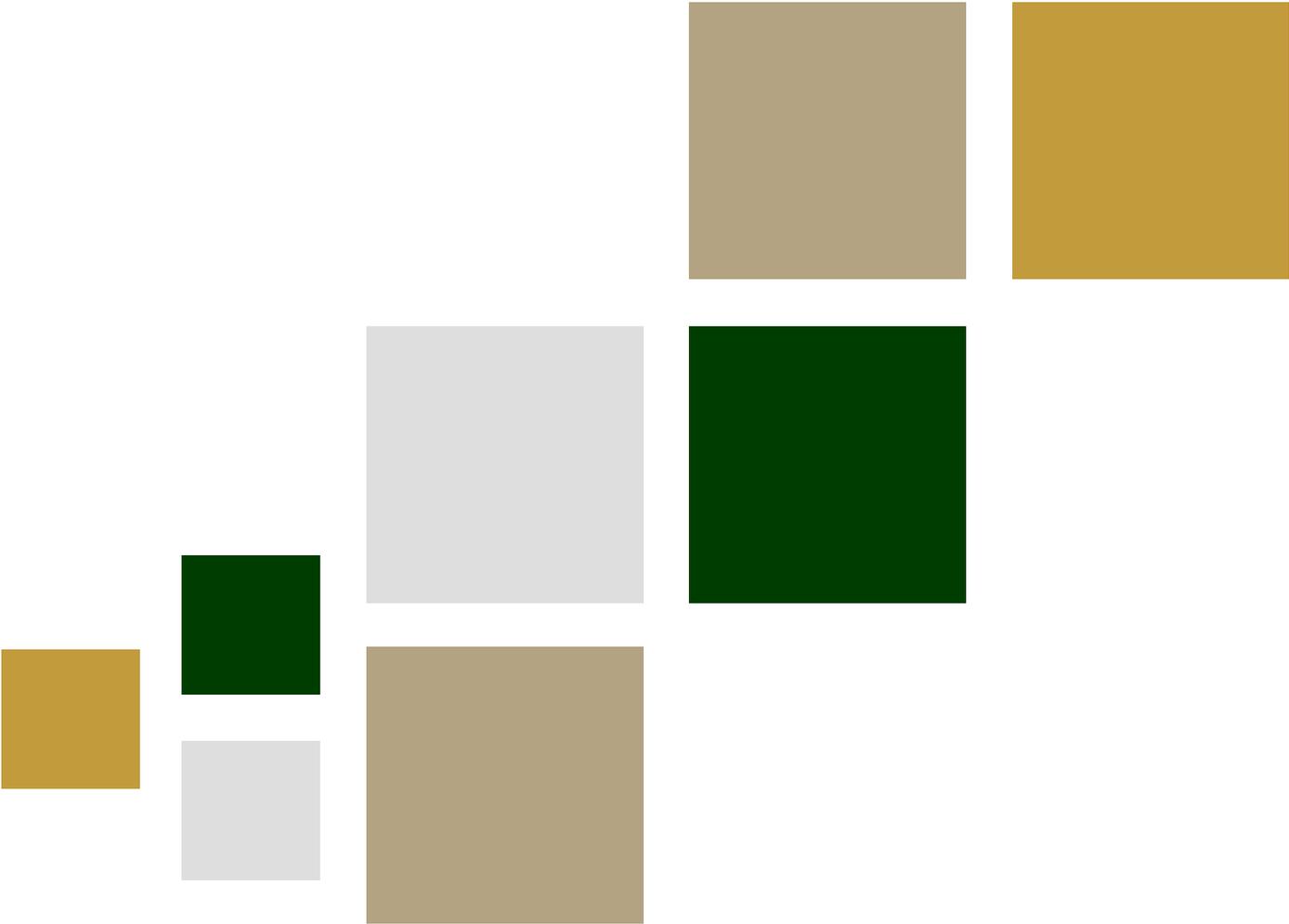
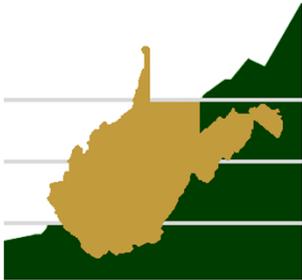


# West Virginia Investment Management Board

## 2023 AUDITED FINANCIAL STATEMENTS





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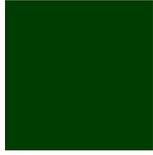
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## Investment Pools Audited Financial Statements

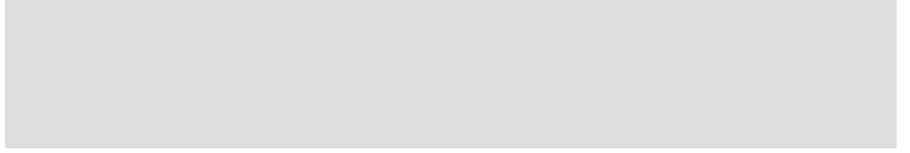
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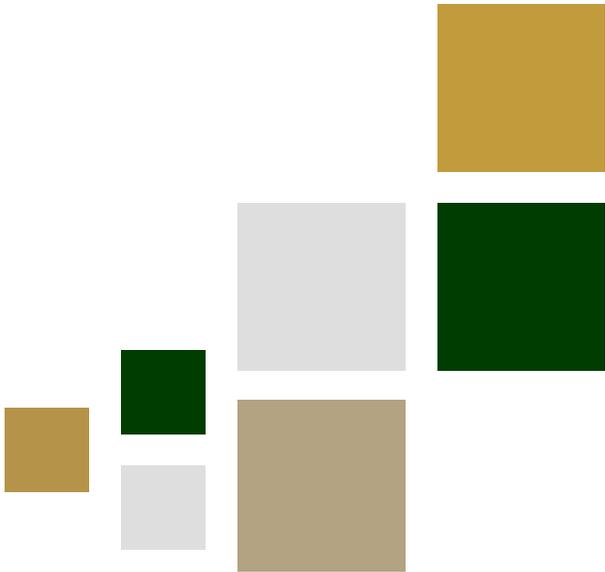
# **AUDITED FINANCIAL STATEMENTS**



**INVESTMENT POOLS**  
Year Ended June 30, 2023



AUDITED FINANCIAL STATEMENTS  
June 30, 2023





# Portable Alpha Pool

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## Audited Financial Statements June 30, 2023

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Portable Alpha Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Portable Alpha Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst & Young LLP*

August 25, 2023

# Portable Alpha Pool

## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Index over three- to five-year periods. The Pool has three main components: 1) a domestic large capitalization equity beta replication manager and the related margin account which is comprised of fixed income securities and a money market mutual fund, 2) a portfolio of alternative risk premia funds, and 3) a domestic large capitalization equity index manager.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 5,072,107	\$ 4,375,857
Investment derivatives	102,127	-
Other assets	180,408	506,040
Total assets	5,354,642	4,881,897
Investment derivatives	-	(124,020)
Other liabilities	(59,006)	(7,464)
Total liabilities	(59,006)	(131,484)
Net position	\$ 5,295,636	\$ 4,750,413

# Portable Alpha Pool

## Management's Discussion and Analysis (Unaudited)

The net position of the Pool is primarily impacted by the overall performance of the U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$545,223 results from net investment income of \$856,445 and a net decrease from unit transactions of \$311,222.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 859,207	\$ (553,201)
Expenses	(2,762)	(2,668)
Net investment income (loss)	856,445	(555,869)
Net units issued (redeemed)	(311,222)	220,097
Increase (decrease) in net position	545,223	(335,772)
Net position, beginning of year	4,750,413	5,086,185
Net position, end of year	\$ 5,295,636	\$ 4,750,413

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 17.7 percent, up from (10.9) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 44.61	\$ 50.06
Net investment income (loss)	7.87	(5.45)
Net position, end of year	\$ 52.48	\$ 44.61

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.06%	0.05%
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- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee funds.

# Portable Alpha Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Alternative risk premia funds	\$ 1,932,117
Commingled equity fund	1,679,958
Fixed income investments	773,632
Derivative instruments	102,127
Money market mutual fund	686,400
Receivables:	
Interest and dividends	5,408
Investments sold	175,000
	<hr/>
<b>Total assets</b>	<b>5,354,642</b>

### Liabilities

Cash due to broker	51,165
Accrued expenses	491
Payable for investments purchased	7,350
	<hr/>
<b>Total liabilities</b>	<b>59,006</b>
	<hr/>
<b>Net position</b>	<b>\$ 5,295,636</b>

### Unit data

Units outstanding	100,898,387
Net position, unit price	\$ 52.48

See accompanying notes to financial statements.

## Portable Alpha Pool

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**Statement of Changes in Net Position**  
**Year Ended June 30, 2023**  
*(Amounts in thousands)*

**Investment income**

Net increase in fair value of investments	\$ 820,185
Interest and dividends	<u>39,022</u>
<b>Total investment income</b>	859,207

**Expenses**

Investment advisor fees	(1,078)
Custodian bank fees	(25)
Management and other allocated fees	(1,476)
Professional service fees - direct	<u>(183)</u>
<b>Total expenses</b>	<u>(2,762)</u>
<b>Net investment income</b>	856,445

**Unit transactions**

Proceeds from sale of units	559,783
Amount paid for repurchase of units	<u>(871,005)</u>
<b>Net decrease from unit transactions</b>	<u>(311,222)</u>
<b>Increase in net position</b>	545,223
<b>Net position, beginning of year</b>	<u>4,750,413</u>
<b>Net position, end of year</b>	<u><u>\$ 5,295,636</u></u>

*See accompanying notes to financial statements.*

# Portable Alpha Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool's objective is to exceed, net of external investment management fees, the S&P 500 Index over three- to five-year periods. The Pool has three main components: 1) a domestic large capitalization equity beta replication manager and the related margin account, 2) a portfolio of alternative risk premia funds, and 3) a domestic large capitalization equity index manager. Russell Investments Implementation Services, LLC (Russell) is the equity beta replication manager. Russell primarily trades S&P 500 futures contracts and invests the margin account in fixed income securities and a money market mutual fund. Alburne America, LLC has been retained by the WVIMB to provide consulting services for the portfolio of alternative risk premia funds. Alternative risk premia funds are similar to hedge funds, but are fully systematic, fully transparent to investors, charge no performance fees, and are highly liquid. The remainder of the Pool's assets are invested in the BlackRock Equity Index Fund B (BlackRock). BlackRock uses a replication indexing approach to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P 500 Index.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

# Portable Alpha Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Investments in alternative risk premia (ARP) funds are generally securities for which market quotations are not readily available. The WVIMB has concluded that the net asset value reported by the underlying funds approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. These investments are redeemable with the fund at net asset value under the original terms of the agreements and operations of the underlying fund. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the WVIMB's interests in the funds. The WVIMB believes that the net asset value of such investments is a reasonable estimate of fair value as of June 30, 2023.

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

**Cash Due to/from Broker** - The Pool records cash amounts due to or from brokers on the Statement of Net Position as Cash due to/from broker. Such amounts are required by brokers for margin on centrally cleared futures, considered restricted, and reported net.

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

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

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

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

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

# Portable Alpha Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### Credit Risk

The Pool is exposed to credit risk from its fixed income investments and money market mutual fund investment. The WVIMB limits the exposure to credit risk in the Pool by requiring securities purchased to have a minimum long-term rating of BBB (investment grade) and/or a short-term rating of A-2 (Tier-II) as defined by a nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The Pool holds some securities that have not received a rating from the aforementioned rating organizations. These securities have been listed as not rated in the table below. The absence or lack of a rating does not necessarily indicate a greater degree of risk. The money market mutual fund has the highest credit rating. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2023:

Rating	Fair Value
<i>Long-term</i>	
AAA	\$ 416,081
AA	5,998
A	9,824
BBB	3,005
<i>Short-term</i>	
A-1	264,928
Total rated	699,836
Not Rated	73,796
Total fixed income investments	\$ 773,632

#### Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2023, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

#### Custodial Credit Risk

At June 30, 2023, the Pool held no securities that were subject to custodial credit risk. Investments in alternative risk premia funds, the commingled equity fund, and the money market mutual fund are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

# Portable Alpha Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

#### Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments and money market mutual fund investment. As of June 30, 2023, the money market mutual fund has a weighted average maturity of 12 days. The WVIMB monitors the interest rate risk of the Pool's fixed income investments by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation considers the most likely timing of variable cash flows, which is particularly useful for measuring the interest rate risk of callable bonds and asset-backed securities. The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30, 2023:

Investment Type	Fair Value	Effective Duration (years)
Certificates of deposit	\$ 47,302	0.0*
Commercial paper	231,669	0.1
Corporate asset backed issues	12,666	0.7
Foreign corporate bonds	3,001	0.0*
U.S. corporate bonds	12,828	0.2
U.S. Government agency bonds	36,839	0.3
U.S. Treasury issues	296,424	5.5
U.S. Treasury inflation protected securities (TIPS)	132,903	4.4
Total fixed income investments	<u>\$ 773,632</u>	

\*Rounds to less than 0.05

The Pool invests in asset-backed securities. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2023, the Pool held \$12,666 of these securities. This represents approximately 2 percent of the value of the Pool's fixed income securities and less than 0.5 percent of the value of the Pool's total investments.

#### Foreign Currency Risk

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

### NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held in the Pool are limited to equity index futures. These futures are not designated as hedging instruments under GASB Statement No. 53; they are used to obtain S&P 500 market exposure. See Notes 1 and 2 for additional information on the Pool's purpose for entering into derivatives and for discussion on the risks associated with investing in these derivatives.

The table below presents the fair value, the fiscal year to date net increase (decrease) in fair value, and the notional amount of derivative financial instruments outstanding as of and for the year ended June 30, 2023:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments	Notional Value
Futures contracts:			
Equity index futures long	<u>\$ 102,127</u>	<u>\$ 489,897</u>	<u>\$ 3,350,030</u>

# Portable Alpha Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2023. The Pool's investments in ARP funds that were valued using the NAV have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
ARP fund (RIC)	\$ 221,178	\$ -	\$ -	\$ 221,178
Certificates of deposit	-	47,302	-	47,302
Commercial paper	-	231,669	-	231,669
Commingled equity fund	1,679,958	-	-	1,679,958
Corporate asset backed issues	-	12,666	-	12,666
Foreign corporate bonds	-	3,001	-	3,001
Futures contracts	102,127	-	-	102,127
Money market mutual fund	686,400	-	-	686,400
U.S. corporate bonds	-	12,828	-	12,828
U.S. Government agency bonds	-	36,839	-	36,839
U.S. Treasury issues	-	296,424	-	296,424
U.S. TIPS	-	132,903	-	132,903
Total	<u>\$ 2,689,663</u>	<u>\$ 773,632</u>	<u>\$ -</u>	<u>\$ 3,463,295</u>
ARP funds				1,710,939
Total				<u>\$ 5,174,234</u>

# Portable Alpha Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

The following table presents information on investments measured at the NAV as of June 30, 2023:

<u>ARP Fund Strategies</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Directional (a)	\$ 354,490	Monthly	10 to 30 days
Multi-Premia (b)	1,219,727	Weekly, Semi-monthly, Monthly	3 to 60 days
Relative-Value (c)	136,722	Monthly	30 days
	<u>\$ 1,710,939</u>		

- (a) Directional funds employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) Multi-premia funds combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through allocation adjustments based on market opportunities. Risk is managed through a variety of quantitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 7 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (c) Relative-value funds maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity.

### NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

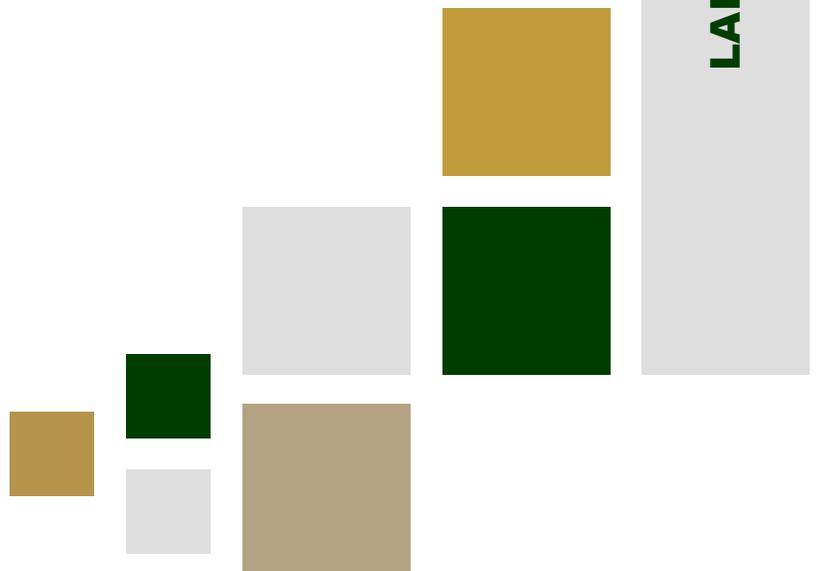
<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 2,272,242
Public Employees' Retirement System	2,063,608
West Virginia Retiree Health Benefit Trust Fund	422,566
State Police Death, Disability and Retirement Fund	192,747
State Police Retirement System	78,430
Deputy Sheriff's Retirement System	77,535
Judges' Retirement System	68,412
Municipal Policemen's or Firemen's Pension and Relief Funds	46,460
Emergency Medical Services Retirement System	30,062
Wildlife Endowment Fund	17,564
West Virginia State Parks and Recreation Endowment Fund	8,795
Municipal Police Officers' and Firefighters' Retirement System	8,364
Natural Resources Police Officer Retirement System	6,753
Berkeley County Development Authority	2,098
Total	<u>\$ 5,295,636</u>



AUDITED FINANCIAL STATEMENTS  
June 30, 2023

**B**

**LARGE CAP DOMESTIC EQUITY POOL**





# Large Cap Domestic Equity Pool

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## Audited Financial Statements June 30, 2023

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Large Cap Domestic Equity Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Large Cap Domestic Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst & Young LLP*

August 25, 2023

# Large Cap Domestic Equity Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

The Pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Index over three- to five-year periods.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 317,028	\$ 308,837
Other assets	1	-
Total assets	317,029	308,837
Total liabilities	(16)	(19)
Net position	\$ 317,013	\$ 308,818

# Large Cap Domestic Equity Pool

## Management's Discussion and Analysis (Unaudited)

The net position of the Pool is primarily impacted by the overall performance of the large-cap U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$8,195 results from net investment income of \$53,782 and a net decrease from unit transactions of \$45,587.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 53,897	\$ (35,263)
Expenses	(115)	(122)
Net investment income (loss)	53,782	(35,385)
Net units redeemed	(45,587)	(28,674)
Increase (decrease) in net position	8,195	(64,059)
Net position, beginning of year	308,818	372,877
Net position, end of year	<u>\$ 317,013</u>	<u>\$ 308,818</u>

The investment income (loss) of the Pool is from the net increase (decrease) in fair value of investments.

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 19.4 percent, up from (10.7) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 43.95	\$ 49.23
Net investment income (loss)	8.54	(5.28)
Net position, end of year	<u>\$ 52.49</u>	<u>\$ 43.95</u>

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.04%	0.03%
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- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee fund.

# Large Cap Domestic Equity Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Commingled equity fund	\$ 313,924
Money market mutual fund	3,104
Dividends receivable	<u>1</u>
<b>Total assets</b>	<b>317,029</b>

### Liabilities

Accrued expenses	<u>16</u>
<b>Net position</b>	<b><u>\$ 317,013</u></b>

### Unit data

Units outstanding	6,039,445
Net position, unit price	<u><u>\$ 52.49</u></u>

See accompanying notes to financial statements.

# Large Cap Domestic Equity Pool

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## Statement of Changes in Net Position Year Ended June 30, 2023 *(Amounts in thousands)*

### Investment income

Net increase in fair value of investments	\$	53,890
Dividends		<u>7</u>
<b>Total investment income</b>		<b>53,897</b>

### Expenses

Investment advisor fees		(23)
Custodian bank fees		(1)
Management and other allocated fees		<u>(91)</u>
<b>Total expenses</b>		<b><u>(115)</u></b>
<b>Net investment income</b>		<b>53,782</b>

### Unit transactions

Proceeds from sale of units		43,178
Amount paid for repurchase of units		<u>(88,765)</u>
<b>Net decrease from unit transactions</b>		<b><u>(45,587)</u></b>
<b>Increase in net position</b>		<b>8,195</b>
<b>Net position, beginning of year</b>		<b><u>308,818</u></b>
<b>Net position, end of year</b>	<b>\$</b>	<b><u><u>317,013</u></u></b>

*See accompanying notes to financial statements.*

# Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Index over three- to five-year periods. The Pool invests in the BlackRock Equity Index Fund B (BlackRock). BlackRock uses a replication indexing approach to achieve investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P 500 Index.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

# Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool invests in a commingled equity fund that invests in equities included in the S&P 500 Index. The value of this investment at June 30, 2023, was \$313,924. The Pool is exposed to credit risk and interest rate risk from its money market mutual fund investment. As of June 30, 2023, the money market mutual fund has the highest credit rating and has a weighted average maturity of 12 days. The Pool is not exposed to concentration of credit risk, custodial credit risk, or foreign currency risk.

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2023:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	\$ 313,924	\$ -	\$ -	\$ 313,924
Money market mutual fund	3,104	-	-	3,104
Total	<u>\$ 317,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,028</u>

# Large Cap Domestic Equity Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 5. SCHEDULE OF PARTICIPATION

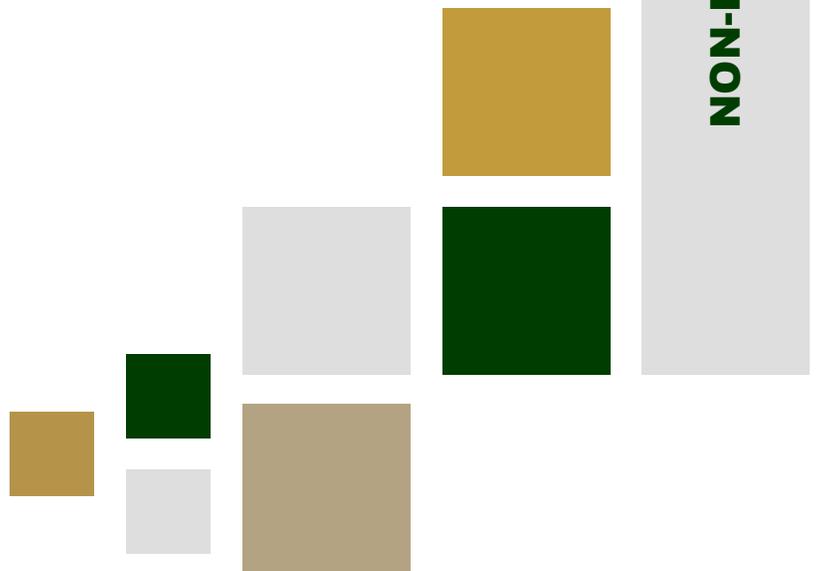
The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

<u>Participant</u>	<u>Account Value</u>
Workers' Compensation Old Fund	\$ 117,264
Revenue Shortfall Reserve Fund - Part B	50,072
West Virginia Department of Environmental Protection Agency	45,051
Coal Workers' Pneumoconiosis Fund	27,719
Board of Risk and Insurance Management	25,376
Revenue Shortfall Reserve Fund	18,538
Public Employees Insurance Agency	14,924
Workers' Compensation Self-Insured Employer Security Risk Pool	6,725
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	5,110
West Virginia Department of Environmental Protection Trust	3,137
Workers' Compensation Uninsured Employers' Fund	2,311
Municipal Policemen's or Firemen's Pension and Relief Funds	786
Total	<u>\$ 317,013</u>

AUDITED FINANCIAL STATEMENTS  
June 30, 2023



**NON-LARGE CAP DOMESTIC EQUITY POOL**





# Non-Large Cap Domestic Equity Pool

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## Audited Financial Statements June 30, 2023

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board’s Non-Large Cap Domestic Equity Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Non-Large Cap Domestic Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# Non-Large Cap Domestic Equity Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

The Pool's objective is to exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 1,155,544	\$ 1,031,390
Other assets	11,420	2,884
Total assets	1,166,964	1,034,274
Total liabilities	(126,836)	(180,471)
Net position	\$ 1,040,128	\$ 853,803

# Non-Large Cap Domestic Equity Pool

## Management's Discussion and Analysis (Unaudited)

The net position of the Pool is primarily impacted by the overall performance of the small- and mid-cap U.S. equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$186,325 results from net investment income of \$213,044 and a net decrease from unit transactions of \$26,719.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 227,497	\$ (213,279)
Expenses	(14,453)	(6,928)
Net investment income (loss)	213,044	(220,207)
Net units issued (redeemed)	(26,719)	147,356
Increase (decrease) in net position	186,325	(72,851)
Net position, beginning of year	853,803	926,654
Net position, end of year	\$ 1,040,128	\$ 853,803

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 24.4 percent, up from (20.5) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 42.74	\$ 53.90
Net investment income (loss)	10.43	(11.16)
Net position, end of year	\$ 53.17	\$ 42.74

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.94%	0.69%
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(a) The ratio is for the fiscal year and excludes securities lending expenses.

# Non-Large Cap Domestic Equity Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:		
Equity investments	\$	966,663
Money market mutual fund		76,212
Securities lending collateral		112,669
Cash		519
Receivables:		
Dividends and other investment income		620
Investments sold		10,281
		<hr/>
<b>Total assets</b>		1,166,964

### Liabilities

Accrued expenses		2,427
Payable for investments purchased		11,740
Payable upon return of securities loaned		112,669
		<hr/>
<b>Total liabilities</b>		126,836
		<hr/>
<b>Net position</b>	\$	<u>1,040,128</u>

### Unit data

Units outstanding		19,562,083
Net position, unit price	\$	<u>53.17</u>

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

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## Statement of Changes in Net Position

Year Ended June 30, 2023

(Amounts in thousands)

### Investment income

Net increase in fair value of investments	\$ 210,175
Dividends	11,787
Securities lending income	<u>5,535</u>

**Total investment income** 227,497

### Expenses

Investment advisor fees	(9,111)
Custodian bank fees	(40)
Management and other allocated fees	(299)
Securities lending expenses	<u>(5,003)</u>

**Total expenses** (14,453)

**Net investment income** 213,044

### Unit transactions

Proceeds from sale of units	106,055
Amount paid for repurchase of units	<u>(132,774)</u>

**Net decrease from unit transactions** (26,719)

**Increase in net position** 186,325

**Net position, beginning of year** 853,803

**Net position, end of year** \$ 1,040,128

See accompanying notes to financial statements.

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool's objective is to exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods. Assets are managed by Cooper Creek Partners Management, LLC and Westfield Capital Management, LLC.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Securities Lending** - The WVIMB, through its lending agent, Northern Trust (NT), loans securities of the Pool to various brokers on a temporary basis. Each transaction for U.S. securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned.

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

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

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

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2023.

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### Credit Risk

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

#### Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2023, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

#### Custodial Credit Risk

At June 30, 2023, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

#### Interest Rate Risk

The Pool is exposed to interest rate risk from its money market mutual fund investment and from the Cash Collateral Account. As of June 30, 2023, the money market mutual fund's weighted average maturity (WAM) was 12 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2023, the WAM for the Cash Collateral Account was 3 days.

#### Foreign Currency Risk

At times during the year the Pool held securities and cash denominated in foreign currencies, but at June 30, 2023 there was no exposure to foreign currency risk.

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

# Non-Large Cap Domestic Equity Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2023:

Assets	Level 1	Level 2	Level 3	Total
Domestic common stock	\$ 893,976	\$ -	\$ -	\$ 893,976
Foreign common stock	72,687	-	-	72,687
Money market mutual fund	76,212	-	-	76,212
Securities lending collateral	-	112,669	-	112,669
Total	<u>\$ 1,042,875</u>	<u>\$ 112,669</u>	<u>\$ -</u>	<u>\$ 1,155,544</u>

### NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2023:

	Fair Value
Securities on loan	\$ 249,496
Collateral received:	
Cash	\$ 112,669
Non-cash	142,085
Total collateral received	<u>\$ 254,754</u>

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

# Non-Large Cap Domestic Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 6. SCHEDULE OF PARTICIPATION

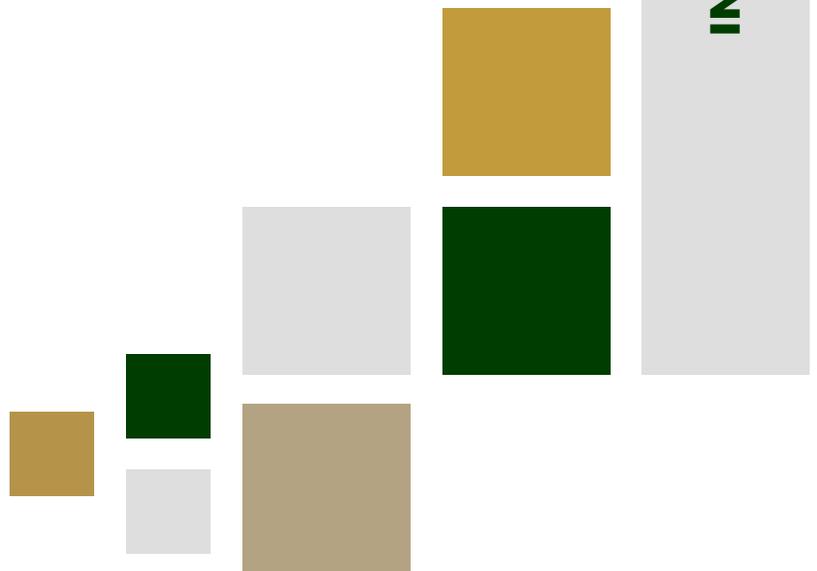
The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 422,941
Public Employees' Retirement System	381,971
West Virginia Retiree Health Benefit Trust Fund	78,472
State Police Death, Disability and Retirement Fund	35,802
Workers' Compensation Old Fund	21,664
State Police Retirement System	14,294
Deputy Sheriff's Retirement System	14,251
Judges' Retirement System	12,590
Revenue Shortfall Reserve Fund - Part B	8,993
Municipal Policemen's or Firemen's Pension and Relief Funds	8,694
West Virginia Department of Environmental Protection Agency	8,103
Emergency Medical Services Retirement System	5,510
Coal Workers' Pneumoconiosis Fund	5,113
Board of Risk and Insurance Management	4,573
Revenue Shortfall Reserve Fund	3,333
Wildlife Endowment Fund	3,292
Public Employees Insurance Agency	2,802
Municipal Police Officers' and Firefighters' Retirement System	1,492
West Virginia State Parks and Recreation Endowment Fund	1,491
Workers' Compensation Self-Insured Employer Security Risk Pool	1,225
Natural Resources Police Officer Retirement System	1,223
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	925
West Virginia Department of Environmental Protection Trust	573
Workers' Compensation Uninsured Employers' Fund	416
Berkeley County Development Authority	385
Total	<u>\$ 1,040,128</u>

AUDITED FINANCIAL STATEMENTS  
June 30, 2023

**D**

**INTERNATIONAL QUALIFIED POOL**





# International Qualified Pool

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## Audited Financial Statements June 30, 2023

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Report of Independent Auditors

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's International Qualified Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the International Qualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# International Qualified Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 1,263,214	\$ 1,185,907
Total liabilities	(43)	(47)
Net position	<u>\$ 1,263,171</u>	<u>\$ 1,185,860</u>

# International Qualified Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$77,311 results from net investment income of \$196,955 and a net decrease from unit transactions of \$119,644.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 203,425	\$ (153,996)
Expenses	(6,470)	(7,276)
Net investment income (loss)	196,955	(161,272)
Net units redeemed	(119,644)	(104,639)
Increase (decrease) in net position	77,311	(265,911)
Net position, beginning of year	1,185,860	1,451,771
Net position, end of year	\$ 1,263,171	\$ 1,185,860

The investment income (loss) of the Pool is from the net increase (decrease) in fair value of investments.

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 17.5 percent, up from (11.8) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 80.13	\$ 90.87
Net investment income (loss)	14.04	(10.74)
Net position, end of year	\$ 94.17	\$ 80.13

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.54%	0.54%
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- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee fund.

# International Qualified Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investment in commingled equity fund at fair value	\$ 1,263,214
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### Liabilities

Accrued expenses	<u>43</u>
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<b>Net position</b>	<u><u>\$ 1,263,171</u></u>
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### Unit data

Units outstanding	13,414,016
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Net position, unit price	<u><u>\$ 94.17</u></u>
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See accompanying notes to financial statements.

## International Qualified Pool

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**Statement of Changes in Net Position**  
**Year Ended June 30, 2023**  
*(Amounts in thousands)*

**Investment income**

Net increase in fair value of investments \$ 203,425

**Expenses**

Investment advisor fees (6,119)

Management and other allocated fees (351)

**Total expenses** (6,470)

**Net investment income** 196,955

**Unit transactions**

Proceeds from sale of units 23,578

Amount paid for repurchase of units (143,222)

**Net decrease from unit transactions** (119,644)

**Increase in net position** 77,311

**Net position, beginning of year** 1,185,860

**Net position, end of year** \$ 1,263,171

*See accompanying notes to financial statements.*

# International Qualified Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool invests in a commingled equity fund, specifically The Silchester International Investors International Value Equity Group Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International Europe Australasia Far East Index (MSCI EAFE) by 200 basis points over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code*) may invest in the Pool. Silchester invests in a diversified portfolio of equity securities of companies incorporated in any country other than the United States, with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month end. Subscriptions and redemptions may be subject to anti-dilution levies to offset costs such as stamp duty, brokerage commissions, foreign exchange costs, bid-offer spreads, and market impact charges.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

# International Qualified Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool invests in a commingled equity fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2023, was \$1,263,214. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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

# International Qualified Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. SCHEDULE OF PARTICIPATION

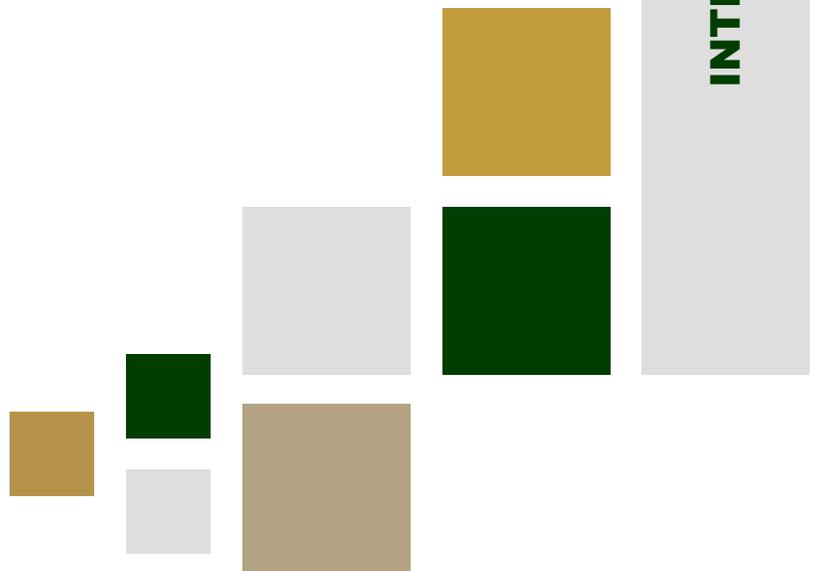
The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 593,354
Public Employees' Retirement System	537,494
State Police Death, Disability and Retirement Fund	50,016
State Police Retirement System	20,357
Deputy Sheriff's Retirement System	20,179
Judges' Retirement System	17,801
Municipal Policemen's or Firemen's Pension and Relief Funds	12,263
Emergency Medical Services Retirement System	7,826
Municipal Police Officers' and Firefighters' Retirement System	2,136
Natural Resources Police Officer Retirement System	1,745
Total	<u>\$ 1,263,171</u>

AUDITED FINANCIAL STATEMENTS  
June 30, 2023

**E**

**INTERNATIONAL NONQUALIFIED POOL**





# International Nonqualified Pool

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## Audited Financial Statements June 30, 2023

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's International Nonqualified Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the International Nonqualified Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# International Nonqualified Pool

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## Management’s Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants’ interest in the Pool’s net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 203,149	\$ 183,582
Total liabilities	(7)	(7)
Net position	<u>\$ 203,142</u>	<u>\$ 183,575</u>

# International Nonqualified Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$19,567 results from net investment income of \$29,512 and a net decrease from unit transactions of \$9,945.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 30,663	\$ (24,296)
Expenses	(1,151)	(1,290)
Net investment income (loss)	29,512	(25,586)
Net units redeemed	(9,945)	(9,943)
Increase (decrease) in net position	19,567	(35,529)
Net position, beginning of year	183,575	219,104
Net position, end of year	<u>\$ 203,142</u>	<u>\$ 183,575</u>

The investment income (loss) of the Pool is from the net increase (decrease) in fair value of investments.

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 17.0 percent, up from (12.0) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 72.88	\$ 82.77
Net investment income (loss)	12.39	(9.89)
Net position, end of year	<u>\$ 85.27</u>	<u>\$ 72.88</u>

### **Supplemental Data:**

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

# International Nonqualified Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investment in commingled equity fund at fair value	\$	203,149
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### Liabilities

Accrued expenses		<u>7</u>
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<b>Net position</b>	<b>\$</b>	<b><u>203,142</u></b>
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### Unit data

Units outstanding		2,382,351
Net position, unit price	\$	<u>85.27</u>

See accompanying notes to financial statements.

# International Nonqualified Pool

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## Statement of Changes in Net Position Year Ended June 30, 2023 *(Amounts in thousands)*

### Investment income

Net increase in fair value of investments	\$ 30,663
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### Expenses

Investment advisor fees	(1,097)
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Management and other allocated fees	<u>(54)</u>
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<b>Total expenses</b>	<u>(1,151)</u>
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<b>Net investment income</b>	29,512
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### Unit transactions

Proceeds from sale of units	32,260
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Amount paid for repurchase of units	<u>(42,205)</u>
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<b>Net decrease from unit transactions</b>	<u>(9,945)</u>
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<b>Increase in net position</b>	19,567
---------------------------------	--------

<b>Net position, beginning of year</b>	<u>183,575</u>
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<b>Net position, end of year</b>	<u><u>\$ 203,142</u></u>
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*See accompanying notes to financial statements.*

# International Nonqualified Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool invests in a commingled equity fund, specifically The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International Europe Australasia Far East Index (MSCI EAFE) by 200 basis points over three- to five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). Silchester invests in a diversified portfolio of equity securities of companies incorporated in any country other than the United States, with limited exposure to emerging markets and no unreasonable concentration exposure to any single issuer or country. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will generally be made within seven business days following month end. Subscriptions and redemptions may be subject to anti-dilution levies to offset costs such as stamp duty, brokerage commissions, foreign exchange costs, bid-offer spreads, and market impact charges.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

# International Nonqualified Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool invests in a commingled equity fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2023, was \$203,149. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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

# International Nonqualified Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. SCHEDULE OF PARTICIPATION

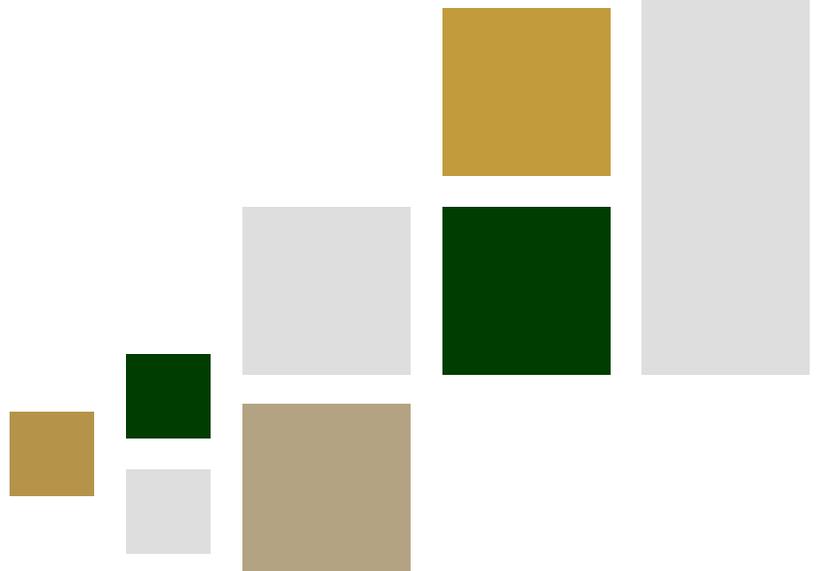
The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

<u>Participant</u>	<u>Account Value</u>
West Virginia Retiree Health Benefit Trust Fund	\$ 112,925
Workers' Compensation Old Fund	30,827
Revenue Shortfall Reserve Fund - Part B	13,072
West Virginia Department of Environmental Protection Agency	11,756
Coal Workers' Pneumoconiosis Fund	7,269
Board of Risk and Insurance Management	6,641
Revenue Shortfall Reserve Fund	4,832
Wildlife Endowment Fund	4,675
Public Employees Insurance Agency	3,876
West Virginia State Parks and Recreation Endowment Fund	2,192
Workers' Compensation Self-Insured Employer Security Risk Pool	1,760
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,339
West Virginia Department of Environmental Protection Trust	820
Workers' Compensation Uninsured Employers' Fund	604
Berkeley County Development Authority	554
Total	<u>\$ 203,142</u>

AUDITED FINANCIAL STATEMENTS  
June 30, 2023

**F**

**INTERNATIONAL EQUITY POOL**





# International Equity Pool

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## Audited Financial Statements June 30, 2023

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's International Equity Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023 and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the International Equity Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# International Equity Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 2,819,438	\$ 2,795,255
Other assets	45,431	63,543
Total assets	2,864,869	2,858,798
Total liabilities	(123,538)	(64,638)
Net position	\$ 2,741,331	\$ 2,794,160

# International Equity Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the international equity market. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$52,829 results from net investment income of \$282,984 and a net decrease from unit transactions of \$335,813.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 303,951	\$ (815,265)
Expenses	(20,967)	(16,399)
Net investment income (loss)	282,984	(831,664)
Net units redeemed	(335,813)	(287,306)
Decrease in net position	(52,829)	(1,118,970)
Net position, beginning of year	2,794,160	3,913,130
Net position, end of year	\$ 2,741,331	\$ 2,794,160

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 9.0 percent, up from (22.4) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 34.68	\$ 44.70
Net investment income (loss)	3.13	(10.02)
Net position, end of year	\$ 37.81	\$ 34.68

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.58%	0.47%
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- (a) The ratio is for the fiscal year and excludes securities lending expenses. The ratio for fiscal year 2022 does not reflect the Pool's proportionate share of expenses of the underlying investee fund.

# International Equity Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Equity investments	\$ 2,690,120
Money market mutual fund	20,511
Securities lending collateral	108,807
Cash (restricted: \$2,193)	12,984
Receivables:	
Dividends and other investment income	22,457
Investments sold	9,990
	<hr/>
<b>Total assets</b>	<b>2,864,869</b>

### Liabilities

Accrued capital gains taxes	1,116
Accrued expenses	3,737
Payable for investments purchased	9,878
Payable upon return of securities loaned	108,807
	<hr/>
<b>Total liabilities</b>	<b>123,538</b>
	<hr/>
<b>Net position</b>	<b>\$ 2,741,331</b>

### Unit data

Units outstanding	72,502,143
Net position, unit price	<hr/> <hr/> <b>\$ 37.81</b>

See accompanying notes to financial statements.

# International Equity Pool

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## Statement of Changes in Net Position Year Ended June 30, 2023 *(Amounts in thousands)*

### Investment income

Net increase in fair value of investments	\$	185,833
Dividends		113,048
Securities lending income		<u>5,070</u>
<b>Total investment income</b>		<b>303,951</b>

### Expenses

Investment advisor fees		(14,516)
Custodian bank fees		(1,323)
Management and other allocated fees		(880)
Securities lending expenses		<u>(4,248)</u>
<b>Total expenses</b>		<b><u>(20,967)</u></b>
<b>Net investment income</b>		<b>282,984</b>

### Unit transactions

Proceeds from sale of units		401,072
Amount paid for repurchase of units		<u>(736,885)</u>
<b>Net decrease from unit transactions</b>		<b><u>(335,813)</u></b>
<b>Decrease in net position</b>		<b>(52,829)</b>
<b>Net position, beginning of year</b>		<b><u>2,794,160</u></b>
<b>Net position, end of year</b>	<b>\$</b>	<b><u><u>2,741,331</u></u></b>

*See accompanying notes to financial statements.*

# International Equity Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool invests in the equities of international companies. The objective of the Pool is to outperform the international equity market as measured by the Morgan Stanley Capital International All Country World Index Ex U.S. (MSCI ACWI ex U.S.) over a full market cycle (three- to five-years), net of external investment management fees. Assets are managed by Acadian Asset Management, LLC, Axiom International Investors, LLC, LSV Asset Management, Numeric Investors, LLC, and Oberweis Asset Management, Inc.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

**Cash** - Cash consists of cash on deposit with financial institutions. Balances subject to withdrawal restrictions are noted parenthetically on the Statement of Net Position.

# International Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

**Securities Lending** - The WVIMB, through its lending agent, Northern Trust (NT), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received. The required percentage for cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. The required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned.

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

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

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

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

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

# International Equity Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2023.

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

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### **Credit Risk**

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

#### **Concentration of Credit Risk**

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2023, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

#### **Custodial Credit Risk**

At June 30, 2023, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

#### **Interest Rate Risk**

The Pool is exposed to interest rate risk from its money market mutual fund investment and from the Cash Collateral Account. As of June 30, 2023, the money market mutual fund's weighted average maturity (WAM) was 12 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2023, the WAM for the Cash Collateral Account was 3 days.

## International Equity Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

##### Foreign Currency Risk

The Pool has equity investments, cash, and foreign currency spot contracts that are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of equity investments, cash, and foreign currency spot contracts as of June 30, 2023 are as follows:

Currency	Equity Investments	Cash	Foreign Currency Spot Contracts	Total
Australian Dollar	\$ 74,474	\$ 40	\$ -	\$ 74,514
Brazilian Real	90,245	855	-	91,100
British Pound	183,367	969	7	184,343
Canadian Dollar	115,980	358	-	116,338
Chilean Peso	2,296	-	-	2,296
Chinese Yuan Onshore	-	3	-	3
Chinese Yuan Offshore	75,886	121	(1)	76,006
Danish Krone	24,169	7	-	24,176
Egyptian Pound	19	4	-	23
Emirati Dirham	16,587	23	-	16,610
Euro Currency Unit	382,739	706	1	383,446
Hong Kong Dollar	281,730	1,855	-	283,585
Hungarian Forint	5,326	342	-	5,668
Indian Rupee	138,619	54	-	138,673
Indonesian Rupiah	39,173	84	-	39,257
Israeli Shekel	2,761	47	-	2,808
Japanese Yen	287,680	3,678	1	291,359
Kuwaiti Dinar	2,374	4	-	2,378
Malaysian Ringgit	6,313	9	-	6,322
Mexican Peso	38,024	129	2	38,155
New Taiwan Dollar	172,630	193	-	172,823
New Zealand Dollar	34	-	-	34
Norwegian Krone	20,875	580	-	21,455
Philippine Peso	4,357	17	-	4,374
Polish Zloty	11,996	-	-	11,996
Russian Ruble*	-	2,193	-	2,193
Qatari Riyal	1,774	-	-	1,774
Saudi Arabian Riyal	34,136	39	-	34,175
Singapore Dollar	14,854	167	-	15,021
South African Rand	16,149	3	-	16,152
South Korean Won	201,905	74	(4)	201,975
Swedish Krona	55,008	148	-	55,156
Swiss Franc	73,182	34	2	73,218
Thailand Baht	39,670	4	(8)	39,666
Turkish Lira	10,002	43	-	10,045
Total	\$ 2,424,334	\$ 12,783	\$ -	\$ 2,437,117
U.S. Dollar	265,786	201	-	265,987
Total	\$ 2,690,120	\$ 12,984	\$ -	\$ 2,703,104

\*Cash is reported as restricted on the Statement of Net Position

# International Equity Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2023:

Assets	Level 1	Level 2	Level 3	Total
Common stock	\$ 2,609,089	\$ -	\$ -	\$ 2,609,089
ETF	54,997	-	-	54,997
Money market mutual fund	20,511	-	-	20,511
Preferred stock	26,034	-	-	26,034
Securities lending collateral	-	108,807	-	108,807
Total	<u>\$ 2,710,631</u>	<u>\$ 108,807</u>	<u>\$ -</u>	<u>\$ 2,819,438</u>

### NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2023:

	Fair Value
Securities on loan	\$ 145,457
Collateral received:	
Cash	\$ 108,807
Non-cash	42,810
Total collateral received	<u>\$ 151,617</u>

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

# International Equity Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

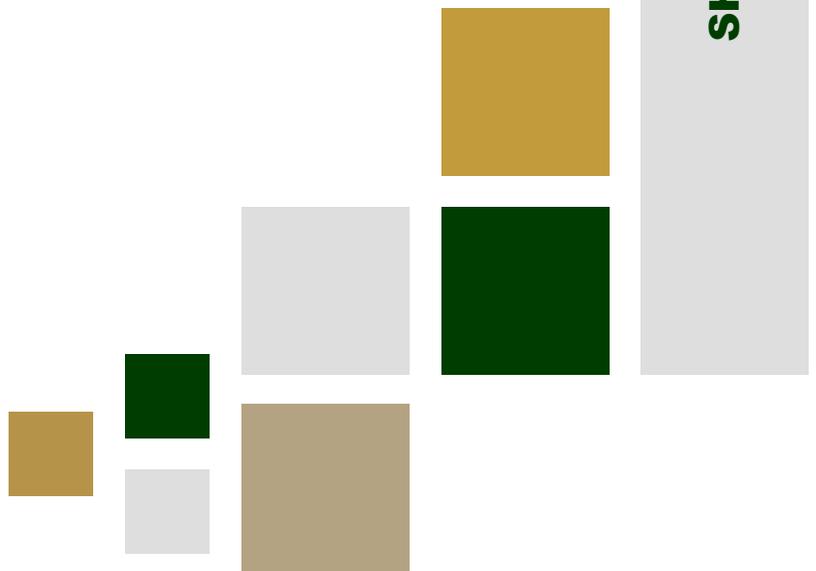
<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 1,116,899
Public Employees' Retirement System	1,010,684
West Virginia Retiree Health Benefit Trust Fund	206,873
State Police Death, Disability and Retirement Fund	92,655
Workers' Compensation Old Fund	54,627
State Police Retirement System	37,984
Deputy Sheriff's Retirement System	37,765
Judges' Retirement System	33,290
Revenue Shortfall Reserve Fund - Part B	23,257
Municipal Policemen's or Firemen's Pension and Relief Funds	22,806
West Virginia Department of Environmental Protection Agency	21,039
Emergency Medical Services Retirement System	14,622
Coal Workers' Pneumoconiosis Fund	12,840
Board of Risk and Insurance Management	11,755
Revenue Shortfall Reserve Fund	8,694
Wildlife Endowment Fund	8,548
Public Employees Insurance Agency	6,745
West Virginia State Parks and Recreation Endowment Fund	3,969
Municipal Police Officers' and Firefighters' Retirement System	3,945
Natural Resources Police Officer Retirement System	3,251
Workers' Compensation Self-Insured Employer Security Risk Pool	3,129
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	2,401
West Virginia Department of Environmental Protection Trust	1,459
Workers' Compensation Uninsured Employers' Fund	1,076
Berkeley County Development Authority	1,018
Total	<u>\$ 2,741,331</u>



AUDITED FINANCIAL STATEMENTS  
June 30, 2023

G

SHORT-TERM FIXED INCOME POOL





# Short-Term Fixed Income Pool

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## Audited Financial Statements June 30, 2023

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Report of Independent Auditors

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Short-Term Fixed Income Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Short-Term Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# Short-Term Fixed Income Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

The main objective of the Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other WVIMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investment management fees, is the Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 186,609	\$ 145,435
Other assets	10	1
Total assets	186,619	145,436
Total liabilities	(21)	(17)
Net position	\$ 186,598	\$ 145,419

## Short-Term Fixed Income Pool

### Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the interest rates on short-term fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$41,179 results from net investment income of \$5,743, a decrease from distributions to unitholders of \$5,743, and a net increase from unit transactions of \$41,179.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2023	June 30, 2022
Investment income	\$ 5,831	\$ 251
Expenses	(88)	(68)
Net investment income	5,743	183
Distributions to unitholders	(5,743)	(183)
Net units issued (redeemed)	41,179	(46,803)
Increase (decrease) in net position	41,179	(46,803)
Net position, beginning of year	145,419	192,222
Net position, end of year	<u>\$ 186,598</u>	<u>\$ 145,419</u>

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 3.7 percent, up from 0.2 percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2023	June 30, 2022
Net position, beginning of year	\$ 1.00	\$ 1.00
Net investment income	0.04	- (a)
Distributions to unitholders	(0.04)	- (a)
Net position, end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>

#### Supplemental Data:

Ratio of expenses to average net position (b)	0.05%	0.05%
Weighted average maturity (WAM)	9 days	5 days
Maximum WAM per WVIMB Board guidelines	60 days	60 days
Money market yield (c)	4.94%	0.15%

- (a) Per share amount is less than \$0.01, amount is rounded for reporting purposes.
- (b) The ratio is for the fiscal year. The ratio for fiscal year 2022 does not reflect the Pool's proportionate share of expenses of the underlying investee fund.
- (c) The money market yield represents the rate of income, net of expenses, earned over the past month divided by the average shares outstanding and is not intended to indicate future performance. The return is annualized over a 365-day or 366-day year, assuming no reinvestment of earnings.

# Short-Term Fixed Income Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at amortized cost:		
U.S. Government agency bonds	\$	94,933
U.S. Treasury issues		68,905
Repurchase agreement		22,771
Cash		1
Receivable for interest and dividends		9
		<hr/>
	<b>Total assets</b>	186,619

### Liabilities

Accrued expenses		21
		<hr/>
	<b>Net position</b>	<u><u>\$ 186,598</u></u>

### Unit data

Units outstanding		186,598,381
Net position, unit price	\$	<u><u>1.00</u></u>

See accompanying notes to financial statements.

## Short-Term Fixed Income Pool

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**Statement of Changes in Net Position**  
**Year Ended June 30, 2023**  
*(Amounts in thousands)*

<b>Investment income</b>	\$	5,831
<b>Expenses</b>		
Investment advisor fees		(81)
Custodian bank fees		<u>(7)</u>
	<b>Total expenses</b>	<u>(88)</u>
	<b>Net investment income</b>	5,743
<b>Distributions to unitholders</b>		(5,743)
<b>Unit transactions</b>		
Proceeds from sale of units		1,608,015
Reinvestment of distributions		5,743
Amount paid for repurchase of units		<u>(1,572,579)</u>
	<b>Net increase from unit transactions</b>	<u>41,179</u>
	<b>Increase in net position</b>	41,179
	<b>Net position, beginning of year</b>	<u>145,419</u>
	<b>Net position, end of year</b>	<u>\$ 186,598</u>

*See accompanying notes to financial statements.*

# Short-Term Fixed Income Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The main objective of the Pool is to maintain sufficient liquidity to meet the daily disbursements requested by participants and to invest any contributions until the time the money is transferred to other WVIMB operated investment pools without sustaining capital losses while earning a small return above inflation. The Pool's benchmark, net of external investment management fees, is the Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index. JP Morgan Investment Advisors, Inc. manages the Pool.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

# Short-Term Fixed Income Pool

## Notes to Financial Statements

(Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Distributions to Participants** - Daily net investment income is declared as a dividend and distributed to the participants of the Pool on the last day of the month. Distributions are paid in the form of reinvestments in the Pool and have been included in distributions to unitholders and reinvestment of distributions as presented on the Statement of Changes in Net Position. The Pool does not distribute net investment losses.

**Expenses** - The WVIMB's Trustees adopt an annual budget and fee schedule for services to be provided to all of the investment pools under its management. The Pool is only charged for its direct investment-related costs. The WVIMB pays all expenses on behalf of the Pool.

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### Credit Risk

The WVIMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the Pool must have at least 10 percent of its assets in U.S. Treasury issues. At June 30, 2023, the Pool held approximately 37 percent of its total assets in U.S. Treasury issues. Repurchase agreements are collateralized by United States Treasury bonds. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. All of the Pool's investments had the highest credit ratings as of June 30, 2023.

#### Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2023, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

#### Custodial Credit Risk

At June 30, 2023, the Pool held no investments that were subject to custodial credit risk. Repurchase agreements are collateralized at 102 percent and the collateral is held in the name of the WVIMB. All remaining investments are held by the WVIMB's custodian in the name of the WVIMB.

#### Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments. The WVIMB monitors interest rate risk of the Pool by limiting the weighted average maturity (WAM) of the investments of the Pool to 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the WAM for the different asset types in the Pool as of June 30, 2023:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Repurchase agreement	\$ 22,771	3
U.S. Government agency bonds	94,933	8
U.S. Treasury issues	68,905	13
Total investments	<u>\$ 186,609</u>	<u>9</u>

#### Foreign Currency Risk

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

# Short-Term Fixed Income Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investments in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2023:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Repurchase agreement	\$ -	\$ 22,771	\$ -	\$ 22,771
U.S. Government agency bonds	-	94,933	-	94,933
U.S. Treasury issues	-	68,905	-	68,905
Total	<u>\$ -</u>	<u>\$ 186,609</u>	<u>\$ -</u>	<u>\$ 186,609</u>

# Short-Term Fixed Income Pool

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## Notes to Financial Statements (Amounts in thousands)

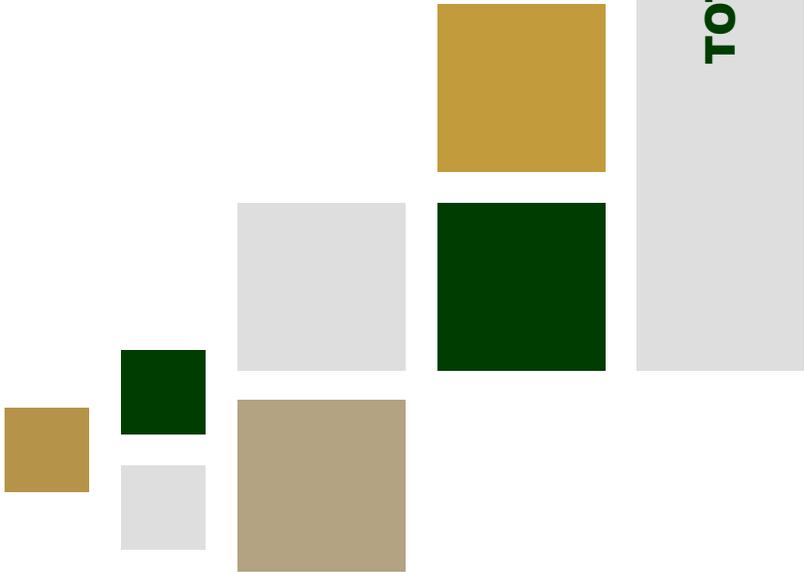
### NOTE 5. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 71,694
Workers' Compensation Old Fund	39,763
Revenue Shortfall Reserve Fund	33,740
Public Employees' Retirement System	9,213
Board of Risk and Insurance Management	9,143
Coal Workers' Pneumoconiosis Fund	8,850
Emergency Medical Services Retirement System	2,764
Workers' Compensation Self-Insured Employer Security Risk Pool	2,223
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,815
Municipal Policemen's or Firemen's Pension and Relief Funds	1,411
Municipal Police Officers' and Firefighters' Retirement System	1,394
State Police Retirement System	1,204
Workers' Compensation Uninsured Employers' Fund	865
West Virginia State Parks and Recreation Endowment Fund	739
Deputy Sheriff's Retirement System	539
State Police Death, Disability and Retirement Fund	436
Judges' Retirement System	369
Natural Resources Police Officer Retirement System	326
Wildlife Endowment Fund	110
Total	<u>\$ 186,598</u>



AUDITED FINANCIAL STATEMENTS  
June 30, 2023



**TOTAL RETURN FIXED INCOME POOL**



# Total Return Fixed Income Pool

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## Audited Financial Statements June 30, 2023

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## **Report of Independent Auditors**

To the Board of Trustees  
West Virginia Investment Management Board

### **Opinion**

We have audited the financial statements of the West Virginia Investment Management Board's Total Return Fixed Income Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Total Return Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# Total Return Fixed Income Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 2,382,426	\$ 2,596,656
Investment derivatives	48,027	71,453
Other assets	46,856	537,905
Total assets	2,477,309	3,206,014
Investment derivatives and securities sold short	(57,890)	(96,507)
Other liabilities	(133,291)	(354,272)
Total liabilities	(191,181)	(450,779)
Net position	\$ 2,286,128	\$ 2,755,235

# Total Return Fixed Income Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$469,107 results from net investment income of \$42,428 and a net decrease from unit transactions of \$511,535.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 52,286	\$ (353,269)
Expenses	(9,858)	(7,681)
Net investment income (loss)	42,428	(360,950)
Net units issued (redeemed)	(511,535)	51,382
Decrease in net position	(469,107)	(309,568)
Net position, beginning of year	2,755,235	3,064,803
Net position, end of year	<u>\$ 2,286,128</u>	<u>\$ 2,755,235</u>

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 2.6 percent, up from (11.2) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 15.68	\$ 17.66
Net investment income (loss)	0.40	(1.98)
Net position, end of year	<u>\$ 16.08</u>	<u>\$ 15.68</u>

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.25%	0.24%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

# Total Return Fixed Income Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Fixed income investments	\$ 2,252,144
Derivative instruments	48,027
Equity investments	12,925
Money market mutual fund	26,041
Securities lending collateral	91,316
Cash (restricted: \$772)	13,619
Cash due from broker	11,305
Receivables:	
Interest, dividends, and other investment income	19,153
Investments sold	2,779
	<hr/>
<b>Total assets</b>	<b>2,477,309</b>

### Liabilities

Investments in derivative instruments at fair value	57,890
Accrued expenses	1,325
Payable for investments purchased	40,650
Payable upon return of securities loaned	91,316
	<hr/>
<b>Total liabilities</b>	<b>191,181</b>
	<hr/>
<b>Net position</b>	<b>\$ 2,286,128</b>

### Unit data

Units outstanding	142,166,847
Net position, unit price	<hr/> <hr/> <b>\$ 16.08</b>

See accompanying notes to financial statements.

## Total Return Fixed Income Pool

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### Statement of Changes in Net Position

Year Ended June 30, 2023

(Amounts in thousands)

#### Investment income (loss)

Net decrease in fair value of investments	\$ (50,510)
Interest and dividends	98,574
Securities lending income	<u>4,222</u>

**Total investment income** 52,286

#### Expenses

Investment advisor fees	(5,154)
Custodian bank fees	(112)
Management and other allocated fees	(713)
Securities lending expenses	<u>(3,879)</u>

**Total expenses** (9,858)

**Net investment income** 42,428

#### Unit transactions

Proceeds from sale of units	464,960
Amount paid for repurchase of units	<u>(976,495)</u>

**Net decrease from unit transactions** (511,535)

**Decrease in net position** (469,107)

**Net position, beginning of year** 2,755,235

**Net position, end of year** \$ 2,286,128

See accompanying notes to financial statements.

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Cash** - Cash consists of cash on deposit with financial institutions. Balances subject to withdrawal restrictions are noted parenthetically on the Statement of Net Position.

**Cash Due to/from Broker** - The Pool records cash amounts due to or from brokers on the Statement of Net Position as Cash due to/from broker. Such amounts are required by brokers for collateral on certain derivative contracts and/or on forward-settling mortgage-backed securities, considered restricted, and reported net.

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

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

**Securities Lending** - The WVIMB, through its lending agent, Northern Trust (NT), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income. For international securities, the required collateral is at least 105 percent of the market value of the securities on loan unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned.

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

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

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

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

When writing put options, there is risk that a loss may be incurred if the market price of the underlying instrument decreases and the option is exercised. This loss is determined by market conditions and cannot be specifically limited. The risk associated with writing call options is the loss of potential profit if the market price of the security increases and the option is exercised.

# Total Return Fixed Income Pool

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## Notes to Financial Statements

*(Amounts in thousands)*

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Purchased put or call options bear the risk of loss of the premium paid if market conditions are not favorable to exercise the option. There may also be risk that the value of the option contract does not correlate perfectly with movements of the underlying instrument due to certain market distortions.

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

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

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

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

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

**Foreign Currency Contracts** – A foreign currency contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The WVIMB enters into foreign currency spot contracts that correspond to investment transactions trading in foreign currencies and to repatriate income. The WVIMB enters into forward contracts to take advantage of the relative changes in currency exchange rates. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. Spot contracts have relatively short durations that mirror foreign market settlement cycles, while forward contracts are often entered into with durations up to 3- to 4-months. Foreign currency contracts are valued at the prevailing market exchange rates at month end.

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

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

# Total Return Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

**Structured Securities** - The Pool invests in various collateralized mortgage obligations (CMO), including interest-only (IO) and/or principal-only (PO) tranches, asset-backed securities, mortgage-backed securities (MBS), and structured corporate debt. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal or state income taxes is required as of June 30, 2023.

# Total Return Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of BBB (investment grade) and/or a short-term rating of A-2 (Tier II) as defined by a nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The Pool holds some securities that have not received a rating from the aforementioned rating organizations. These securities have been listed as not rated in the table below. The absence or lack of a rating does not necessarily indicate a greater degree of risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2023:

Rating	Fair Value
<i>Long-term</i>	
AAA	\$ 32,765
AA	917,161
A	130,017
BBB	610,127
BB	329,773
B	125,669
CCC	25,396
CC	8,310
D	2,223
Withdrawn	16,811
<i>Short-term</i>	
A-1	4,632
Total rated	2,202,884
Not rated	49,260
Total fixed income investments	\$ 2,252,144

#### Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2023, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

#### Custodial Credit Risk

At June 30, 2023, except for posted collateral on cleared derivatives and over-the-counter derivative instruments, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102 percent and the collateral is held in the name of the WVIMB. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. Investments in commingled debt funds, money market mutual funds, and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

# Total Return Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

#### Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. As of June 30, 2023, the money market mutual fund has a weighted average maturity (WAM) of 12 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2023, the WAM for the Cash Collateral Account was 3 days.

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The following table provides the weighted average effective duration for the various asset types in the Pool as of June 30, 2023:

Investment Type	Fair Value	Effective Duration (years)
Bank loans	\$ 2,661	2.0
Commingled debt funds	155,511	3.6
Corporate asset backed issues	53,142	1.3
Corporate CMO	68,964	1.2
Foreign asset backed issues	70,488	(0.2)
Foreign corporate bonds	320,507	4.7
Foreign government bonds	252,975	5.5
Municipal bonds	20,121	7.6
Repurchase agreement	4,300	0.0
U.S. corporate bonds	441,684	5.6
U.S. Government agency bonds	3,359	0.1
U.S. Government agency CMO	83,390	0.8
U.S. Government agency CMO IO	3,697	2.6
U.S. Government agency MBS	460,235	5.8
U.S. Government agency TBAs	35,738	6.4
U.S. Treasury issues	263,621	14.5
U.S. Treasury inflation protected securities (TIPS)	11,751	8.8
Total fixed income investments	<u>\$ 2,252,144</u>	

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2023, the Pool held \$775,654 of these securities. This represents approximately 34 percent of the value of the Pool's fixed income securities.

#### Foreign Currency Risk

The Pool has foreign fixed income investments, foreign equity investments, and cash that is denominated in foreign currencies and exposed to foreign currency risk. Foreign denominated derivative investments are disclosed in Note 4. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled debt funds. Approximately \$35,599, or 23 percent, of the commingled debt funds hold substantially all of their investments in securities denominated in foreign currencies. This represents approximately 2 percent of the value of the Pool's fixed income securities.

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2023, are as follows:

Currency	Foreign Fixed Income	Common Stock	Cash	Cash Due To/From Broker	Total
Argentine Peso	\$ 57	\$ -	\$ 15	\$ -	\$ 72
Australian Dollar	-	-	355	929	1,284
Brazilian Real	64,585	-	757	-	65,342
British Pound	-	620	2,086	(40)	2,666
Canadian Dollar	-	-	1,090	-	1,090
Colombian Peso	3,964	-	-	-	3,964
Dominican Peso	3,849	-	-	-	3,849
Euro Currency Unit	23,734	-	1,035	225	24,994
Georgian Lari	769	-	-	-	769
Hungarian Forint	3,227	-	-	-	3,227
Indonesian Rupiah	22,386	-	2,163	-	24,549
Japanese Yen	2,717	-	1,376	(1,480)	2,613
Kazakhstani Tenge	3,517	-	-	-	3,517
Mexican Peso	43,251	-	1,631	1,650	46,532
New Zealand Dollar	-	-	728	-	728
Peruvian Nuevo Sol	2,486	-	-	-	2,486
Polish Zloty	3,037	-	-	-	3,037
Russian Ruble*	5,586	-	772	-	6,358
South African Rand	9,288	-	1,306	-	10,594
Swedish Krona	-	-	405	-	405
Uruguayan Peso	4,933	-	-	-	4,933
Uzbekistani Som	3,202	-	-	-	3,202
Total	<u>\$ 200,588</u>	<u>\$ 620</u>	<u>\$ 13,719</u>	<u>\$ 1,284</u>	<u>\$ 216,211</u>
U.S. Dollar	446,043	-	(100)	10,021	455,964
Total	<u>\$ 646,631</u>	<u>\$ 620</u>	<u>\$ 13,619</u>	<u>\$ 11,305</u>	<u>\$ 672,175</u>

\* Cash is reported as restricted on the Statement of Net Position

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

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

The table below presents the fair value, the net increase (decrease) in fair value, and the notional amount of derivative financial instruments as of and for the year ended June 30, 2023:

Derivative Type	Fair Value	Net Increase (Decrease) in Fair Value of Investments	Notional Value (in USD)
Forwards:			
Foreign currency forward contracts	\$ (1,705)	\$ (6,678)	\$ 134,362
Futures contracts:			
Fixed income futures long	(11,046)	(58,541)	1,447,425
Fixed income futures short	10,839	30,652	(1,135,673)
Options contracts:			
Fixed income options purchased	1,892	(20,975)	(174,601)
Fixed income options written	(5,509)	45,035	127,551
Credit default swaptions purchased	403	(182)	20,088
Credit default swaptions written	(497)	344	(106,253)
Interest rate swaptions purchased	-	(3,480)	-
Interest rate swaptions written	(31)	6,875	2,202
Swaps:			
Credit default swaps protection buyer	(1,520)	(3,884)	109,578
Credit default swaps protection seller	38	381	6,153
Interest rate swaps	(2,727)	(2,931)	1,168,883
Total return swaps	-	(2,042)	-
Total derivatives	<u>\$ (9,863)</u>	<u>\$ (15,426)</u>	

#### Credit Risk

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

For financial reporting purposes, the Pool does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Net Position. The following table presents the Pool's derivative assets net of amounts available for offset under a netting provision and net of related collateral received by the Pool as of June 30, 2023:

Derivative Type	Derivative Assets Subject to a MA	Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Exposure
Foreign currency forward contracts	\$ 716	\$ (99)	\$ (31)	\$ (585)	\$ 1
Swaptions	403	(403)	-	-	-
Swaps	38	(38)	-	-	-
	<u>\$ 1,157</u>	<u>\$ (540)</u>	<u>\$ (31)</u>	<u>\$ (585)</u>	<u>\$ 1</u>

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

The following table provides the credit ratings for the Pool's derivative investments that are subject to counterparty credit risk as of June 30, 2023:

Derivative Type	Counterparty Rating	Fair Value
Foreign currency forward contracts	A	\$ 639
Foreign currency forward contracts	BBB	291
Credit default swaptions purchased	A	403
Credit default swaps protection seller	A	38

#### Interest Rate Risk

The following table provides the time to maturity for investment derivatives that are subject to interest rate risk as of June 30, 2023:

Derivative Type	Fair Value	Investment Maturities (in years)			
		Under-1	1-5	6-10	10+
Futures contracts:					
Fixed income futures long	\$ (11,046)	\$ (9,511)	\$ (1,535)	\$ -	\$ -
Fixed income futures short	10,839	10,253	586	-	-
Options contracts:					
Fixed income options purchased	1,892	1,892	-	-	-
Fixed income options written	(5,509)	(5,270)	(239)	-	-
Interest rate swaptions written	(31)	(31)	-	-	-
Swaps:					
Interest rate swaps	(2,727)	-	(19,256)	5,190	11,339
	<u>\$ (6,582)</u>	<u>\$ (2,667)</u>	<u>\$ (20,444)</u>	<u>\$ 5,190</u>	<u>\$ 11,339</u>

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

At June 30, 2023, the open positions in interest rate swaps denominated in U.S. dollars were as follows:

Maturity Date	Reference Rate	Notional	Fair Value
7/11/2024	Receive Fixed 1.32%, Pay Floating SOFR	\$ 266,705	\$ (10,649)
11/30/2027	Receive Fixed 2.98%, Pay Floating SOFR	170,197	(6,333)
11/30/2027	Receive Fixed 3.45%, Pay Floating SOFR	104,558	(2,010)
3/10/2026	Receive Fixed 4.10%, Pay Floating SOFR	263,064	(264)
2/15/2047	Receive Floating SOFR, Pay Fixed 1.52%	19,934	5,792
7/11/2032	Receive Floating SOFR, Pay Fixed 1.80%	24,730	3,375
4/21/2052	Receive Floating SOFR, Pay Fixed 2.50%	7,683	992
2/15/2029	Receive Floating SOFR, Pay Fixed 2.85%	13,001	638
2/15/2048	Receive Floating SOFR, Pay Fixed 3.05%	55,924	2,350
5/15/2032	Receive Floating SOFR, Pay Fixed 3.22%	36,392	1,024
9/30/2029	Receive Floating SOFR, Pay Fixed 3.25%	6,335	179
4/30/2029	Receive Floating SOFR, Pay Fixed 3.27%	58,104	1,618
3/10/2034	Receive Floating SOFR, Pay Fixed 3.40%	58,777	(81)
		\$ 1,085,404	\$ (3,369)

At June 30, 2023, the open positions in interest rate swaps denominated in foreign currencies were as follows:

Maturity Date	Reference Rate	Notional (in USD)	Fair Value
7/20/2029	Receive Fixed 7.44%, Pay Floating MXN TIE	\$ 23,308	\$ (844)
7/18/2029	Receive Fixed 7.45%, Pay Floating MXN TIE	22,392	(800)
4/19/2047	Receive Floating JPY TONAR plus 0.06%, Pay Fixed 0.79%	37,779	2,286
		\$ 83,479	\$ 642

Reference Index Definitions:

SOFr: Secured Overnight Financing Rate

MXN TIE: Mexican Interbank Deposit Rate

JPY TONAR: Bank of Japan Unsecured Overnight Call Rate

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

##### Foreign Currency Risk

The Pool has foreign currency forward contracts, futures contracts, and swap contracts that are denominated in foreign currencies and exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of derivative investments in foreign currencies as of June 30, 2023, are as follows:

Currency	Foreign Currency Forward Contracts	Futures Contracts	Swap Contracts	Total
Australian Dollar	\$ 14	\$ (222)	\$ -	\$ (208)
Brazilian Real	585	-	-	585
British Pound	(40)	(166)	-	(206)
Canadian Dollar	(2)	-	-	(2)
Euro Currency Unit	(417)	136	(25)	(306)
Indonesian Rupiah	32	-	-	32
Kazakhstani Tenge	(7)	-	-	(7)
Japanese Yen	173	(119)	2,286	2,340
Mexican Peso	(2,043)	-	(1,644)	(3,687)
Total foreign denominated derivatives	\$ (1,705)	\$ (371)	\$ 617	\$ (1,459)
U.S. Dollar	-	164	(4,826)	(4,662)
Total	\$ (1,705)	\$ (207)	\$ (4,209)	\$ (6,121)

#### NOTE 5. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2023. The Pool's investments in commingled debt funds were valued using the NAV, and as such, they have not been categorized in the fair value hierarchy.

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 5. FAIR VALUE MEASUREMENTS (continued)

Assets	Level 1	Level 2	Level 3	Total
Bank loans	\$ -	\$ 2,661	\$ -	\$ 2,661
Corporate ABS residual	-	1,236	-	1,236
Corporate asset backed issues	-	53,142	-	53,142
Corporate CMO	-	68,964	-	68,964
Corporate preferred securities	11,069	-	-	11,069
Foreign asset backed issues	-	70,488	-	70,488
Foreign corporate bonds	-	320,507	-	320,507
Foreign currency forward contracts	-	930	-	930
Foreign equity investments	620	-	-	620
Foreign government bonds	-	252,975	-	252,975
Futures contracts	11,309	-	-	11,309
Money market mutual fund	26,041	-	-	26,041
Municipal bonds	-	20,121	-	20,121
Options contracts purchased	1,892	403	-	2,295
Repurchase agreement	-	4,300	-	4,300
Securities lending collateral	-	91,316	-	91,316
Swaps	-	33,493	-	33,493
U.S. corporate bonds	-	441,684	-	441,684
U.S. Government agency bonds	-	3,359	-	3,359
U.S. Government agency CMO	-	83,390	-	83,390
U.S. Government agency CMO IO	-	3,697	-	3,697
U.S. Government agency MBS	-	460,235	-	460,235
U.S. Government agency TBAs	-	35,738	-	35,738
U.S. Treasury issues	-	263,621	-	263,621
U.S. TIPS	-	11,751	-	11,751
Total	<u>\$ 50,931</u>	<u>\$ 2,224,011</u>	<u>\$ -</u>	<u>\$ 2,274,942</u>
Commingled debt funds				155,511
Total				<u>\$ 2,430,453</u>
Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	\$ -	\$ (2,635)	\$ -	\$ (2,635)
Futures contracts	(11,516)	-	-	(11,516)
Options contracts written	(5,509)	(528)	-	(6,037)
Swaps	-	(37,702)	-	(37,702)
Total	<u>\$ (17,025)</u>	<u>\$ (40,865)</u>	<u>\$ -</u>	<u>\$ (57,890)</u>

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2023. These commingled debt funds invest in certain niche sectors, particularly those that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.

## Total Return Fixed Income Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 6. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2023:

	Fair Value
Securities on loan	\$ 146,503
Collateral received:	
Cash	\$ 91,316
Non-cash	58,498
Total collateral received	\$ 149,814

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

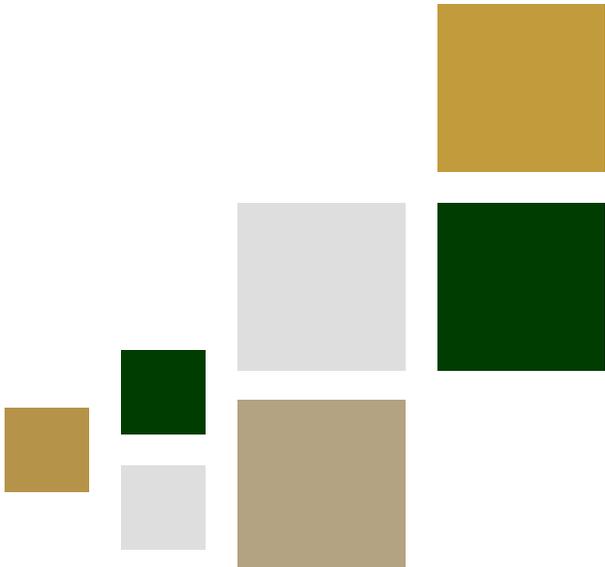
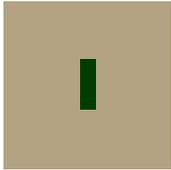
#### NOTE 7. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

Participant	Account Value
Teachers' Retirement System	\$ 679,332
Public Employees' Retirement System	619,106
Workers' Compensation Old Fund	206,194
Revenue Shortfall Reserve Fund - Part B	179,474
West Virginia Retiree Health Benefit Trust Fund	131,059
Revenue Shortfall Reserve Fund	93,801
West Virginia Department of Environmental Protection Agency	64,068
State Police Death, Disability and Retirement Fund	56,513
Coal Workers' Pneumoconiosis Fund	48,445
Board of Risk and Insurance Management	44,343
Public Employees Insurance Agency	33,833
State Police Retirement System	23,792
Deputy Sheriff's Retirement System	23,401
Judges' Retirement System	20,594
Municipal Policemen's or Firemen's Pension and Relief Funds	14,183
Workers' Compensation Self-Insured Employer Security Risk Pool	11,709
Emergency Medical Services Retirement System	9,079
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	8,929
Wildlife Endowment Fund	5,388
Workers' Compensation Uninsured Employers' Fund	4,034
West Virginia State Parks and Recreation Endowment Fund	2,536
Municipal Police Officers' and Firefighters' Retirement System	2,481
Natural Resources Police Officer Retirement System	2,017
West Virginia Department of Environmental Protection Trust	1,176
Berkeley County Development Authority	641
Total	\$ 2,286,128

# AUDITED FINANCIAL STATEMENTS

June 30, 2023





# Core Fixed Income Pool

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## Audited Financial Statements June 30, 2023

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board’s Core Fixed Income Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Core Fixed Income Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# Core Fixed Income Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 1,899,125	\$ 1,118,950
Other assets	15,025	141,192
Total assets	1,914,150	1,260,142
Total liabilities	(119,093)	(71,497)
Net position	\$ 1,795,057	\$ 1,188,645

# Core Fixed Income Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of fixed income securities. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$606,412 results from net investment loss of \$2,139 and a net increase from unit transactions of \$608,551.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income (loss)	\$ 2,420	\$ (126,447)
Expenses	(4,559)	(2,477)
Net investment loss	(2,139)	(128,924)
Net units issued	608,551	1,742
Increase (decrease) in net position	606,412	(127,182)
Net position, beginning of year	1,188,645	1,315,827
Net position, end of year	<u>\$ 1,795,057</u>	<u>\$ 1,188,645</u>

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was (0.1) percent, up from (9.3) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 11.66	\$ 12.87
Net investment loss	(0.01)	(1.21)
Net position, end of year	<u>\$ 11.65</u>	<u>\$ 11.66</u>

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.18%	0.18%
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(a) The ratio is for the fiscal year and excludes securities lending expenses.

# Core Fixed Income Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:		
Fixed income investments	\$	1,773,007
Money market mutual fund		40,206
Securities lending collateral		85,912
Cash		12
Receivables:		
Interest, dividends, and other investment income		12,955
Investments sold		1,563
Other		495
		<hr/>
<b>Total assets</b>		<b>1,914,150</b>

### Liabilities

Accrued expenses		756
Payable for investments purchased		32,425
Payable upon return of securities loaned		85,912
		<hr/>
<b>Total liabilities</b>		<b>119,093</b>

**Net position** \$ 1,795,057

### Unit data

Units outstanding		154,039,320
Net position, unit price	\$	<u><u>11.65</u></u>

See accompanying notes to financial statements.

## Core Fixed Income Pool

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**Statement of Changes in Net Position**  
**Year Ended June 30, 2023**  
*(Amounts in thousands)*

**Investment income (loss)**

Net decrease in fair value of investments	\$ (42,450)
Interest and dividends	42,352
Securities lending income	<u>2,518</u>

**Total investment income** 2,420

**Expenses**

Investment advisor fees	(1,842)
Custodian bank fees	(38)
Management and other allocated fees	(357)
Securities lending expenses	<u>(2,322)</u>

**Total expenses** (4,559)

**Net investment loss** (2,139)

**Unit transactions**

Proceeds from sale of units	900,924
Amount paid for repurchase of units	<u>(292,373)</u>

**Net increase from unit transactions** 608,551

**Increase in net position** 606,412

**Net position, beginning of year** 1,188,645

**Net position, end of year** \$ 1,795,057

*See accompanying notes to financial statements.*

# Core Fixed Income Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

# Core Fixed Income Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Securities Lending** - The WVIMB, through its lending agent, Northern Trust (NT), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities and foreign securities denominated in U.S. Dollars, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income.

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

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

**Structured Securities** - The Pool invests in various collateralized mortgage obligations (CMO), including interest-only (IO) and/or principal-only (PO) tranches, asset-backed securities, mortgage-backed securities (MBS), and structured corporate debt. The Pool invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

# Core Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### Credit Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of BBB (investment grade) as defined by a nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The Pool holds some securities that have not received a rating from the aforementioned rating organizations. These securities have been listed as not rated in the table below. The absence or lack of a rating does not necessarily indicate a greater degree of risk. The money market mutual fund has the highest credit rating. The Cash Collateral Account is not rated. The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2023:

Rating	Fair Value
AAA	\$ 43,966
AA	1,147,027
A	185,813
BBB	277,969
BB	10,142
B	672
CCC	120
Withdrawn	1,516
Total rated	1,667,225
Not rated	105,782
Total fixed income investments	\$ 1,773,007

#### Concentration of Credit Risk

The Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2023, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

#### Custodial Credit Risk

At June 30, 2023, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

#### Interest Rate Risk

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment, and Cash Collateral Account investment. As of June 30, 2023, the money market mutual fund has a weighted average maturity (WAM) of 12 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2023, the WAM for the Cash Collateral Account was 3 days.

# Core Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation considers the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30, 2023:

Investment Type	Fair Value	Effective Duration (years)
Corporate asset backed issues	\$ 166,971	2.0
Corporate CMO	77,010	2.4
Corporate CMO IO	123	1.7
Corporate CMO PO	23	1.7
Foreign asset backed issues	2,281	(0.1)
Foreign corporate bonds	121,780	4.4
Foreign government bonds	3,213	11.7
Municipal bonds	9,834	9.4
U.S. corporate bonds	278,937	8.0
U.S. Government agency CMO	112,612	5.1
U.S. Government agency CMO IO	1,393	7.7
U.S. Government agency CMO PO	1,770	5.0
U.S. Government agency MBS	386,105	6.0
U.S. Treasury issues	610,955	8.2
Total fixed income investments	<u>\$ 1,773,007</u>	

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2023, the Pool held \$748,288 of these securities. This represents approximately 42 percent of the value of the Pool's fixed income securities.

#### Foreign Currency Risk

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

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

# Core Fixed Income Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2023:

Assets	Level 1	Level 2	Level 3	Total
Corporate asset backed issues	\$ -	\$ 166,971	\$ -	\$ 166,971
Corporate CMO	-	77,010	-	77,010
Corporate CMO IO	-	123	-	123
Corporate CMO PO	-	23	-	23
Foreign asset backed issues	-	2,281	-	2,281
Foreign corporate bonds	-	121,780	-	121,780
Foreign government bonds	-	3,213	-	3,213
Money market mutual fund	40,206	-	-	40,206
Municipal bonds	-	9,834	-	9,834
Securities lending collateral	-	85,912	-	85,912
U.S. corporate bonds	-	278,937	-	278,937
U.S. Government agency CMO	-	112,612	-	112,612
U.S. Government agency CMO IO	-	1,393	-	1,393
U.S. Government agency CMO PO	-	1,770	-	1,770
U.S. Government agency MBS	-	386,105	-	386,105
U.S. Treasury issues	-	610,955	-	610,955
Total	<u>\$ 40,206</u>	<u>\$ 1,858,919</u>	<u>\$ -</u>	<u>\$ 1,899,125</u>

# Core Fixed Income Pool

## Notes to Financial Statements

*(Amounts in thousands)*

### NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2023:

	Fair Value
Securities on loan	\$ 125,731
Collateral received:	
Cash	\$ 85,912
Non-cash	42,402
Total collateral received	\$ 128,314

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

### NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

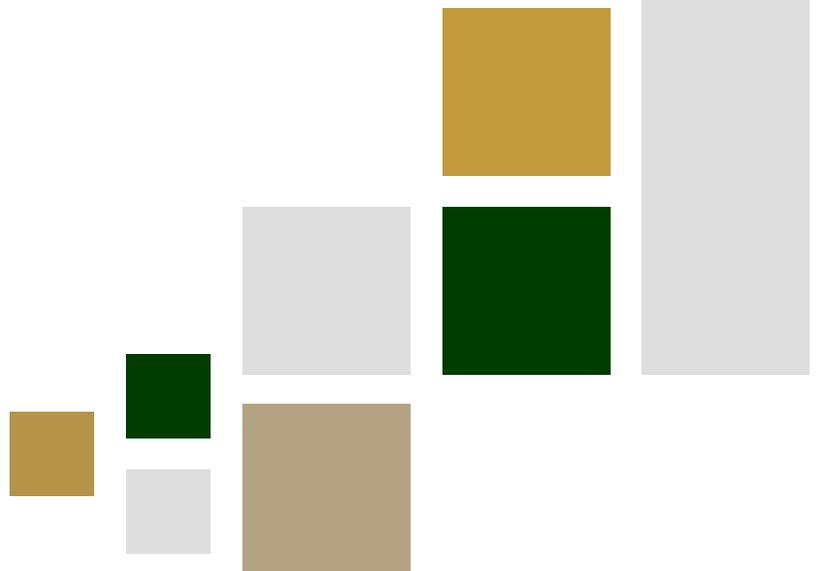
Participant	Account Value
Teachers' Retirement System	\$ 638,250
Public Employees' Retirement System	582,903
West Virginia Retiree Health Benefit Trust Fund	128,160
Workers' Compensation Old Fund	85,526
Revenue Shortfall Reserve Fund - Part B	75,773
State Police Death, Disability and Retirement Fund	53,092
Revenue Shortfall Reserve Fund	39,596
West Virginia Department of Environmental Protection Agency	27,046
State Police Retirement System	23,125
Deputy Sheriff's Retirement System	22,507
Coal Workers' Pneumoconiosis Fund	20,387
Judges' Retirement System	19,752
Board of Risk and Insurance Management	18,737
Public Employees Insurance Agency	14,119
Municipal Policemen's or Firemen's Pension and Relief Funds	13,551
Emergency Medical Services Retirement System	8,829
Wildlife Endowment Fund	5,280
Workers' Compensation Self-Insured Employer Security Risk Pool	4,945
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,764
West Virginia State Parks and Recreation Endowment Fund	2,493
Municipal Police Officers' and Firefighters' Retirement System	2,451
Natural Resources Police Officer Retirement System	1,960
Workers' Compensation Uninsured Employers' Fund	1,701
Berkeley County Development Authority	615
West Virginia Department of Environmental Protection Trust	495
Total	\$ 1,795,057



AUDITED FINANCIAL STATEMENTS  
June 30, 2023

J

TIPS POOL





# TIPS Pool

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## Audited Financial Statements June 30, 2023

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Management's Discussion and Analysis J-1

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's TIPS Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the TIPS Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# TIPS Pool

## Management's Discussion and Analysis (Unaudited)

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

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

Effective May 25, 2023, Northern Trust Investments, Inc. began managing the assets of the Pool. Through May 24, 2023, the Pool invested in the BlackRock U.S. Treasury Inflation Protected Securities Fund B, which primarily consisted of a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

### Financial Statement Overview

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

### Pool Strategy

The Pool was established to offer an additional level of diversification over and above nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. Through May 31, 2023, the Pool's performance was measured against the Bloomberg U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five-year periods, gross of fees. As of June 1, 2023, the Pool's performance is measured against the Bloomberg 1-10 Year Treasury Inflation Protected Securities Index on an annualized basis over rolling three- to five-year periods, gross of fees.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 396,328	\$ 440,765
Other assets	12,197	-
Total assets	408,525	440,765
Total liabilities	(6,737)	(37)
Net position	\$ 401,788	\$ 440,728

# TIPS Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the movement of interest rates of the U.S. Treasury securities held in the index referenced above. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The decrease in the Pool's net position of \$38,940 results from net investment loss of \$6,840 and a net decrease from unit transactions of \$32,100.

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

Condensed Changes in Net Position	Years Ended	
	June 30, 2023	June 30, 2022
Investment loss	\$ (6,634)	\$ (24,222)
Expenses	(206)	(211)
Net investment loss	(6,840)	(24,433)
Net units redeemed	(32,100)	(13,767)
Decrease in net position	(38,940)	(38,200)
Net position, beginning of year	440,728	478,928
Net position, end of year	\$ 401,788	\$ 440,728

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was (1.4) percent, up from (5.2) percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

Per Unit Operating Performance:	Years Ended	
	June 30, 2023	June 30, 2022
Net position, beginning of year	\$ 13.11	\$ 13.83
Net investment loss	(0.19)	(0.72)
Net position, end of year	\$ 12.92	\$ 13.11

### Supplemental Data:

Ratio of expenses to average net position (a)	0.05%	0.04%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee fund, and excludes securities lending expenses.

# TIPS Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Fixed income investments	\$ 396,200
Money market mutual fund	128
Receivables:	
Interest, dividends, and other investment income	1,047
Investments sold	<u>11,150</u>
<b>Total assets</b>	<b>408,525</b>

### Liabilities

Accrued expenses	35
Payable for investments purchased	<u>6,702</u>
<b>Total liabilities</b>	<b><u>6,737</u></b>
<b>Net position</b>	<b><u>\$ 401,788</u></b>

### Unit data

Units outstanding	31,094,630
Net position, unit price	<u>\$ 12.92</u>

See accompanying notes to financial statements.

# TIPS Pool

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**Statement of Changes in Net Position**  
**Year Ended June 30, 2023**  
*(Amounts in thousands)*

<b>Investment income (loss)</b>	
Net decrease in fair value of investments	\$ (6,969)
Interest and dividend income	330
Securities lending income	<u>5</u>
<b>Total investment loss</b>	(6,634)
 <b>Expenses</b>	
Investment advisor fees	(68)
Custodian bank fees	(2)
Management and other allocated fees	(132)
Securities lending expenses	<u>(4)</u>
<b>Total expenses</b>	<u>(206)</u>
<b>Net investment loss</b>	(6,840)
 <b>Unit transactions</b>	
Proceeds from sale of units	11,525
Amount paid for repurchase of units	<u>(43,625)</u>
<b>Net decrease from unit transactions</b>	<u>(32,100)</u>
<b>Decrease in net position</b>	(38,940)
<b>Net position, beginning of year</b>	<u>440,728</u>
<b>Net position, end of year</b>	<u><u>\$ 401,788</u></u>

*See accompanying notes to financial statements.*

# TIPS Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool was established to offer an additional level of diversification over and above nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal, and to diversify interest rate exposure. Through May 31, 2023, the Pool's performance was measured against the Bloomberg U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five-year periods, gross of fees. As of June 1, 2023, the Pool's performance is measured against the Bloomberg 1-10 Year Treasury Inflation Protected Securities Index on an annualized basis over rolling three- to five-year periods, gross of fees. Assets were invested in the BlackRock U.S. Treasury Inflation Protected Securities Fund B through May 24, 2023. Effective May 25, 2023, assets are managed by Northern Trust Investments, Inc.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Investments for which the fair value cannot be determined are valued at fair value as determined in accordance with the WVIMB's established procedures.

**Securities Lending** - The WVIMB, through its lending agent, Northern Trust (NT), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities and foreign securities denominated in U.S. Dollars, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income.

# TIPS Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### Credit Risk

The WVIMB limits the exposure to credit risk in the Pool's fixed income investments by primarily investing in United States Treasury inflation protected securities (U.S. TIPS). The Pool is exposed to credit risk from its money market mutual fund investment. The WVIMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. As of June 30, 2023, all of the Pool's U.S. TIPS investments had a credit rating of AA. The money market mutual fund has the highest credit rating.

# TIPS Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

#### Concentration of Credit Risk

The Pool is not exposed to concentration of credit risk.

#### Custodial Credit Risk

At June 30, 2023, the Pool held no securities that were subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund is not subject to custodial credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

#### Interest Rate Risk

The Pool is exposed to interest rate risk through its fixed income investments and money market mutual fund investment. The WVIMB monitors the interest rate risk of U.S. TIPS by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. As of June 30, 2023, the effective duration for the U.S. TIPS investments was 3.5 years. As of June 30, 2023, the money market mutual fund has a weighted average maturity of 12 days.

#### Foreign Currency Risk

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

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2023:

Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 128	\$ -	\$ -	\$ 128
U.S. TIPS	-	396,200	-	396,200
Total	\$ 128	\$ 396,200	\$ -	\$ 396,328

# TIPS Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2023:

	<u>Fair Value</u>
Securities on loan	\$ 26,011
Collateral received:	
Cash	\$ -
Non-cash	26,616
Total collateral received	<u>\$ 26,616</u>

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

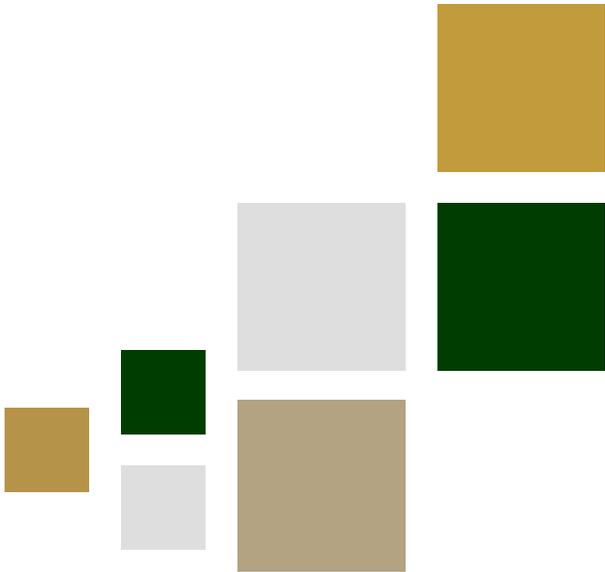
### NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

<u>Participant</u>	<u>Account Value</u>
Revenue Shortfall Reserve Fund	\$ 131,653
Revenue Shortfall Reserve Fund - Part B	113,294
Workers' Compensation Old Fund	84,200
Public Employees Insurance Agency	25,089
Coal Workers' Pneumoconiosis Fund	19,747
Board of Risk and Insurance Management	17,832
Workers' Compensation Self-Insured Employer Security Risk Pool	4,754
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,596
Workers' Compensation Uninsured Employers' Fund	1,623
Total	<u>\$ 401,788</u>



AUDITED FINANCIAL STATEMENTS  
June 30, 2023





# Private Markets Pool

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## Audited Financial Statements June 30, 2023

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## **Report of Independent Auditors**

To the Board of Trustees  
West Virginia Investment Management Board

### **Opinion**

We have audited the financial statements of the West Virginia Investment Management Board's Private Markets Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Private Markets Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

September 15, 2023

# Private Markets Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

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

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 6,206,428	\$ 6,127,217
Other assets	16,907	14,910
Total assets	6,223,335	6,142,127
Total liabilities	(15,105)	(53,352)
Net position	\$ 6,208,230	\$ 6,088,775

# Private Markets Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the global investment markets. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$119,455 results from net investment income of \$32,722 and a net increase from unit transactions of \$86,733.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income	\$ 50,018	\$ 667,499
Expenses	(17,296)	(13,047)
Net investment income	32,722	654,452
Net units issued (redeemed)	86,733	(486,421)
Increase in net position	119,455	168,031
Net position, beginning of year	6,088,775	5,920,744
Net position, end of year	\$ 6,208,230	\$ 6,088,775

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 0.5 percent, down from 11.4 percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 30.37	\$ 27.25
Net investment income	0.16	3.12
Net position, end of year	\$ 30.53	\$ 30.37

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.27%	0.22%
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- (a) The ratio is for the fiscal year, does not reflect the Pool's proportionate share of expenses of the underlying investee funds, and excludes securities lending expenses.

# Private Markets Pool

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## Statement of Net Position

June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Alternative investments	\$ 5,868,851
Equity investments	210,973
Fixed income investments	11,583
Money market mutual fund	102,222
Securities lending collateral	12,799
Cash	10
Receivables:	
Investments sold	59
Income distributions from real estate limited partnerships and funds	13,694
Interest, dividends, and other investment income	3,144
	<hr/>
<b>Total assets</b>	<b>6,223,335</b>

### Liabilities

Accrued expenses	2,306
Payable upon return of securities loaned	12,799
	<hr/>
<b>Total liabilities</b>	<b>15,105</b>
	<hr/>
<b>Net position</b>	<b>\$ 6,208,230</b>

### Unit data

Units outstanding	203,319,914
Net position, unit price	<u><u>\$ 30.53</u></u>

See accompanying notes to financial statements.

# Private Markets Pool

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## Statement of Changes in Net Position Year Ended June 30, 2023 (Amounts in thousands)

<b>Investment income (loss)</b>	
Net decrease in fair value of investments	\$ (101,933)
Income from partnerships and funds	131,798
Interest and dividends	18,409
Fund closing interest	830
Securities lending income	<u>914</u>
<b>Total investment income</b>	<b>50,018</b>
<b>Expenses</b>	
Investment advisor fees	(1,227)
Custodian bank fees	(33)
Management and other allocated fees	(1,838)
Professional service fees - direct	(1,590)
Management fees - external	(8,885)
Fund closing costs	(3,067)
Securities lending expenses	<u>(656)</u>
<b>Total expenses</b>	<b><u>(17,296)</u></b>
<b>Net investment income</b>	<b>32,722</b>
<b>Unit transactions</b>	
Proceeds from sale of units	562,127
Amount paid for repurchase of units	<u>(475,394)</u>
<b>Net increase from unit transactions</b>	<b><u>86,733</u></b>
<b>Increase in net position</b>	<b>119,455</b>
<b>Net position, beginning of year</b>	<b><u>6,088,775</u></b>
<b>Net position, end of year</b>	<b><u>\$ 6,208,230</u></b>

See accompanying notes to financial statements.

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The objective of the Pool is to enhance the diversification and stability of the portfolio, while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk-reduction through diversification. The Pool primarily holds the WVIMB's investments in private credit & income funds, private equity funds, real estate investment trusts (REITs), and real estate limited partnerships and funds. Franklin Park, StepStone Group, LP, and Verus have been retained by the WVIMB to provide consulting services related to the selection of limited partnerships and funds. Publicly traded assets are managed by CBRE Investment Management and Security Capital Research & Management, Inc.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- Investments in private credit & income funds, private equity partnerships, real estate limited partnerships and funds, and other private funds are securities for which market quotations are not readily available. The WVIMB has concluded that the net asset value reported by the general partners or fund administrators approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the WVIMB's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the WVIMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The WVIMB believes that the net asset value of such investments is a reasonable estimate of fair value as of June 30, 2023.
- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. Dollars using period end spot market exchange rates as supplied by the Pool's custodian.

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

**Securities Lending** - The WVIMB, through its lending agent, Northern Trust (NT), loans securities of the Pool to various brokers on a temporary basis. Each transaction for international and domestic securities is secured by collateral based on the market value of the securities loaned. The required collateral percentage varies based on the type of collateral received and the type of security loaned. For U.S. securities, the required percentage of cash collateral and non-cash collateral consisting of debt obligations and securities issued by the United States Government or its agencies or instrumentalities is at least 102 percent of the market value of the securities loaned plus accrued income, if applicable. For international securities, the required percentage is 105 percent unless the foreign securities loaned are denominated and payable in U.S. Dollars, then the collateral shall be at least 102 percent of the market value of the securities loaned. Loans of equity securities may also be collateralized by equity securities and the required percentage of non-cash collateral consisting of equity securities is at least 107 percent of the market value of the securities loaned.

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

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

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

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for U.S. federal and state income taxes is required as of June 30, 2023.

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

### NOTE 3. INVESTMENT RISK DISCLOSURES

#### Credit Risk

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

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2023:

Rating	Fair Value
A	\$ 265
BBB	9,348
BB	1,887
CC	83
Total fixed income investments	<u>\$ 11,583</u>

#### Concentration of Credit Risk

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

#### Custodial Credit Risk

At June 30, 2023, the Pool held no securities that were directly subject to custodial credit risk. Securities on loan are collateralized to a minimum of 102 percent for U.S. Dollar denominated loans and 105 percent for foreign denominated loans, and the collateral is held by the WVIMB's custodian in the name of the WVIMB. The money market mutual fund and the Cash Collateral Account are not subject to custodial credit risk. The alternative investments are not considered securities for the purposes of custodian credit risk. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

#### Interest Rate Risk

The Pool is exposed to interest rate risk through its investments in U.S. corporate bonds, private credit & income funds, the money market mutual fund, and the Cash Collateral Account. The WVIMB monitors interest rate risk of U.S. corporate bonds by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds. As of June 30, 2023, the effective duration for U.S. corporate bonds was 5.2 years. The WVIMB manages interest rate risk of the private credit & income funds by investing primarily in funds that originate or invest in loans that have variable or floating interest rates, most of these investments have relatively short durations, and final maturities within three- to five-years. As of June 30, 2023, the money market mutual fund has a weighted average maturity (WAM) of 12 days. Except for repurchase agreements that can have up to 95 days to maturity, investments in the Cash Collateral Account are limited to overnight investments. As of June 30, 2023, the WAM for the Cash Collateral Account was 3 days.

#### Foreign Currency Risk

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

## Private Markets Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 3. INVESTMENT RISK DISCLOSURES (continued)

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2023, are as follows:

Currency	Foreign Common Stock	Real Estate Limited Partnerships and Funds	Cash	Total
Australian Dollar	\$ 3,685	\$ -	\$ -	\$ 3,685
British Pound	3,974	-	-	3,974
Canadian Dollar	1,664	61,089	-	62,753
Euro Currency Unit	5,974	122,566	-	128,540
Hong Kong Dollar	4,620	-	-	4,620
Japanese Yen	8,340	-	28	8,368
Singapore Dollar	2,857	-	-	2,857
Swedish Krona	955	-	-	955
Swiss Franc	1,136	-	-	1,136
Total foreign denominated investments	\$ 33,205	\$ 183,655	\$ 28	\$ 216,888
U.S. Dollar	2,006	2,016,618	(18)	2,018,606
Total	\$ 35,211	\$ 2,200,273	\$ 10	\$ 2,235,494

#### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

## Private Markets Pool

### Notes to Financial Statements (Amounts in thousands)

#### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2023. All of the Pool's investments in private credit & income funds, private equity partnerships, real estate limited partnerships and funds, and other private funds were valued using the NAV, and as such, they have not been categorized in the fair value hierarchy table.

Assets	Level 1	Level 2	Level 3	Total
Foreign common stock	\$ 35,211	\$ -	\$ -	\$ 35,211
Money market mutual fund	102,222	-	-	102,222
Securities lending collateral	-	12,799	-	12,799
U.S. common stock	165,185	-	-	165,185
U.S. corporate bonds	-	11,583	-	11,583
U.S. preferred stock	10,577	-	-	10,577
Total	<u>\$ 313,195</u>	<u>\$ 24,382</u>	<u>\$ -</u>	<u>\$ 337,577</u>
Private credit & income funds				905,767
Private equity partnerships				2,762,811
Real estate limited partnerships and funds				2,200,273
Total				<u>\$ 6,206,428</u>

The following table presents information on investments measured at the NAV as of June 30, 2023:

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range	Redemption Frequency (a)	Redemption Notice Period
Private credit & income funds:					
Core Debt (b)	\$ 549,338	\$ 128,749	N/A	Quarterly	45 days
Opportunistic Debt (c)	146,939	147,895	2026 to 2031	N/A	N/A
Specialty Credit (d)	209,490	176,298	2023 to 2032	N/A	N/A
Private equity partnerships:					
Corporate Finance - Buyout (e)	1,826,637	526,529	2023 to 2035	N/A	N/A
Corporate Finance - Distressed Debt (f)	32,076	16,263	2024	N/A	N/A
Corporate Finance - Growth Equity (g)	156,717	72,879	2023 to 2031	N/A	N/A
Corporate Finance - Hard Assets (h)	137,442	37,235	2023 to 2033	N/A	N/A
Corporate Finance - Mezzanine (i)	1,886	480	N/A	N/A	N/A
Corporate Finance - Structured Capital (j)	81,780	21,967	2023 to 2028	N/A	N/A
Corporate Finance - Turnaround (k)	102,132	106,394	2024 to 2032	N/A	N/A
Venture Capital (l)	424,141	51,214	2024 to 2034	N/A	N/A
Real estate limited partnerships and funds:					
Core (m)	1,210,979	7,500	N/A	Quarterly	45-60 days
Opportunistic (n)	297,442	286,576	2023 to 2034	N/A	N/A
Value (o)	691,852	579,621	2023 to 2065	Quarterly	90 days
Total	<u>\$ 5,868,851</u>	<u>\$ 2,159,600</u>			

# Private Markets Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

- (a) Investments without standard redemption frequencies cannot be redeemed until termination of the partnership.
- (b) Core debt funds are primarily senior-secured commercial loans that are on the more conservative end of the spectrum of the private credit market. This may also include funds that invest in senior real estate mortgages and other debt that is structured such that it is considered to have a core risk/return profile. The returns on core private credit investments are expected to be derived from contractual income.
- (c) Opportunistic debt funds is a broad classification that includes different types of debt strategies that have the highest risk-return profile in the private credit market. This may include strategies that invest in distressed debt, complex capital solutions, special situation loans, or market dislocations. It also includes specialized financing to specific industries that are underserved by the general debt markets. The returns on these assets are generally derived from both contractual income and an equity component.
- (d) Specialty credit funds typically invest in asset-backed loans collateralized by commercial or consumer receivables, assets, or loans, as well as other specialty types of commercial loans. This also includes real estate debt funds that invest in mezzanine or other subordinated real estate debt, and/or target higher risk properties than a typical core fund. Specialty Credit investments are typically in the mid-range of the risk return spectrum of the private credit market.
- (e) Corporate Finance - Buyout funds acquire controlling or influential interests in companies.
- (f) Corporate Finance - Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.
- (g) Corporate Finance - Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.
- (h) Corporate Finance – Hard Assets funds acquire controlling or influential interests in companies operating in natural resources or infrastructure.
- (i) Corporate Finance - Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another fund.
- (j) Corporate Finance – Structured Capital funds combine common equity, preferred equity, fixed-income, and/or customized debt instruments to offer capital appreciation with downside protection.
- (k) Corporate Finance - Turnaround funds acquire the debt and or equity of companies experiencing operational or financial distress in order to radically reorganize and improve the business.
- (l) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.
- (m) Core funds are more conservative real estate investments that use a very modest level of financing to acquire and hold high-quality, stable properties typically located in major markets. Assets within these strategies tend to have high occupancy rates, higher credit tenants, and staggered lease terms, with a number of long-term leases expiring in five-to-ten years.
- (n) Opportunistic funds have higher risk/return profiles and have broad strategies to achieve these types of returns. Common strategies are properties that need significant rehabilitation or a total redevelopment to transition to a different type of property (for example, converting an office building to condominiums). It may also include new development, distressed debt strategies, and more complex transactions, as well as a more traditional value-add strategy that is financed with a higher amount of leverage.
- (o) Value funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manager believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

# Private Markets Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 5. SECURITIES LENDING

The following table presents the amounts of various accounts related to securities lending at June 30, 2023:

	Fair Value
Securities on loan	\$ 30,784
Collateral received:	
Cash	\$ 12,799
Non-cash	18,690
Total collateral received	\$ 31,489

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

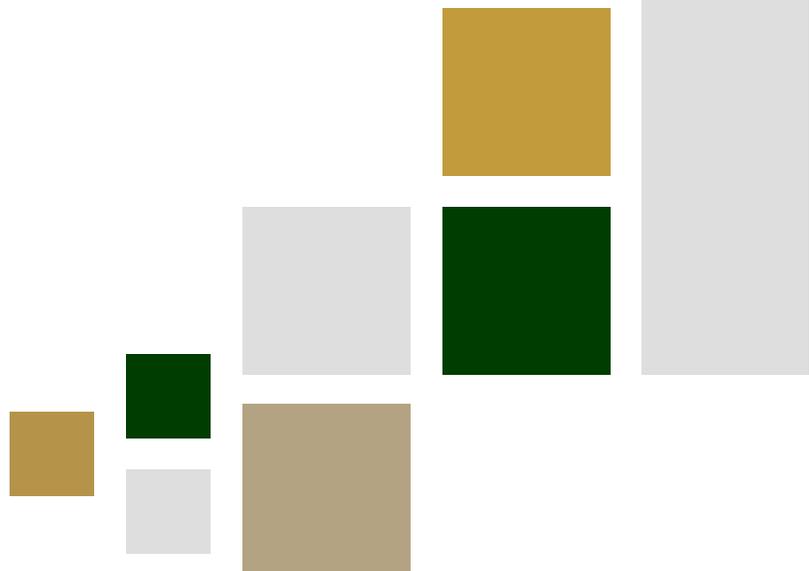
### NOTE 6. SCHEDULE OF PARTICIPATION

The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

Participant	Account Value
Teachers' Retirement System	\$ 2,592,053
Public Employees' Retirement System	2,348,329
West Virginia Retiree Health Benefit Trust Fund	487,404
State Police Death, Disability and Retirement Fund	218,529
State Police Retirement System	88,903
Deputy Sheriff's Retirement System	88,136
Workers' Compensation Old Fund	80,621
Judges' Retirement System	77,750
Municipal Policemen's or Firemen's Pension and Relief Funds	52,674
Emergency Medical Services Retirement System	34,182
Revenue Shortfall Reserve Fund - Part B	24,494
Wildlife Endowment Fund	20,167
Coal Workers' Pneumoconiosis Fund	19,003
Board of Risk and Insurance Management	17,349
West Virginia Department of Environmental Protection Agency	11,068
West Virginia State Parks and Recreation Endowment Fund	9,435
Municipal Police Officers' and Firefighters' Retirement System	9,325
Natural Resources Police Officer Retirement System	7,624
Public Employees Insurance Agency	6,454
Workers' Compensation Self-Insured Employer Security Risk Pool	4,599
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,498
West Virginia Department of Environmental Protection Trust	2,666
Berkeley County Development Authority	2,388
Workers' Compensation Uninsured Employers' Fund	1,579
Total	\$ 6,208,230



AUDITED FINANCIAL STATEMENTS  
June 30, 2023





# Hedge Fund Pool

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## Audited Financial Statements June 30, 2023

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## Report of Independent Auditors

To the Board of Trustees  
West Virginia Investment Management Board

### Opinion

We have audited the financial statements of the West Virginia Investment Management Board's Hedge Fund Pool (the Pool) which comprise the Statement of Net Position as of June 30, 2023, and the related Statement of Changes in Net Position for the year ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool at June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Basis of Presentation**

As discussed in Note 1, the financial statements present only the Hedge Fund Pool and do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board, at June 30, 2023, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

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

*Ernst + Young LLP*

August 25, 2023

# Hedge Fund Pool

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## Management's Discussion and Analysis (Unaudited)

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

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

### Financial Statement Overview

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

### Pool Strategy

The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index plus 500 basis points.

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

The Statement of Net Position presents the financial position of the Pool as of June 30, 2023 and includes all assets and liabilities of the Pool. The difference between total assets and total liabilities, which is equal to the participants' interest in the Pool's net position, is shown below for the current and prior fiscal year-end dates:

<b>Condensed Net Position</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investments	\$ 2,477,593	\$ 2,282,106
Other assets	3,656	14,479
Total assets	2,481,249	2,296,585
Total liabilities	(166)	(174)
Net position	\$ 2,481,083	\$ 2,296,411

# Hedge Fund Pool

## Management's Discussion and Analysis (Unaudited)

Yearly variances in the net position of the Pool are primarily impacted by the overall performance of the global investment markets. Net position is also impacted by expenses charged to the Pool and the issuance and redemption of Pool units. The increase in the Pool's net position of \$184,672 results from net investment income of \$122,921 and a net increase from unit transactions of \$61,751.

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

<b>Condensed Changes in Net Position</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Investment income	\$ 124,154	\$ 37,659
Expenses	(1,233)	(1,026)
Net investment income	122,921	36,633
Net units issued (redeemed)	61,751	(143,275)
Increase (decrease) in net position	184,672	(106,642)
Net position, beginning of year	2,296,411	2,403,053
Net position, end of year	\$ 2,481,083	\$ 2,296,411

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

The WVIMB calculates total rates of return using the time-weighted rate of return methodology. The time-weighted method determines the rate of return exclusive of the effects of participant contributions or withdrawals. The return of the Pool (net of fees) for the year ended June 30, 2023 was 5.1 percent, up from 1.6 percent for the year ended June 30, 2022.

Select financial highlights for the Pool are as follows:

<b>Per Unit Operating Performance:</b>	<b>Years Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Net position, beginning of year	\$ 18.41	\$ 18.13
Net investment income	0.94	0.28
Net position, end of year	\$ 19.35	\$ 18.41

### **Supplemental Data:**

Ratio of expenses to average net position (a)	0.05%	0.04%
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- (a) The ratio is for the fiscal year and does not reflect the Pool's proportionate share of expenses of the underlying investee funds.

# Hedge Fund Pool

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## Statement of Net Position June 30, 2023

(Amounts in thousands, except unit data)

### Assets

Investments, at fair value:	
Hedge funds	\$ 2,471,798
Money market mutual fund	5,795
Receivables:	
Interest and dividends	144
Investment funds redeemed	<u>3,512</u>
<b>Total assets</b>	<b>2,481,249</b>

### Liabilities

Accrued expenses	<u>166</u>
<b>Net position</b>	<b><u>\$ 2,481,083</u></b>

### Unit data

Units outstanding	128,196,055
Net position, unit price	<u><u>\$ 19.35</u></u>

See accompanying notes to financial statements.

# Hedge Fund Pool

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**Statement of Changes in Net Position**  
**Year Ended June 30, 2023**  
*(Amounts in thousands)*

**Investment income**

Net increase in fair value of investments	\$ 123,395
Interest and dividend income	<u>759</u>
<b>Total investment income</b>	124,154

**Expenses**

Professional service fees - direct	(484)
Custodian bank fees	(1)
Management and other allocated fees	<u>(748)</u>
<b>Total expenses</b>	<u>(1,233)</u>

**Net investment income** 122,921

**Unit transactions**

Proceeds from sale of units	322,555
Amount paid for repurchase of units	<u>(260,804)</u>

**Net increase from unit transactions** 61,751

**Increase in net position** 184,672

**Net position, beginning of year** 2,296,411

**Net position, end of year** \$ 2,481,083

*See accompanying notes to financial statements.*

# Hedge Fund Pool

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## Notes to Financial Statements

(Amounts in thousands)

### NOTE 1. DESCRIPTION OF THE ENTITY

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

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

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

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

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

The Pool was established to hold the WVIMB's investments in hedge funds. The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of Funds Composite Index plus 100 Basis points. The secondary benchmark is the Financial Times Stock Exchange (FTSE) 3 Month U.S. T-Bill Index plus 500 basis points. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

- Investments in hedge funds are securities for which market quotations are not readily available. The WVIMB has concluded that the net asset value reported by the underlying funds approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. These investments are redeemable with the fund at net asset value under the original terms of the agreements and operations of the underlying fund. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the WVIMB's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the WVIMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The WVIMB believes that the net asset value of such investments is a reasonable estimate of fair value as of June 30, 2023.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.

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

# Hedge Fund Pool

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## Notes to Financial Statements (Amounts in thousands)

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

**Unit Valuation and Participant Transactions** - The unit price of the Pool is calculated on the last business day of the month by dividing the net position of the Pool by the number of outstanding units. Participant accounts undergo a monthly rebalancing process to maintain their defined asset allocation. Participant transactions that occur as part of the rebalancing process are executed as a purchase or redemption on the first business day of each month using the prior month-end unit price.

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

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

**Income Taxes** - The WVIMB is a public corporation organized under laws of the State of West Virginia and exempt from U.S. federal and state taxation. Accordingly, no provision for income taxes is required as of June 30, 2023.

### NOTE 3. INVESTMENT RISK DISCLOSURES

The Pool holds shares in hedge funds and shares of a money market mutual fund. As of June 30, 2023, the money market mutual fund has the highest credit rating and has a weighted average maturity of 12 days. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The Pool is restricted from investing more than 10 percent of the value of the Pool with any single manager. At June 30, 2023, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

# Hedge Fund Pool

## Notes to Financial Statements (Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

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

U.S. GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2023. All of the Pool's investments in hedge funds were valued using the NAV, and as such, they have not been categorized in the fair value hierarchy.

Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 5,795	\$ -	\$ -	\$ 5,795
Hedge funds				2,471,798
Total				<u>\$ 2,477,593</u>

The following table presents information on investments measured at the NAV as of June 30, 2023:

Hedge Fund Strategies	Fair Value	Redemption Frequency	Redemption Notice Period
Directional (a)	\$ 165,411	Monthly	5 to 10 days
Equity long/short (b)	465,886	Quarterly	45 to 90 days
Event-driven (c)	149,664	Quarterly	180 days
Long-biased (d)	81,963	Monthly	90 days
Multi-strategy (e)	1,300,872	Monthly, Quarterly, Semi-annually	45 to 90 days
Relative-value (f)	254,724	Weekly, Quarterly	5 to 60 days
	<u>2,418,520</u>		
In liquidation (g)	53,278		
Total investments measured at the NAV	<u>\$ 2,471,798</u>		

- (a) Directional funds employ various techniques to forecast the direction of segments of the market and then invest in either long or short positions. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- (b) Equity long/short funds involve taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 67 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (c) Event-driven funds maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.
- (d) Long-biased funds employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.

# Hedge Fund Pool

## Notes to Financial Statements

(Amounts in thousands)

### NOTE 4. FAIR VALUE MEASUREMENTS (continued)

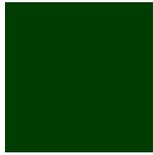
- (e) Multi-strategy funds combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 86 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (f) Relative-value funds maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 59 percent of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- (g) Funds currently in liquidation are no longer managed to a defined strategy. As the remaining underlying assets of these funds are monetized, their proceeds are distributed to shareholders. The timing of these future distributions is unknown.

### NOTE 5. SCHEDULE OF PARTICIPATION

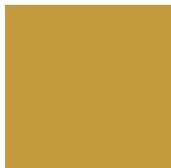
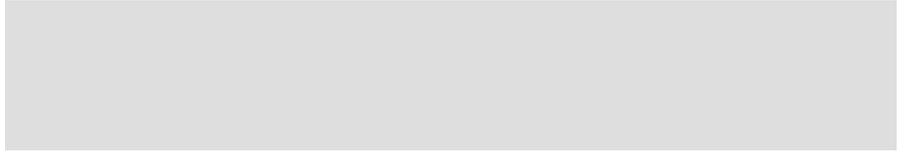
The following schedule provides the value of participants' accounts in the Pool at June 30, 2023:

<u>Participant</u>	<u>Account Value</u>
Teachers' Retirement System	\$ 932,938
Public Employees' Retirement System	845,126
West Virginia Retiree Health Benefit Trust Fund	175,416
Workers' Compensation Old Fund	130,559
State Police Death, Disability and Retirement Fund	78,649
West Virginia Department of Environmental Protection Agency	47,826
State Police Retirement System	32,005
Deputy Sheriff's Retirement System	31,726
Coal Workers' Pneumoconiosis Fund	30,777
Board of Risk and Insurance Management	28,108
Judges' Retirement System	27,987
Public Employees Insurance Agency	27,800
Revenue Shortfall Reserve Fund - Part B	26,455
Municipal Policemen's or Firemen's Pension and Relief Funds	18,961
Emergency Medical Services Retirement System	12,306
Workers' Compensation Self-Insured Employer Security Risk Pool	7,448
Wildlife Endowment Fund	7,259
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	5,667
West Virginia State Parks and Recreation Endowment Fund	3,400
Municipal Police Officers' and Firefighters' Retirement System	3,357
Natural Resources Police Officer Retirement System	2,744
Workers' Compensation Uninsured Employers' Fund	2,558
West Virginia Department of Environmental Protection Trust	1,152
Berkeley County Development Authority	859
Total	<u>\$ 2,481,083</u>





# **AUDITED FINANCIAL STATEMENTS**

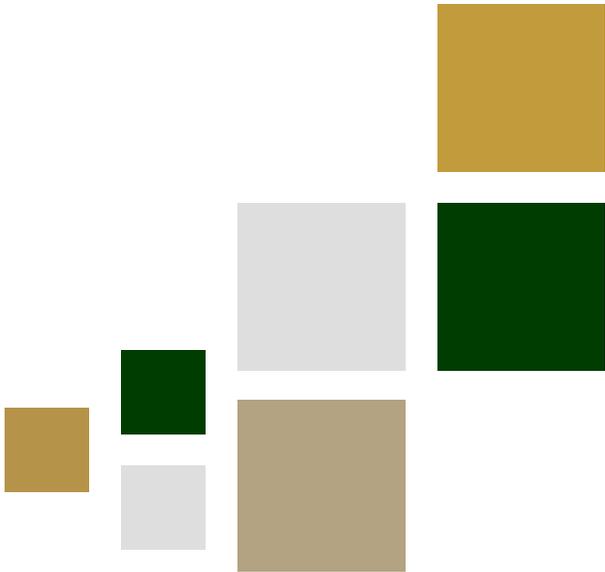


**ADMINISTRATIVE FUND**  
Year Ended June 30, 2023



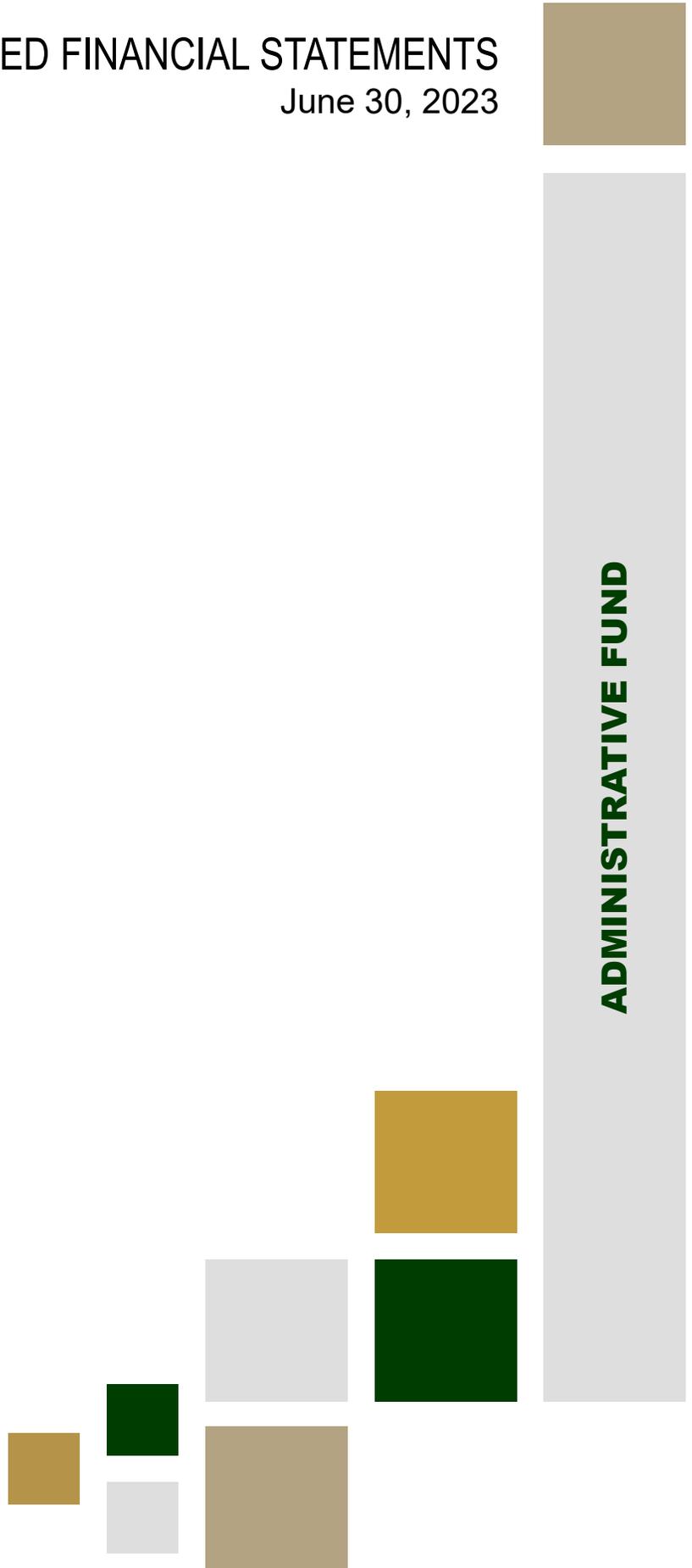
# AUDITED FINANCIAL STATEMENTS

June 30, 2023





AUDITED FINANCIAL STATEMENTS  
June 30, 2023





# Administrative Fund

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## Audited Financial Statements June 30, 2023

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## **Report of Independent Auditors**

The Board of Trustees  
The West Virginia Investment Management Board

### **Opinion**

We have audited the accompanying financial statements of the West Virginia Investment Management Board Administrative Fund, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the West Virginia Investment Management Board Administrative Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the West Virginia Investment Management Board Administrative Fund at June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the West Virginia Investment Management Board Administrative Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Presentation**

As described in Note 1, the financial statements present only the Administrative Fund of the West Virginia Investment Management Board and do not include the financial position and results of operations of the West Virginia Investment Management Board for any of their investment pools. These financial statements do not purport to, and do not, present fairly the financial position of the West Virginia Investment Management Board for any of their investment pools at June 30, 2023, and changes in its financial position, and cash flows thereof, for the year ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the West Virginia Investment Management Board Administrative Fund's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,



misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the West Virginia Investment Management Board Administrative Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the West Virginia Investment Management Board Administrative Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

*Ernst & Young LLP*

August 25, 2023

# Administrative Fund

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## Management's Discussion and Analysis

This discussion and analysis of the West Virginia Investment Management Board's (WVIMB) financial performance provides an overview of the WVIMB's administrative financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the WVIMB Administrative Fund basic financial statements, which follow this discussion. The WVIMB operates investment pools and issues separate audited financial statements on the investment pools.

### FINANCIAL HIGHLIGHTS

- The WVIMB is required by law to charge a fee sufficient to cover the cost of providing investment management services. Investment service fee revenues were \$51.1 million, as compared to \$49.8 million for the previous fiscal year. The change primarily results from increases of \$505,000 in advisor fees, \$299,000 in custodian fees, \$239,000 in professional service fees, and \$230,000 in administrative expenses. Average assets of the investment pools managed by the WVIMB decreased by \$1.6 billion from the previous year.
- Outside investment advisor fees increased \$505,000 over the previous year. The average expense ratio for investment advisor fees across all pools was 17.3 basis points for the year, as compared to 16.0 basis points for the previous year. The reasons for the increase in advisor fees are as follows:
  - Base fees decreased \$2.2 million or six percent which corresponds to a \$1.6 billion or six percent decrease in average assets.
  - Performance fees increased \$2.7 million because of stronger relative performance compared to benchmark indices in the Non-Large Cap Domestic Equity Pool, Core Fixed Income Pool, and the Private Markets Pool.
- Custodian fees increased \$299,000 over the previous year. Custodian fees increased \$339,000 in the International Equity Pool, which were offset by a \$43,000 decrease in the Total Return Fixed Income Pool. Small fluctuations across the remaining pools make up the remaining \$3,000 increase over the previous year.
- Professional services fees increased \$239,000 over the previous year primarily attributable to an increase in legal and consulting fees.
- Administrative expenses increased by \$230,000 from the previous year. The expense ratio for administrative expenses was 2.4 basis points of average net assets, as compared to 2.1 basis points for the prior year. Salaries increased by \$63,000 to \$3.1 million. In total, administrative expenses were \$1.2 million lower than the expenses included in the fiscal year budget approved by the Board of Trustees.

### THE FINANCIAL REPORTS

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

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

# Administrative Fund

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS

The WVIMB Administrative Fund's total assets as of June 30, 2023, were \$16.8 million, and were mostly comprised of cash and cash equivalents and receivables for investment service fees. This combined total was \$1.4 million more than the previous year.

Total liabilities as of June 30, 2023, were \$11.8 million, and were mostly comprised of invoices payable and accrued liabilities for investment management and consulting fees, custodial fees, and administrative expenses. This combined total was \$1.2 million more than the previous year.

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

<b>Table 1</b> <b>Net Position and</b> <b>Assets Under Management</b> <b>(In thousands)</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Cash and cash equivalents	\$ 5,704	\$ 4,700
Receivables	9,602	9,055
Other assets	1,472	1,594
Total assets	<u>16,778</u>	<u>15,349</u>
Total liabilities	<u>(11,774)</u>	<u>(10,611)</u>
Net position	<u>\$ 5,004</u>	<u>\$ 4,738</u>
Composition of net position:		
Net investment in capital assets	\$ 87	\$ 64
Unrestricted	4,917	4,674
Assets under management*	\$ 24,195,759	\$ 23,022,818

<b>Table 2</b> <b>Changes in Net Position</b> <b>(In thousands)</b>	<b>Year Ended</b> <b>June 30, 2023</b>	<b>Year Ended</b> <b>June 30, 2022</b>	<b>Percent</b> <b>Change</b>
Revenues	\$ 51,102	\$ 49,818	2.6%
Expenses:			
Advisor fees	(40,316)	(39,811)	1.3%
Custodian fees	(1,581)	(1,282)	23.3%
Trustee fees	(54)	(45)	20.0%
Fiduciary bond expense	(26)	(26)	0.0%
Professional service fees	(3,465)	(3,226)	7.4%
Administrative expenses	<u>(5,568)</u>	<u>(5,338)</u>	4.3%
Total expenses	(51,010)	(49,728)	2.6%
Operating income	92	90	n/a
Nonoperating revenues (expenses)	<u>174</u>	<u>(68)</u>	n/a
Increase in net position	266	22	n/a
Net position – beginning of year	<u>4,738</u>	<u>4,716</u>	0.5%
Net position – end of year	<u>\$ 5,004</u>	<u>\$ 4,738</u>	5.6%

\* Amounts reflect preliminary estimated balances for private market investments.

# Administrative Fund

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## Management's Discussion and Analysis

### CAPITAL ASSETS

The WVIMB Administrative Fund made acquisitions of capital assets totaling \$99,799 during the current fiscal year. There were disposals of fully depreciated capital assets totaling \$54,817.

### CONTACTING THE WVIMB

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

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# Administrative Fund

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## Statement of Net Position June 30, 2023

### Assets

#### Current assets:

Cash and cash equivalents	\$ 5,704,266
Accounts receivable	9,602,158
Prepaid expenses	83,338
Dividend receivable	<u>26,925</u>

**Total current assets** 15,416,687

#### Capital assets:

Equipment	352,029
Office furniture	218,749
Other depreciable property	341,329
Leasehold improvements	258,726
Right-to-use lease asset	1,580,573
Work in progress	99,799
Less accumulated depreciation and amortization	<u>(1,490,123)</u>

**Total capital assets (net of accumulated depreciation and amortization)** 1,361,082

**Total assets** 16,777,769

### Liabilities

#### Current liabilities:

Accounts payable and accrued expenses	10,500,005
Right-to-use lease liability	<u>161,723</u>

**Total current liabilities** 10,661,728

#### Long-term liabilities:

Right-to-use lease liability	<u>1,112,077</u>
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**Total long-term liabilities** 1,112,077

**Total liabilities** 11,773,805

### Net position

Net investment in capital assets	87,282
Unrestricted	<u>4,916,682</u>

**Total net position** \$ 5,003,964

*See accompanying notes to financial statements.*

## Administrative Fund

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### Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2023

#### Operating revenues

Investment service fees	\$ 51,102,044
Miscellaneous income	<u>63</u>
<b>Total operating revenues</b>	<b>51,102,107</b>

#### Operating expenses

Advisor fees	40,316,197
Custodian fees	1,581,422
Trustee fees	54,000
Fiduciary bond expenses	25,875
Professional service fees	3,464,856
Administrative expenses	<u>5,568,192</u>
<b>Total operating expenses</b>	<b><u>51,010,542</u></b>

**Operating income** 91,565

#### Nonoperating revenues (expenses)

Dividend income	241,181
Interest expense	<u>(67,248)</u>
<b>Total nonoperating revenues (expenses)</b>	<b><u>173,933</u></b>

**Increase in net position** 265,498

Net position, beginning of year	<u>4,738,466</u>
<b>Net position, end of year</b>	<b><u>\$ 5,003,964</u></b>

*See accompanying notes to financial statements.*

# Administrative Fund

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## Statement of Cash Flows Year Ended June 30, 2023

### Cash flows from operating activities

Cash received from customers and other third parties	\$ 50,554,552
Cash paid to suppliers	(44,977,543)
Cash paid to employees	<u>(4,469,501)</u>
<b>Net cash provided by operating activities</b>	<b>1,107,508</b>

### Cash flows from capital and related financing activities

Acquisition of capital assets	(99,799)
Principal paid on right-to-use lease agreement	(153,851)
Interest paid on right-to-use lease agreement	<u>(67,889)</u>
<b>Net cash used for capital and related financing activities</b>	<b>(321,539)</b>

### Cash flows from investing activities

Dividends on investments	<u>218,093</u>
<b>Net cash provided by investing activities</b>	<b><u>218,093</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>1,004,062</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>4,700,204</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u><u>\$ 5,704,266</u></u></b>

### Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 91,565
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	230,892
Change in assets and liabilities:	
Increase in accounts receivable	(547,555)
Decrease in prepaid expenses	14,969
Increase in accounts payable and accrued expenses	<u>1,317,637</u>
<b>Total adjustments</b>	<b><u>1,015,943</u></b>
<b>Net cash provided by operating activities</b>	<b><u><u>\$ 1,107,508</u></u></b>

See accompanying notes to financial statements.

# Administrative Fund

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## Notes to Financial Statements

### NOTE 1. NATURE OF ORGANIZATION

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

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

### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The WVIMB Administrative Fund's cash equivalents are invested in an institutional Treasury Money Market fund valued at \$5,704,066 as of June 30, 2023, using quoted market prices (Level 1 inputs).

**Capital Assets** - Purchased assets, when they meet the thresholds defined in the capitalization policy, are recorded at cost. Threshold requirements are \$10,000 for office equipment, furniture, fixtures, computer hardware, and software, and \$20,000 for buildings, building improvements, land improvements, infrastructure, and leasehold improvements. Land is capitalized irrespective of cost. Contracts that provide for the right to use another entity's nonfinancial assets, as specified in a contract, for a period of time in an exchange or exchange-like transaction are recorded as right-to-use lease assets.

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

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

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

## Administrative Fund

### Notes to Financial Statements

#### NOTE 3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Work in progress	\$ -	\$ 99,799	\$ -	\$ 99,799
Total capital assets, not being depreciated	-	99,799	-	99,799
Capital assets, being depreciated:				
Office equipment	354,977	-	(2,948)	352,029
Office furniture	218,749	-	-	218,749
Other depreciable property	393,198	-	(51,869)	341,329
Leasehold improvements	258,726	-	-	258,726
Right-to-use lease asset	1,580,573	-	-	1,580,573
Total capital assets, being depreciated	2,806,223	-	(54,817)	2,751,406
Less accumulated depreciation and amortization for:				
Office equipment	(338,524)	(4,201)	2,948	(339,777)
Office furniture	(204,831)	(10,554)	-	(215,385)
Other depreciable property	(326,017)	(30,188)	51,869	(304,336)
Leasehold improvements	(258,726)	-	-	(258,726)
Right-to-use lease asset	(185,950)	(185,949)	-	(371,899)
Total accumulated depreciation and amortization	(1,314,048)	(230,892)	54,817	(1,490,123)
Capital assets, net	\$ 1,492,175	\$ (131,093)	\$ -	\$ 1,361,082

Depreciation and amortization expense of \$230,892 was charged to investment management activity and is included in the administrative expenses.

On September 19, 2019, the WVIMB executed an amendment to renew its long-term lease, originally dated August 26, 2002, and previously amended on December 7, 2006 and July 9, 2012, for a period of ten years beginning on January 1, 2020. The monthly cost for the first five years is \$18,478; thereafter, the monthly cost for the remaining five years increases to \$19,402. Under the original and amended lease, beginning on January 1, 2020, and continuing throughout the term, the WVIMB shall pay as additional rent a portion of the increase in utility costs and taxes over the base year 2019 amounts; for the year ended June 30, 2023, this amount was \$529.

# Administrative Fund

## Notes to Financial Statements

### NOTE 3. CAPITAL ASSETS (continued)

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

Fiscal years ending June 30:

	Right-to-use Lease Liability	Interest	Total
2024	\$ 161,723	\$ 60,017	\$ 221,740
2025	175,598	51,685	227,283
2026	190,325	42,502	232,827
2027	200,063	32,764	232,827
2028	210,298	22,529	232,827
Thereafter	335,793	13,448	349,241
Total	<u>\$ 1,273,800</u>	<u>\$ 222,945</u>	<u>\$ 1,496,745</u>

### NOTE 4. EMPLOYEE BENEFIT PLANS

**Retirement** - The WVIMB provides a defined contribution money purchase pension plan (Pension Plan) covering all of its employees. An employee becomes eligible to participate in the Pension Plan on the earlier of the January 1 or July 1 coinciding with or following the employee's hire date. The Pension Plan is solely funded by the WVIMB, which contributes 10 percent of each covered employee's salary. Contributions for the year ended June 30, 2023 totaled \$304,041. The plan provides for a five-year vesting schedule with vesting increasing 20 percent per year.

The WVIMB provides a 457(b) plan that employees may elect to participate in. An employee becomes eligible to participate in the 457(b) plan on the first day of employment. All contributions are employee-funded on a pretax basis and are limited to the maximum amount allowed under the Internal Revenue Code. Employees are always 100 percent vested in their account balances.

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

On November 1 of each plan year, the WVIMB determines an amount to credit each eligible employee that is allocated to a Health Reimbursement Arrangement (HRA) account for each participant. Current annual credits are \$3,700 for single employees and \$7,400 for employees with qualifying spouses or dependents. These credits are to be used to reimburse participants for out-of-pocket medical expenses not covered by any other source. Medical expenses shall be defined under *Internal Revenue Service Code Section 213(d)*. Any amount remaining in a participant's HRA account at the end of the plan year shall be credited to the participant's account for the following year, in addition to the annual contribution. Upon separation from employment or retirement, a former employee or dependent will not continue to receive the annual credit but may use the remaining continued balance accumulated in the HRA account.

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

Contributions made to the Plan by the WVIMB for the year ended June 30, 2023 totaled \$132,675.

### NOTE 5. CASH AND INVESTMENT RISK

At June 30, 2023, all of the WVIMB Administrative Fund's cash equivalents are invested in an institutional Treasury Money Market fund. This investment fund is rated Aaa by Moody's and AAA by Standard & Poor's and has no significant custodial credit risk or interest rate risk. The investment fund invests in U.S. Treasuries and is not exposed to a concentration of credit risk or any foreign currency risk. Cash balances are held in a FDIC insured bank account, the balance of which is below the \$250,000 insurance limit at all times.