

Audited Financial Statements

**West Virginia Consolidated Public Retirement Board**

Years Ended June 30, 2005 and 2004

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

Audited Financial Statements

Years Ended June 30, 2005 and 2004

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## INDEPENDENT AUDITORS' REPORT

To the Members of the  
West Virginia Consolidated Public  
Retirement Board  
Charleston, West Virginia

We have audited the accompanying statement of plan net assets for the pension funds and statement of net assets of the internal service fund of the West Virginia Consolidated Public Retirement Board (the Board), a component unit of the State of West Virginia, as of June 30, 2005 and 2004, and the related statement of changes in plan net assets of the pension funds, and statements of revenues, expenses, and changes in fund net assets, and cash flows of the internal service fund for the years then ended, which collectively comprise the Board's basic financial statements. These financial statements are the responsibility of the management of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the pension funds and the internal service fund of the Board as of June 30, 2005 and 2004, and the changes in net assets of the pension funds, and the changes in financial position and cash flows of the internal service fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2005, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in assessing the results of our audit.

The Board has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to supplement, although not required to be part of, the basic financial statements.

The required supplementary information on pages 35 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and express no opinion on it.

*Hibbons & Kawash*

October 25, 2005

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2005  
(In Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability and Retirement System	State Police Retirement System
<u>ASSETS:</u>				
Cash	\$ 195	\$ 1	\$ -	\$ -
Investments at fair value	3,400,387	1,598,238	361,209	25,297
Contributions receivable	4,337	16,701	-	-
Participant loans receivable	-	11,913	-	-
Appropriations receivable	-	-	187	-
Miscellaneous revenue receivable	-	639	-	-
Prepaid expenses	-	-	-	-
	<u>3,404,919</u>	<u>1,627,492</u>	<u>361,396</u>	<u>25,297</u>
<u>LIABILITIES AND PLAN NET ASSETS:</u>				
Liabilities:				
Accrued expenses and other payables	<u>268</u>	<u>137</u>	<u>6</u>	<u>-</u>
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	<u>\$ 3,404,651</u>	<u>\$ 1,627,355</u>	<u>\$ 361,390</u>	<u>\$ 25,297</u>

The accompanying notes are an integral part of these financial statements.

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ -	\$ -	\$ 5,819	\$ 6,015
68,212	74,757	629,889	6,157,989
459	-	10,390	31,887
189	-	-	12,102
-	-	-	187
52	-	-	691
<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>68,914</u>	<u>74,757</u>	<u>646,098</u>	<u>6,208,873</u>
<u>-</u>	<u>-</u>	<u>371</u>	<u>782</u>
<u>\$ 68,914</u>	<u>\$ 74,757</u>	<u>\$ 645,727</u>	<u>\$ 6,208,091</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2004  
(In Thousands)

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability and Retirement System</u>	<u>State Police Retirement System</u>
<u>ASSETS:</u>				
Cash	\$ 4,695	\$ 465	\$ 134	\$ 132
Investments at fair value	3,086,754	1,391,895	117,950	19,750
Contributions receivable	4,343	18,751	-	-
Participant loans receivable	-	15,871	-	-
Miscellaneous revenue receivable	-	599	-	-
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>3,095,792</u>	<u>1,427,581</u>	<u>118,084</u>	<u>19,882</u>
<u>LIABILITIES AND PLAN NET ASSETS:</u>				
Liabilities:				
Accrued expenses and other payables	<u>132</u>	<u>106</u>	<u>4</u>	<u>-</u>
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	<u>\$ 3,095,660</u>	<u>\$ 1,427,475</u>	<u>\$ 118,080</u>	<u>\$ 19,882</u>

The accompanying notes are an integral part of these financial statements.

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ -	\$ 20	\$ 2,881	\$ 8,327
59,029	63,539	532,857	5,271,774
422	-	9,238	32,754
208	-	-	16,079
52	-	-	651
<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
<u>59,715</u>	<u>63,559</u>	<u>544,976</u>	<u>5,329,589</u>
<u>-</u>	<u>-</u>	<u>264</u>	<u>506</u>
<u>\$ 59,715</u>	<u>\$ 63,559</u>	<u>\$ 544,712</u>	<u>\$ 5,329,083</u>



WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS

Year ended June 30, 2005  
(In Thousands)

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability and Retirement System</u>	<u>State Police Retirement System</u>
Additions:				
Contributions:				
Member contributions	\$ 52,984	\$ 49,287	\$ 1,053	\$ 1,702
Employer contributions	<u>118,740</u>	<u>339,724</u>	<u>252,367</u>	<u>1,702</u>
Total contributions	<u>171,724</u>	<u>389,011</u>	<u>253,420</u>	<u>3,404</u>
Investment income:				
Net increase in fair value of investments	330,072	146,399	11,667	2,271
Interest	<u>-</u>	<u>1,392</u>	<u>-</u>	<u>-</u>
Net investment income	330,072	147,791	11,667	2,271
Other income	<u>-</u>	<u>14,419</u>	<u>579</u>	<u>-</u>
Total additions	<u>501,796</u>	<u>551,221</u>	<u>265,666</u>	<u>5,675</u>
Deductions and transfers:				
Benefit expense	183,292	344,841	22,278	112
Refunds of contributions	7,903	4,098	48	133
Transfers to (from) plans	(679)	686	-	-
Administrative expenses	<u>2,289</u>	<u>1,716</u>	<u>30</u>	<u>15</u>
Total deductions and transfers	<u>192,805</u>	<u>351,341</u>	<u>22,356</u>	<u>260</u>
Net increase in plan net assets	308,991	199,880	243,310	5,415
Net assets held in trust for pension benefits:				
Beginning of year	<u>3,095,660</u>	<u>1,427,475</u>	<u>118,080</u>	<u>19,882</u>
End of year	<u>\$ 3,404,651</u>	<u>\$ 1,627,355</u>	<u>\$ 361,390</u>	<u>\$ 25,297</u>

The accompanying notes are an integral part of these financial statements.

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ 2,482	\$ 479	\$ 26,602	\$ 134,589
<u>3,098</u>	<u>6,758</u>	<u>45,175</u>	<u>767,564</u>
<u>5,580</u>	<u>7,237</u>	<u>71,777</u>	<u>902,153</u>
6,453	6,990	40,952	544,804
<u>19</u>	<u>-</u>	<u>-</u>	<u>1,411</u>
6,472	6,990	40,952	546,215
<u>470</u>	<u>-</u>	<u>-</u>	<u>15,468</u>
<u>12,522</u>	<u>14,227</u>	<u>112,729</u>	<u>1,463,836</u>
3,029	3,025	-	556,577
257	-	10,280	22,719
-	-	(7)	-
<u>37</u>	<u>4</u>	<u>1,441</u>	<u>5,532</u>
<u>3,323</u>	<u>3,029</u>	<u>11,714</u>	<u>584,828</u>
9,199	11,198	101,015	879,008
<u>59,715</u>	<u>63,559</u>	<u>544,712</u>	<u>5,329,083</u>
<u>\$ 68,914</u>	<u>\$ 74,757</u>	<u>\$ 645,727</u>	<u>\$ 6,208,091</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD  
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS

Year Ended June 30, 2004  
(In Thousands)

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability and Retirement System</u>	<u>State Police Retirement System</u>
Additions:				
Contributions:				
Member contributions	\$ 51,676	\$ 50,671	\$ 1,129	\$ 1,492
Employer contributions	<u>115,634</u>	<u>316,121</u>	<u>23,932</u>	<u>1,520</u>
Total contributions	<u>167,310</u>	<u>366,792</u>	<u>25,061</u>	<u>3,012</u>
Investment income:				
Net increase in fair value of investments	407,826	175,488	14,572	2,330
Interest	<u>-</u>	<u>3,183</u>	<u>-</u>	<u>-</u>
Net investment income	407,826	178,671	14,572	2,330
Other income	<u>-</u>	<u>13,567</u>	<u>527</u>	<u>-</u>
Total additions	<u>575,136</u>	<u>559,030</u>	<u>40,160</u>	<u>5,342</u>
Deductions and transfers:				
Benefit expense	170,596	316,941	21,386	84
Refunds of contributions	6,756	3,417	73	104
Transfers to (from) plans	(257)	346	-	-
Administrative expenses	<u>2,321</u>	<u>2,088</u>	<u>30</u>	<u>13</u>
Total deductions and transfers	<u>179,416</u>	<u>322,792</u>	<u>21,489</u>	<u>201</u>
Net increase in plan net assets	395,720	236,238	18,671	5,141
Net assets held in trust for pension benefits:				
Beginning of year	<u>2,699,940</u>	<u>1,191,237</u>	<u>99,409</u>	<u>14,741</u>
End of year	<u>\$ 3,095,660</u>	<u>\$ 1,427,475</u>	<u>\$ 118,080</u>	<u>\$ 19,882</u>

The accompanying notes are an integral part of these financial statements.

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ 2,339	\$ 470	\$ 24,749	\$ 132,526
<u>2,552</u>	<u>5,329</u>	<u>42,870</u>	<u>507,958</u>
<u>4,891</u>	<u>5,799</u>	<u>67,619</u>	<u>640,484</u>
7,606	8,177	42,190	658,189
<u>38</u>	<u>-</u>	<u>-</u>	<u>3,221</u>
7,644	8,177	42,190	661,410
<u>679</u>	<u>-</u>	<u>-</u>	<u>14,773</u>
<u>13,214</u>	<u>13,976</u>	<u>109,809</u>	<u>1,316,667</u>
2,523	3,282	-	514,812
308	-	6,794	17,452
-	(89)	-	-
<u>35</u>	<u>3</u>	<u>738</u>	<u>5,228</u>
<u>2,866</u>	<u>3,196</u>	<u>7,532</u>	<u>537,492</u>
10,348	10,780	102,277	779,175
<u>49,367</u>	<u>52,779</u>	<u>442,435</u>	<u>4,549,908</u>
<u>\$ 59,715</u>	<u>\$ 63,559</u>	<u>\$ 544,712</u>	<u>\$ 5,329,083</u>

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## STATEMENT OF NET ASSETS – INTERNAL SERVICE FUND

June 30, 2005 and 2004  
(In Thousands)

	<u>2005</u>	<u>2004</u>
<u>ASSETS:</u>		
Cash with the State Treasurer	\$ 1,082	\$ 1,842
Miscellaneous receivable	371	-
Total assets	<u>\$ 1,453</u>	<u>\$ 1,842</u>
<u>LIABILITIES AND NET ASSETS:</u>		
Liabilities:		
Accrued expenses and other payables	120	94
Compensated absences	448	454
Total liabilities	<u>568</u>	<u>548</u>
Net assets, unrestricted	<u>\$ 885</u>	<u>\$ 1,294</u>

The accompanying notes are an integral part of these financial statements

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS – INTERNAL SERVICE FUNDYears Ended June 30, 2005 and 2004  
(In Thousands)

	<u>2005</u>	<u>2004</u>
Revenues:		
Fees received for administrative services	\$ <u>5,532</u>	\$ <u>5,228</u>
Total revenues	<u>5,532</u>	<u>5,228</u>
Expenses:		
Administrative	<u>5,941</u>	<u>4,914</u>
Change in net assets	(409)	314
Net assets:		
Beginning of year	<u>1,294</u>	<u>980</u>
End of year	<u>\$ 885</u>	<u>\$ 1,294</u>

The accompanying notes are an integral part of these financial statements

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND

Years Ended June 30, 2005 and 2004

(In Thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 5,532	\$ 5,228
Cash paid to employees	(2,446)	(2,313)
Cash paid to suppliers	<u>(3,846)</u>	<u>(2,589)</u>
Net cash provided by operating activities	<u>(760)</u>	<u>326</u>
Cash and cash equivalents, beginning of year	<u>1,842</u>	<u>1,516</u>
Cash and cash equivalents, end of year	<u>\$ 1,082</u>	<u>\$ 1,842</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (409)	\$ 314
Adjustments to reconcile operating income to net cash used in operating activities:		
Change in assets and liabilities:		
Increase in miscellaneous receivable	(371)	-
Increase in accrued expenses and other payables	26	(2)
Increase (decrease) in compensated absences	<u>(6)</u>	<u>14</u>
Net cash provided by (used in) operating activities	<u>\$ (760)</u>	<u>\$ 326</u>

The accompanying notes are an integral part of these financial statements.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

**1 - DESCRIPTION OF PLAN**Reporting Entity

During fiscal year 1991, the West Virginia State Legislature created the Consolidated Public Retirement Board (the Board). The Board administers the State of West Virginia's eight retirement plans. The seven retirement plans included within these financial statements are the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the Public Safety Death, Disability and Retirement System (PSDDRS), the State Police Retirement System (SPRS), the Deputy Sheriff Retirement System (DSRS), the Judges' Retirement System (JRS), and the Teachers' Defined Contribution Retirement System (TDCRS). The Total Pension Funds column included in the statements of net assets and statements of changes in net assets is for informational purposes only. The net assets of each plan are only available to satisfy the obligations of that plan. The Board is a component unit of the State of West Virginia (the State). The Governmental Employees Deferred Compensation Plan has been excluded from these financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The Internal Service Fund (the Fund) is used for the administration of all plans. The Fund receives a service fee from each plan based upon the number of participants included in the plan. These funds are legally restricted for the purpose of administering the plans and are not available for any other purpose.

The Board is managed by a Board of Trustees, which consists of, by virtue of their position, the Governor, State Auditor, State Treasurer, and Commissioner of the Employee and Insurance Services Division of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in PERS and one participant each from TRS, PSDDRS, DSRS and TDCRS.

Pursuant to the West Virginia Code, the Board submits a detailed budgetary schedule of administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The fundamental purpose of budgetary control is to plan for the expected level of operations and to provide management with a tool to control deviation from such plan.



## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**1 - DESCRIPTION OF PLAN (Continued)**Basis of Accounting

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles for governmental units. The accompanying pension fund financial statements have been prepared on the accrual basis of accounting. Plan member contributions are recognized in the period when contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Internal Service Fund financial statements have also been prepared on the accrual basis of accounting. The Board has prepared its financial statements primarily from accounts maintained by the State Treasurer, the West Virginia Investment Management Board (the IMB) and the third-party administrator of its defined contribution plan.

Cash

Cash balances on deposit with the West Virginia State Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment by the IMB. These funds are transferred to the IMB and the IMB invests these funds in specific investment pools. Investment income on these investment pools is allocated by the State Treasurer to the various participants in the investment pools based on the balances of the various participants and their deposits with the State Treasurer in the month in which the income was earned. The amounts on deposit with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

Investments

All defined benefit plan funds not required to meet disbursement needs are invested in accordance with the West Virginia Code, as well as policies set by the IMB. The IMB has established various investment pools to provide for the investment of the defined benefit plan investments. These investment pools are structured as multiparticipant variable net asset funds.

The TDCRS investments are held by an investment company as the third party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**1 - DESCRIPTION OF PLAN (Continued)**Investments (Continued)

are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds.

The TDCRS investments are carried at fair value as determined by a third-party pricing service utilized by an investment management company.

Investment transactions are accounted for on a trade date basis. Changes in the fair value of investments, including purchases and sales, are reported as the net increase or decrease in fair value of investments. Investment income is determined monthly and distributed to each of the defined benefit plans participating in the investment pools on the last day of the month in the form of reinvested shares. Investment income for the TDCRS is determined monthly and distributed in the individual participant accounts.

Contributions Receivable

Contributions receivable represent funds owed to the Board from other government employer entities participating in the various retirement plans.

Participant Loans Receivable

The TRS makes loans to its members of up to the lesser of one-half of member accumulated contributions or \$8,000 at a fixed rate of interest over varying terms, with a maximum term of five years.

The DSRS also makes loans to its members of the lesser of up to one-half of member contributions or \$8,000 at an interest rate indexed to the interest rate used by the Board for determining actuarial contributions levels. DSRS loans require repayment over varying terms, with a maximum term of five years.

Accrued Expenses and Other Payables

Accrued expenses and other payables primarily represent retirement annuity amounts due to new retirees.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**1 - DESCRIPTION OF PLAN (Continued)**Compensated Absences

Liability for compensated absences (annual and sick leave) is accounted for in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* and, accordingly, a liability for employees' rights to receive compensation for future absences has been recorded. When an employee is separated from employment with the Board for reasons other than retirement, all sick leave credited to that employee is considered ended and no reimbursement to the employee is provided. Accrued sick leave, if any, existing for employees upon their retirement may be used either to extend benefits provided by the West Virginia Public Employees Insurance Agency or to increase retirement benefits. In accordance with GASB Statement No. 16, the accrual for compensated absences includes a provision for accrued sick leave that is likely to be paid in extended health or life insurance benefits for employees whose retirement from the State is probable.

Fixed Assets

The Board does not record any capital assets. The administrative buildings occupied by CPRB are leased under operating leases and the furniture and other holdings are substantially depreciated. Therefore, this treatment does not have a material impact on the financial statements.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, actuarial accrued liabilities and disclosure of contingent assets and liabilities as of the financial statement date, and the reported amounts of additions and deductions for the reporting period. Actual amounts could differ from those estimates. The various retirement plans utilize various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION**

Funding policies for all plans have been established by and changed from time-to-time by action of the State Legislature. While contribution rates are legislatively determined, actuarial valuations are performed to assist the State Legislature in determining contribution rates. The following information is provided for general information purposes only. Plan participants should refer to the respective West Virginia State Code Section for more complete information.

**Defined Benefit Plans**Public Employees' Retirement System

*Plan Description* - PERS is a multiple employer defined benefit cost sharing public employee retirement system covering substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another state or municipal retirement system. The number of participating local government employers as of June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Cities and towns	104	108
Counties	55	55
Special districts	<u>365</u>	<u>358</u>
	<u><u>524</u></u>	<u><u>521</u></u>

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last ten years of earnings. Terminated members with at least five years of credited service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62 or a reduced early retirement benefit commencing as early as age 55.

Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature. In certain circumstances, this Article also permits members of TRS to transfer accumulated service credit and member contributions into PERS.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Public Employees' Retirement System (Continued)

*Contributions* - Per Chapter 5, Article 10, members contribute 4.5% of annual earnings. Funding by State and non-State governmental employers is based on 10.5% (9.5% prior to July 1, 2003) of covered employees' annual earnings. Contributions as a percentage of payroll for members and employers are established by statutes, subject to legislative limitations and are not actuarially determined.

Teachers' Retirement System

*Plan Description* - TRS is a multiple employer defined benefit cost sharing public employee retirement system covering all full-time employees of the 55 county public school systems in the State and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission, hired after June 30, 1991, are required to participate in the Higher Education Retirement System.

TRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest years of earnings during the last 15 years of earnings.

Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

TRS funding policy provides for member contributions based on 6% of members' annual earnings. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined. Employers make the following contributions:

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Teachers' Retirement System (Continued)

The State contributes 15% of earnings of TRS members employed by the State while the county boards of education, utilizing funds made available through the State's School Aid Formula, contribute 15% of the earnings of their TRS covered employees and 7.5% of earnings of their TDCRS covered employees. In addition, the State contributes a certain percentage of fire insurance premiums paid by State residents and an amount determined by the State actuary as being needed to extinguish the TRS unfunded liability within 40 years of June 30, 1994. Other employers contribute 15% of their TRS covered employees earnings and 7.5% of their TDCRS covered employees earnings.

Counties contribute 15% of TRS members' salaries from county boards of education who are not covered under the State's School Aid Formula.

Public Safety Death, Disability and Retirement System

*Plan Description* - PSDDRS is a single employer defined benefit public employee retirement system covering all West Virginia State Police (State Police) hired on or before March 11, 1994. This plan is closed to new entrants.

PSDDRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 50 after 20 years of contributory service, or at any age upon completion of 25 years of service. There is no vesting in the State's contributions prior to ten years of service. Benefits payable to members retiring prior to age 50 are deferred until the normal retirement date. The annual retirement benefit is 5.5% of the members' aggregate salary, but not less than \$6,000 per year. Total service related disability benefits are equal to the member's annual salary, but not less than \$15,000 per year. Aggregate salary is the total salary paid to a member during his or her period of service, which may include up to five years of active military service credited at the average departmental salary. Aggregate salary for purposes of determining disability benefits may include salary that would have been earned had the participant served at least 25 years notwithstanding the disability. An annual cost-of-living adjustment of 3.75% is granted to retirees and beneficiaries. For service-connected total disability retirees, the adjustment begins at age 65. A member who terminates employment is entitled to a refund of his or her contributions plus interest.

*Contributions* - PSDDRS funding policy provides for member contributions based on 9% of their annual earnings. The State makes contributions based on 15% of the annual payroll

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Public Safety Death, Disability and Retirement System (Continued)

of State Police, as well as contributing all revenue generated by the sale of traffic accident reports, criminal investigation reports and other fees. In addition, certain additional contributions of approximately \$250.5 million and \$22 million have been made during the years ended June 30, 2005 and 2004, respectively, representing extra appropriations to pay off the unfunded liability. Contributions, as a percentage of payroll for members and the employer, are established by State law and are not actuarially determined.

State Police Retirement System

*Plan Description* – SPRS is a single employer defined benefit public employee retirement system that was established for all State Police hired on or after March 12, 1994. SPRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 55 with 20 years of service and for a reduced benefit with 20 years of service and retiring before age 55. The annual regular retirement benefit, paid monthly, is equal to 2.75% of the final average salary multiplied by the years of service. Final average salary is the average of the five highest years of earnings during the last ten years of earnings. Annual retirement annuity adjustments are 10% for regular retirement and are payable on July 1 of each year after the member reaches 63 years of age.

*Contributions* - Employees contribute 12% of annual base salary and the employer contributes 12% of gross salary.

Chapter 15, Article 2 of the West Virginia State Code assigns the authority to establish and amend the provisions of the PSDDRS and SPRS plans to the State Legislature.

Deputy Sheriff Retirement System

*Plan Description* - DSRS, a multiple employer defined benefit cost sharing public employee retirement system, was established for all deputy sheriffs hired on or after July 1, 1998. The DSRS was also made available to any deputy sheriff employed in covered employment participating in PERS on the effective date so long as he/she made notification in writing before January 31, 1999, to both the County Commission in the county in which he/she was employed and the Board of his/her desire to transfer to the DSRS. Approximately 600 deputy sheriffs elected such transfer and as a result, approximately \$28,638,000 of accumulated member and employer contributions and interest were transferred from PERS to DSRS in fiscal year 1999, in accordance with Chapter 7, Article 14 of the West Virginia State Code.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Deputy Sheriff Retirement System (Continued)

DSRS provides retirement as well as death and disability benefits. A member is eligible for normal retirement under the following circumstances:

1. Attainment of the age of 50 years and completion of 20 or more years of service
2. Member is in covered employment, has attained the age of 60 years, and has completed five or more years of service
3. Attainment of the age of 62 years and has completed five or more years of service

The annual regular retirement benefit is equal to 2.25% of a member's final average salary multiplied by the member's years of credited service. Final average salary refers to the average of the highest annual compensation received for covered employment by the member during any five consecutive plan years within the member's last ten years of service. A member may elect to receive retirement income payments equal to his/her accrued benefit in the normal form or in a variety of annuity options. The normal form signifies a monthly annuity which is 1/12 of the amount of a members accrued benefit which is payable for the member's life.

Benefit payments did not begin prior to January 1, 2000, except benefit payments resulting from disability.

Chapter 7, Article 14 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - Members contribute 8.5% of monthly base salary, and the County Commission of the County in which the member is employed contributes an additional 10.5% (9.5% prior to July 1, 2004) of the members monthly salary. In addition, the County Commissions contribute certain fees charged for reports and other services provided by the sheriff's offices.

Judges' Retirement System

*Plan Description* - JRS is a single employer defined benefit public employee retirement system covering State judges who elect to participate. JRS provides retirement as well as death and disability benefits. A member is eligible for normal retirement upon the attainment of 24 years of service, 16 years of service at age 65 or 8 years of service after age 65. The annual benefit is 75% of the current annual salary of the office from which the participant



## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Judges' Retirement System (Continued)

retires, with surviving beneficiaries adjusted in proportion to salary increases given to current judges. A participant is eligible for a deferred benefit upon termination of service prior to normal retirement provided the participant completes 16 years of service, including 12 years of service as a sitting judge of any court of record.

Chapter 51, Article 9 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Contributions* - JRS funding policy provides for member contributions based on 9% of their annual earnings. This policy also provides for periodic employer contributions at varying amounts appropriated annually by the State Legislature. However, annual appropriations are determined in consideration of the most recent actuarial valuation. Any participant who terminates before becoming eligible for benefits may elect to withdraw his or her contributions without interest.

*Plan Membership* - Membership in the above plans consists of the following as of June 30, 2005 and 2004:

As of June 30, 2005:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Retirees and beneficiaries						
currently receiving benefits	19,403	26,750	637	6	162	54
Terminated members entitled to						
benefits but not yet receiving them	3,166	3,518	7	1	35	3
Terminated nonvested members	8,307	43	2	39	82	-
Active members:						
Vested	23,685	17,653	213	73	478	20
Nonvested	<u>12,439</u>	<u>72</u>	<u>-</u>	<u>328</u>	<u>357</u>	<u>39</u>
Total	<u>67,000</u>	<u>48,036</u>	<u>859</u>	<u>447</u>	<u>1,114</u>	<u>116</u>

As of June 30, 2004:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Retirees and beneficiaries						
currently receiving benefits	18,928	26,050	622	6	145	58
Terminated members entitled to						
benefits but not yet receiving them	3,022	3,697	5	-	33	3

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Judges' Retirement System (Continued)

	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Terminated nonvested members	7,576	47	3	32	72	-
Active members:						
Vested	23,575	19,189	237	10	442	16
Nonvested	<u>12,293</u>	<u>56</u>	<u>-</u>	<u>370</u>	<u>369</u>	<u>42</u>
Total	<u>65,394</u>	<u>49,039</u>	<u>867</u>	<u>418</u>	<u>1,061</u>	<u>119</u>

**Defined Contribution Plan**Teachers' Defined Contribution Retirement System

*Plan Description* - TDCRS is a multiple employer defined contribution retirement system covering primarily full-time employees of the State's 55 county public school systems, the State Department of Education, and the School for the Deaf and Blind who are hired after June 30, 1991. TDCRS members also include former TRS plan members, including higher education employees, who have elected to transfer into or participate in TDCRS. There were approximately 22,950 and 21,200 members in the TDCRS plan at June 30, 2005 and 2004, respectively. TDCRS benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment.

The TDCRS provides members with their choice of ten separate investment options which include government securities mutual funds, common stock mutual funds, guaranteed insurance contract mutual funds and individually allocated annuities, or three lifestyle funds.

In 2001, Senate Bill 711, amended West Virginia (WV) Code §18-7B-7, allowing certain full-time employees who were members of the Teachers' Defined Contribution Retirement System the option to re-enter the defined benefit Teachers' Retirement System (TRS). Eligibility requirements were: 1) left TRS employment prior to July 1, 1991; 2) re-employed after July 1, 1991, and placed in TDCRS; 3) pay 1.5% of annual gross compensation earned while a TDCRS member to TRS; and 4) election must be made no later than June 30, 2002. (Note: This option was not available to TDCRS members who voluntarily elected to cease participation in TRS and transfer to TDCRS. (TDCRS assets were transferred to TRS on behalf of 203 eligible members and the additional 1.5% of annual gross compensation was paid to TRS.)

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Teachers' Defined Contribution Retirement System (Continued)

*Contributions* - State legislation requires employees to contribute 4.5% of their gross compensation and the employers to contribute 7.5% of covered members' gross compensation from amounts allocated to the employers through the State's School Aid Formula. Employer contributions for each employee (and interest allocated to the employee's account) become partially vested after six years and fully vested after 12 years of completed service. If a terminated employee does not return to active participant status within five years, the nonvested employer contributions and earnings thereon are forfeited to reduce the employer's current period contribution requirement. Any such forfeitures arising from contributions, plus earnings thereon, will be used to reduce future employer contributions.

**3 - INVESTMENTS**

The Board has adopted investment guidelines that are consistent with those specified in the West Virginia Code. Those guidelines authorize the Board to invest in obligations of the United States and certain of its agencies, certificates of deposit, direct and general obligations of states, repurchase agreements relating to certain securities and guaranteed investment contracts. Investments are managed by a third party administrator as the trustee for the TDCRS.

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commission, and transfers funds to the West Virginia Investment Management Board (IMB) for investment in accordance with West Virginia Code, policies set by the IMB and by provisions of bond indentures and trust agreements when applicable. Certain of the individual plan's balances are invested by the IMB in the various IMB pools. Following is a summary of investments held by IMB for each plan as of June 30, 2005 and 2004.

As of June 30, 2005:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>	<u>TDC</u>
Investments:							
Large cap equity	\$ 861,722	\$ 404,839	\$ 28,669	\$ 6,376	\$ 17,197	\$ 19,018	\$ -
Non-large cap equity	523,160	232,606	17,408	3,756	10,344	11,477	-
International equity	691,254	308,684	22,791	4,872	13,558	14,768	-
Fixed Income	1,302,812	575,648	41,558	9,793	26,499	29,123	-
Short term fixed income	21,439	76,461	250,783	500	614	371	-
Total investments	\$ 3,400,387	\$ 1,598,238	\$ 361,209	\$ 25,297	\$ 68,212	\$ 74,757	-

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**

	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>	<u>TDC</u>
Cash equivalents:							
Cash liquidity	<u>195</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,065</u>
Total investments and cash equivalents	<u>\$ 3,400,582</u>	<u>\$ 1,598,239</u>	<u>\$ 361,209</u>	<u>\$ 25,297</u>	<u>\$ 68,212</u>	<u>\$ 74,757</u>	<u>\$ 4,065</u>
As of June 30, 2004:							
Large cap equity	\$ 735,349	\$ 323,577	\$ 23,157	\$ 4,747	\$ 14,284	\$ 15,483	\$ -
Non-large cap equity	521,447	223,905	16,698	3,219	9,911	10,577	-
International equity	625,694	270,017	20,198	3,630	11,594	13,146	-
Fixed Income	1,184,467	491,541	34,850	7,819	22,595	23,946	-
Short term fixed income	<u>19,797</u>	<u>82,855</u>	<u>23,047</u>	<u>335</u>	<u>645</u>	<u>387</u>	<u>-</u>
Total investments	\$ 3,086,754	\$ 1,391,895	\$ 117,950	\$ 19,750	\$ 59,029	\$ 63,539	-
Cash equivalents:							
Cash liquidity	<u>4,695</u>	<u>465</u>	<u>134</u>	<u>132</u>	<u>-</u>	<u>20</u>	<u>-</u>
Total investments and cash equivalents	<u>\$ 3,091,449</u>	<u>\$ 1,392,360</u>	<u>\$ 118,084</u>	<u>\$ 19,882</u>	<u>\$ 59,029</u>	<u>\$ 63,559</u>	<u>\$ -</u>

Large Cap Domestic

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2005, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes.

Non-Large Cap Domestic

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2005, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes.

International Equity

This pool is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2005, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. This pool has both equity securities and

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**International Equity (Continued)

cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts (in U.S. dollars) of the securities and cash denominated in foreign currencies are as follows:

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 13,290,915	\$ 375,288	\$ 13,666,203
British Pound	119,895,302	4,400,463	124,295,765
Canadian Dollar	22,258,200	(200,893)	22,057,307
Danish Krone	3,703,655	27,130	3,730,785
Euro	167,604,540	5,158,260	172,762,800
Hong Kong Dollar	18,055,400	79,195	18,134,595
Indian Rupee	6,778,060	-	6,778,060
Israeli Shekel	897,903	40,690	938,593
Japanese Yen	125,558,543	2,073,923	127,632,466
Malaysian Ringgit	1,999,387	18,153	2,017,540
Mexican New Peso	1,880,790	36,933	1,917,723
New Zealand Dollar	2,497,951	23,218	2,521,169
Norwegian Krone	6,613,326	60,396	6,673,722
Singapore Dollar	8,163,959	212,569	8,376,528
South African Rand	1,939,123	45,969	1,985,092
South Korean Won	7,451,118	281,961	7,733,079
Swedish Krona	20,786,351	569,873	21,356,224
Swiss Franc	38,254,942	1,635,215	39,890,157
Taiwan Dollar	4,045,024	678,239	4,723,263
Total	<u>\$ 571,674,489</u>	<u>\$ 15,516,582</u>	<u>\$ 587,191,071</u>

This pool also has \$187,529,201 invested in an institutional mutual fund that invests in equities of foreign countries. The value of this investment, although denominated in U.S. dollars, is exposed to foreign currency risk.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Short-Term Fixed Income**Credit risk**

The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in the United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Short-Term Fixed Income pool's investments.

<u>Security Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
U.S. Treasury bills	Aaa	AAA	\$ 59,972,698	15.1%
Commercial paper	P1	A-1	50,759,260	12.7
Agency discount notes	P1	A-1	11,949,276	3.0
Agency bonds	Aaa	AAA	11,449,771	2.9
Certificates of deposit	P1	A-1	\$ 6,000,000	1.5%
Money market funds	Aaa	AAA	<u>328,493</u>	<u>0.1</u>
Total rated investments			<u>\$140,459,498</u>	<u>35.3%</u>

Unrated securities include repurchase agreements of \$258,000,000. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

**Concentration of credit risk**

West Virginia statutes prohibit the Short-Term Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2005, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

**Custodial credit risk**

At June 30, 2005, the Short-Term Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Short-Term Fixed Income (Continued)**Custodial credit risk (Continued)**

is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

**Interest rate risk**

The weighted average maturity of the investments of the Short-Term Fixed Income pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for various asset types in the Short-Term pool.

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Repurchase agreements	\$ 258,000,000	1
US Treasury bills	59,972,698	7
Commercial paper	50,759,260	53
Agency discount notes	11,949,276	81
Agency bonds	11,449,771	114
Certificates of deposit	6,000,000	117
Money market funds	328,493	1
Total assets	<u>\$ 398,459,498</u>	<u>16</u>

**Foreign currency risk**

The Short-Term Fixed Income pool has no securities that are subject to foreign currency risk.

Fixed Income**Credit risk**

The IMB limits the exposure to credit risk in the Fixed Income pool by requiring all corporate bonds to be rated B or higher at the time of purchase. Convertible bonds must be rated Baa or higher by Standard & Poor's or BBB or higher by Moody's. The following table provides the weighted average credit ratings of the asset types in the Fixed Income pool.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Fixed Income (Continued)**Credit risk (Continued)**

Security Type	Moody's	S&P	Carrying Value	Percent of Assets
U.S. Treasury bonds and notes	Aaa	AAA	\$ 618,760,671	32.3%
Corporate bonds and notes	A	BBB	383,042,334	20.0
Agency bonds	Aaa	AAA	56,867,431	3.0
Corporate asset backed securities	Aaa	AAA	48,360,941	2.5
Agency discount notes	P1	A-1	1,920,805	0.1
Money market funds	Aaa	AAA	669,254	0.0
Total rated investments			<u>\$1,109,621,436</u>	<u>57.9%</u>

Unrated securities include commingled investment pools of \$731,111,900 and repurchase agreements of \$77,400,000. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating. At June 30, 2005, the ratings of the following securities had dropped below a rating of B: Dynegy Holdings (Caa, CCC), El Paso Corporation (Caa), Intelsat (Caa) and Sonat (Caa). The value of these securities at June 30, 2005 was \$7,298,775. This represents approximately 0.4% of the pool. The IMB continues to monitor the credit worthiness of these companies.

**Concentration of credit risk**

West Virginia statutes prohibit the Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2005, the Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

**Custodial credit risk**

At June 30, 2005, the Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.



## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Fixed Income (Continued)**Interest rate risk**

The IMB monitors interest rate risk of the Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted average modified duration for the various asset types in the Fixed Income pools.

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (years)</u>
Commingled investment pools	\$ 731,111,900	4.4
U.S. Treasury notes and bonds	618,760,671	5.6
Corporate notes and bonds	383,042,334	6.6
Repurchase agreements	77,400,000	0.0
Agency bonds	56,867,431	7.2
Corporate asset backed securities	48,360,941	3.7
Agency discount notes	1,920,805	0.4
Money market fund	669,254	0.0
Total assets	<u>\$ 1,918,133,336</u>	<u>5.1</u>

The Fixed Income pool invests in commercial and residential mortgage-backed and asset-backed securities. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2005, the Fixed Income pool held \$259,008,821 of these securities. This represents approximately 8% of the value of the fixed income pools.

**Foreign currency risk**

The Fixed Income pool has no securities that are exposed to foreign currency risk.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Fixed Income Qualified

This pool holds positions in institutional mutual funds with a combined value of \$800,406,349 at June 30, 2005, that invest in U.S. Treasury obligations and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.9 years. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

Fixed Income Nonqualified

This pool holds positions in institutional mutual funds with a combined value of \$530,634,965 at June 30, 2005, that invest in U.S. Treasury obligations and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.9 years. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

Cash Liquidity**Credit risk**

The IMB limits the exposure to credit risk in the Cash Liquidity pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Cash Liquidity pool's investments.

<u>Security Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
Commercial paper	P1	A-1	\$ 598,241,394	37.9%
U.S. Treasury bills	Aaa	AAA	259,397,648	16.4
Corporate notes	Aaa	AAA	155,559,323	9.9
Certificates of deposit	P1	A-1	152,998,937	9.7
Agency bonds	Aaa	AAA	147,955,465	9.4
Agency discount notes	P1	A-1	119,564,248	7.6
Money market funds	Aaa	AAA	4,241,278	0.3
Total rated investments			<u>\$1,437,958,293</u>	<u>91.2%</u>

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Cash Liquidity (Continued)**Credit risk (Continued)**

Unrated securities include repurchase agreements of \$141,050,000. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

**Concentration of credit risk**

West Virginia statutes prohibit the Cash Liquidity pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2005, the pool did not have investments in any one private corporation or association that represented more than 5% of its assets.

**Custodial credit risk**

At June 30, 2005, the Cash Liquidity pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the IMB's financial statements is invested in the lending agent's money market fund.

**Interest rate risk**

The weighted average maturity of the investments of the Cash Liquidity pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Cash Liquidity pool.

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Commercial paper	\$ 598,241,394	49
U.S. Treasury bills	259,397,648	30
Corporate notes	155,559,323	53
Certificates of deposit	152,998,937	42
Agency bonds	147,955,465	88
Repurchase agreements	141,050,000	1
Agency discount notes	119,564,248	52
Money market funds	4,241,278	1
Total assets	<u>\$ 1,579,008,293</u>	<u>45</u>

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Cash Liquidity (Continued)**Foreign currency risk**

The Cash Liquidity pool has no securities that are subject to foreign currency risk.

Investments and Deposits - TDCRS**Credit Risk**

The TDCRS' investments are not rated as to credit risk.

**Concentration of Credit Risk**

As of June 30, 2005 and 2004, the TDCRS has investment balances with the following issuers which were greater than or equal to 5% of the investment balance of the TDCRS (in thousands):

	<u>2005</u>	<u>2004</u>
Mutual Funds:		
American Funds Growth Fund A	\$ 93,506	\$ 79,090
American Funds Wash Mutual A	55,807	48,090
Federated Max Cap Institutional	50,550	44,700
Franklin Income Fund - A	70,163	57,098
American Funds Bond Fund A	43,676	37,822
Valic Fixed Annuity Option	241,681	199,329
Vanguard Money Market Prime Portfolio	38,721	33,320
Other (less than 5%)	35,785	33,408
	<u>\$ 629,889</u>	<u>\$ 532,857</u>

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the TDCRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2005, the TDCRS held no securities that were subject to custodial credit risk.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - INVESTMENTS (Continued)**Investments and Deposits - TDCRS (Continued)**Concentration of Credit Risk – Cash Deposits**

The TDCRS' cash deposits with financial institutions were \$1,754,000 at June 30, 2005. These deposits, which had a bank balance of \$1,754,000, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agent.

**Interest Rate Risk**

As of June 30, 2005, the TDCRS had the following investments and maturities (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	<u>\$ 629,889</u>	<u>\$ 629,899</u>	<u>\$ -</u>	<u>\$ -</u>

**Foreign Currency Risk**

There are no securities held by TDCRS that are subject to foreign currency risk.

**4 - COMPENSATED ABSENCES**

The liability for compensated absences consists of the following at June 30 (in thousands):

	<u>2005</u>	<u>2004</u>
Accrued GASB Statement No. 16 termination payments related to sick leave	\$ 310	\$ 309
Accrued vacation leave	<u>138</u>	<u>145</u>
	<u>\$ 448</u>	<u>\$ 454</u>

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**5 - EMPLOYEE BENEFIT PLANS**

The Board's employees are eligible to participate in PERS. The key provisions of the PERS plan are described in Note 2. As noted below, the Board contributed the required amounts. Per the plan provisions, Board and employee contributions for the three years ended June 30, 2003, 2004 and 2005 are as follows, which equal their required contributions to the plan (in thousands):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Board contributions	\$ 247	\$ 234	\$ 200
Employee contributions	<u>108</u>	<u>102</u>	<u>97</u>
Total contributions	<u>\$ 355</u>	<u>\$ 336</u>	<u>\$ 297</u>

**6 - CONTINGENCIES**

The Board is engaged in various legal actions that it deems to be in the ordinary course of business. Some of these cases involve potential significant amounts for which legal counsel is unable to render an opinion on the outcome. Further, the financial impact of some cases is dependent upon judicial rulings in favor of petitioners and would have to be actuarially determined, inasmuch as the relief sought is an increase in the petitioners' annuity benefit. Accordingly, the financial statement impact of such cases cannot be determined at the present time. The Board believes that it has adequately provided for cases involving probable losses of current litigation. As legal actions are resolved, the Board recognizes the liability in its financial statements in the period the loss can be estimated.

A lawsuit has been filed against the CPRB in which PERS plan participants seek to have lump sum payments received for unused leave included within their PERS final average salary calculations. The CPRB denied the requested relief, and the participants appealed to the Circuit Court of Wood County. By Order of October 8, 2004, the CPRB's administrative decision in this matter was reversed by the Circuit Court of Wood County, West Virginia. The CPRB will be filing a petition for review of the Circuit Court's ruling with the West Virginia Supreme Court of Appeals on or before February 8, 2005. The Supreme Court has granted the Board's motion to stay execution of the Circuit Court's ruling pending resolution of the anticipated appeal. The financial impact of a judicial ruling in favor of the petitioners will have to be actuarially determined, inasmuch as the relief sought is an increase in the petitioners' and other similarly situated PERS members' monthly annuity benefits resulting from the inclusion of additional compensation in their final average salary and benefit annuity calculations.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**6 - CONTINGENCIES (Continued)**

Two administrative petitions are pending before the CPRB by and on behalf of the members of the 42nd through the 45th Cadet Classes of the West Virginia State Police, each of whom are seeking to be moved from the West Virginia State Police Retirement System ("Plan B"), to the more financially advantageous West Virginia State Police Death, Disability and Retirement Fund ("Plan A"). The financial impact of an administrative or judicial ruling conferring some or all of the relief sought by the petitioners has been estimated to increase the liabilities in the WV Public Safety Death, Disability and Retirement Fund by approximately \$75 million. Moreover, transfers of participants from Plan B into Plan A in a manner contrary to plan provisions could raise plan qualification issues with the Internal Revenue Service. Plan disqualification could potentially result in substantial tax consequences such as the plan's trust income being subject to tax, taxable employer contributions, taxable benefit distributions to participants and other negative ramifications.

**7 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to, and illnesses of, employees; medical liabilities; and natural disasters.

Health insurance coverage for the Board's employees is obtained through its participation in the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. Additionally, the Board has obtained coverage for job-related injuries through its participation in the West Virginia Workers' Compensation Commission, a public entity risk pool. Furthermore, the Board is a participant in the self-insured public entity risk pool administered by the Board of Risk and Insurance Management. Coverage is in the amount of \$1,000,000 per occurrence for general liability and property damage.

There have been no significant reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## NOTES TO FINANCIAL STATEMENTS

(Continued)

**8 - SUBSEQUENT EVENT**

On April 9, 2005, the West Virginia Legislature enacted House Bill 2984, which authorized the election for the potential merger and consolidation of the Teachers' Defined Contribution Retirement System (TDC) with the State Teachers' Retirement System (TRS). The merger must be approved by a majority of the eligible voting members of the TDC in an election to be held between March 1, 2006 and March 12, 2006. At least 50% of TDC members with a balance of \$1 or more must participate in the election in order for the vote to be valid.

If approved, the merger will take place July 1, 2006, at which time the members of the TDC will become members of the TRS, and all assets of the TDC will be transferred to the TRS. Members of the TDC will receive service credit for each year or part of a year that the member worked and contributed to the TDC, to be adjusted for any withdrawals or cash-outs from the member's TDC plan assets. To receive full credit in the TRS for service under the TDC, TDC members will pay a contribution of one and one-half percent of total earnings based on backward salary scale for which assets are transferred to the TRS. Loans are to be made available to TDC members for the purpose of making this contribution. If the contribution is not made, the member's service credit will be reduced by 25%.

The proposed merger, if approved, is not projected to have a significant effect on the unfunded liability of the TRS at the date of the merger. Subsequent to the date of the merger, contributions to the TRS for former TDC members will be made in accordance with applicable statutory requirements for TRS members.



**REQUIRED SUPPLEMENTARY INFORMATION**

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

## SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>PERS</b>						
July 1, 2004	\$ 3,095,660	\$ 3,870,201	\$ 774,541	80.0%	\$ 1,134,111	68.3%
July 1, 2003	2,699,941	3,691,001	991,060	73.1	1,109,272	89.3
July 1, 2002	2,588,777	3,432,467	843,690	75.4	1,040,269	81.1
July 1, 2001	2,681,395	3,178,037	496,642	84.4	972,711	51.1
July 1, 2000	2,700,356	2,932,484	232,128	92.1	930,331	25.0
July 1, 1999	2,504,002	2,681,756	177,754	93.4	854,833	20.8
July 1, 1998	2,371,359	2,524,214	152,855	93.9	836,541	18.3
July 1, 1997	2,152,300	2,371,752	219,452	90.7	809,315	27.1
July 1, 1996	1,988,588	2,382,004	393,416	83.5	783,162	50.2
July 1, 1995 (Revised)	1,922,545	2,199,225	276,680	87.4	750,422	36.9
<b>TRS</b>						
July 1, 2004	\$ 1,427,475	\$ 6,440,738	\$ 5,013,263	22.2%	\$ 784,415	639.1%
July 1, 2003	1,191,238	6,243,834	5,052,596	19.1	832,919	606.6
July 1, 2002	1,098,441	5,709,001	4,610,560	19.2	841,627	547.8
July 1, 2001	1,090,663	5,188,826	4,098,163	21.0	867,018	472.7
July 1, 2000	1,046,840	4,883,064	3,836,224	21.4	874,166	438.8
July 1, 1999	932,501	4,629,276	3,696,775	20.1	891,165	414.8
July 1, 1998	839,597	4,262,797	3,423,200	19.7	878,364	389.7
July 1, 1997	683,807	4,161,039	3,477,232	16.4	924,529	376.1
July 1, 1996	608,919	4,125,593	3,516,674	14.8	923,394	380.8
July 1, 1995	527,108	3,715,774	3,188,666	14.2	928,818	343.3
<b>PSDDRS</b>						
July 1, 2004	\$ 118,080	\$ 462,119	\$ 344,039	25.6%	\$ 12,273	2803.2%
July 1, 2003	99,409	447,869	348,460	22.2	13,496	2581.9
July 1, 2002	91,095	416,938	325,843	21.9	14,314	2276.4
July 1, 2001	89,229	388,909	299,680	22.9	15,611	1919.7
July 1, 2000	84,922	361,026	276,104	23.5	16,319	1691.9
July 1, 1999	74,230	343,289	269,059	21.6	16,478	1632.8
July 1, 1998	67,568	297,832	230,264	22.7	16,560	1390.5
July 1, 1996	54,489	280,588	226,099	19.4	16,879	1339.5
July 1, 1995	56,456	254,210	197,754	22.2	15,531	1273.3

(Continued)

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FUNDING PROGRESS  
(Continued)

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>SPRS</b>						
July 1, 2004	\$ 19,882	\$ 22,102	\$ 2,220	90.0%	\$ 13,233	16.8%
July 1, 2003	14,741	16,892	2,151	87.3	11,449	18.8
July 1, 2002	11,644	13,708	2,064	84.9	10,134	20.4
July 1, 2001	9,825	10,819	994	91.0	10,175	9.8
July 1, 2000	7,514	8,585	1,071	87.5	9,799	10.9
July 1, 1999	5,081	4,921	(160)	103.3	6,961	(2.3)
July 1, 1998	3,414	2,944	(470)	116.0	5,077	(9.3)
July 1, 1996	1,009	605	(404)	166.8	3,433	(11.8)
July 1, 1995	331	169	(162)	195.9	2,395	(6.8)
<b>DSRS</b>						
July 1, 2004	\$ 59,715	\$ 87,759	\$ 28,044	68.0%	\$ 28,326	99.0%
July 1, 2003	49,364	78,871	29,507	62.6	26,094	113.1
July 1, 2002	44,371	72,702	28,311	61.0	24,291	116.6
July 1, 2001	42,919	64,869	21,950	66.2	22,590	97.2
July 1, 2000	39,679	57,481	17,802	69.0	21,056	84.5
July 1, 1999	32,801	49,237	16,436	66.6	19,581	83.9
<b>JRS</b>						
July 1, 2004	\$ 63,559	\$ 85,778	\$ 22,219	74.1%	\$ 6,325	351.3%
July 1, 2003	52,779	96,709	43,930	54.6	6,325	694.5
July 1, 2002	47,620	92,215	44,595	51.6	6,325	705.1
July 1, 2001	46,635	84,791	38,156	55.0	6,325	603.3
July 1, 2000	43,779	83,982	40,203	52.1	6,055	664.0
July 1, 1999	37,359	78,598	41,239	47.5	5,965	691.3
July 1, 1998	32,593	73,900	41,307	44.1	5,363	770.2
July 1, 1996	23,051	70,091	47,040	32.9	5,385	873.5
July 1, 1995	19,467	65,581	46,114	29.7	5,385	856.3

Note: Data is not available for any plans for years prior to July 1, 1993. Fiscal year 1995 was the first year of activity for SPRS which was created by the State Legislature in March 1994. Actuarial calculations for PSDDRS, SPRS, and JRS were not performed as of July 1, 1997. The June 30, 2003 TRS assets were changed to reflect the final audited financial statements which were unavailable at the issuance of the July 1, 2003 valuation report.

See accompanying note to required supplementary information.

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND  
OTHER CONTRIBUTING ENTITIES

(Dollars in Thousands)

<u>Year Ended June 30</u>	(1) <u>Budgeted Recommended Contribution</u>	(2) <u>Restated Recommended Contribution</u>	<u>Percent of Budget Contributed</u>	<u>Percent of Restated Contributed</u>
<b>PERS</b>				
2005	\$ 119,082	\$ 119,164	99.71%	99.64%
2004	116,474	116,474	99.28	99.28
2003	98,826	117,030	104.47	88.22
2002	92,408	92,408	104.63	104.63
2001	88,381	88,381	101.77	101.77
2000	81,214	81,214	104.73	104.73
1999	79,471	79,471	98.11	98.11
1998	76,885	76,885	100.03	100.03
<b>TRS (3)</b>				
2005	\$ 342,800	\$ 334,533	102.98%	105.52%
2004	307,634	333,208	106.76	98.57
2003	271,808	290,428	105.38	98.63
2002	237,688	254,050	110.19	103.10
2001	227,881	229,926	107.64	106.68
2000	213,085	220,853	103.42	99.78
1999	199,019	211,804	107.20	100.73
1998	223,564	220,500	104.06	105.50
<b>PSDDRS (4)</b>				
2005	\$ 27,953	\$ 27,953	904.90%	904.90%
2004	24,701	24,358	97.10	98.47
2003	22,473	23,866	100.19	94.34
2002	19,742	21,713	103.17	93.80
2001	18,546	19,074	100.35	97.58
2000	16,613	17,920	104.25	96.65
1999	14,600	12,983	105.76	118.93
1998	10,860	7,576	111.28	159.52
<b>SPRS</b>				
2005	\$ 1,487	\$ 1,588	114.46%	107.18%
2004	1,357	1,343	109.95	122.70
2003	1,422	1,170	90.93	110.50
2002	1,329	1,039	91.79	117.44
2001	842	1,105	141.28	107.74
2000	759	561	135.94	184.04
1999	424	325	176.06	229.46
1998	412	50	136.18	1114.60

(Continued)

## WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND  
OTHER CONTRIBUTING ENTITIES  
(Continued)

(Dollars in Thousands)

<u>Year Ended June 30</u>	(1) Budgeted Recommended Contribution	(2) Restated Recommended Contribution	Percent of Budget Contributed	Percent of Restated Contributed
<b>DSRS (5)</b>				
2005	\$ 3,449	\$ 2,912	103.48%	122.56%
2004	2,979	3,241	108.46	99.69
2003	2,758	2,993	105.48	97.21
2002	2,646	2,505	100.36	106.01
2001	2,537	2,094	103.18	125.05
2000	2,397	1,922	104.13	129.85
<b>JRS</b>				
2005	\$ 6,758	\$ 4,398	100.00%	153.66%
2004	6,517	6,652	81.77	80.11
2003	5,413	6,418	101.60	85.70
2002	5,138	5,330	116.77	112.58
2001	5,165	5,066	125.16	127.62
2000	5,550	4,920	97.58	110.09
1999	5,705	5,324	94.94	101.72
1998	5,210	5,433	100.00	95.89

Notes

- (1) Budgeted recommended contribution represents the original budgeted recommended contribution per the actuarial reports as presented to the Legislature.
- (2) Restated recommended contribution represents the updated recommended contribution based upon the availability of more recent information, including changes in market performance, payroll, and other factors.
- (3) Contributions for the Teachers Retirement System include employer contributions and interest from out-of-state services and surcharges on fire and casualty insurance policies which are specifically identified to fund the plan per West Virginia State Code Section 33-3-14d and 33-33-33.
- (4) Contributions for Plan A include employer contributions and other payments designated by WV State Code Section 15-2-26 - Payments to members for court attendance and mileage; rewards for apprehending wanted persons; fees for traffic accident reports and photographs; fees for criminal investigation reports and photographs; fees for criminal history record checks; and fees for criminal history record reviews and challenges or from any other sources designated by the superintendent.
- (5) Contributions include employer contributions and various other fees designated for the fund from charges and fees per WV State Code Section 7-14E-2 and 17A-3-17 - Charges for obtaining reports (i.e., accident reports); fees for performing certain services (adult private employment finger printing for federal firearm permits, motor vehicle number identification, adult identification card, and photo-identification card); fees for nongovernmental background investigation reports; and fees for renewal of a Class A or G vehicle registration.

See accompanying note to required supplementary information.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was based on the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>
Valuation Date	July 1, 2004	July 1, 2004	July 1, 2004
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value
Amortization method	Constant dollar	Constant percentage of payroll	Constant percentage of payroll
Amortization period	Through FY 2029*	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	4.5-6.0%	-	-
Nonstate	4.0-5.5%	-	-
TRS:			
Teachers	-	3.5-5.0%	-
Non Teachers	-	4.25-5.5%	-
Other plans	-	-	6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter
Inflation rate	3.0%	3.0%	3.0%

\* Contribution rates are not sufficient to meet original amortization funding target.

N/A - Information is not available.

<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
July 1, 2004	July 1, 2004	July 2, 2004
Entry age cost	Entry age cost	Entry age cost
Fair value	Fair value	Fair value
N/A	Constant percentage of payroll	Constant dollar
Through FY 2030	Through FY 2038*	Through FY 2018
7.5%	7.5%	7.5%
-	-	-
-	-	-
-	-	-
-	-	-
6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter	6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter	4.5%
3.0%	3.0%	3.0%

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the  
West Virginia Consolidated Public  
Retirement Board

We have audited the financial statements of the West Virginia Consolidated Public Retirement Board (the Board) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 25, 2005. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the audit committee, management and the West Virginia Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

*Hibbons & Kawash*

October 25, 2005