

Title 26, Subtitle A, Chapter 1, Subchapter D, Part I, Subpart A, Section 402 of the Internal Revenue Code, as amended, states in part the following:

(a) Taxability of beneficiary of exempt trust

Except as otherwise provided in this section, any amount actually distributed to any distributee by any employees trust described in section 401 (a) which is exempt from tax under section 501 (a) shall be taxable to the distributee, in the taxable year of the distributee in which distributed, under section 72 (relating to annuities). . .

. . . (2) Distributions

The amount actually distributed or made available to any distributee by any trust described in paragraph (1) shall be taxable to the distributee, in the taxable year in which so distributed or made

available, under section 72 (relating to annuities), except that distributions of income of such trust before the annuity starting date (as defined in section 72 (c)(4)) shall be included in the gross income of the employee without regard to section 72 (e)(5) (relating to amounts not received as annuities). . . .”

The *Notice of Withholding on Distributions or Withdrawals from Pension and Deferred Compensation* form states, in part, the following:

“The distribution or withdrawal you receive from the Consolidated Public Retirement Board will be subject to federal income tax withholding unless you elect not to have withholding apply. Withholding will only apply to the portion of your distribution or withdrawal that is included in your income subject to federal income tax . . .

. . . You may elect not to have withholding apply to your distribution or withdrawal payments by signing and dating the attached election and returning it to the Consolidated Public Retirement Board.

If you do not return this election form within two weeks of your having received it, receipt of your payment may be delayed. If you do not respond by the date your distribution or withdrawal is scheduled to begin, **federal income tax will be withheld from the taxable portion** of your distribution or withdrawal.

If you elect not to have withholding apply to your distribution or withdrawal, or if you do not have enough federal income tax withheld from your distribution or withdrawal, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.” **(Emphasis added)**

By not ensuring that the correct amount of Federal tax is withheld from a beneficiary’s death benefit payment, the CPRB may withhold tax on contributions that have already been taxed since total accumulated contributions may include non-taxable contributions (i.e. contributions that have already been taxed). As a result, the CPRB runs the risk of withholding tax on the same monies twice. According to two employees of the CPRB who are currently responsible for calculating death benefits, the incorrect Federal tax withholdings were the result of

employee error.

We recommend the CPRB comply with their own internal procedures by ensuring the proper amount of Federal tax is withheld on lump sum payments made to beneficiaries of deceased retirees.

Spending Unit's Response

CPRB is in agreement with this finding. The errors were caused by an error in a spreadsheet used by CPRB retirement advisors who were calculating death benefits. It was determined that this error could result in an erroneous calculation of taxable benefits resulting in incorrect withholding. CPRB's retirement advisors are currently manually verifying the calculation of taxable benefits on all death benefit payments and I expect CPRB will have a corrected spreadsheet in place within a week.

Overpayment of Employer Contribution

During Fiscal Year 2004, three employers overpaid \$1,135.35 in employer contributions. These three instances are described in further detail in the schedule below:

<u>Employer</u>	<u>Contribution Month</u>	<u>Total Gross Salaries</u>	<u>Total Employer Contributions Reported</u>	<u>Recalculated Amount of Employer Contributions</u>	<u>Difference</u>
Kanawha Board of Ed.	October 2003	\$6,276,094.54	\$941,434.33	\$941,414.18	\$ 20.15
Pleasants Board of Ed.	November 2003	479,706.58	72,956.25	71,955.99	1,000.26
Wood Board of Ed.	May 2004	3,681,575.25	552,351.23	552,236.29	<u>114.94</u>
			Total		<u>\$1,135.35</u>

Each month, county boards remit payment for the employer's share of contributions amounting to 15% of employees' gross salaries. Employer contributions consist of monies paid

by the Teachers Retirement System participating employer and State Aid monies. Along with the payment, the county board submits a *Teachers' Defined Benefit Retirement System (TRS) Monthly Retirement Form*. These records used by the CPRB during this time period did not show enough detail to allow us to determine whether the differences were caused by an incorrect amount of the employers' share remitted by the county or an incorrect amount of reported State Aid monies.

Chapter 18, Article 7A, Section 14 of the West Virginia Code, as amended, states in part:

“The aggregate of employer contributions, due and payable under this article, shall equal annually the total deductions from the earnable compensation of members required by this section . . .

“ . . . beginning on the first day the of July, one thousand nine hundred ninety-nine and thereafter, the rate shall be **fifteen percent**. . . ” **(Emphasis added)**

By not ensuring that the proper amount of contributions are remitted by employers, the CPRB risks misstatement of the Employers Accumulation Account. As the result of the overpayment of employer contributions in the instances described above, the Employers Accumulation Account is overstated by \$1,135.35.

During our documenting of procedures, we spoke to an employee of the CPRB concerning the procedures involved in the year-end balancing process of the “ED Reports” received from the West Virginia Teachers Retirement System participating employers. The employee stated that in the past, the primary focus of the year-end balancing process was to ensure the contribution data reported by the West Virginia Teachers Retirement System participating employers on their ED Reports matched the actual amounts of employee contributions deposited to the Teachers Accumulation Account. However, the employee stated that although the CPRB

balanced the employee contributions, they did not balance employer contributions. According to the employee, during Fiscal Year 2005, the CPRB began to balance both employee and employer contributions.

We recommend the CPRB comply with the provisions of Chapter 18, Article 7A, Section 14 of the West Virginia Code, as amended, by strengthening internal controls over the remittance of employer contributions.

Spending Unit's Response

CPRB is in agreement with this finding. CPRB has adopted new procedures to insure that all employee and employer contributions are balanced annually.

Overpayment for Purchase of Service Credit

During our audit of service credit purchases by eligible West Virginia Teachers' Retirement System members of the CPRB for the period of July 1, 2003 through June 30, 2006, we found one transaction out of the ten tested where the member's cost to purchase service credit was incorrectly calculated resulting in an overpayment by the member in the amount of \$411.65.

The member purchased one year of Parochial School Service Credit on April 23, 2004. This member worked for Parkersburg Catholic School from Fiscal Year 1966 through Fiscal Year 1976. The member made their first full year of contributions of \$815.69 to the West Virginia Teachers Retirement System in Fiscal Year 1977. The member's cost calculated by the CPRB if paid by the end of April 2004 to purchase the service credit for their employment at Parkersburg Catholic was 8,944.80. We calculated a cost of \$8,533.15, which represents an overpayment by the member in the amount of \$411.65.

Chapter 18, Article 7A, Section 17 of the West Virginia Code, as amended, states in part the following:

“(c) For service as a teacher in the employment of the federal government, or a state or territory of the United States, or a governmental subdivision of that state or territory, the retirement board shall grant credit to the member: Provided, that **the member shall pay to the system double the amount he or she contributed during the first full year of current employment, times the number of years for which credit is granted, plus interest at a rate to be determined by the retirement board.** The interest shall be deposited in the reserve fund and service credit granted at the time of retirement shall not exceed the lesser of ten years or fifty percent of the member's total service as a teacher in West Virginia. . .” **(Emphasis added)**

In relation to out-of-state service/parochial school service credit, all monies related to the interest portion sent in by the member to purchase such credit are deposited to the Reserve Account. Therefore, any overpayment or underpayment by a member who purchases service credit would cause this account to be misstated. The effect of this particular error would result in the Reserve Account being overstated by \$411.65. The Membership Division Manager told us that the miscalculation was the result of employee error and that the appropriate CPRB staff would issue this member a refund to correct the mistake.

We recommend the CPRB comply with Chapter 18, Article 7A, Section 17 of the West Virginia Code, as amended, by ensuring that costs associated with service credit purchases are properly calculated. We further recommend that the CPRB refund the amount overpaid by the member.

Spending Unit's Response

CPRB is in agreement with this finding. This was an employee error and, as noted in the report, the error has been corrected by refunding the overpayment to the member.

Underpayment of Loan

During our audit of loan payments, we found one instance where a Teachers

Retirement System loan recipient underpaid \$208.82 on a loan. Each month, county boards submit a monthly report to the CPRB which lists each employee and the amount of loan payment monies which are automatically withheld from each employee's gross wages. Although the member was listed on the October 2003 report as having \$195.10 in loan payment monies withheld, the total of the amount of loan payment monies for all employees as indicated on the report was \$11,510.23 and the amount of the check submitted by the county board was \$11,315.13, a difference of \$195.10. This difference indicates that loan payment monies were not automatically withheld from the member's gross wages for the month of October 2003. On November 4, 2003, the Nicholas County Board of Education submitted the above mentioned monthly report and county's check along with the member's personal check to the CPRB for \$195.10. When the CPRB received the monthly report, check from the county board and the member's personal check, the CPRB gave the member credit for the month of October since she was listed on the monthly report and also credit for the month of November for the personal check. Consequently, the member underpaid on the loan since the monies were not automatically withheld by the Nicholas County Board of Education for October 2003 and the personal check was credited as the November 2003 payment. As a result, the member underpaid on her loan in the amount of \$208.82 which consists of the missed payment in October 2003 for \$195.10 and the additional interest up until the last payment was made in July 2004 of \$13.72.

Chapter 18, Article 7A, Section 34 of the West Virginia Code, as amended, states:

“(5) From his or her monthly salary as a teacher the member shall pay the loan and interest by deductions which will pay the loan and interest in substantially level payments in not more than sixty nor less than six months. **Upon notice of loan granted and payment due, the employer shall be responsible for making such salary deductions and reporting them to the retirement board.** At the option of the retirement board, loan deductions may be collected as prescribed herein for the collection of members' contributions, or

may be collected through issuance of warrant by employer. **If the borrower, decides to make loan payments while not paid for service as a teacher, the retirement board must accept such payments.” (Emphasis added)**

By not ensuring that the proper amount is paid on loans by members, the CPRB risks misstatement of the Teachers Accumulation Account and the Teachers Retirement System Expense Account. We spoke to the Loans Division Manager to discuss why this error occurred. The Loans Division Manager said that in the past, CPRB employees had to manually enter each loan payment from each loan payment report. The CPRB employee who processed the loan payment report saw the member’s name on the monthly loans payment report and entered her name into the mainframe system. Starting in May of 2004, the State Treasurer’s Office began automatically depositing the loan payments remitted through EPICS to the CPRB’s accounts. As a result, employees no longer have to manually enter in each person’s loan payment from the Loans Payment Report. However, people who pay using personal checks continue to be entered into the mainframe system manually.

We recommend the CPRB comply with the provisions of Chapter 18, Article 7A, Section 34 of the West Virginia Code, as amended.

Spending Unit’s Response

CPRB is in agreement with this finding. The loan underpayment occurred because of a data entry error in entering the information into the loan system. CPRB has instituted new controls to prevent the repeated occurrence. This process has been automated and the data is now uploaded from the State Department of Education system used by all county school boards to process payroll and related withholdings. An additional control is now also in place that requires the reconciliation of the total posted on the system to the total deposited in WVFIMS for that employer.

Contributions Deposited to Incorrect Accounts

During our audit, we noted contributions remitted by the counties were deposited into incorrect accounts resulting in the Teachers Accumulation Account being understated by \$119,252.07 and the Employers Accumulation Account being overstated by \$119,252.07.

During our audit, we noted a total of \$350,641.75 of employee contributions were incorrectly deposited into the Employer Accumulation Account and a total of \$231,389.68 of employer contributions were incorrectly deposited into the Teachers Accumulation Account. Records indicated a total of \$381,285.70 in employee contributions and \$271,609.84 in employer contributions were remitted by the counties for the month of August 2003. We noted that when the employee and employer contributions were processed by the CPRB, the contributions were deposited into incorrect accounts. The remittances by the counties were deposited as two separate transactions as noted below:

- FIMS Document #D968297 - Employee contributions of \$339,107.63 were deposited into the Employers Accumulation Account and employer contributions of \$231,389.68 were deposited into the Teachers' Accumulation Account.
- FIMS Document #D968149 - The \$51,754.28 deposited into the Employers Accumulation Account incorrectly included \$11,534.12 in employee contributions remitted by the Mason County Board of Education resulting in the \$30,643.95 deposited into the Teachers Accumulation Account being understated by \$11,534.12.

This contribution activity is further explained in the schedule below.

<u>Contribution Type</u>	<u>FIMS Document #D968297</u>	<u>FIMS Document #D968149</u>	<u>Contributions per CPRB</u>	<u>Audited Contributions</u>	<u>Difference</u>
Employee Contributions	\$231,389.68	\$30,643.95	\$262,033.63	\$381,285.70	(\$119,252.07)
Employer Contributions	339,107.63	51,754.28	390,861.91	271,609.84	<u>119,252.07</u>
				Difference	<u>\$ 0.00</u>

Chapter 18, Article 7A, Section 18 of the West Virginia Code, as amended, states:

“(a) The teachers accumulation fund shall be the fund in which the contributions of members shall be accumulated. . .

. . . (b) Beginning on the first day of July, one thousand nine hundred eighty-four, contributions of employers, shall be deposited in the employers accumulation fund through state appropriations, and such amounts shall be included in the budget bill submitted annually by the governor.” (Emphasis added)

Incorrect deposits of contributions would result in the misstatement of account balances. In this instance, the Teachers Accumulation Account was understated by a total of \$119,252.07 and the Employers Accumulation Account was overstated by \$119,252.07.

According to the Accounting Manager, the error was most likely due to an employee transposing the numbers between the employer and employee contributions. The Accounting Manager provided us documentation which shows the errors have been corrected.

We recommend the CPRB comply with the provisions of Chapter 18, Article 7A, Section 18 of the West Virginia Code, as amended, by strengthening internal controls over deposits of employer and employee contributions.

Spending Unit's Response

CPRB is in agreement with this finding. This was an employee error and, as noted in the report, the error has been corrected.

Duplicate Records in System

During our preparation of the population for our test of new member enrollments into the Teachers Retirement System for the period July 1, 2003 through June 30, 2006, we found four instances where there were duplicate records in the CPRB's mainframe system for new members who joined the West Virginia Teachers Retirement System.

Chapter 18, Article 7A, Section 14 of the West Virginia Code, as amended, states in part the following:

“At the end of each month every member of the retirement system shall contribute six percent of that member’s monthly earnable compensation to the retirement board....

...Annually, **the contributions of each member shall be credited to the member’s account in the teachers accumulation fund.** The contributions shall be deducted from the salaries of the members as herein prescribed, and every member shall be deemed to have given consent to such deductions.... ” **(Emphasis added)**

When a member has two separate accounts in the mainframe system, the possibility exists that part of the member’s contributions and service credit may be posted to one of the accounts with the remaining contributions and service credit posted to the other account. When a member withdraws from the retirement system the member will generally receive either their contributions plus interest or retirement benefits. If a member has multiple accounts set up in the mainframe system and all accounts contain only part of the member’s contributions and the service credit relating to those contributions, when that member ceases employment, their refund of contributions plus interest or retirement allowance may be understated.

The Membership Division Manager told us that these errors were an oversight on the part of the employees who processed the membership enrollment forms. Furthermore, the Membership Division Manager added that these errors would be corrected.

We recommend the CPRB comply with Chapter 18, Article 7A, Sections 13 and 14 of the West Virginia Code, as amended, by ensuring that new members have only one account set up in the mainframe system to reduce the risk of underpayment of any monies or benefits due the member upon withdrawal from the system.

Spending Unit’s Response

CPRB disagrees with the characterization of this finding, although it is in agreement that an error occurred. Duplicate records were not entered into the system. A social security number was entered incorrectly which caused two (2) accounts for the same individual to be created. The data entry has been corrected and there is now only one account for this member.

Incomplete Enrollment Forms

During our testing of new enrollments of individuals who became active members of the West Virginia Teacher's Retirement System during the period July 1, 2003 through June 30, 2006, we found one instance where a membership enrollment form had not been completed by the member upon enrollment in the retirement system and one instance where a membership form was not signed or dated by the member. Part of our testing of new enrollments was to determine if the member had completed and signed an enrollment form in accordance with West Virginia Code indicating the member qualified as an eligible member of the West Virginia Teachers Retirement System.

Chapter 18, Article 7A, Section 14 of the West Virginia Code, as amended, states in part the following:

“...Each contributor shall file with the retirement board or with the employer to be forwarded to the retirement board an enrollment form showing the contributor's date of birth and other data needed by the retirement board.”

By signing and dating a membership enrollment form for an individual joining the West Virginia Teachers Retirement System, the member is signifying that all personal information on the form is accurate. By not ensuring that membership enrollment forms are accurately completed, the CPRB runs the risk of incorrect information being applied to the member's retirement records.

The Membership Division Manager said that it is normal procedure for the CPRB to return a membership enrollment form if the form is inaccurate or incomplete. The Membership Division Manager further stated that these errors were oversights on the part of the employee who processed the membership enrollment form.

We recommend the CPRB comply with Chapter 18, Article 7A, Section 14 of the West Virginia Code, as amended, by ensuring that new members of the West Virginia Teachers Retirement System submit completed membership enrollment forms.

Spending Unit's Response

CPRB agrees that the enrollment form for this member was not properly signed and dated and the other form was incomplete. It was and continues to be CPRB's practice to contact the employer when enrollment forms are not received or complete and to continue to contact the employers until the form is received. The form in question has now been received.

Death Certificates Not Located

During the audit period, we found one instance out of 25 deceased annuitants tested where we could not locate a death certificate in CPRB's imaging system. We requested the death certificate from the CPRB, however, they were unable to provide us with the document.

Chapter 18, Article 7A, Section 23 of the West Virginia Code, as amended, states in part:

“(1) If the contributor was at least fifty years old, and if his or her total service as a teacher was at least twenty-five years at the time of his or her death, then the surviving spouse of the deceased, provided the spouse is designated as the sole refund beneficiary, is eligible for an annuity computed as though the deceased were actually a retired teacher at the time of death, and amount which would have been received by the deceased.

(2) If the facts do not permit payment under the preceding paragraph

(1), then the following sum shall be paid to the refund beneficiary of the contributor: The contributor's accumulated contributions with refund interest up to the year of his or her death plus the amount of his or her accumulated contributions. The latter sum shall emanate from the employer's accumulation fund."

Qualification for benefits or a refund of accumulated contributions to be paid to a surviving spouse or a beneficiary is dependent on the death of the annuitant. By not ensuring that a death certificate is submitted as evidence that an annuitant has died, the CPRB risks awarding benefits or a refund of accumulated contributions to persons who may not be entitled since the member may not yet be deceased.

The Death Benefits Coordinator told us that she could not locate the death certificate within the members' files. The Death Benefits Coordinator further stated that in the past, the death certificate would sometimes be filed under the spouse's name instead.

We recommend CPRB to comply with the provisions of Chapter 18, Article 7A, Section 23 of the West Virginia Code, as amended, by strengthening internal controls over the collection of death certificates.

Spending Unit's Response

CPRB agrees that the death certificate was not located. However, it was and continues to be CPRB's practice to remove straight-life payees from the retirement annuity payroll when that payee's death has been certified by the US Social Security on their monthly death file. CPRB attempts to obtain a paper copy of the death certificate but is not always successful. Experience demonstrates that if pension checks continue to be sent to the payee after CPRB notification of the payee's death, it is often impossible to collect these overpayments so I have directed staff to continue CPRB's current practice.

Unfunded Liability of the West Virginia Teachers Retirement System (Informational Only)

As of July 1, 2006, the West Virginia Teachers Retirement System had an unfunded accrued liability of \$4,703,408,000. This amount is based on the most recent actuarial valuation report prepared by the firm of Buck Consultants in December 2006. The Teachers Retirement System is funded through member contributions of six percent (6%) of payroll and employer contributions of fifteen percent (15%) of payroll prior to July 1, 2005 and seven-and-one-half percent (7.5%) of payroll subsequent to July 1, 2005. The valuation indicates that the total amount currently contributed to the Plan is less than the sum of the normal cost plus interest on the unfunded liability; however, payments are projected to exceed the normal cost plus interest on the unfunded liability starting in Fiscal Year 2015 and will fully amortize the unfunded liability by the end of Fiscal Year 2034. The following schedule illustrates the funding progress of the unfunded accrued liability in further detail.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Entry Age (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a)/(c)
6/30/97	\$683,807,000	\$4,161,039,000	\$3,477,232,000	16.4%	\$924,529,000	376.1%
6/30/98	\$839,597,000	\$4,262,797,000	\$3,423,200,000	19.7%	\$878,364,000	389.7%
6/30/99	\$932,501,000	\$4,629,276,000	\$3,696,775,000	20.1%	\$891,165,000	414.8%
6/30/00	\$1,046,840,000	\$4,883,064,000	\$3,836,224,000	21.4%	\$874,166,000	438.8%
6/30/01	\$1,090,663,000	\$5,188,826,000	\$4,098,163,000	21.0%	\$867,018,000	472.7%
6/30/02	\$1,098,441,000	\$5,709,001,000	\$4,610,560,000	19.2%	\$841,627,000	547.8%
6/30/03*	\$1,191,238,000	\$6,243,834,000	\$5,052,596,000	19.1%	\$832,919,000	606.6%

6/30/04	\$1,427,475,000	\$6,440,738,000	\$5,013,263,000	22.2%	\$784,415,000	639.1%
6/30/05	\$1,627,355,000	\$6,617,708,000	\$4,990,353,000	24.6%	\$735,614,000	678.4%
6/30/06	\$2,174,464,000	\$6,877,872,000	\$4,703,408,000	31.6%	\$759,206,000	619.5%

** The 6/30/03 assets have been changed to reflect the final audited financial statements which were unavailable at the issuance of the July 1, 2003 valuation report.*

Source: Actuarial Valuation Report as of July 1, 2006 prepared in December 2006 by actuarial firm of Buck Consultants.

Based on this schedule, the funded ratio of plan assets to the actuarial accrued liability of the retirement system has increased by 15.2% over the last ten fiscal years.

INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balances of the Teachers Retirement System as administered by the West Virginia Consolidated Public Retirement Board for the years ended June 30, 2006 and June 30, 2005. The financial statement is the responsibility of the management of the West Virginia Consolidated Public Retirement Board. Our responsibility is to express an opinion on the financial statement based on our audit.

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

As described in Note A, the financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues collected and expenses paid of the Teachers Retirement System as administered by the Consolidated Public Retirement Board for the years ended June 30, 2006 and June 30, 2005, on the basis of accounting described in Note A.

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

Respectfully submitted,


Stacy L. Sneed, CPA, Acting Director
Legislative Post Audit Division

May 11, 2007

Auditors: Michael E Sizemore, CPA, Audit Manager
Trenton W. Morton, Auditor-in-Charge
Neil M. McEachron, Jr., CPA
India R. Welder
Michael P. Scyoc

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
TEACHERS' RETIREMENT SYSTEM
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Cash Receipts:		
Employee Contributions - TRS Plan 1	\$ 45,781,377.10	\$ 48,192,934.86
Employee Contributions - TRS Plan 3	2,396,070.85	0.00
Employer Contributions - TRS Plan 1	395,058,927.12	377,645,867.43
Employer Contributions - TRS Plan 3	1,024,701.21	0.00
Interest Payments (Reinstatements)	1,276,693.22	1,099,635.49
Transfers from Insurance Commission	5,093.40	10,735,291.35
Investment Earnings	69,132,655.84	149,277,403.16
Statutory Transfers	996,464,168.65	347,251,745.91
Prior Year Expiring Funds	4,629.92	(2,371.09)
Operating Funds Transfer	<u>352,862,600.33</u>	<u>317,117,153.20</u>
	1,964,006,917.64	1,251,317,660.31
Less: Revenue Refunds		
	1,963,765,975.20	1,249,565,473.99
Disbursements:		
Fund Transfers	1,086,745,949.90	697,248,489.21
Membership Loans, Loan Disbursements	1,867,380.00	1,644,090.00
Membership Loans, Loan Payments	(4,963,080.22)	(5,693,318.69)
Membership Loans, Loan Refunds	58,807.45	59,834.47
Membership Loans, Retirement Funds (Loan Interest)	(1,033,396.93)	(1,360,818.14)
Pension Benefits	372,747,291.01	344,810,188.37
Withdrawal from Retirement Funds	<u>3,998,436.48</u>	<u>4,098,182.81</u>
	1,459,421,387.69	1,040,806,648.03
Cash Receipts Over Disbursements	504,344,587.51	208,758,825.96
Beginning Balance	1,090.83	464,927.03
Transfers to Investment Management Board	<u>(504,345,643.84)</u>	<u>(209,222,662.16)</u>
Ending Balance	<u>\$ 34.50</u>	<u>\$ 1,090.83</u>

See Notes to Financial Statements

CONSOLIDATED PUBLIC RETIREMENT BOARD
WEST VIRGINIA TEACHERS RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

Accounting Method: The cash basis of accounting was followed for all accounts. Therefore, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Combined Totals: The combined totals contain the totals of similar accounts. Since the cash receipts of certain accounts are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate that the combined totals are available in any manner other than that provided by such laws, rules and regulations.

Note B - Unfunded Liability

The Teachers Retirement System had an unfunded accrued liability of \$4,703,408,000 and \$4,990,353,000 for the years ending June 30, 2006 and 2005, respectively. These amounts are based on the most recent actuarial valuation report prepared by the outside actuarial firm of Buck Consultants in December 2006. This actuarial valuation indicates that the total amount currently contributed to the Plan is less than the sum of the normal cost plus interest on the unfunded liability; however, payments are projected to exceed the normal cost plus interest on the unfunded liability starting in Fiscal Year 2015 and will fully amortize the unfunded liability by the end of Fiscal Year 2034. The following table illustrates the funding progress of the unfunded accrued liability for the ten fiscal years prior to July 1, 2006:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Entry Age (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a)/(c)
6/30/97	\$683,807,000	\$4,161,039,000	\$3,477,232,000	16.4%	\$924,529,000	376.1%
6/30/98	\$839,597,000	\$4,262,797,000	\$3,423,200,000	19.7%	\$878,364,000	389.7%
6/30/99	\$932,501,000	\$4,629,276,000	\$3,696,775,000	20.1%	\$891,165,000	414.8%
6/30/00	\$1,046,840,000	\$4,883,064,000	\$3,836,224,000	21.4%	\$874,166,000	438.8%
6/30/01	\$1,090,663,000	\$5,188,826,000	\$4,098,163,000	21.0%	\$867,018,000	472.7%

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AL) - Entry Age (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a)/(c)
6/30/02	\$1,098,441,000	\$5,709,001,000	\$4,610,560,000	19.2%	\$841,627,000	547.8%
6/30/03*	\$1,191,238,000	\$6,243,834,000	\$5,052,596,000	19.1%	\$832,919,000	606.6%
6/30/04	\$1,427,475,000	\$6,440,738,000	\$5,013,263,000	22.2%	\$784,415,000	639.1%
6/30/05	\$1,627,355,000	\$6,617,708,000	\$4,990,353,000	24.6%	\$735,614,000	678.4%
6/30/06	\$2,174,464,000	\$6,877,872,000	\$4,703,408,000	31.6%	\$759,206,000	619.5%

* The 6/30/03 assets have been changed to reflect the final audited financial statements which were unavailable at the issuance of the July 1, 2003 valuation report.

Source: Actuarial Valuation Report as of July 1, 2006 prepared in December 2006 by actuarial firm of Buck Consultants.

Note C - Investments

The following table details the investment holdings of the Public Employees Retirement System held in trust for pension benefits by the West Virginia Investment Management Board as of June 30, 2006 and 2005:

<u>Investment Pool</u>	<u>Fair Market Value of Investments as of June 30, 2006</u>	<u>Fair Market Value of Investments as of June 30, 2005</u>
Large Cap Equity	\$ 454,302,000	\$ 404,839,000
Non-Large Cap Equity	272,909,000	232,606,000
International Equity	367,702,000	308,684,000
Fixed Income	742,827,000	575,648,000
Short-Term Fixed Income	<u>241,650,000</u>	<u>76,461,000</u>
Total	<u>\$2,079,390,000</u>	<u>\$1,598,238,000</u>

Note D - TDC to TRS Plan Merger

In 2005, the Teachers' Retirement Equity Act (TREA), as codified in West Virginia Code §18-7C-1, et. seq., was passed by the West Virginia Legislature allowing members of the Teachers Defined Contribution System to vote on the merger of the Teachers Defined Contribution System with the Teachers Retirement System. On April 4, 2006, members voted in favor of the merger which was to take effect on July 1, 2006. As of May 11, 2007, the merger of the Teachers Defined Contribution System with the Teachers Retirement System has not taken place as the result of lawsuits filed by members. The Circuit Court of Kanawha County, West Virginia, ruled in the *Findings of Fact, Conclusion of Law and Final Order* (Civil Action No. 06-C-687) dated January 25, 2007 that provisions of the TREA were unconstitutional and, therefore, null and void. The ruling states that in accordance with West Virginia Code §18-7C-14, in the event any provision of the TREA is declared unconstitutional or void, the entire TREA shall be void. On May 24, 2007, the CPRB filed a *Petition for Appeal on Behalf of West Virginia Consolidated Public Retirement Board* with the Supreme Court of Appeals to appeal the Kanawha County Circuit Court's January 25, 2007 ruling. As of June 30, 2006, the market value of plan assets of the Teachers Retirement System and the Teachers Defined Contribution System are \$2,174,460,000 and \$748,300,000, respectively.

Note E - Plan Membership

The following is a summary of plan membership for the Public Employees Retirement System for fiscal years ending June 30, 2006 and June 30, 2005:

<u>Membership Type</u>	<u>Fiscal Year Ending June30,</u>	
	<u>2006</u>	<u>2005</u>
Actives	\$18,633.00	\$17,728.00
Retirees & Beneficiaries	27,389.00	26,751.00
Terminated Vested	3,397.00	3,521.00
Terminated Non-vested	<u>55.00</u>	<u>43.00</u>
Total	<u>\$49,474.00</u>	<u>\$48,043.00</u>

SUPPLEMENTAL INFORMATION

**WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
TEACHERS' RETIREMENT SYSTEM
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
SPECIAL REVENUE**

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
<u>Teachers Accumulation Account</u>		
Cash Receipts:		
Employee Contributions - TRS Plan 1	\$45,781,377.10	\$48,192,934.86
Employee Contributions - TRS Plan 3	<u>2,396,070.85</u>	<u>0.00</u>
	48,177,447.95	48,192,934.86
Less: Revenue Refunds	<u>77,769.84</u>	<u>86,247.58</u>
	48,099,678.11	48,106,687.28
Employer Contributions	0.00	0.00
Prior Year Expiring Funds	3,377.15	(1,909.14)
Operating Funds Transfer	<u>16,845.42</u>	<u>1,532,050.11</u>
	48,119,900.68	49,636,828.25
Disbursements:		
Fund Transfers	534,381.88	482,268.21
Membership Loans, Loan Disbursements	1,867,380.00	1,644,090.00
Membership Loans, Loan Payments	(4,963,080.22)	(5,693,318.69)
Membership Loans, Loan Refunds	58,807.45	59,834.47
Pension Benefits	(2,753.98)	0.00
Withdrawal from Retirement Funds	<u>3,070,277.36</u>	<u>3,122,431.02</u>
	565,012.49	(384,694.99)
Cash Receipts Over Disbursements	47,554,888.19	50,021,523.24
Beginning Balance	0.78	152,516.54
Transfers to Investment Management Board	<u>(47,554,888.00)</u>	<u>(50,174,039.00)</u>
Ending Balance	<u>\$.97</u>	<u>\$ 0.78</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS' RETIREMENT SYSTEM

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCES

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
<u>Employers Accumulation Account</u>		
Cash Receipts:		
Employer Contributions - TRS Plan 1	\$ 8,910,267.99	\$ 28,669,737.87
Employer Contributions - TRS Plan 3		<u>0.00</u>
	8,914,135.11	28,669,737.87
Less: Revenue Refunds		<u>1,665,602.89</u>
	^{154,814.86} 8,759,320.25	27,004,134.98
Employee Contributions	0.00	0.00
Interest Payments, Reinstatements	0.00	0.00
Statutory Transfers	621,305,904.63	0.00
Operating Funds Transfer	<u>28,979,362.46</u>	<u>315,560,263.62</u>
	659,044,587.34	342,564,398.60
Disbursements:		
Fund Transfers	374,841,195.89	347,606,344.42
Cash Receipts Over/(Under) Disbursements	284,203,391.45	(5,041,945.82)
Beginning Balance	0.20	312,228.02
Transfers (to)/from Investment Management Board	<u>(284,203,391.00)</u>	<u>4,729,718.00</u>
Ending Balance	<u>\$ 0.65</u>	<u>\$ 0.20</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS' RETIREMENT SYSTEM

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCES

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
<u>Benefits Account</u>		
Cash Receipts:		
Statutory Transfers	\$372,558,000.00	\$344,706,000.00
Prior Year Expiring Funds		<u>0.00</u>
	372,558,587.70	344,706,000.00
Disbursements:		
Pension Benefits	<u>372,750,044.99</u>	<u>344,810,188.37</u>
Cash Receipts (Under) Disbursements	(191,457.29)	(104,188.37)
Beginning Balance	1,089.31	3.68
Transfers from Investment Management Board	<u>190,400.00</u>	<u>105,274.00</u>
Ending Balance	<u>\$ 32.02</u>	<u>\$ 1,089.31</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS' RETIREMENT SYSTEM

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCES

SPECIAL REVENUE

<u>Expense Account</u>	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Cash Receipts	\$ 0.00	\$ 0.00
Disbursements:		
Membership Loans, Retirement Funds (Loan Interest)	<u>(1,033,396.93)</u>	<u>(1,360,818.14)</u>
Cash Receipts Over Disbursements	1,033,396.93	1,360,818.14
Beginning Balance	0.42	7.28
Transfers to Investment Management Board	<u>(1,033,397.00)</u>	<u>(1,360,825.00)</u>
Ending Balance	<u>\$ 0.35</u>	<u>\$ 0.42</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS' RETIREMENT SYSTEM

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCES

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2005</u>	<u>2006</u>
<u>Reserve Account</u>		
Cash Receipts:		
Employer Contributions - TRS Plan 1	\$ 62,263.61)	\$ 91,129.56
Interest Payments (Reinstatements)	1,276,693.22	1,099,635.49
Transfers from Insurance Commission	<u>5,093.40</u>	<u>10,735,291.35</u>
Less: Revenue Refunds	<u>8,357.74</u>	<u>335.85</u>
	1,211,165.27	11,925,720.55
Investment Earnings	169,132,655.84	149,277,403.16
Statutory Transfers	2,600,264.02	2,545,745.91
Prior Year Expiring Funds	665.07	(461.95)
Operating Funds Transfer	<u>0.00</u>	<u>0.00</u>
	172,944,750.20	163,748,407.67
Disbursements:		
Fund Transfers	272,222.85	250,037.11
Withdrawal from Retirement Funds	<u>928,159.12</u>	<u>975,751.79</u>
	1,200,381.97	1,225,788.90
Cash Receipts Over Disbursements	171,744,368.23	162,522,618.77
Beginning Balance	0.12	171.51
Transfers to Investment Management Board	<u>(171,744,367.84)</u>	<u>(162,522,790.16)</u>
Ending Balance	<u>\$ 0.51</u>	<u>\$ 0.12</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

TEACHERS' RETIREMENT SYSTEM

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS

AND CHANGES IN CASH BALANCES

SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
<u>School Aid Formula Funds Holding Account</u>		
Cash Receipts:		
Employer Contributions	\$368,053,642.00	\$311,192,064.00
Disbursements:		
Fund Transfers	<u>368,053,642.00</u>	<u>311,192,064.00</u>
Cash Receipts Disbursements	0.00	0.00
Beginning Balance	0.00	0.00
Transfers from Investment Management Board	<u>0.00</u>	<u>0.00</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 0.00</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, Acting Director of the Legislative Post Audit Division, do hereby certify that the report 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 10th day of September 2007.


Stacy L. Sneed, CPA, Acting Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Consolidated Public Retirement Board; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.