

AUDIT REPORT
OF
THE WEST VIRGINIA
STATE BOARD OF INVESTMENTS

DECEMBER 31, 1980

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

January 31, 1981

To the Legislature of West Virginia

In compliance with the West Virginia Code, Chapter 12, Article 6, Section 17, one thousand nine hundred thirty-one, as amended, transmitted herewith is a postaudit of the investment balances of the West Virginia State Board of Investments. This report covers the calendar year 1980.

Very truly yours,

Encil Bailey

Encil Bailey

WEST VIRGINIA STATE BOARD OF INVESTMENTS

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GENERAL REMARKS

INTRODUCTION

An examination of the investment balances of the West Virginia State Board of Investments as of December 31, 1980 has been completed.

BACKGROUND

The requirements of corporations to be eligible for investment purchases by the Board are set out by the Code as follows:

12-6-9 "(g) Any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association organized and operating in the United States: Provided, that any such security is at the time of its acquisition, rated in one of the three highest rating grades by an agency which is nationally known in the field of rating corporate securities: Provided, however, that if any commercial paper and/or any such security will mature within one year from the date of its issuance, it shall, at the time of acquisition, be rated in one of the two highest rating grades by such an agency: Provided further, that any such security not rated in one of the two highest rating grades by any such agency and commercial paper or other evidence of indebtedness of any private corporation or association shall be purchased only upon the written recommendation from an investment advisor that has over three hundred million dollars in other funds under its management."

West Virginia Code, Chapter 12, Article 6, Section 10, as amended, provides that:

- (1) At no time shall more than seventy-five percent of the portfolio of any fund be invested in corporate bonds;

- (2) At no time shall more than twenty percent of the portfolio of any fund be invested in corporate bonds which mature within one year from the date of issuance thereof; and
- (3) At no time shall more than three percent of the portfolio of any fund be invested in securities issued by a single private corporation or association.

Pursuant to authorization given by House Bill 1321, effective July 1, 1978, Administrative Rules and Regulations filed with the Secretary of State on October 13, 1978, and portfolio policy guidelines adopted by the Board of investments, the State Treasurer's office completed the conversion of state agency short term investments to the Consolidated Fund (Short-Term Pools) on October 15, 1978 and all state retirement system funds to the Consolidated Pension Fund (Long-Term Pool) on March 17, 1979.

The Consolidated Fund is composed of ten "pools" which are identified in our workpapers. Pool 0100 contains investments from agencies which are unrestricted by type, i.e., not restricted by instrument. Pool 0140 contains investments from agencies which may only be government instruments. The remaining eight pools contain specific investments for individual agencies due to constitutional or bonding restrictions prohibiting comingling with Pools 0100 or 0140.

The Consolidated Pension Fund is composed of the following retirement systems:

- Judges' Retirement
- Department of Public Safety
- Workmen's Compensation
- Pneumoconiosis Fund
- Public Employees' Retirement System
- Teachers' Retirement System

AUDITORS' OPINION

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

Sir:

We have examined the schedules of investment balances of the West Virginia State Board of Investments for the year ended December 31, 1980. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the schedules referred to above present fairly the investment balances of the West Virginia State Board of Investments at December 31, 1980, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

January 31, 1981

Auditors: James R. Blake, Supervisor-in-Charge
Harvey Burke, Auditor-in-Charge
M. Douglas Jones
Arun Potdar

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF CONSOLIDATED PENSION FUND INVESTMENT BALANCES
 BY RETIREMENT SYSTEM
 AS OF DECEMBER 31, 1980

<u>Agency No.</u>	<u>Name of Agency</u>	<u>Par Value</u>	<u>Current Book Value</u>
7615	Judges' Retirement	\$ 4,751,639.30	\$ 4,490,912.97
7620	Department of Public Safety	20,858,794.30	19,333,317.26
7625	Workmen's Compensation	437,626,599.14	408,761,660.95
7630	Pneumoconiosis Fund	7,615,000.00	6,607,055.99
7635	Public Employee's Retirement System	324,525,584.50	297,935,829.22
7640	Teachers' Retirement System	<u>192,629,392.80</u>	<u>171,171,310.53</u>
	Total Investment Balances	<u>\$988,007,010.04</u>	<u>\$908,300,086.92</u>

See Accompanying Note

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF CONSOLIDATED FUND INVESTMENT BALANCES

BY POOL

AS OF DECEMBER 31, 1980

<u>Description</u>	<u>Pool (Fund) Number</u>	<u>Account Number</u>	<u>Par Value</u>	<u>Current Book Value</u>
Consolidated Pool Unrestricted	0100	7600-05	\$326,953,000.00	\$323,252,388.43
Consolidated Pension Pool	0110	7645-12	246,185,000.00	236,671,455.78
Highway Construction and Huntington Toll Bridge	0120	6940-05	8,160,000.00	8,030,915.63
Department of Highways (Winfield Toll Bridge)	0122	6920-06	68,000.00	66,193.75
Department of Highways (New Martinsville Toll Bridge)	0124	6930-06	679,900.00	652,261.78
The School Fund	0130	7440-05	877,000.00	882,470.33
Restricted Consolidated Pool	0140	7610-05	117,324,000.00	114,335,693.20
Municipal Bond Commission (Huntington Toll Bridge)	0150	7320-10A	1,005,000.00	993,221.88
Municipal Bond Commission (WVU Project II Escrow)	0160	7320-10B	7,395,000.00	7,062,442.00
Municipal Bond Commission (New Martinsville Toll Bridge)	0164	7320-10F	310,100.00	292,879.45
Municipal Bond Commission (Escrow Account)	0166	7320-10G	4,680,000.00	4,614,812.59
Board of Regents	8890	8890-07	27,000,000.00	26,781,017.50
Revenue Sharing	9700	9700-05	<u>59,900,000.00</u>	<u>56,488,573.90</u>
Total Investment Balances			<u>\$800,537,000.00</u>	<u>\$780,124,326.22</u>

See Accompanying Note

WEST VIRGINIA STATE BOARD OF INVESTMENTS

NOTE

Investments - Short-term are stated at cost. Long-term investments are stated at cost, less amortization of premiums plus accretion of discounts. Long-term investments are expected to be held until maturity for par value. Market Value of the investments as of December 31, 1980 approximated as follows:

Consolidated Pension Fund	<u>\$747,805,000</u>
Consolidated Fund	<u>\$238,805,000</u>

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 12, Article 6, Section 17, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 31st day of January, 1981.

Encil Bailey

Encil Bailey, Legislative Auditor

Copies forwarded to each member of the Legislature,
each member of the Board, and the Attorney General.