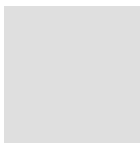
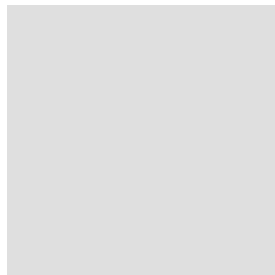
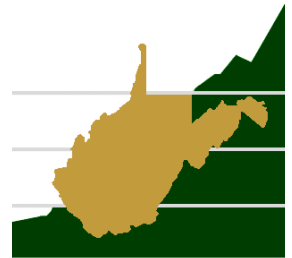


West Virginia Investment Management Board

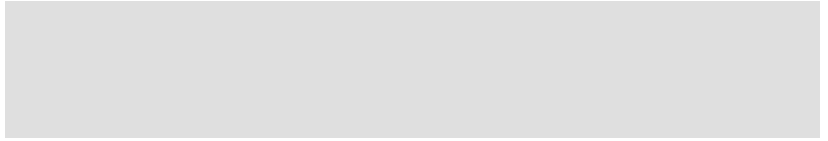
2015 ANNUAL REPORT





ANNUAL REPORT

Year Ended June 30, 2015



Our mission is to exercise our best independent judgment in providing prudent and professional investment management for the exclusive benefit of the beneficiaries.

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Definition of Terms and Abbreviations

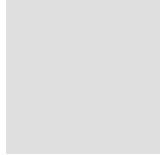
The following terms and abbreviations are used throughout the West Virginia Investment Management Board's Annual Report and are listed here to help with the overall understanding and readability of this document.

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

Definition of Terms and Abbreviations

The following terms and abbreviations refer to the investment performance benchmarks used for comparison purposes in the Investment Objectives and Financial Highlights section.

S&P 500	Standard & Poor's 500 is a stock market index based on the market capitalizations of 500 large companies having common stock listed on the New York Stock Exchange or NASDAQ.
Russell 2500/ Russell 3000	The Russell 2500 is an index of the 2,500 smallest companies in the Russell Investments' Russell 3000 index which is a broad market index comprised of 3,000 publicly held U.S. companies.
MSCI EAFE	A stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI Barra, formerly Morgan Stanley Capital International. The EAFE acronym stands for Europe, Australasia and Far East.
MSCI ACWI	A market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The “ ex U.S. ” qualifier indicates that the index excludes the United States markets. The “ IMI ” qualifier further limits the index to investable markets. It is maintained by MSCI Barra, formerly Morgan Stanley Capital International.
Citigroup 90-Day Treasury Bill	An unmanaged index representing monthly return equivalents of yield averages of the last 3 month Treasury Bill issues.
Barclays Capital Universal	The index covers U.S. dollar-denominated, taxable bonds that are rated either investment-grade or below investment-grade.
Barclays Capital U.S. Aggregate	A market capitalization weighted index that includes most U. S. traded investment grade bonds.
Barclays Capital U.S. TIPS	An index that measures the performance of U.S. Treasury Inflation Protected Securities.
HRFI FoF	Hedge Fund Research, Inc.'s composite index of fund of funds.
NCREIF	National Council of Real Estate Investment Fiduciaries' property index.



INTRODUCTION

Message from Chairman

October 8, 2015

Dear Fellow West Virginians:

On behalf of the trustees of the West Virginia Investment Management Board, I am pleased to present the Board's Annual Financial Report for the fiscal year ending June 30, 2015. Please note that additional information about the Investment Management Board may be accessed electronically on its website, www.wvimb.org.

The fiscal year ending June 30, 2015, was a difficult year for investors as much of the world continues to struggle with the aftermath of the credit crisis of 2008. Nevertheless, the Investment Management Board was still able to return 3.9 percent (using the Public Employees' Retirement System as a proxy for all long-term assets) for the fiscal year, which follows the 17.9 percent return it produced in fiscal year 2014. More important, however, is the 11.1 percent annualized return the Investment Management Board has generated over the last five years ending June 30, 2015. This exceeds the target rate of return assumed by the actuary for the defined benefit pension plans (this excludes the Municipal Police Officers' and Firemen's Retirement System as it was newly created and without a full allocation initially). Significantly, all participant plans experienced better than expected returns, beating their short-term benchmarks.

As for the future, although it appears that the United States is working its way out of the recession, globally economies are experiencing stress that can effect both the US economy as well as the Investment Management Board's portfolio. This will create significant challenges for the Investment Management Board in achieving its performance targets in the near term. It is important to remind ourselves, however, that the time horizon for the majority of assets entrusted to the Investment Management Board is long-term.

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

Sincerely,



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

Message from Executive Director

October 8, 2015

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

- **Organization** – Contains general information regarding trustees and staff, history of the IMB, statutory mandate, administrative mandate, and investment philosophy.
- **Investment Objectives and Financial Highlights** – Outlines the more specific objectives and performance of each of the investment pools.
- **Participant Plans** – Contains a brief description of each of the participant plans whose assets are entrusted to the IMB.

Please note that in previous years the audited financial statements of the investment pools administered by the IMB and the IMB's Administrative Fund were included as part of the Annual Report. This year they are published as a separate document. This change was made to accommodate two audit opinion release dates and will also minimize the time required to download this annual report. The audited financial statements are available on the IMB website.

As an investment organization, the IMB's constant focus is the performance of its investments as it seeks to satisfy the investment needs of the beneficiaries of the participant plans entrusted to it. To a large extent, each participant plan's performance is a function of the assets in which it invests. As such, a review of asset class performance for the year may be helpful.

Fiscal year 2015 was not a strong year for global markets. US stocks, while up, were short of their long-term average. Meanwhile, non-US stocks were down almost 5 percent. The broad fixed income markets were positive, but only modestly at 1.6 percent for the fiscal year as reflected by the Barclays Universal Index. In the United States, the economy was dominated by speculation over the timing and extent of any rate increase by the Federal Reserve and falling commodity prices, principally oil. Speculation on the rate increase was a direct result of positive news on the economic front as data suggested that the US economy was on stable footing. By contrast, developed international markets continued to struggle with the possible exception of the United Kingdom. The anemic pace of growth on the European continent ultimately forced policymakers to embrace quantitative easing in an effort to boost economic activity. Their efforts seem to have a positive impact on the markets but as the fiscal year wound down, the focus turned to Greece and China, with Greece threatening to exit the European Union rather than accept the conditions the Union would impose for further debt relief. Meanwhile, the Chinese stock market went into a tailspin raising further concerns about the emerging market economies going into fiscal year 2016.

The IMB's relative performance by asset class was generally mixed in fiscal year 2015. The best relative performance came from the hedge fund portfolio which outperformed its benchmark by 1.1 percent. The US equity portfolio was pedestrian by comparison, but still outperformed its benchmark by 0.4 percent. The IMB saw underperformance versus benchmarks in international equity and fixed income for the fiscal year. The private equity portfolio is still somewhat immature, so comparisons to benchmarks are problematic, but it returned 14.5 percent and helped diversify risk in the portfolio, an important goal. The real estate and hedge fund portfolios provided an alternative to fixed income as diversifying assets. They both have served that purpose well, adding value relative to fixed income, especially in the past year. While their primary goal in the portfolio is diversification of fixed income, both have also outperformed their benchmarks for the past fiscal year and extended periods.

The majority of assets managed by the IMB are for participants with longer time horizons. These include the defined benefit pension plans, some employment security plans and other trust assets. Still others, like Revenue Shortfall Reserve Funds A and B, have shorter time horizons of varying degrees.

Message from Executive Director

Defined benefit pension plans make up approximately 80 percent of the IMB's total assets. For general comparison purposes, the IMB uses the Public Employees' Retirement System (PERS) as a proxy for the other pension plans because of its similarity to other statewide public pension plans throughout the nation. As of June 30, 2015, the return for PERS was 3.9 percent net of expenses for the fiscal year. Of greater significance is the longer-term performance. In that regard, over the five-year period ending June 30, 2015, the IMB's annualized return was 11.1 percent versus the policy benchmark of 9.4 percent. This represents millions of dollars in value added by trustees and staff. The other defined benefit pension plans' returns for the fiscal year ending June 30, 2015, were essentially identical, 3.9 versus 4.0, to PERS. Since asset allocations are virtually the same for each plan, differences in the returns for the various pension plans are a function of the differences in the timing of cash flows into and out of each plan and relative levels of cash equivalent securities necessary to make benefit payments. Other trust assets, including the Wildlife Endowment Fund, the West Virginia Retiree Health Benefit Trust Fund and WVDEP Trust Fund, have similar asset allocations to the defined benefit pension plans and returned 4.0, 3.9 and 2.9 percent respectively.

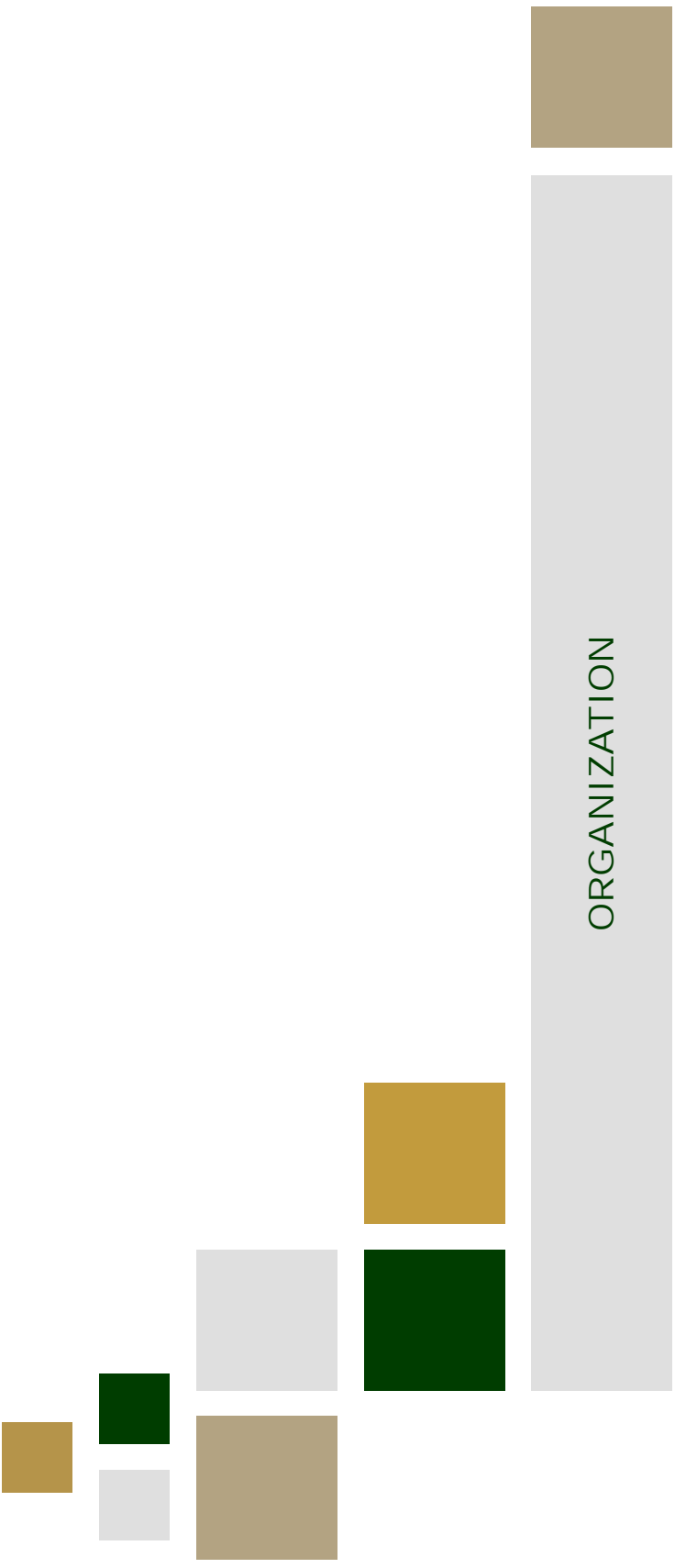
With regard to employment security assets, the reader will note a significant difference in returns from defined benefit plans. This is, primarily, a function of differences in the time horizon and liquidity needs, which vary quite significantly by plan. This leads to a wide divergence in the respective plans' allocations to various asset classes. As a result, the returns for employment security assets for the fiscal year ending June 30, 2015, range from 1.9 percent for the Public Employees' Insurance Agency to 0.8 percent for the Workers' Compensation Old Fund. Specific data on the returns and objectives of each Participant Plan may be found in the pages that follow.

As an investor, the IMB's capacity to generate return on assets is largely a function of growth in the world capital markets. Diversification helps smooth the volatility in capital markets, but growth is the engine of returns. While the US economy has stabilized, the rest of the world is wrestling with geopolitical issues that complicate its path forward. The developed markets have varying degrees of structural problems related to aging populations and societal commitments that are a drain on resources. The emerging markets of the world have excellent prospects for growth, but many are dealing with cyclical downturns, exacerbated by the malaise in the developed world. While growth prospects are more promising in emerging markets, many are still struggling with structural and societal issues that could hinder the timing and extent of their recoveries in the near term. In short, the world is full of challenges for an investor. The staff looks forward to helping trustees meet the challenges as fiscal year 2016 unfolds.

Sincerely,



Craig Slaughter, JD, CFA
Executive Director



Board of Trustees – Fiscal Year 2015

Earl Ray Tomblin, Chairman

Governor of the State of West Virginia

Steve Antoline

Businessman

G. Kurt Dettinger

Member in Steptoe & Johnson, PLLC

Glen B. Gainer III

Auditor of the State of West Virginia

Judy Hale

David A. Haney

Executive Director of the West Virginia Education Association

Roger D. Hunter

Special Counsel, Bowles Rice, LLP

David H. McKinley

President and Managing Director of McKinley | Carter Wealth Services

John D. Perdue

Treasurer of the State of West Virginia

Marie L. Prezioso

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

Jack Rossi

Steven L. Smith

Administrator of the West Virginia Laborers Trust Funds

Randall E. Snider

President and Chief Executive Officer of Community Bank

Representatives and Committee Members – Fiscal Year 2015

Deputy Sheriff's Retirement System

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

Judges' Retirement System

John Hutchinson, Representative

Public Employees' Retirement System

Patricia Hamilton, Representative
Denise Gould, Committee Member
Melissa Smith, Committee Member

State Police Death, Disability and Retirement Fund

William J. Scott, Representative

State Police Retirement System

Scott Michael Pettry, Representative

Teachers' Retirement System

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

Emergency Medical Services Retirement System

Mark Kerns, Representative
Robert A. Ford, Committee Member

Workers' Compensation Old Fund and Coal Workers' Pneumoconiosis Fund

Melinda Kiss, Representative
Cheri Harpold, Committee Member

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

Staff Members – Fiscal Year 2015

Executive Staff

Craig Slaughter, J.D., CFA, Executive Director / Chief Investment Officer

Matthew Jones, CPA, CCM, CGMA, Chief Financial Officer / Chief Operating Officer

Deborah Sink, J.D., General Counsel / Policy Compliance Officer

Internal Audit

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

Tabitha Crist, CPA, Internal Audit Associate

Investments Division

Rod Livingston, CFA, CAIA, CCM, MBA, Senior Investment Officer

Tom Sauvageot, CAIA, MBA, Fixed Income and Real Estate Investment Officer

Jim Herrington, CFA, CAIA, MBA/MSM, Private and Public Equity Investment Officer

Operations Division

Roger Summerfield, CPA, Director of Operations

Steve Frenchik, CPA, CGMA, MBA, Financial Reporting Manager

Brian DuBois, Senior Investment Accountant

Linda Davis, Trade Analyst

Crystal Hunt, Investment Accountant

David McCormick, Investment Accountant

Aaron Souza, Investment Accountant

James Atkins, CPA, CAIA, CGMA, Senior Alternative Investment Analyst

Mika Pierson, CPA, Alternative Investment Analyst

Annie Kerns, MBA, Investment Accountant

Support Staff

Jo Ann Harrison, CAP, Administrative Assistant to the Executive Director

Jane Heitz, Secretary / Receptionist

Shane Jividen, CPA, Human Resources and Office Administrator

Milly Torman, Administrative Assistant

Technology Division

Darius Walker, MSCE, Director of Technology

Fred Branham, MSCE, MCSA, Senior Network Engineer

Rick Greathouse, CompTIA A+, Network+, Network Administrator

Rebecca King, CPA-Inactive, Enterprise Information Architect

Organizational History

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

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

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

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

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

In the fall of 1990, the Legislature took a huge leap forward by creating a staff for the West Virginia State Board of Investments separate from the staff of the Treasury. This provided clear accountability to the Board of Investments – something that did not exist previously. Other very important control features included: (1) a statutory requirement for an Internal Auditor, (2) an annual external audit by a certified public accounting firm, and (3) monthly reporting requirements to government leaders in accordance with generally accepted accounting principles. This last feature dictated that all pools with a weighted average maturity in excess of 90 days must be marked-to-market (carried at market value), something that had not been done in the 1980s.

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

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

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

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

In 2007, the Legislature expanded the investable universe of assets, increasing the allowable allocation to public equity and international securities, while also providing for a significant allocation to "alternative investments," loosely defined as hedge funds and private equity. Then, in 2014, the Legislature eliminated the percentage limitations on allowable asset classes or securities, joining most of its peers in recognizing the prudent investor standard of care is the most effective control on investor behavior for institutions.

Statutory Mandate

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

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

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

Administrative Mandate

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

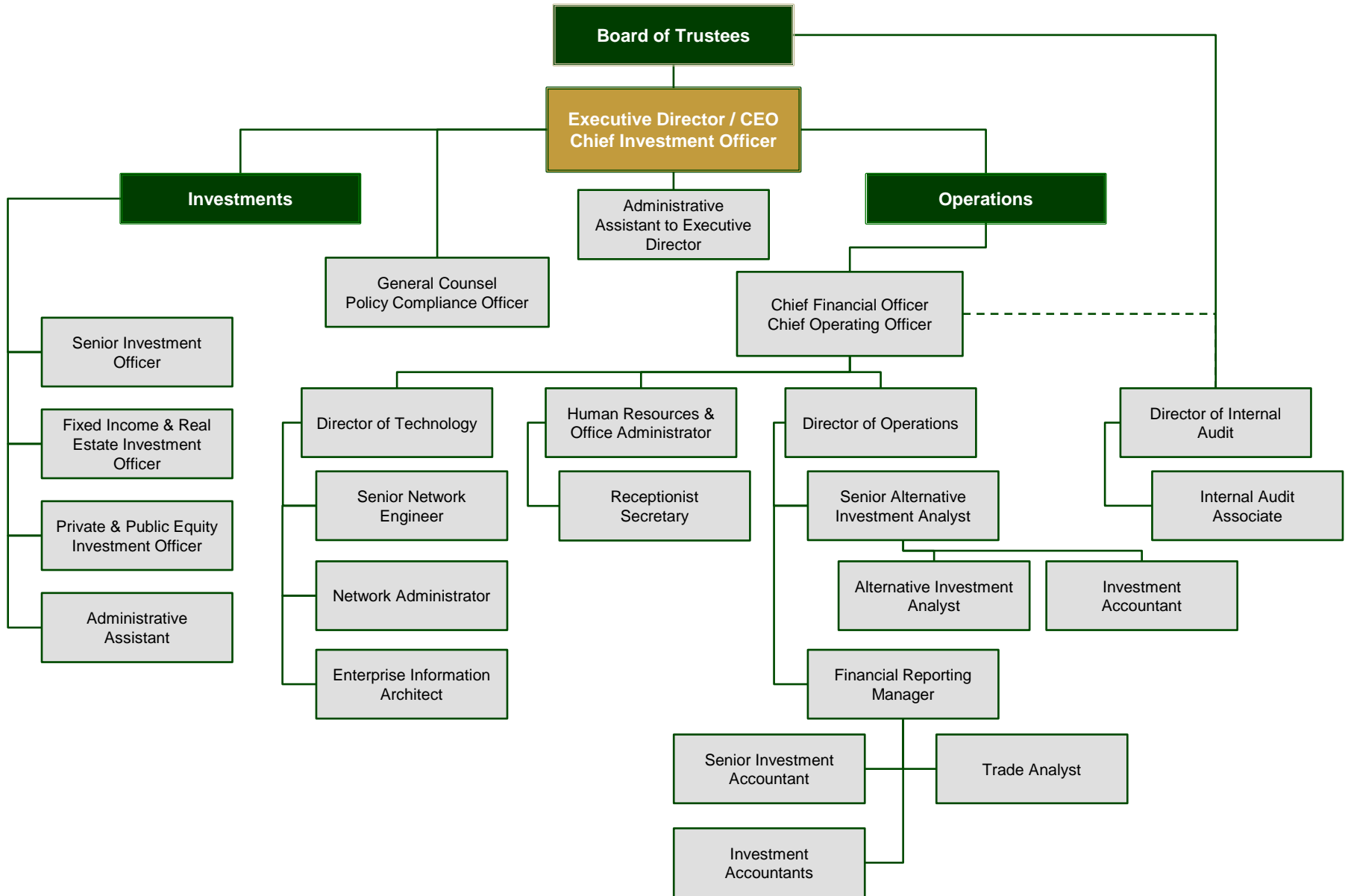
A member of each defined benefit retirement plan is designated by the Consolidated Public Retirement Board to represent the Participant Plans' interests. Likewise, the West Virginia Insurance Commission designates a representative for the Coal Workers' Pneumoconiosis Fund and the Workers' Compensation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

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

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

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

Organization Chart



Investment Philosophy

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

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

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

<u>Agenda Item</u>	<u>Review Schedule</u>
Investment Performance	Quarterly
Investment Policy	Every Year
Policy Asset Allocation	Every Three Years
Strategic Asset Allocation	Every Three Years
Allocation Ranges	Every Three Years
Asset Allocation Review for Each Participant Plan	At Least Every Three Years

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

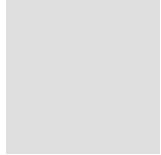
In determining its philosophy towards risk, the Board considers, in addition to its fiduciary obligations and statutory requirements, each entity's purpose and characteristics, financial condition, liquidity needs, sources and level of contributions, income and general business conditions. Based upon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

INVESTMENT OBJECTIVES

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

PARTICIPANT PLANS

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



INVESTMENT OBJECTIVES & FINANCIAL HIGHLIGHTS



Equity Pool

OBJECTIVES

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

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

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

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

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

MANAGEMENT STRUCTURE

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

Manager	Style
Large Cap Domestic Equity Pool	
State Street Global Advisors	Index Core
INTECH Investment Management, LLC	Quantitative Core
Non-Large Cap Domestic Equity Pool	
Westfield Capital Management	Growth at a Reasonable Price
AJO	Relative Value
International Qualified and International Nonqualified Pools	
<i>Developed Markets</i>	
Silchester International Investors	All Country, Value
International Equity Pool	
<i>Developed Markets</i>	
LSV Asset Management	All Country, Relative Value
<i>Small Capitalization</i>	
Oberweis Asset Management, Inc.	All Country, Growth at a Reasonable Price
Acadian Asset Management, LLC	All Country, Quantitative Value
<i>Emerging Markets</i>	
Brandes Investment Partners, L.P.	Emerging Market, Value
Axiom International Investors, LLC	Emerging Market, Growth at a Reasonable Price

Equity Pool

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the equity pools and are available at WVIMB.org. Financial Highlights for each pool are presented below.

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

Condensed Statement of Assets and Liabilities

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity
Investments	\$ 3,839,096	\$ 1,136,217
Payable upon return of securities loaned	(424,099)	(321,549)
Cash	1,810	-
Receivable for investments sold	443	10,660
Payable for investments purchased	(1,167)	(14,277)
Other assets and liabilities	3,409	377
Net assets - June 30, 2015	\$ 3,419,492	\$ 811,428

Condensed Statement of Assets and Liabilities

	International Qualified	International Nonqualified	International Equity
Investments	\$ 1,310,286	\$ 153,554	\$ 2,961,738
Payable upon return of securities loaned	-	-	(211,284)
Cash	-	-	11,502
Receivable for investments sold	-	-	16,015
Payable for investments purchased	-	-	(24,117)
Foreign currency contracts	-	-	(27)
Other assets and liabilities	(46)	(5)	5,005
Net assets - June 30, 2015	\$ 1,310,240	\$ 153,549	\$ 2,758,832

Equity Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

Investments	Large Cap Domestic Equity		Non-Large Cap Domestic Equity	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Domestic equities sector exposure:				
Basic Materials	\$ 125,051	3.3%	\$ 39,373	3.5%
Capital Goods	378,982	9.9	130,281	11.5
Communications Services	75,810	2.0	3,249	0.3
Consumer Discretionary	424,523	11.1	121,693	10.7
Consumer Staples	343,717	9.0	10,404	0.9
Energy	187,903	4.9	39,454	3.5
Financial Services	585,245	15.1	191,161	16.7
Health Care	548,917	14.3	132,060	11.6
Technology	547,915	14.2	109,221	9.6
Utilities	175,806	4.6	29,026	2.6
Total domestic equities	3,393,869	88.4	805,922	70.9
Futures	(203)	0.0	-	0.0
Short-term issues	21,333	0.6	8,747	0.8
Investments made with cash collateral for securities loaned	424,097	11.0	321,548	28.3
Total	\$ 3,839,096	100.0%	\$ 1,136,217	100.0%

Investments	International Qualified		International Nonqualified	
	Fair Value	Percent of Securities	Fair Value	Percent of Securities
Investments in other funds	\$ 1,310,286	100.0%	\$ 153,554	100.0%

Investments	International Equity	
	Fair Value	Percent of Securities
International equities country exposure:		
Australia	\$ 69,221	2.3%
Brazil	176,653	6.0
Canada	135,057	4.6
Cayman Islands	81,531	2.8
China	108,580	3.7
France	112,340	3.8
Germany	123,756	4.2
India	60,520	2.0
Japan	401,766	13.6
Korea	174,181	5.9
Mexico	59,498	2.0
Russia	82,501	2.8
Switzerland	97,333	3.3
Taiwan	84,402	2.8
United Kingdom	275,899	9.3
All others (none greater than 2%)	675,202	22.7
Total international equities	2,718,440	91.8
Short-term issues	32,015	1.1
Investments made with cash collateral for securities loaned	211,283	7.1
Total	\$ 2,961,738	100.0%

Equity Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

Progression of Net Assets

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity
Net assets - June 30, 2014	\$ 3,097,555	\$ 1,076,383
Net increase from operations	270,042	42,672
Net increase (decrease) from unit transactions	51,895	(307,627)
Net assets - June 30, 2015	<u>\$ 3,419,492</u>	<u>\$ 811,428</u>

Progression of Net Assets

	International Qualified	International Nonqualified	International Equity
Net assets - June 30, 2014	\$ 1,303,093	\$ 153,086	\$ 2,764,423
Net increase (decrease) from operations	6,732	414	(201,934)
Net increase from unit transactions	415	49	196,343
Net assets - June 30, 2015	<u>\$ 1,310,240</u>	<u>\$ 153,549</u>	<u>\$ 2,758,832</u>

INVESTMENT PERFORMANCE

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

Period	Large Cap Domestic Equity		Non-Large Cap Domestic Equity	
	Actual	S&P 500	Actual	Russell 2500
One-year	8.5%	7.4%	5.7%	5.9%
Three-year	17.6%	17.3%	19.7%	18.7%
Five-year	17.8%	17.3%	19.4%	17.9%
Ten-year	8.0%	7.9%	9.6%	9.1%

Period	International Qualified		International Nonqualified		International Equity	
	Actual	MSCI EAFE	Actual	MSCI EAFE	Actual	MSCI ACWI ex U.S. (IMI)*
One-year	0.6%	(3.8%)	0.3%	(3.8%)	(7.5%)	(4.6%)
Three-year	17.2%	12.5%	16.9%	12.5%	9.4%	10.1%
Five-year	13.2%	10.0%	12.9%	10.0%	7.9%	8.3%
Ten-year	9.8%	5.6%	9.4%	5.6%	6.4%	6.1%

*Prior to January 2014, the International Equity Pool index was the MSCI ACWI ex U.S. (Standard).

Equity Pool

EXPENSES

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

Expense Ratios (in basis points)	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International Qualified	International Nonqualified	International Equity
Investment advisor fees	7.7	22.7	51.4	61.7	58.2
Trustee fees	0.0*	0.0*	0.0*	0.0*	0.0*
Custodian bank fees	0.3	0.5	N/A	N/A	4.8
Management fees	2.6	2.6	2.6	2.6	2.6
Fiduciary bond fees	0.0*	0.0*	0.0*	0.0*	0.0*
Professional service fees	0.5	0.5	0.5	0.5	0.7
Total	11.1	26.3	54.5	64.8	66.3

* Expense Ratio rounds to less than 0.1 basis points.

Trading Costs

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International Equity	Total
Net commission costs (in \$000s)	\$ 1,065	\$ 1,092	\$ 3,379	\$ 5,536
Domestic equity commission rate (cents per share)	2.4	1.6		
International equity commission rate (basis points per dollar volume)			12.2	

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Short-Term Fixed Income Pool

OBJECTIVES

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

MANAGEMENT STRUCTURE

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

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the Short-Term Fixed Income Pool are available at WVIMB.org. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

Investments	\$ 269,660
Other assets and liabilities, net	56
Net assets - June 30, 2015	<u>\$ 269,716</u>

Investments

	Fair Value	Percent of Securities
Commercial paper	\$ 22,999	8.5%
Repurchase agreement	64,341	23.9
U.S. government agency issues	136,763	50.7
U.S. Treasury issues	45,557	16.9
Total	<u>\$ 269,660</u>	<u>100.0%</u>

Progression of Net Assets

Net assets - June 30, 2014	\$ 339,070
Net increase from operations	20
Income distributions to unitholders	(14)
Net decrease from unit transactions	(69,360)
Net assets - June 30, 2015	<u>\$ 269,716</u>

Short-Term Fixed Income Pool

INVESTMENT PERFORMANCE

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

Period	Actual	Citigroup 90 Day Treasury Bill*
One-year	0.1%	0.0%
Three-year	0.1%	0.1%
Five-year	0.1%	0.2%
Ten-year	1.5%	1.5%

**Prior to January 2014, the Short-Term Fixed Income Pool index was the Citigroup 90 Day Treasury Bill plus 15 basis points.*

EXPENSES

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

Expense Ratios (in basis points)

Investment advisor fees	5.0
Trustee fees	0.0*
Custodian bank fees	0.7
Management fees	2.9
Fiduciary bond fees	0.0*
Professional service fees	0.6
Total	<u>9.2</u>

* Expense Ratio rounds to less than 0.1 basis points.

Fixed Income Pool

OBJECTIVES

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

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

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

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

MANAGEMENT STRUCTURE

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

Manager	Style
Total Return Fixed Income Pool	
Western Asset Management Company	Core Plus Fixed Income
Dodge & Cox	Core Plus Fixed Income
Franklin Templeton Investments	Emerging Markets Fixed Income
Core Fixed Income Pool	
JPMorgan Investment Advisors, Inc.	Core Fixed Income

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements are prepared for each of the fixed income pools and are available at WVIMB.org. Financial Highlights for each pool are presented below.

Condensed Statement of Assets and Liabilities	Total Return Fixed Income	Core Fixed Income
Investments	\$ 2,405,851	\$ 1,091,596
Payable upon return of securities loaned	(22,132)	(21,731)
Cash	11,174	-
Receivable for investments sold	588	1,300
Payable for investments purchased	(9,106)	(5,520)
Other assets and liabilities	7,244	2,336
Net assets - June 30, 2015	<u>\$ 2,393,619</u>	<u>\$ 1,067,981</u>

Fixed Income Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

Investments	Total Return Fixed Income		Core Fixed Income	
	Fair Value	Percentage of Securities	Fair Value	Percentage of Securities
Corporate asset backed issues	\$ 137,924	5.7%	\$ 76,563	7.0%
Corporate CMO	109,508	4.6	89,015	8.2
Corporate preferred security	10,428	0.4	-	0.0
Foreign asset backed issues	20,849	0.9	2,786	0.3
Foreign corporate bonds	285,960	11.9	46,346	4.2
Foreign currency forward contracts	2,383	0.1	-	0.0
Foreign government bonds	212,324	8.8	7,800	0.7
Futures contracts	2,533	0.1	-	0.0
Investments in other funds	356,277	14.8	-	0.0
Investments made with cash collateral for securities loaned	22,132	0.9	21,731	2.0
Municipal bonds	51,734	2.2	8,646	0.8
Option contracts purchased	1,114	0.0	-	0.0
Option contracts written	(1,244)	(0.1)	-	0.0
Short-term issues	102,153	4.2	41,293	3.8
Swaps	531	0.0	-	0.0
U.S. corporate bonds	578,249	24.2	222,273	20.3
U.S. government agency bonds	2,566	0.1	21,730	2.0
U.S. government agency CMO	84,611	3.5	161,784	14.8
U.S. government agency MBS	293,805	12.2	188,831	17.3
U.S. Treasury issues	132,014	5.5	202,798	18.6
Total	\$ 2,405,851	100.0%	\$ 1,091,596	100.0%

Progression of Net Assets

	Total Return Fixed Income	Core Fixed Income
Net assets - June 30, 2014	\$ 2,305,171	\$ 1,031,123
Net increase from operations	12,681	28,037
Income distributions to unitholders	(80,915)	(33,972)
Net increase from unit transactions	156,682	42,793
Net assets - June 30, 2015	\$ 2,393,619	\$ 1,067,981

INVESTMENT PERFORMANCE

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

Period	Total Return Fixed Income		Core Fixed Income	
	Actual	Barclays Capital Universal*	Actual	Barclays Capital U.S. Aggregate
One-year	0.6%	1.6%	2.8%	1.9%
Three-year	3.6%	2.3%	2.6%	1.8%
Five-year	4.5%	3.8%	4.2%	3.4%
Ten-year	5.1%	4.8%	N/A	N/A

*Prior to April 2008, the Total Return Fixed Income Pool index was a custom index.

Fixed Income Pool

EXPENSES

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

Expense Ratios (in basis points)	Total Return Fixed Income	Core Fixed Income
Investment advisor fees	21.9	15.0
Trustee fees	0.0*	0.0*
Custodian bank fees	0.7	0.7
Management fees	2.6	2.6
Fiduciary bond fees	0.0*	0.0*
Professional service fees	0.5	0.5
Total	25.7	18.8

* Expense Ratio rounds to less than 0.1 basis points.

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TIPS Pool

OBJECTIVES

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

MANAGEMENT STRUCTURE

The TIPS Pool is managed by State Street Global Advisors.

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the TIPS Pool are available at WVIMB.org. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

Investments	\$ 428,002
Receivable for investments sold	2,806
Payable for investments purchased	(2,881)
Other assets and liabilities	1,606
Net assets - June 30, 2015	<u>\$ 429,533</u>

Investments

	Fair Value	Percent of Securities
U.S. Treasury inflation protected issues	\$ 427,774	100.0%
Short-term issues	228	0.0
Total	<u>\$ 428,002</u>	<u>100.0%</u>

Progression of Net Assets

Net assets - June 30, 2014	\$ 604,472
Net decrease from operations	(8,611)
Net decrease from unit transactions	(166,328)
Net assets - June 30, 2015	<u>\$ 429,533</u>

INVESTMENT PERFORMANCE

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

Period	Actual	Barclays Capital U.S. TIPS
One-year	(1.8%)	(1.7%)
Three-year	(0.8%)	(0.8%)

TIPS Pool

EXPENSES

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

Expense Ratios (in basis points)

Investment advisor fees	2.3
Trustee fees	0.0*
Custodian bank fees	0.4
Management fees	2.6
Fiduciary bond fees	0.0*
Professional service fees	0.5
Total	<u>5.8</u>

* Expense Ratio rounds to less than 0.1 basis points.

Special Purpose Pool

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

HISTORY (in \$000s)

The Pool held an investment contract issued by the Variable Annuity Life Insurance Company (VALIC) strictly for the benefit of the Teachers' Retirement System (TRS). On December 10, 2008, the IMB assumed responsibility for this investment as part of the restructuring of the Teachers' Defined Contribution (TDC) plan, a separate retirement plan administered solely by the Consolidated Public Retirement System, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The final amount transferred under the contract was \$248,293.

The IMB initially requested the immediate redemption of the entire balance but VALIC denied the request, claiming the amounts were subject to withdrawal restrictions. Effective April 23, 2009, the IMB, while reserving its rights under the contract, executed the appropriate forms with VALIC to elect to withdraw funds under the Five Year Equal Annual Installment method. By making this election the guaranteed minimum annual yield of 4.5 percent became the fixed rate for this contract. The first four withdrawals of \$55,058 each occurred on May 4, 2009, 2010, 2011 and 2012. The final withdrawal of \$55,191 occurred on May 8, 2013. On that date, all remaining income, net of all management fees, was distributed to TRS and all units of ownership in the Pool were redeemed.

In response to VALIC's denial to allow the IMB to liquidate the contract in its entirety, the IMB sued VALIC and the litigation is ongoing. The outcome of the litigation is unknown and accordingly the IMB has not accrued any potential revenues from the case. There are ongoing legal fees associated with this litigation and these expenses are accrued to the Pool. The funding for the payment of these expenses results from contributions by the TRS into the TRS Annuity Pool. No other management fees are charged to the Pool and none have been charged since the final withdrawal on May 8, 2013. Amounts recovered pursuant to the litigation, if any, will be recorded in the TRS Annuity Pool and distributed to the TRS. Once the case is resolved the TRS Annuity Pool will be closed.

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the TRSA are available at WVIMB.org. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

Assets	\$	-
Accrued expenses		(96)
Net assets - June 30, 2015	\$	<u>(96)</u>

Progression of Net Assets

Net assets - June 30, 2014	\$	(17)
Net decrease from operations		(168)
Net increase from capital transactions		89
Net assets - June 30, 2015	\$	<u>(96)</u>

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Private Equity Pool

OBJECTIVES

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

The Private Equity Pool is comprised of the following categories and target range allocations as of June 30, 2015:

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

MANAGEMENT STRUCTURE

The selection of investments in the Private Equity Pool is made by the Pool's subcommittee which includes the Executive Director/Chief Investment Officer, the Chief Financial Officer/Chief Operating Officer, the Senior Investment Officer, and two members selected from the Board. Investment recommendations are jointly made by the Private and Public Equity Investment Officer and Franklin Park Associates, LLC, the investment consultant to the subcommittee.

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the Private Equity Pool are available at WVIMB.org. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

Investments	\$ 1,404,176
Receivable for partnership distributions	588
Cash	(588)
Other assets and liabilities	(175)
Net assets - June 30, 2015	<u>\$ 1,404,001</u>

Investments

	Fair Value	Percent of Securities
Hedge fund	\$ 350,711	25.0%
Investment in other fund	31,813	2.3
Private equity partnerships	964,895	68.7
Short-term issue	56,757	4.0
Total	<u>\$ 1,404,176</u>	<u>100.0%</u>

Progression of Net Assets

Net assets - June 30, 2014	\$ 1,355,058
Net increase from operations	184,528
Net decrease from unit transactions	(135,585)
Net assets - June 30, 2015	<u>\$ 1,404,001</u>

Private Equity Pool

INVESTMENT PERFORMANCE

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

Period	Actual	Russell 3000 plus 300 basis points*
One-year	14.5%	N/A
Three-year	14.2%	N/A
Five-year	15.0%	21.7%

**Prior to January 2014, the Private Equity Pool index was the S&P 500 plus 500 basis points.*

EXPENSES

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

Expense Ratio (in basis points)

Investment advisor fees	0.2
Trustee fees	0.0*
Custodian bank fees	0.0*
Management fees	2.6
Fiduciary bond fees	0.0*
External fees/Fund closing costs	1.0
Professional service fees	6.4
Total	<u>10.2</u>

* Expense Ratio rounds to less than 0.1 basis points.

Real Estate Pool

OBJECTIVES

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

The Real Estate Pool is comprised of three categories. The target range allocations as of June 30, 2014, are as follows:

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

MANAGEMENT STRUCTURE

The selection of investments in the Real Estate Pool is made by the Pool's subcommittee which includes the Executive Director/Chief Investment Officer, the Chief Financial Officer/Chief Operating Officer, Private and Public Equity Investment Officer, and two members selected from the Board. Investment recommendations are jointly made by the Fixed Income and Real Estate Investment Officer and Courtland Partners, Ltd, the investment consultant to the subcommittee. The public real estate investments are managed by the following firms, in accordance with a particular investment style.

Manager	Style
CBRE Clarion Securities, LLC Security Capital Research & Management Inc.	Global Real Estate Investment Securities U.S. Debt and Equity Real Estate Securities

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the Real Estate Pool are available at WVIMB.org. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

Investments	\$ 1,498,444
Payable upon return of securities loaned	(10,556)
Receivable for investments sold	996
Payable for investments purchased	(373)
Foreign currency contracts	(1)
Other assets and liabilities	1,037
Net assets - June 30, 2015	<u>\$ 1,489,547</u>

Investments

	Fair Value	Percent of Securities
Corporate bonds	\$ 48,929	3.3%
Equity securities	234,984	15.7
Investments made with cash collateral for securities loaned	10,556	0.7
Private real estate partnerships and funds	1,166,391	77.8
Short-term issues	37,584	2.5
Total	<u>\$ 1,498,444</u>	<u>100.0%</u>

Real Estate Pool

FINANCIAL HIGHLIGHTS (continued in \$000s)

Progression of Net Assets

Net assets - June 30, 2014	\$ 1,275,023
Net increase from operations	145,358
Net increase from unit transactions	69,166
Net assets - June 30, 2015	<u>\$ 1,489,547</u>

INVESTMENT PERFORMANCE

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

Period	Actual	NCREIF plus 100 basis points
One-year	10.7%	N/A
Three-year	10.7%	N/A
Five-year	10.7%	13.8%

EXPENSES

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

Expense Ratio (in basis points)

Investment advisor fees	16.8
Trustee fees	0.0*
Custodian bank fees	0.6
Management fees	2.6
Fiduciary bond fees	0.0*
External fees/Fund closing costs	20.3
Professional service fees	3.9
Total	<u>44.2</u>

* Expense Ratio rounds to less than 0.1 basis points.

Hedge Fund Pool

OBJECTIVES

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

The Hedge Funds are comprised of the following strategic categories and target range allocations as of June 30, 2015:

Category	Target Range	Allocation Range
Core		
Relative Value	30-40%	25-55%
Event Driven	15-25%	10-40%
Long-Short Equity	20-30%	15-45%
Directional	10-20%	5-25%
Supplemental		
Long Biased	0-10%	0-15%
Private Equity	0-3%	0-5%
Private Credit	0-3%	0-5%
Real Assets	0-3%	0-5%

MANAGEMENT STRUCTURE

The selection of investments in the Hedge Fund Pool is made by the Pool's subcommittee which includes the Executive Director/Chief Investment Officer, the Chief Financial Officer/Chief Operating Officer, the Fixed Income and Real Estate Investment Officer, and two members selected from the Board. Investment recommendations are jointly made by the Senior Investment Officer and Albourne America, LLC, the investment consultant to the subcommittee.

FINANCIAL HIGHLIGHTS (in \$000s)

Audited financial statements for the Hedge Fund Pool are available at WVIMB.org. Financial Highlights are presented below.

Condensed Statement of Assets and Liabilities

Investments	\$ 1,563,142
Advance on investments in other funds	90,000
Investment funds redeemed	9,668
Other assets and liabilities	(77)
Net assets - June 30, 2015	\$ 1,662,733

Investments

	Fair Value	Percent of Securities
Hedge funds	\$ 1,548,107	99.0%
Short-term issue	15,035	1.0
Total	\$ 1,563,142	100.0%

Progression of Net Assets

Net assets - June 30, 2014	\$ 1,564,993
Net increase from operations	90,140
Net increase from unit transactions	7,600
Net assets - June 30, 2015	\$ 1,662,733

Hedge Fund Pool

INVESTMENT PERFORMANCE

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

Period	Actual	HFRI FoF plus 100 basis points*
One-year	6.0%	5.0%
Three-year	8.4%	4.7%
Five-year	6.5%	4.5%

** Prior to January 2014, the Hedge Fund index was LIBOR plus 400 basis points.*

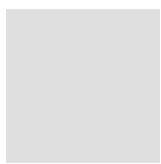
EXPENSES

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

Expense Ratio (in basis points)

Trustee fees	0.0*
Custodian bank fees	0.0*
Management fees	2.6
Fiduciary bond fees	0.0*
Professional service fees	3.2
Total	<u>5.8</u>

* Expense Ratio rounds to less than 0.1 basis points.



PARTICIPANT PLANS

Participant Plans Overview

FINANCIAL HIGHLIGHTS (in \$000s)

Plan Balances as of June 30, 2015

	Assets	Percent of Total	Page Reference
Pension Assets			
Deputy Sheriff's Retirement System	\$ 170,181	1.0%	32
Emergency Medical Services Retirement System	56,547	0.3	34
Judges' Retirement System	170,727	1.0	36
Municipal Police Officers' and Firefighters' Retirement System	1,944	0.0	38
Municipal Policemen's or Firemen's Pension and Relief Funds	1,410	0.0	40
Public Employees' Retirement System	5,742,388	33.4	41
State Police Death, Disability and Retirement Fund	607,339	3.5	43
State Police Retirement System	131,954	0.8	45
Teachers' Retirement System	6,753,118	39.4	47
Insurance Assets			
AccessWV	-	0.0	49
Board of Risk and Insurance Management	137,824	0.8	50
Coal Workers' Pneumoconiosis Fund	261,369	1.5	52
Public Employees Insurance Agency	218,202	1.3	54
West Virginia Retiree Health Benefit Trust Fund	607,251	3.5	56
Workers' Compensation Old Fund	1,290,486	7.5	58
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	15,756	0.1	60
Workers' Compensation Self-Insured Employer Security Risk Pool	9,046	0.1	62
Workers' Compensation Uninsured Employers' Fund	10,889	0.1	64
Endowment Assets			
Revenue Shortfall Reserve Fund	376,714	2.2	66
Revenue Shortfall Reserve Fund - Part B	384,146	2.2	68
West Virginia Department of Environmental Protection Agency	104,213	0.6	70
West Virginia Department of Environmental Protection Trust	8,254	0.0	72
West Virginia Prepaid Tuition Trust Fund	66,440	0.4	74
Wildlife Endowment Fund	54,655	0.3	76
Total	\$ 17,180,853	100.0%	

Deputy Sheriff's Retirement System

HISTORY

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

LIQUIDITY NEEDS

DSRS currently has positive net cash flows.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$250,000*	

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

Deputy Sheriff's Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 161,491
Contributions	8,652
Withdrawals	(6,425)
Net	2,227
Investment income	793
Net appreciation	5,670
June 30, 2015	\$ 170,181

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 37,166	21.7%
Non-Large Cap Domestic	8,826	5.2
International Qualified	16,048	9.4
International Equity	30,629	18.0
Short-Term Fixed Income	625	0.4
Total Return Fixed Income*	17,112	10.1
Core Fixed Income*	7,403	4.4
Private Equity	17,353	10.2
Real Estate	17,551	10.3
Hedge Fund	17,468	10.3
Total	\$ 170,181	100.0%

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	7.5%
Three-year	11.5%	7.5%
Five-year	11.1%	7.5%
Ten-year	7.1%	7.5%

Emergency Medical Services Retirement System

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$25,000*	

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

Emergency Medical Services Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	53,343
Contributions		4,519
Withdrawals		(3,459)
Net		<u>1,060</u>
Investment income		258
Net appreciation		1,886
June 30, 2015	\$	<u><u>56,547</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 12,293	21.7%
Non-Large Cap Domestic	2,916	5.2
International Qualified	5,289	9.4
International Equity	10,115	17.9
Short-Term Fixed Income	517	0.9
Total Return Fixed Income*	5,609	9.9
Core Fixed Income*	2,436	4.3
Private Equity	5,905	10.4
Real Estate	5,830	10.3
Hedge Fund	5,637	10.0
Total	<u><u>\$ 56,547</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	7.5%
Three-year	11.5%	7.5%
Five-year	11.0%	7.5%

Judges' Retirement System

HISTORY

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

LIQUIDITY NEEDS

JRS currently has slightly negative net cash flows.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$500,000*	

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

Judges' Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	165,239
Contributions		2,404
Withdrawals		(3,440)
Net		(1,036)
Investment income		802
Net appreciation		5,722
June 30, 2015	\$	170,727

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 37,279	21.7%
Non-Large Cap Domestic	8,868	5.2
International Qualified	16,265	9.5
International Equity	29,984	17.6
Short-Term Fixed Income	1,006	0.6
Total Return Fixed Income*	16,917	9.9
Core Fixed Income*	7,496	4.4
Private Equity	17,500	10.3
Real Estate	17,869	10.5
Hedge Fund	17,543	10.3
Total	\$ 170,727	100.0%

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	7.5%
Three-year	11.5%	7.5%
Five-year	11.1%	7.5%
Ten-year	7.1%	7.5%

Municipal Police Officers' and Firefighters' Retirement System

HISTORY

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

LIQUIDITY NEEDS

There are no anticipated liquidity needs at this time.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash	\$0	

Municipal Police Officers' and Firefighters' Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	1,150
Contributions		750
Withdrawals		(22)
Net		728
Investment income		7
Net appreciation		59
June 30, 2015	\$	1,944

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 413	21.2%
Non-Large Cap Domestic	98	5.0
International Qualified	167	8.6
International Equity	312	16.0
Short-Term Fixed Income	108	5.7
Total Return Fixed Income*	190	9.8
Core Fixed Income*	84	4.3
Private Equity	195	10.0
Real Estate	191	9.8
Hedge Fund	186	9.6
Total	\$ 1,944	100.0%

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	7.5%
Three-year	10.8%	7.5%
Five-year	7.1%	7.5%

Municipal Policemen’s or Firemen’s Pension and Relief Funds

HISTORY

West Virginia Code §8-22-22 offers municipalities the ability to invest Policemen’s or Firemen’s Pension and Relief Funds established under West Virginia Code §8-22 in the investment pools operated by the IMB. Collectively all municipal plans will be grouped in this section and referred to as the Municipal Policemen’s or Firemen’s Pension and Relief Funds. The IMB received monies from the first municipality on July 17, 2013.

MUNICIPAL RETIREMENT PLANS INVESTMENT ALLOCATIONS

The IMB investment staff has created various model allocations that utilize percentage mixes of the investment pools operated by the IMB. The models can be found in the tables below. The IMB will work with the municipal retirement plan’s authorized party to determine the appropriate investment model based on information provided by the plan and Municipal Pensions Oversight Board that includes, but is not limited to, actuarial studies, cash flow projections, etc.

The potential investment models include:

Investment Type	Model A	Model B	Model C	Model D	Model E	Model F
Equity	55%	70%	50%	65%	35%	55%
Fixed Income	15%	30%	30%	35%	35%	45%
Hedge Fund	10%	0%	10%	0%	10%	0%
Private Equity	10%	0%	5%	0%	10%	0%
Real Estate	10%	0%	5%	0%	10%	0%
Cash	TBD	TBD	TBD	TBD	TBD	TBD

The following IMB Investment Pools may be used for these Investment Types. The weighting and allocation of the Pools within each Investment Type is determined by the IMB Board of Trustees as expressed in the IMB Investment Policy Statement.

Equity

- Large Cap Domestic Equity
- Non-Large Cap Domestic Equity
- International Qualified
- International Equity

Private Equity

- Private Equity

Real Estate

- Real Estate

Fixed Income

- Total Return Fixed Income
- Core Fixed Income

Cash

- Short-Term Fixed Income (exact allocations to be determined based on plan needs)

Hedge Fund

- Hedge Fund

SUMMARY OF PLAN BALANCES (in \$000s)

There is currently one municipality investing with the IMB. The Town of Belle is invested under Model A with a June 30, 2015, balance of \$1,410.

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Public Employees' Retirement System

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$19,000,000*	

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

Public Employees' Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 5,629,812
Contributions	263,782
Withdrawals	(370,535)
Net	<u>(106,753)</u>
Investment income	26,943
Net appreciation	192,386
June 30, 2015	<u><u>\$ 5,742,388</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 1,259,338	22.0%
Non-Large Cap Domestic	297,243	5.2
International Qualified	557,358	9.7
International Equity	997,735	17.4
Short-Term Fixed Income	24,855	0.4
Total Return Fixed Income*	579,040	10.1
Core Fixed Income*	248,963	4.3
Private Equity	565,518	9.8
Real Estate	598,464	10.4
Hedge Fund	613,874	10.7
Total	<u><u>\$ 5,742,388</u></u>	<u>100.0%</u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	3.9%	7.5%
Three-year	11.5%	7.5%
Five-year	11.1%	7.5%
Ten-year	7.1%	7.5%

State Police Death, Disability and Retirement Fund

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$3,500,000*	

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

State Police Death, Disability and Retirement Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 601,077
Contributions	23,964
Withdrawals	(40,569)
Net	<u>(16,605)</u>
Investment income	2,781
Net appreciation	20,086
June 30, 2015	<u><u>\$ 607,339</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 129,216	21.2%
Non-Large Cap Domestic	30,875	5.1
International Qualified	58,014	9.6
International Equity	101,871	16.8
Short-Term Fixed Income	21,482	3.5
Total Return Fixed Income*	58,776	9.7
Core Fixed Income*	25,425	4.2
Private Equity	59,689	9.8
Real Estate	61,147	10.1
Hedge Fund	60,844	10.0
Total	<u><u>\$ 607,339</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	7.5%
Three-year	11.5%	7.5%
Five-year	11.1%	7.5%
Ten-year	7.1%	7.5%

State Police Retirement System

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$75,000*	

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

State Police Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 120,572
Contributions	7,010
Withdrawals	(599)
Net	<u>6,411</u>
Investment income	605
Net appreciation	4,366
June 30, 2015	<u><u>\$ 131,954</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 28,066	21.4%
Non-Large Cap Domestic	6,741	5.1
International Qualified	12,278	9.3
International Equity	23,394	17.7
Short-Term Fixed Income	2,009	1.5
Total Return Fixed Income*	13,476	10.2
Core Fixed Income*	5,815	4.4
Private Equity	13,387	10.1
Real Estate	13,449	10.2
Hedge Fund	13,339	10.1
Total	<u><u>\$ 131,954</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	7.5%
Three-year	11.5%	7.5%
Five-year	11.0%	7.5%
Ten-year	7.1%	7.5%

Teachers' Retirement System

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash (included in Fixed Income above)	\$35,000,000*	

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

Teachers' Retirement System

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 6,655,376
Contributions	533,501
Withdrawals	(691,404)
Net	<u>(157,903)</u>
Investment income	31,003
Net appreciation	224,642
June 30, 2015	<u><u>\$ 6,753,118</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 1,452,924	21.6%
Non-Large Cap Domestic	346,188	5.1
International Qualified	644,694	9.5
International Equity	1,173,026	17.4
Short-Term Fixed Income	117,825	1.7
Total Return Fixed Income*	659,042	9.8
Core Fixed Income*	286,618	4.2
TRS Annuity	(96)	0.0
Private Equity	654,960	9.7
Real Estate	705,093	10.4
Hedge Fund	712,844	10.6
Total	<u><u>\$ 6,753,118</u></u>	<u>100.0%</u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	7.5%
Three-year	11.5%	7.5%
Five-year	11.0%	7.5%
Ten-year	6.8%	7.5%

AccessWV

AccessWV (AWV) was a health plan created by West Virginia statute to provide health insurance to West Virginians who have been unable to find or who have been denied health insurance in the private market because of a medical condition. As a result of the passage of the *Federal Patient Protection and Affordable Care Act* in March 2010, this organization ceased providing insurance coverage in March 2014. All long-term investments were moved to the Short-Term Fixed Income Pool in April 2014. AWV withdrew their remaining balance during fiscal year 2015.

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Board of Risk and Insurance Management Fund

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	10.0%	15.0%
International Equity	10.0%	15.0%
Fixed Income	80.0%	35.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Cash	\$0	5.0%

Board of Risk and Insurance Management Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 147,378
Contributions	-
Withdrawals	(12,000)
Net	<u>(12,000)</u>
Investment income	1,646
Net appreciation	800
June 30, 2015	<u><u>\$ 137,824</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 16,733	12.1%
Non-Large Cap Domestic	3,963	2.9
International Nonqualified	5,317	3.9
International Equity	14,540	10.5
Short-Term Fixed Income	6,981	5.1
Total Return Fixed Income*	34,118	24.8
Core Fixed Income*	14,671	10.6
TIPS	13,686	9.9
Hedge Fund	27,815	20.2
Total	<u><u>\$ 137,824</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	1.8%
Three-year	6.2%
Five-year	6.6%
Ten-year	5.7%

Coal Workers' Pneumoconiosis Fund

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	15.0%	15.0%
International Equity	15.0%	15.0%
Fixed Income	70.0%	35.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Cash	0.0%	5.0%

Coal Workers' Pneumoconiosis Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	269,556
Contributions		1,059
Withdrawals		(13,924)
Net		<u>(12,865)</u>
Investment income		3,078
Net appreciation		1,600
June 30, 2015	\$	<u><u>261,369</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 31,858	12.2%
Non-Large Cap Domestic	7,571	2.9
International Nonqualified	11,004	4.2
International Equity	27,498	10.5
Short-Term Fixed Income	12,356	4.7
Total Return Fixed Income*	64,489	24.7
Core Fixed Income*	27,638	10.6
TIPS	26,046	10.0
Hedge Fund	52,909	20.2
Total	<u><u>\$ 261,369</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	1.8%	5.0%
Three-year	6.1%	5.0%
Five-year	6.5%	5.0%
Ten-year	5.1%	5.0%

Public Employees Insurance Agency

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	10.0%	15.0%
International Equity	10.0%	15.0%
Fixed Income	80.0%	40.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Cash	\$0*	0.0%

* Not all cash is invested with the IMB.

Public Employees Insurance Agency

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 214,210
Contributions	-
Withdrawals	-
Net	-
Investment income	2,841
Net appreciation	1,151
June 30, 2015	<u>\$ 218,202</u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 26,318	12.1%
Non-Large Cap Domestic	6,274	2.9
International Nonqualified	10,752	4.9
International Equity	21,547	9.9
Short-Term Fixed Income	36	0.0
Total Return Fixed Income*	61,282	28.1
Core Fixed Income*	26,285	12.0
TIPS	21,676	9.9
Hedge Fund	44,032	20.2
Total	<u>\$ 218,202</u>	<u>100.0%</u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	1.9%
Three-year	6.0%
Five-year	6.3%

West Virginia Retiree Health Benefit Trust Fund

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Exceed the investment return assumption of 7.5 percent per annum, net of fees.
- To provide stable, long term growth of assets, while seeking to minimize the risk of loss.

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Funds	0.0%	10.0%
Real Estate	0.0%	10.0%
Cash	\$0*	

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

West Virginia Retiree Health Benefit Trust Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 584,257
Contributions	-
Withdrawals	-
Net	-
Investment income	2,898
Net appreciation	20,096
June 30, 2015	<u>\$ 607,251</u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 133,328	21.9%
Non-Large Cap Domestic	31,606	5.2
International Nonqualified	53,222	8.8
International Equity	110,303	18.2
Short-Term Fixed Income	112	0.0
Total Return Fixed Income*	62,718	10.3
Core Fixed Income*	27,261	4.5
Private Equity	63,600	10.5
Real Estate	64,073	10.6
Hedge Fund	61,028	10.0
Total	<u>\$ 607,251</u>	<u>100.0%</u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	3.9%
Three-year	11.1%
Five-year	9.2%

Workers' Compensation Old Fund

HISTORY

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

LIQUIDITY NEEDS

Statutorily pledged personal income tax, policy surcharges, and severance transfers appear to be sufficient to pay expected claims and claim-related expenses. The Old Fund should maintain a flat to slightly positive net cash flow position until it is fully funded (at which time, pledged legislative transfers will cease, resulting in a sharp decline in net cash inflows). The most recent cash flow analysis done by the WV Office of the Insurance Commissioner (WV OIC) indicates that the Old Fund will reach the point of solvency in November 2016. This estimate is based on the following factors: (1) Statutorily pledged revenues remain intact (2) No adverse court decisions occur that establish new interpretations of current law (3) No significant legislation impacting the claims liabilities is enacted (4) Investment returns remain stable. Liquidity needs for short-term cash (amount necessary for approximately 12 months' worth of anticipated claims) will continue to be reviewed annually with the WV OIC. Currently, a cash balance is held in the Old Fund in an amount equal to: 10 percent of the Old Fund's asset value or \$50 million, whichever is lesser, in anticipation of a potential settlement program payout.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	15.0%	15.0%
International Equity	15.0%	15.0%
Fixed Income	70.0%	60.0%
TIPS	0.0%	10.0%
Cash (included in Fixed Income above)	\$50,000,000*	

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

Workers' Compensation Old Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 1,197,954
Contributions	171,955
Withdrawals	(89,090)
Net	82,865
Investment income	22,269
Net depreciation	(12,602)
June 30, 2015	\$ 1,290,486

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 156,175	12.1%
Non-Large Cap Domestic	36,666	2.8
International Nonqualified	45,654	3.5
International Equity	137,652	10.7
Short-Term Fixed Income	61,616	4.8
Total Return Fixed Income*	506,934	39.3
Core Fixed Income*	218,538	16.9
TIPS	127,251	9.9
Total	\$ 1,290,486	100.0%

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	0.8%
Three-year	4.9%
Five-year	5.5%

Workers' Compensation Self-Insured Employer Guaranty Risk Pool

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	15.0%	15.0%
International Equity	15.0%	15.0%
Fixed Income	70.0%	35.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Cash	0.0%	5.0%

Workers' Compensation Self-Insured Employer Guaranty Risk Pool

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	15,707
Contributions		181
Withdrawals		(411)
Net		<u>(230)</u>
Investment income		182
Net appreciation		97
June 30, 2015	\$	<u><u>15,756</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 1,891	12.2%
Non-Large Cap Domestic	457	2.9
International Nonqualified	777	4.9
International Equity	1,566	9.9
Short-Term Fixed Income	791	5.0
Total Return Fixed Income*	3,864	24.5
Core Fixed Income*	1,662	10.5
TIPS	1,566	9.9
Hedge Fund	3,182	20.2
Total	<u><u>\$ 15,756</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	1.8%
Three-year	6.1%
Five-year	5.4%

Workers' Compensation Self-Insured Employer Security Risk Pool

HISTORY

The Workers' Compensation Self-Insured Security Risk Pool (Security Pool) was established on January 1, 2006, and initially funded with the IMB in March 2014, for the purpose of paying the workers' compensation claims of defaulted self-insured employers with dates of injury occurring prior to July 1, 2004, provided that the default of the self-insured employer took place on or after the creation of the Security Pool on January 1, 2006. It consists of those funds transferred, and any future funds collected, as provided by law.

LIQUIDITY NEEDS

It is anticipated that the Security Pool will have a net cash inflow over the next five years. A small cash reserve will be held in the event of an unforeseen emergency, as is possible with an insurance program of this kind.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	15.0%	15.0%
International Equity	15.0%	15.0%
Fixed Income	70.0%	35.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Cash	0.0%	5.0%

Workers' Compensation Self-Insured Employer Security Risk Pool

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	7,165
Contributions		2,354
Withdrawals		(608)
Net		1,746
Investment income		91
Net appreciation		44
June 30, 2015	\$	9,046

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 1,100	12.2%
Non-Large Cap Domestic	263	2.9
International Nonqualified	360	4.0
International Equity	964	10.7
Short-Term Fixed Income	456	5.0
Total Return Fixed Income*	2,223	24.6
Core Fixed Income*	954	10.5
TIPS	899	9.9
Hedge Fund	1,827	20.2
Total	\$ 9,046	100.0%

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	1.6%

Workers' Compensation Uninsured Employers' Fund

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	15.0%	15.0%
International Equity	15.0%	15.0%
Fixed Income	70.0%	30.0%
TIPS	0.0%	10.0%
Hedge Fund	0.0%	20.0%
Cash	0.0%	10.0%

Workers' Compensation Uninsured Employers' Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	10,704
Contributions		-
Withdrawals		-
Net		-
Investment income		106
Net appreciation		79
June 30, 2015	\$	10,889

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 1,321	12.1%
Non-Large Cap Domestic	315	2.9
International Nonqualified	536	4.9
International Equity	1,082	9.9
Short-Term Fixed Income	1,106	10.2
Total Return Fixed Income*	2,274	20.9
Core Fixed Income*	978	9.0
TIPS	1,081	9.9
Hedge Fund	2,196	20.2
Total	\$ 10,889	100.0%

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	1.7%
Three-year	6.0%
Five-year	5.1%

Revenue Shortfall Reserve Fund

HISTORY

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

LIQUIDITY NEEDS

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

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

INVESTMENT OBJECTIVES (for the assets managed by the IMB)

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Fixed Income	100.0%	50.0%
TIPS	0.0%	50.0%
Cash	\$0*	

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

Revenue Shortfall Reserve Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	477,831
Contributions		-
Withdrawals		(99,515)
Net		<u>(99,515)</u>
Investment income		6,683
Net depreciation		(8,285)
June 30, 2015	\$	<u><u>376,714</u></u>

Asset Allocation

	Amount	Percent of Total
Short Term Fixed Income	\$ 14,835	3.9%
Total Return Fixed Income*	127,525	33.9
Core Fixed Income*	54,384	14.4
TIPS	179,970	47.8
Total	<u><u>\$ 376,714</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	(0.3%)
Three-year	1.2%
Five-year	3.6%

Revenue Shortfall Reserve Fund – Part B

HISTORY

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

LIQUIDITY NEEDS

The Reserve Fund - Part B is intended to experience no cash outflows, but this is not entirely certain, as the West Virginia Legislature may appropriate a qualified expenditure as noted above. Cash inflows are expected to be minimal and emanate from insurance tax payments.

INVESTMENT OBJECTIVES

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	10.0%	15.0%
International Equity	10.0%	15.0%
Fixed Income	80.0%	55.0%
TIPS	0.0%	15.0%

Revenue Shortfall Reserve Fund – Part B

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 381,423
Contributions	-
Withdrawals	-
Net	-
Investment income	7,032
Net depreciation	(4,309)
June 30, 2015	<u>\$ 384,146</u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 47,379	12.4%
Non-Large Cap Domestic	11,089	2.9
International Nonqualified	13,149	3.4
International Equity	41,566	10.8
Short-Term Fixed Income	79	0.0
Total Return Fixed Income*	149,469	38.9
Core Fixed Income*	64,057	16.7
TIPS	57,358	14.9
Total	<u>\$ 384,146</u>	<u>100.0%</u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	0.7%
Three-year	4.9%
Five-year	6.3%

West Virginia Department of Environmental Protection Agency

HISTORY

The West Virginia Department of Environmental Protection Agency (DEP Agency) was established in 1991, for the primary purpose of protecting the environment and the health and welfare of the public, including providing for the long-term maintenance of certain water control facilities. The DEP Agency has established reserve funds for reclamation efforts related to these areas of responsibility.

LIQUIDITY NEEDS

There are no liquidity needs for the DEP Agency anticipated through fiscal year 2018. After 2018, the DEP Agency anticipates that liquidity needs may increase to fund reclamation activities.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	20.0%	20.0%
International Equity	20.0%	20.0%
Fixed Income	60.0%	40.0%
Hedge Funds	0.0%	20.0%

West Virginia Department of Environmental Protection Agency

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	40,871
Contributions		61,355
Withdrawals		-
Net		61,355
Investment income		986
Net appreciation		1,001
June 30, 2015	\$	104,213

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 16,198	15.7%
Non-Large Cap Domestic	3,977	3.8
International Nonqualified	3,697	3.5
International Equity	15,834	15.2
Short-Term Fixed Income	1,605	1.5
Total Return Fixed Income*	29,324	28.1
Core Fixed Income*	12,866	12.3
Hedge Fund	20,712	19.9
Total	\$ 104,213	100.0%

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual
One-year	2.3%

HISTORY

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

LIQUIDITY NEEDS

There are limited liquidity needs for the DEP Trust going forward, based on historical actual needs incurred by the DEP Trust, adjusted for inflation.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	32.5%	32.5%
International Equity	32.5%	32.5%
Fixed Income	35.0%	15.0%
Hedge Funds	0.0%	20.0%

West Virginia Department of Environmental Protection Trust

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 8,717
Contributions	-
Withdrawals	(709)
Net	<u>(709)</u>
Investment income	42
Net appreciation	204
June 30, 2015	<u><u>\$ 8,254</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 2,175	26.5%
Non-Large Cap Domestic	521	6.3
International Nonqualified	813	9.8
International Equity	1,776	21.5
Short-Term Fixed Income	16	0.2
Total Return Fixed Income*	893	10.8
Core Fixed Income*	389	4.7
TIPS	1,671	20.2
Total	<u><u>\$ 8,254</u></u>	<u>100.0%</u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	2.9%	7.0%
Three-year	11.1%	7.0%

West Virginia Prepaid Tuition Trust Fund

HISTORY

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

LIQUIDITY NEEDS

There are rising liquidity needs for the Tuition Trust. Benefits and expenses will exceed receipts from participants' monthly payments on prepaid tuition contracts at an increasing rate in future years. Under normal economic conditions and funding scenarios the Tuition Trust's assets are expected to be depleted by 2020.

INVESTMENT OBJECTIVES

The investment objectives are as follows:

- Meet or exceed the investment return assumption of 5.3 percent per annum, net of fees.
- Generate long-term, net of fee, returns that exceed liquidity needs.
- Build and maintain an actuarial surplus at a level recommended by the actuaries.

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	27.5%	27.5%
International Equity	22.5%	22.5%
Fixed Income	50.0%	50.0%
Cash (included in Fixed Income above)	\$1,000,000*	

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

West Virginia Prepaid Tuition Trust Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$	77,100
Contributions		-
Withdrawals		(12,700)
Net		<u>(12,700)</u>
Investment income		1,185
Net appreciation		855
June 30, 2015	\$	<u>66,440</u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 16,023	24.1%
Non-Large Cap Domestic	4,062	6.1
International Nonqualified	3,490	5.3
International Equity	7,302	11.0
Short-Term Fixed Income	1,129	1.7
Core Fixed Income*	34,434	51.8
Total	<u>\$ 66,440</u>	<u>100.0%</u>

* Balance includes the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	3.0%	5.3%
Three-year	8.5%	5.3%
Five-year	9.4%	5.3%
Ten-year	6.7%	5.3%

Wildlife Endowment Fund

HISTORY

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

LIQUIDITY NEEDS

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

INVESTMENT OBJECTIVES

The investment objectives are as follows:

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

ASSET ALLOCATION

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

Asset Class	Policy Allocation	Strategic Allocation
Domestic Equity	30.0%	27.5%
International Equity	30.0%	27.5%
Private Equity	0.0%	10.0%
Fixed Income	40.0%	15.0%
Hedge Fund	0.0%	10.0%
Real Estate	0.0%	10.0%

Wildlife Endowment Fund

FINANCIAL HIGHLIGHTS (in \$000s)

Progression of Plan Balance

June 30, 2014	\$ 52,488
Contributions	685
Withdrawals	(590)
Net	<u>95</u>
Investment income	257
Net appreciation	1,815
June 30, 2015	<u><u>\$ 54,655</u></u>

Asset Allocation

	Amount	Percent of Total
Large Cap Domestic	\$ 11,983	21.9%
Non-Large Cap Domestic	2,834	5.2
International Nonqualified	4,778	8.7
International Equity	9,887	18.1
Short-Term Fixed Income	90	0.2
Total Return Fixed Income*	5,671	10.4
Core Fixed Income*	2,449	4.5
Private Equity	5,745	10.5
Real Estate	5,734	10.5
Hedge Fund	5,484	10.0
Total	<u><u>\$ 54,655</u></u>	<u><u>100.0%</u></u>

* Balances include the distribution declared by the pool on the last day of the month and reinvested to the participant's account on the first day of the following month.

INVESTMENT PERFORMANCE

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

Period	Actual	Target
One-year	4.0%	6.0%
Three-year	11.4%	6.0%
Five-year	11.0%	6.0%
Ten-year	7.1%	6.0%