West Virginia Public Employees Insurance Agency

Financial Statements, Required Supplementary Information and Other Required Information

Years Ended June 30, 2017 and 2016

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

Finance Board and Management
West Virginia Public Employees Insurance Agency
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Public Employees Insurance Agency (PEIA), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the PEIA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PEIA, an enterprise fund of the State of West Virginia, as of June 30, 2017 and 2016, and the revenues, expenses and changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of PEIA are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business type activities of the State of West Virginia that is attributable to the transactions of PEIA. They do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 56 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PEIA's basic financial statements as a whole. The accompanying schedules on pages 60 through 67 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of the PEIA's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PEIA's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Charleston, West Virginia
October 12, 2017

Management's Discussion and Analysis
(in thousands)

Management's Discussion and Analysis (in thousands)

This section of the West Virginia Public Employees Insurance Agency's (PEIA) annual financial report presents management's discussion and analysis of its financial performance for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the financial statements

PEIA's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities. The primary purpose of PEIA is to provide group health and prescription drug insurance for the employees of State agencies, colleges and universities, county school boards and other governmental units as set forth in the West Virginia Public Employees Insurance Act of 1971, as amended. PEIA operates in a manner similar to any other insurance company. PEIA is an enterprise fund of the State and is combined with other similar funds to comprise the enterprise funds of the State of West Virginia. The basic financial statements are presented on the accrual basis of accounting. The three basic financial statements presented within the financial statements are as follows:

> Statement of Net Position – This statement presents information reflecting PEIA's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities. The statement of net position is categorized as to current and noncurrent assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or are collectible or become due within 12 months of the statement date.
>
> Statement of Revenues, Expenses and Changes in Net Position – This statement reflects PEIA's operating revenues and expenses, as well as nonoperating revenues during the fiscal year. The major source of operating revenues is premium income, while major expense areas include medical and prescription drug claims costs. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.
>
> Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, capital and noncapital financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at net increase or decrease in cash for the fiscal year.

(in thousands)

Financial highlights

The following table summarizes the statement of net position and the changes in net position as of and for the years ended June 30:

				Change 2017 – 2016		Change 2016 – 2015	
	2017	**2016**	**2015**	**Amount**	**Percent**	**Amount**	**Percent**
ASSETS							
Cash and cash equivalents	$ **8,799**	$ 9,201	$ 7,153	$ (402)	(4.4)%	$ 2,048	28.6 %
Equity position in - investment pool	**35,378**	388	31,198	34,990	9018.0	(30,810)	(98.8)
Premium receivable	**8,642**	7,565	12,491	1,077	14.2	(4,926)	(39.4)
Other current assets	**23,908**	12,296	12,853	11,612	94.4	(557)	(4.3)
Total current assets	**76,727**	29,450	63,695	47,277	160.5	(34,245)	(53.8)
Equity position in investment pools	**153,908**	176,829	218,202	(22,921)	(13.0)	(41,373)	(19.0)
Equity position in investment pool-restricted	**19,973**	26,549	24,949	(6,576)	(24.8)	1,600	6.4
Capital assets, net	**247**	165	66	82	49.7	99	150.0
Total assets	**250,855**	232,993	306,912	17,862	7.7	(73,919)	(24.1)
DEFERRED OUTFLOWS OF RESOURCES							
Pension	**575**	460	190	115	25.0	270	142.1
Total deferred outflows of resources	**575**	460	190	115	25.0	270	142.1
LIABILITIES							
Claims payable	**64,649**	73,523	78,077	(8,874)	(12.1)	(4,554)	(5.8)
Other current liabilities	**16,816**	34,379	73,340	(17,563)	(51.1)	(38,961)	(53.1)
Total current liabilities	**81,465**	107,902	151,417	(26,437)	(24.5)	(43,515)	(28.7)
Noncurrent liabilities:							
Other noncurrent liabilities	**903**	528	366	375	71.0	162	44.3
Premium stabilization fund	**19,973**	26,549	24,950	(6,576)	(24.8)	1,599	6.4
Total liabilities	**102,341**	134,979	176,733	(32,638)	(24.2)	(41,754)	(23.6)
DEFERRED INFLOWS OF RESOURCES							
Pension	**44**	344	391	(300)	(87.2)	(47)	(12.0)
Total deferred inflows of resources	**44**	344	391	(300)	(87.2)	(47)	(12.0)
Net Position:							
Investment in capital assets	**247**	165	66	82	49.7	99	150.0
Unrestricted	**148,799**	97,965	129,912	50,834	51.9	(31,947)	(24.6)
Total net position	**$ 149,046**	$ 98,130	$ 129,978	$ 50,916	51.9%	$ (31,848)	(24.5) %
Premium revenue	**$ 625,116**	$ 558,610	$ 568,350	$ 66,506	11.9%	$ (9,740)	(1.7) %
Less payments to managed care organizations and life reinsurance premiums	**(48,953)**	(51,176)	(51,599)	2,223	(4.3)	423	(0.8)
Net premium revenue	**576,163**	507,434	516,751	68,729	13.5	(9,317)	(1.8)
Administrative fees, net	**4,861**	4,883	4,928	(22)	(0.5)	(45)	(0.9)
Total operating revenues	**581,024**	512,317	521,679	68,707	13.4	(9,362)	(1.8)
Claims expense, net	**534,717**	520,104	548,892	14,613	2.8	(28,788)	(5.2)
Administrative service fees	**10,542**	12,445	13,448	(1,903)	(15.3)	(1,003)	(7.5)
Other expenses	**7,657**	10,302	15,105	(2,645)	(25.7)	(4,803)	(31.8)
Total operating expenses	**552,916**	542,851	577,445	10,065	1.9	(34,594)	(6.0)
Operating (loss) income	**28,108**	(30,534)	(55,766)	58,642	(192.1)	25,232	(45.2)
State appropriation	**10,000**	-	-	10,000	100.0	-	-
Litigation settlement	**-**	-	778	-	0.0	(778)	(100.0)
Net investment (loss) income	**12,808**	(1,314)	4,294	14,122	1074.7	(5,608)	(130.6)
Total non-operating (loss) income	**22,808**	(1,314)	5,072	24,122	1835.8	(6,386)	(125.9)
Change in net position	**50,916**	(31,848)	(50,694)	82,764	(259.9)	18,846	(37.2)
Net position, beginning of year	**98,130**	129,978	180,672	(31,848)	(24.5)	(50,694)	(28.1)
Net position, end of year	**$ 149,046**	$ 98,130	$ 129,978	$ 50,916	51.9%	$ (31,848)	(24.5) %

Cash and cash equivalents ($28,012 increase)

Cash and cash equivalents plus the current and restricted portion of equity position in investment pool at the end of the year increased $28,012 as the result of $10,371 net cash used in operating activities, $7,162 net cash provided by capital and non-capital financing activities, and $45,545 net cash provided by investing activities.

Last year, cash and cash equivalents plus the current and restricted portion of equity position in investment pool at the end of the year decreased $27,162 as the result of $70,334 net cash used in operating activities, $3,113 net cash provided by capital and non-capital financing activities, and $40,059 net cash provided by investing activities.

Premium receivable ($1,077 increase)

As of the current year-end, premiums receivable was up $1,077 from the prior year is primarily due to increase in premium revenues as a result of rate increases.

Last year, premiums receivable were down $4,926 from the prior year due to increased collections efforts from a better experienced receivables staff compared to fiscal year 2016.

Equity position in investment pools current and noncurrent ($12,069 increase)

In the current year, the current and non-current portion of the equity position in investment pool increased by $12,069 as a result of favorable market conditions on the current portion and liquidating cash to meet plan financial obligations on the non current portion.

Last year, the current and non-current portion of the equity position in investment pool decreased by $72,183 as a result of liquidating cash to meet plan financial obligations. In addition, the plan experienced unfavorable market conditions resulting in investment depreciation in the non-current portion.

Capital assets ($82 increase)

In the current year, capital assets increased by $82 because of additional equipment purchases and capitalized development expenses related to the upgrade of PEIA's Customer Resource Management software used to track member and provider communications.

Last year, capital assets increased by $99 because of the purchase of computers and capitalized development expenses related to the upgrade of PEIA's Customer Resource Management software used to track member and provider communications.

Total assets ($17,862 increase)

As described in detail above, total assets for the current year increased $17,862 due to the rise in investments in the current and non-current portion of the equity position in investment pool offset by liquidizing portions of the non current equity to meet plan obligations, increase in premiums receivable and an increase in capital assets.

Last year, as described in detail above, total assets for the current year decreased $73,919 due to the decline in investments in the current and non-current portion of the equity position in investment pool offset by an increase in the restricted portion of equity, the premium stabilization reserve and an increase in capital assets. The premium stabilization reserve provides profit sharing of life insurance products.

Deferred outflows of resources related to pension ($115 increase)

The $115 and $270 increase in the current and prior year, respectively, is related to the PEIA allocation of the current year pension amounts accounted for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Other current liabilities ($17,563 decrease)

Other current liabilities in the current year decreased $17,563, or 51.1%, due to a decrease in the premium deficiency reserve based on financial plan projections provided by the actuary forecasting improved operating results in 2018 and revenue earned decreasing unearned revenue held on account with PEIA by the Department of Education. Claims payable and accounts payable both decreased because of better timing of payments to vendors and a reduction in the IBNR year over year. Offsetting the decreases mentioned above, PEIA currently holds a liability of premiums due to the State of West Virginia for overpayment of premiums resulting from the implementation of the new Oasis HRM payroll system. Starting in Fiscal Year 2018, premium withholdings return to 24 deductions from 26 deductions and as a result it is expected that overpayments of premiums should start to stabilize in the upcoming year.

Last year, other current liabilities in the current year decreased $38,961, or 53.1%, due to a decrease in the premium deficiency reserve based on financial plan projections provided by the actuary forecasting improved operating results in 2017 and revenue earned decreasing unearned revenue held on account with PEIA by the Department of Education. Offsetting the decreases mentioned above, PEIA currently holds a liability of premiums due to the State of West Virginia for overpayment of premiums resulting from the implementation of the new Oasis HRM payroll system and an increase for the liability due to the West Virginia Retiree Health Benefit Trust Fund for repayment of operating expenses. It is expected that in the future overpayment of premiums resulting from the implementation of the new Oasis HRM payroll system will reduce as users become acclimated to the software.

Deferred inflows of resources related to pension ($300 decrease)

The $300 and $47 decrease in the current and prior year, respectively, is related to the PEIA allocation of the current year pension amounts accounted for in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Total operating revenue ($68,707 increase)

For the current year, operating revenue increased 13.4% or $68,707. Premium revenue increased $66,506 due to premium rate increases implemented in fiscal year 2017, payments to managed care organizations plus life insurance premiums decreased $2,223 because of lower life insurance premium rates in 2017, and administrative fee revenue decreased $22.

Last year, operating revenue decreased 1.8%, or $9,362. Premium revenue decreased $9,740, payments to managed care organizations plus life insurance premiums decreased $423, and administrative fee revenue decreased $45.

Claims expense ($14,613 increase)

Medical claims expense increased $3,804 despite actual lower claims cost in the current year compared to last year. Last year medical claims expense decreased by a reduction in the premium deficiency reserve of $34,668 compared to a PDR reduction of $6,860 in the current year. The difference in adjustments to the PDR year over year artificially make the current years claims expense appear higher than last year. Drug claims expense increased $10,809 because of increases in specialty drug costs nationwide. Self-administered specialty drugs were shifted in the current year from coverage under medical benefits to coverage under prescription benefits managed by the Pharmacy Benefits Manager. This shift resulted in lower than projected medical claims expense for the year offset by higher drug claims expense. Fortunately, PEIA has continued to obtain larger pharmacy rebate returns in the current year to mitigate rising drug prices.

Last year, medical claims expense decreased $26,168, resulting in the net effect of high claims costs for the current year offset by the reduction in the premium deficiency reserve. Drug claims expense decreased $2,620, despite increases in specialty drug costs nationwide. Fortunately, PEIA has continued to obtain larger pharmacy rebate returns in the current year to mitigate rising drug prices.

Other expenses ($2,645 decrease)

Other expenses decreased by 25.7%, or $2,645, because of a reduction in the Affordable Care Act reinsurance contribution fees rate for the current year offset by an increase/decrease in other operating expenses.

Last year, other expenses decreased by 31.8%, or $4,803, because of a reduction in the Affordable Care Act reinsurance contribution fees rate for the current year offset by an increase in other operating expenses.

Non-operating income ($24,122 increase)

Non-operating income for the current year increased by 1835.8%, or $24,122, , because the plan experienced investment appreciation from favorable market conditions and received an appropriation from the State of $10,000 to offset benefits and rate changes in the current year.

Last year, non-operating income for the current year decreased by 125.9%, or $6,386, because there was no litigation settlement received in the year and there was a net investment loss compared to net investment income in the prior year.

Net position ($50,916 increase)

For the current year, net position rose $50,916. This is primarily due to an increase in premium revenue, investment appreciation because of favorable market experience and the State appropriation received in the current year.

Last year, net position fell $31,848. This is due to investment depreciation because of unfavorable market experience and liquidating assets to meet current financial obligations offset by a decrease in the premium deficiency reserve

Economic conditions

After allowing for the contribution to help fund retiree health care costs, which is included in the active policyholder premium amount, PEIA's average active employee family monthly premium cost is $405.

Medical news reports that in the near future the delivery of medical services will change radically through innovative technologies, cloud computing and machine learning. These new technologies will allow for remote diagnosis of diseases by computer algorithms with recommended treatment, monitoring of various health conditions, completion of labs and allow for a secure video consultation with a doctor or other healthcare professional. Remote sensors will provide the equivalent of hospital intensive care unit monitoring from our bedrooms. As a result, except for ICUs, operating rooms and emergency rooms and hospitals of the future are likely to be roomless data surveillance centers for remote patient monitoring. These new technologies will cut costs, reduce the use of doctors and hospitals, speed up the pace of care and give more power to the patients.

In 2017, PEIA's claims costs rose 2.8%.

Capital asset and long-term debt activity

PEIA had $137 in capital asset additions in 2017.

Pension liability

Effective July 1, 2014, PEIA adopted the provisions of GASB Statement No.68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No.27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB No. 68. Statement 68 requires PEIA to recognize a liability equal to its proportionate share of the net pension liability of the State's Public Employees' Retirement System (PERS). PEIA determined that it was not practical to restate all periods presented and has recorded a cumulative effect adjustment of $0.7 million as of July 1, 2014, to decrease the 2015 beginning net position. The $0.7 million cumulative effect adjustment as of July 1, 2014 is comprised of the net pension liability of $0.9 million less deferred outflows of resources related to pension plan contributions of $0.2 million as of that date. Decisions regarding the allocations are made by the administrators of the pension plan, not by the PEIA management. Further, as a result of the adoption, the statements of net position as of June 30, 2015, reflect a net pension liability of $0.4 million, and related deferred outflows of resources of $0.2 million and deferred inflows of resources of $0.4 million related to pension.

Request for information

This financial report is designed to provide PEIA's customers, governing officials, legislators, citizens and taxpayers with a general overview of PEIA's accountability for the money it receives. If you have questions about this report or need additional information, contact the Chief Financial Officer at (304) 558-7850.

Basic Financial Statements
(in thousands)

West Virginia Public Employees Insurance Agency
Statements of Net Position
June 30, 2017 and 2016
(in thousands)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 8,799**	$ 9,201
Equity position in investment pool	**35,378**	388
Premiums receivable:		
Other, less allowance for doubtful accounts of $114 and $324, respectively	**8,642**	7,565
Accounts receivable:		
Provider refunds, less allowance for doubtful accounts of $1,727 and $1,204, respectively	**593**	225
Due from RHBT	**1,449**	-
Prescription rebates	**21,119**	11,292
Other	**747**	779
Total current assets	**76,727**	29,450
Noncurrent assets:		
Equity position in investment pools	**153,908**	176,829
Equity position in investment pool – restricted	**19,973**	26,549
Capital assets, net of accumulated depreciation of $10,058 and $ 10,003, respectively	**247**	165
Total noncurrent assets	**174,128**	203,543
Total assets	**250,855**	232,993
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**575**	460
Total deferred outflows of resources	**575**	460

(in thousands) Continued

	2017	2016
LIABILITIES		
Current liabilities:		
Claims payable	**$ 64,649**	$ 73,523
Premium deficiency reserve	**-**	6,860
Accounts payable	**5,554**	7,376
Unearned revenue	**7,252**	8,902
Other accrued liabilities	**3,610**	3,145
Premiums Due to State of West Virginia	**400**	1,071
Due to RHBT	-	7,025
Total current liabilities	**81,465**	107,902
Noncurrent liabilities:		
Other accrued liabilities:		
Other noncurrent liabilities	**903**	528
Premium stabilization fund	**19,973**	26,549
Total noncurrent liabilities	**20,876**	27,077
Total liabilities	**102,341**	134,979
DEFERRED INFLOWS OF RESOURCES		
Pension	**44**	344
Total deferred inflows of resources	**44**	344
Net position:		
Investment in capital assets	**247**	165
Unrestricted	**148,799**	97,965
Total net position	**$ 149,046**	$ 98,130

See accompanying notes.

West Virginia Public Employees Insurance Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016
(in thousands)

	2017	2016
Operating revenues:		
Premiums net of provisions for bad debts of $(210) and $(80), respectively	**$ 625,116**	$ 558,610
Less:		
Payments to managed care organizations	**(41,700)**	(36,840)
Basic life insurance premiums ceded	**(1,261)**	(2,475)
Optional life insurance premiums ceded	**(5,992)**	(11,861)
Net premium revenue	**576,163**	507,434
Administrative fees, net of refunds	**4,861**	4,883
Total operating revenues	**581,024**	512,317
Operating expenses:		
Claims expense, net	**534,717**	520,104
Administrative service fees	**10,542**	12,445
Other expenses	**7,657**	10,302
Total operating expenses	**552,916**	542,851
Operating income (loss)	**28,108**	(30,534)
Nonoperating revenues:		
Investment (loss) income, net of fees	**12,808**	(1,314)
State appropriation	**10,000**	-
Total nonoperating income (loss)	**22,808**	(1,314)
Change in net position	**50,916**	(31,848)
Net position:		
Net position, beginning of year	**98,130**	129,978
Net position, end of year	**$ 149,046**	$ 98,130

See accompanying notes.

West Virginia Public Employees Insurance Agency
Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(in thousands)

	2017	2016
Operating activities:		
Cash received from participants	$ 569,323	$ 518,792
Cash received from pharmacy rebates	27,448	24,299
Cash paid to employees for salaries and benefits	(1,303)	(1,516)
Cash paid to suppliers and others	(26,491)	(28,284)
Cash paid for claims	(577,899)	(583,625)
Net cash used in operating activities	(8,922)	(70,334)
Noncapital financing activities:		
Advances from RHBT	(8,474)	3,240
State appropriation	10,000	-
Net cash provided by noncapital financing activities	1,526	3,240
Capital and related financing activities:		
Purchases of capital assets	(137)	(127)
Net cash used in capital and related financing activities	(137)	(127)
Investing activities:		
Purchases of investments	(86,362)	(56,006)
Sale of investments	119,873	93,580
Investment earnings	2,034	2,485
Net cash provided by investing activities	35,545	40,059
Net increase (decrease) in cash and cash equivalents	28,012	(27,162)
Cash and cash equivalents at beginning of year	36,138	63,300
Cash and cash equivalents at end of year	$ 64,150	$ 36,138
Cash and cash equivalents consist of:		
Cash and cash equivalents	8,799	9,201
Equity position in investment pool – current	35,378	388
Equity position in investment pool – restricted	19,973	26,549
	$ 64,150	$ 36,138

(in thousands) Continued

	2017	2016
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	**$ 28,108**	$ (30,534)
Adjustments:		
Depreciation	**54**	28
Provision for uncollectible accounts	**210**	80
Pension expense	**120**	35
(Increase) decrease in operating assets:		
Premiums receivable	**(1,077)**	4,515
Due from State of West Virginia	**-**	411
Provider refunds receivable	**(368)**	174
Prescription refunds receivable	**(9,828)**	115
Other	**32**	268
(Decrease) increase in operating liabilities:		
Claims payable	**(8,874)**	(4,554)
Accounts payable	**(1,822)**	(4,320)
Premium deficiency	**(6,860)**	(34,668)
Unearned revenue	**(1,650)**	(4,268)
Other accrued liabilities	**465**	(16)
Due to State of West Virginia	**(671)**	1,071
Premium stabilization fund	**(6,576)**	1,599
Deferred inflows/outflows of resources	**(185)**	(270)
Total adjustments	**(37,030)**	(39,800)
Net cash used in operating activities	**$ (8,922)**	$ (70,334)
Noncash activities:		
Increase (decrease) in fair value of investments	**$ 10,546**	$ (3,799)

Notes to Financial Statements
(in thousands)

Notes to Financial Statements
(in thousands)

1. Reporting Entity

The State of West Virginia Public Employees Insurance Agency (PEIA) was established under the Public Employees Insurance Act of 1971 (Act). PEIA is an agency of the State of West Virginia (State) and, accordingly, is reported as an enterprise fund of the primary government in the State's Comprehensive Annual Financial Report (CAFR).

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 employees of the State and various related State and non-State agencies. Additionally, all participants may elect to purchase additional life insurance under the optional life insurance policy. All premium rates are established based upon projected coverage costs as reviewed and approved by the Finance Board of PEIA. See "Annual Financial Plan" for further discussion of this process. PEIA's enrollment consists of approximately 74,780 health and basic life insurance policyholders and 7,573 policyholders with life insurance only. PEIA insures approximately 168,982 individuals, including participants and dependents.

During the 2006 Regular Session of the West Virginia Legislature, House Bill 4654 was enacted creating the West Virginia Retiree Health Benefit Trust Fund (RHBT) for the purpose of providing for and administering retiree postemployment health care benefits, and the respective revenues and costs of those benefits as a cost-sharing multiple employer plan. As a consequence of the legislation, health insurance policies covering approximately 63,061 retirees and their dependents, along with the related revenues, claims costs and expenses were transferred to RHBT effective July 1, 2006. RHBT and PEIA jointly share administrative duties relating to the other postemployment benefit (OPEB) operations. Both entities are housed in the same office space and share expenses. Expenses directly attributable to the OPEB plan are charged to RHBT. Other operating expenses, except personnel, are allocated based on policyholder count between PEIA and RHBT. Personnel expenses attributable to two dedicated employees are charged in full to RHBT, while the balance of the combined expense is allocated between the two entities based on estimated time requirements.

The basic financial statements of PEIA are intended to present the financial position, changes in financial position and cash flows of only that portion of the business-type activities of the State that is attributable to the transactions of PEIA. They do not purport to, and do not present fairly the net position of the State as of June 30, 2017 and 2016, and the changes in its financial position or, where applicable, its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America (GAAP).

2. Summary of Significant Accounting Policies

Basis of reporting

PEIA operates as an enterprise fund. Accordingly, the financial statements of PEIA have been prepared on the accrual basis in conformity with GAAP for governmental entities as prescribed or permitted by the Governmental Accounting Standards Board (GASB). Operating revenues are derived mainly from premiums earned net of related reinsurance premiums, plus administrative fees billed. Operating expenses consist primarily of claims, administrative service fees and various general and administrative costs. All other items are considered non-operating.

Annual financial plan

The Act requires the Finance Board of PEIA to prepare a proposed annual financial plan. The plan must be designed to generate sufficient revenues to meet all expected expenses, including insurance, administrative expenses and incurred but not reported claims (IBNR) of PEIA. An independent professional actuary must review the plan and give an opinion stating that the plan may reasonably be expected to generate sufficient revenue to meet estimated insurance claims and administrative expenses. The financial plan must be presented to the Governor and the Legislature no later than January 1, prior to the beginning of the new plan year.

The PEIA Finance Board establishes PEIA premiums based upon its approved annual financial plan. The financial plan projects the anticipated costs of the program for each fiscal year and the premium levels necessary to meet these costs. Any variances between projected and incurred costs are incorporated into subsequent financial plans and subsequent premiums are adjusted accordingly on a prospective basis. Premiums assessed by PEIA are not subject to retroactive adjustment based upon actual costs incurred.

Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with the West Virginia State Treasurer's office, outside financial institutions and amounts deposited in an investment pool managed by the West Virginia Board of Treasury Investments (BTI) that is reported as part of equity position in investment pool–current-unrestricted and noncurrent-restricted, respectively.

Premiums receivable

All premiums receivable are reported at their gross premium value due from employers and individual subscribers. The gross value is then reduced by the estimated portion that is expected to be uncollectible based upon management's review of the payment status of the underlying accounts and other economic factors that are deemed necessary in the circumstances.

Accounts receivable

Accounts receivable include overpayments made by third-party administrators that are due to PEIA, estimated prescription refunds and rebates that are due PEIA from third-party administrators and other drug companies. The estimated prescription refunds/rebate receivable is based upon estimated prescription claim count and historical average rebate per claim.

Equity position in investment pools

PEIA owns equity positions in the State government investment pools managed by the West Virginia Investment Management Board (WVIMB) and the BTI. Some investment pool funds are subject to market risk because of changes in interest rates, bond prices and stock prices. Investment earnings and losses are allocated to PEIA based on the balance of PEIA's investments maintained in relation to the total investments of all State agencies participating in the Pool. The equity position in investment pools is reported at amortized cost, or fair value, and changes in fair value are included in investment income.

A 13-member Board of Trustees governs the WVIMB. 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 State 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. Details regarding these investment pools and a copy of the WVIMB financial report can be obtained by contacting:

West Virginia Investment Management Board, 500 Virginia Street, East, Suite 200, Charleston, West Virginia 25301, or by calling (304) 645-5939.

A five-member Board of Directors governs the BTI. The Governor, Treasurer, and Auditor serve as ex-officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney and both shall have experience in finance, investing and management. The State Treasurer is Chairman of the Board. The BTI prepares separately issued financial statements covering the pooled fund, which can be obtained from its website or a published copy from the West Virginia Board of Treasury Investments, 1900 Kanawha Boulevard, East, Building 1, Room E–122, Charleston, West Virginia 25305.

Fair value measurements

PEIA measures certain investments at fair value for financial reporting purposes. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. PEIA categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America in accordance with GASB Statement No. 72.

The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
Level 2 inputs – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
Level 3 inputs – Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

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

Fair value of the securities PEIA holds with the WVIMB are determined as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Future contracts are valued at the last settlement price established each day by the exchange on which they traded.
- Fixed income securities are valued according to prices furnished by independent pricing services to the securities custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriated to the specific security type.
- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.

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

Capital assets

Capital assets with an initial cost of $500 or greater are recorded at cost. PEIA has assigned a useful life of three to five years for capital assets. Depreciation expense computed using the straight-line method was $54 and $28 for the years ended June 30, 2017 and 2016, respectively.

Deferred outflows of resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the statements of net position as aggregations of different types of deferred amounts. Deferred outflows in the statements of net position were composed of $159 and $191 for the years ending June 30, 2017 and 2016, respectively, related to employer contributions to the Public Employees Retirement System (PERS) made during the current fiscal year subsequent to the measurement date. Deferred outflows also consisted of other amounts related to differences between projected and actual earnings on pension plan investments, differences between expected and actual experience related to pension, and changes in proportion and differences between PEIA's contributions and proportionate share of contributions.

Claims payable and expense

The liability for unpaid claims and claims processing costs is based on an actuarial estimate of the ultimate cost of settling such claims incurred as of the statement of net position date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment, utilization, inflation and other societal and economic factors. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that the actual results of the settlement of the claims are made and are known. The estimated liability is adjusted annually based on the most current claim incurrence and claim settlement history (see Note 8). Year-end claims payable balances are generally liquidated within the next fiscal year. Claims relating to participants in managed care organizations (MCOs) as well as claims relating to participants covered under the optional life insurance plan are not considered in the liability as PEIA has no liability for the participants who elect such coverage. Additionally, the estimated liability for unpaid claims and claims processing costs is recorded net of amounts ceded to reinsurers for basic life benefits, as management believes these reinsured risks are fully recoverable. However, in the event a reinsurer is unable financially to satisfy an obligation, PEIA is responsible for such liability. Claims expense is reported net of pharmacy rebate income of $37,275 and $24,184 for the years ended June 30, 2017 and 2016, respectively.

Premium deficiency reserve

Premium deficiency is required when policies in force as of the financial statement date are expected to produce a loss when claims cost (including IBNR), plus expected claims adjustment expenses, are expected to exceed related premiums. In making its determination, management took into consideration anticipated premium revenue and claims costs. PEIA did not include anticipated investment income in determining whether a premium deficiency exists. Adjustments to the estimated premium deficiency liability are reflected as a change in estimate in the year the actual results are known.

PEIA participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to PEIA. If the assets of PEIA were to be exhausted, participants would not be responsible for the liabilities.

Unearned revenue

Unearned revenue includes premium revenues collected for future contract periods. These revenues will be recognized in the operating periods in which they are earned.

Compensated absences, including postretirement benefits

Employees fully vest in all earned but unused annual leave and PEIA accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with State personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time any unused compensated absence time can be converted into employer paid premiums for postretirement health care coverage through RHBT, or be converted into a greater retirement benefit under the State's Public Employees' Retirement System. Employees hired after July 1, 2001, are not eligible to convert unused time to employer paid premiums.

Deferred inflows of resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented in the statements of plan net position as aggregations of different types of deferred amounts. Deferred inflows in the statements of plan net position are composed of amounts related to differences between projected and actual earnings on pension investments, changes in proportion and differences between PEIA's contributions and proportionate share of contributions and differences in assumptions.

Insurance programs and related premium revenues

PEIA offers the following types of coverage to its participants: health coverage through a self-insured preferred provider benefit (PPB) plan, health coverage through external MCOs, and life and accidental death and dismemberment (AD&D) insurance benefits under basic and optional plans. PEIA collects premiums for participants in the PPB plan and uses these premiums in the administration of the plan. Additionally, PEIA has the statutory authority to raise additional revenues in the form of premiums without the need for external (legislative) action.

For participants who elect coverage through MCOs, PEIA collects premiums from employers and remits a capitation fee to an MCO carrier. The capitation fees paid by PEIA to each MCO are in accordance with their respective contracts. Benefits are the responsibility of each MCO carrier. The premiums earned by PEIA have been included in gross premium revenue while the capitation fees submitted to each MCO carrier are reflected as expenses to MCOs on the financial statements.

As of the June 2017 coverage month, PEIA provided health coverage to 123 State agency divisions with approximately 20,708 primary participants (not including dependents), 55 county school boards with approximately 31,103 primary participants, 553 local government entities with approximately 12,729 primary participants, and 22 college and university entities with approximately 62,057 primary participants. Approximately 94,202 dependents participated in PEIA health plans as well.

As of the June 2016 coverage month, PEIA provided health coverage to 123 State agency divisions with approximately 21,000 primary participants (not including dependents), 55 county school boards with approximately 32,000 primary participants, 549 local government entities with approximately 12,579 primary participants, and 21 college and university entities with approximately 10,657 primary participants. Approximately 96,095 dependents participated in PEIA health plans as well.

Employees covered through PEIA are eligible to obtain decreasing term life insurance under a basic and optional life insurance plan. Basic life benefits, which include AD&D averaging from $0.60 to $1.20 a month for a $5,000 to $10,000 policy (depending on age), are available to active State employees at no cost to the employee. Coverage amounts decrease with age. No AD&D benefits are available to retirees. Basic life benefits are available to retirees with coverage ranging from $3 to $5 per month for a $2,500 or $5,000 policy, depending on age. PEIA has reinsured

100% of these basic benefits; however, PEIA remains contingently liable in the event the insurer does not honor its obligation. The premiums earned for basic life insurance are reflected in gross premiums and the related amounts ceded to the reinsurer are reflected as life reinsurance premiums on the financial statements.

Active employees may elect to obtain additional optional coverage for both life and AD&D with coverage from $0.20 to $288 per month that decreases with age. Active employees may also elect dependent optional life coverage and AD&D at a level up to $40,000 per spouse and $15,000 per child. Retirees may obtain optional life insurance coverage from $0.40 to $501 per month depending on age; however, optional AD&D insurance is not available to retirees. Retirees may also elect dependent optional life coverage at levels up to $40,000 for a spouse and $15,000 per child, however, dependent optional AD&D insurance is not available to retirees. Amounts collected by PEIA from employees for optional coverage totaled $5,992 and $11,861 during the fiscal years ended June 30, 2017 and 2016, respectively, and were remitted directly to the carrier.

Revenues include an administrative fee that PEIA charges to all participating entities in the plan. The fee is based on the participating entities' number of employees enrolled in the plan.

Administrative service fees

PEIA contracts with and pays administrative service fees to two third-party administrators. Services include processing of insurance claims, precertification reviews, utilization reviews and various other duties. The majority of related fees are assessed each month based upon the number of covered participants or claims processed at predetermined rates without regard to the period in which a claim is incurred, processed, or settled.

Operating revenues and expenses

Balances classified as operating revenues and expenses are those that comprise PEIA's ongoing operations. Principal operating revenues include health insurance premiums, life insurance premiums and insurance administration fees, less amounts paid to managed care organizations and life insurance reinsurers. Operating expenses include the cost of medical claims, drug claims, claims adjudication, administration and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Net position

As required by GASB Statement 34, PEIA displays net position in three components, if applicable: net investment in capital assets, restricted and unrestricted.

> Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted Assets – Unrestricted assets consist of assets that do not meet the definition of "restricted" or "investment in capital assets". In the governmental environment, assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statements of net position.

West Virginia Code Section 5-16-25 requires the Finance Board of PEIA to maintain a reserve of 10% of projected plan costs for general operation purposes and provide future plan stability. In the event the reserve fund exceeds 15% of the actuarial recommended reserve of 20% to 24% of total projected costs, the excess is required to be transferred to RHBT. There were no excess reserves to be transferred for the years ended June 30, 2017 and 2016.

Future adoption of accounting pronouncements

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

Subsequent events

In preparing these financial statements, PEIA has evaluated events and transactions for potential recognition or disclosure through October 12, 2017, the date the financial statements were available for issuance.

3. Adoption of New Accounting Pronouncements

During fiscal year 2016, the PEIA implemented GASB Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No 79, *Certain External investment Pools and Pool Participants*. GASB 72 generally requires investments to be measured at fair value and disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques, organized by type of asset or liability reported at fair value. It also requires additional disclosures for investments in certain entities that calculate NAV per share (or its equivalent). GASB 79 establishes criteria for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of the these standards had no effect on PEIA's statements of net position or changes in net position, but primarily related to modifications to the disclosures related to PEIA's cash equivalents and investment disclosures in Note 5.

During fiscal year 2016, PEIA also implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which identifies, in the context of the current government financial reporting environment, the hierarchy of GAAP. This statement supersedes GASB Statement No. 55. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The sources of authoritative GAAP are categorized as follows: Category A – officially established accounting principles (GASB Statements) and Category B – GASB Technical Bulletins, GASB Implementation Guides and literature of the AICPA cleared by the GASB. The adoption of this standard had no effect on PEIA's statements of net position or changes in net position.

(in thousands)

4. Cash and Cash Equivalents

Following is a summary of PEIA's cash and cash equivalents as of June 30:

	2017	2016
Cash and cash equivalents on deposit with State Treasurer	**$ 6,080**	$ 6,923
Deposits with outside financial institutions	**2,719**	2,278
Cash and cash equivalents reported on statement of net assets	**8,799**	9,201
Equity position in investment pool with BTI – current-unrestricted	**31,448**	388
Equity position in investment pool with Minnesota Life– current-unrestricted	**3,930**	-
Equity position in investment pool with BTI – noncurrent-restricted	**2,166**	2,861
Equity position in investment pool with Minnesota Life – noncurrent-restricted	**17,807**	23,688
Total cash and cash equivalents	**$ 64,150**	$ 36,138

5. Deposit and Investment Disclosures

Deposits with outside financial institutions

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, PEIA's deposits might not be recovered. PEIA has no deposit policy for custodial credit risk.

As of June 30, 2017 and 2016, the carrying amount of PEIA's bank deposits was $2,719 and $2,278, respectively, and the bank balances totaled $2,558 and $2,319, respectively.

Equity position in investment pools managed by BTI

West Virginia Money Market Pool

PEIA participates in BTI's West Virginia Money Market Pool, which has been deemed to meet the GASB 79 criteria to be reported at amortized cost. The criteria specify that the Pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity and shadow pricing. The BTI does not place limitations or restrictions on participant withdrawals from the Pool, such as redemption notice periods, maximum transaction amounts and any authority to impose liquidity fees or redemption gates. Accordingly, as a Pool participant the PEIA measures its investment in this Pool at amortized cost that approximates market value of $33,614 and $3,249 at June 30, 2017 and 2016, respectively. These deposits are reported as equity position in investment pools. Investment income earned is pro-rated to PEIA at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the Pool. Such funds are available to PEIA with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website www.wvbti.com.

Credit Risk and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all corporate bonds to be rated A+ by Standard and Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard and Poor's and P-1 by Moody's. The Pool must have at least 15% of its assets in U.S. Treasury obligations guaranteed as to repayment of interest and principal by the United States of America.

(in thousands)

The following table provides information on the weighted-average credit ratings of the West Virginia Money Market Pool's investments:

	Credit Rating		2017		2016	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent**	**Carrying Value**	**Percent**
Commercial Paper	P-1	A-1+	**$ 358,377**	**20.10%**	$ 290,118	18.65 %
	P-1	A-1	**706,150**	**39.60**	632,773	40.68
Corporate Bonds and Notes	Aa3	AA-	**6,285**	**0.35**	23,014	1.48
	Aa3	AA-	**-**	**0.00**	15,000	.96
	A2	A	**-**	**0.00**	11,268	.72
	A1	A	**3,200**	**0.18**	-	0.00
U.S. Agency Bonds	Aaa	AA+	**-**	**0.00**	9,499	.61
U.S. Treasury Notes	Aaa	AA+	**97,823**	**5.49**	231,398	14.88
U.S. Treasury Bills	P-1	A-1+	**69,837**	**3.92**	19,982	1.28
Negotiable CDs	Aa2	AA-	**-**	**0.00**	3,000	.19
	Aa3	AA-	**-**	**0.00**	6,000	.39
	P-1	A-1+	**174,000**	**9.76**	78,006	5.02
	P-1	A-1	**156,476**	**8.78**	121,001	7.78
Money Market Funds	Aaa	AAAm	**100,005**	**5.61**	72,370	4.65
Repurchase Agreements (underlying securities):						
U.S. Treasury Notes	Aaa	AA+	**-**	**0.00**	42,100	2.71
	P-1	A-1	**50,000**	**2.80**	-	-
	NR	A-1	**60,800**	**3.41**	-	0.00
			$ 1,782,953	**100.00%**	$ 1,555,529	100.00 %

The overall weighted-average maturity (WAM) of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides the WAM for the various asset types in the West Virginia Money Market Pool:

	June 30, 2017		June 30, 2016	
Investment Type	**Fair Value**	**WAM Days**	**Fair Value**	**WAM Days**
Repurchase agreements	**$ 110,800**	**3**	$ 42,100	1
U.S. Treasury notes	**97,823**	**44**	231,398	88
U.S. Treasury bills	**69,837**	**88**	19,982	91
Commercial paper	**1,064,527**	**36**	922,891	48
Certificates of deposit	**330,476**	**41**	208,007	40
Corporate bonds and notes	**9,485**	**79**	49,282	14
U.S. agency bonds/notes	**-**	**-**	9,499	24
Money market funds	**100,005**	**3**	72,370	1
Total rated investments	**$ 1,782,953**		$ 1,555,529	

PEIA's amount invested in the West Virginia Money Market Pool of $33,614 and $3,249 is included in equity position in investment pools at June 30, 2017 and 2016, respectively, representing approximately 2.03% and 0.2%, respectively, of total investments in this Pool.

Concentration Of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the West Virginia Money Market Pool's investment in a single corporate issuer. West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2017 and 2016, the Pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the West Virginia Money Market Pool will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The West Virginia Money Market's Pool does not hold securities subject to foreign currency risk.

WV Short Term Bond Pool

PEIA participates in BTI's WV Short Term Bond Pool, which has been deemed to meet the GASB 72 criteria to be reported at fair value for financial reporting purposes. BTI's audited financial statements, including the WV Short Term Bond Pool, are available on their website www.wvbti.com.

Credit Risk

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated BBB- or higher by Standard & Poor's (or its equivalent). Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. The Pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

(in thousands)

The following tables provide information on the credit ratings of the WV Short Term Bond Pool's investments:

	June 30, 2017			
Investment Type	**Moody's**	**Credit Rating S&P**	**Carrying Value**	**Percent of Pool Assets**
Commercial paper	P-1	A-1+	$ 9,963	1.32 %
	P-1	A-1	13,940	1.85
Corporate asset back securities	Aaa	AAA	68,441	9.06
	Aaa	NR	79,853	10.58
	NR	AAA	67,375	8.92
	NR	AA	2,003	0.26
Corporate bonds and notes	Aaa	AA+	2,935	0.39
	Aaa	AA+	4,019	0.53
	Aa1	AA+	5,027	0.67
	Aa2	AA+	4,036	0.53
	Aa2	AA	6,989	0.93
	Aa2	AA-	17,124	2.27
	Aa3	AA-	15,106	2.00
	Aa2	A	4,011	0.53
	Aa3	A+	1,104	0.15
	A1	AA-	16,588	2.20
	A1	A+	19,078	2.53
	A1	A	6,355	0.84
	A1	A-	7,276	0.96
	A2	A+	2,616	0.35
	A2	A	25,032	3.32
	A2	A-	10,079	1.33
	A3	A	10,747	1.42
	A3	A-	30,242	4.01
	A3	BBB+	20,183	2.67
	Baa1	A	1,501	0.20
	Baa1	A-	11,991	1.59
	Baa1	BBB+	47,392	6.28
	Baa1	BBB	8,495	1.12
	Baa2	A-	1,018	0.13
	Baa2	BBB	28,770	3.81
	Baa2	BBB-	3,000	0.40
	Baa2	NR	2,000	0.26
	Baa2	BBB+	10,268	1.36
	Baa3	BBB	15,627	2.07
	Baa3	BBB-	7,166	0.95
	Ba1	BBB	2,005	0.27
	Ba1	BBB-	2,304	0.31
	Ba2	BBB-	824	0.11
	NR	BBB+	2,637	0.35
	NR	BBB-	1,990	0.26
U.S. Agency mortgage backed securities	Aaa	AA+	37,287	4.94
Corporate mortgage backed securities	Aaa	AAA	4,217	0.56
	Aaa	NR	17,281	2.29
U.S. Treasury notes	Aaa	AA+	87,588	11.60
Money market funds	Aaa	AAAm	11,479	1.52
			$ 754,962	100.00 %

(in thousands)

	June 30, 2016			
		Credit Rating	Carrying	Percent of
Investment Type	**Moody's**	**S&P**	**Value**	**Pool Assets**
Corporate asset back securities	Aaa	AAA	$ 75,096	9.50 %
	Aaa	NR	80,990	10.24
	NR	AAA	71,821	9.08
Corporate bonds and notes	Aaa	AA+	4,088	0.52
	Aa1	AA+	4,993	0.63
	Aa2	AA+	4,105	0.52
	Aa2	AA	7,027	0.89
	Aa2	AA-	20,050	2.54
	Aa3	AA-	11,019	1.39
	Aa2	A	4,069	0.51
	Aa3	A+	10,010	1.27
	Aa3	A	1,495	0.19
	A1	AA	16,564	2.10
	A1	A+	11,714	1.48
	A1	A	8,214	1.04
	A2	A+	625	0.08
	A2	A	28,703	3.63
	A2	A-	18,082	2.29
	A3	AA-	1,510	0.19
	A3	A	3,729	0.47
	A3	A-	41,669	5.27
	A3	BBB+	29,407	3.72
	Baa1	A	1,942	0.25
	Baa1	A-	11,241	1.42
	Baa1	BBB+	54,401	6.88
	Baa1	BBB	12,671	1.60
	Baa1	NR	2,048	0.26
	Baa2	A-	4,391	0.56
	Baa2	BBB+	5,942	0.75
	Baa2	BBB	19,286	2.44
	Baa2	BBB-	6,152	0.78
	Baa3	BBB+	3,031	0.38
	Baa3	BBB	13,240	1.67
	Baa3	BBB-	15,979	2.02
	Ba1	BBB	2,339	0.30
	Ba1	BBB-	4,843	0.61
	NR	BBB-	1,977	0.25
U.S. Agency mortgage backed securities	Aaa	AA+	47,311	5.98
Corporate mortgage backed securities	Aaa	AAA	10,687	1.35
	Aaa	NR	18,607	2.35
	NR	AAA	108	0.01
U.S. Treasury Notes	Aaa	AA+	89,497	11.32
Money market funds	Aaa	AAAm	10,077	1.27
			$ 790,750	100.00 %

Interest Rate Risk

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase.

(in thousands)

The following table provides information on the effective duration for various asset types in the WV Short Term Bond Pool.

Investment Type	June 30, 2017 Carrying Value	June 30, 2017 Effective Duration (Days)	June 30, 2016 Carrying Value	June 30, 2016 Effective Duration (Days)
Corporate bonds and notes	**$ 355,535**	**412**	$ 386,556	480
Corporate asset backed securities	**217,672**	**423**	227,907	302
Commercial Paper	**23,903**	**113**	0	0
U.S. Treasury bonds and notes	**87,588**	**766**	89,497	1,034
U.S. agency mortgage backed securities	**37,287**	**148**	47,311	175
Corporate mortgage backed securities	**21,498**	**347**	29,402	338
Money market funds	**11,479**	**1**	10,077	1
	$ 754,962	**426**	$ 790,750	462

PEIA's investment in the BTI WV Short Term Bond Pool of $0.47 and $0.46 at June 30, 2017 and 2016, respectively, represents approximately 0.00% and 0.00%, respectively, of total investments in this Pool and is reported as part of current equity position in investment pools and part of noncurrent – restricted equity position in investment pools on the statement of net position.

Custodial Credit Risk

Repurchase agreements included in BTI's investment portfolio are collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral is invested in the lending agent's money market fund in BTI's name.

Fair Value Measurements

The tables below summarize the recurring fair value measurements of the investment securities in the WV Short Term Bond Pool in accordance with the fair value hierarchy levels as of June 30:

Investment Type	June 30, 2017 Level 1	Level 2	Level 3	Total
Corporate bonds and notes	**$ -**	**$ 355,535**	**$ -**	**$ 355,535**
Corporate asset backed securities	**-**	**217,672**	**-**	**217,672**
Commercial paper	**-**	**23,903**	**-**	**23,903**
U.S. Treasury notes	**87,588**	**-**	**-**	**87,588**
U.S. agency mortgage backed securities	**-**	**37,287**	**-**	**37,287**
Corporate mortgage backed securities	**-**	**21,498**	**-**	**21,498**
Money market funds	**11,479**	**-**	**-**	**11,479**
Total	**$ 99,067**	**$ 655,895**	**$ -**	**$ 754,962**

Investment Type	June 30, 2016 Level 1	Level 2	Level 3	Total
Corporate bonds and notes	$ -	$ 386,556	$ -	$ 386,556
Corporate asset backed securities	-	227,907	-	227,907
U.S. Treasury notes	89,497	-	-	89,497
U.S. agency mortgage backed securities	-	47,311	-	47,311
Corporate mortgage backed securities	-	29,402	-	29,402
Money market funds	10,077	-	-	10,077
Total	$ 99,574	$ 691,176	$ -	$ 790,750

(in thousands)

Equity position in investment pools managed by WVIMB

The PEIA's investments in the following pools are managed by the WVIMB. Such investments, which are stated at fair value (actual asset allocation), are reported as part of equity position in investment pools on the statements of net position.

	Asset Value at June 30	
	2017	**2016**
Asset allocation (actual):		
TIPS pool	**$ 22,411**	$ 17,854
Large cap domestic equity pool	**15,750**	20,772
Non-large cap domestic equity pool	**3,226**	4,992
International nonqualified pool	**6,876**	8,533
Opportunistic debt	**-**	2,374
International equity pool	**14,195**	18,240
Short-term fixed income pool	**-**	104
Total return fixed income	**43,377**	46,721
Core fixed income	**18,408**	21,225
Hedge fund	**29,665**	36,014
Total	**$ 153,908**	$ 176,829

Investment Objectives

This fund's investment objective is to provide adequate liquidity to meet cash flow requirements and allow for growth of assets in an amount at least equal to inflation.

Asset Allocation

Based upon the WVIMB's determination of the appropriate risk tolerance for the fund, the WVIMB has adopted the following broad asset allocation guidelines for the assets managed for the PEIA. (Policy targets have been established on a market value basis.) The asset values of the pools below are reported in equity position in investment pools – noncurrent-unrestricted on the statement of net assets.

	Policy Target		Strategic Allocation	
Asset Class	**2017**	**2016**	**2017**	**2016**
Domestic equity	**10.0%**	10.0%	**15.0%**	15.0 %
International equity	**10.0**	10.0	**15.0**	15.0
Total equity	**20.0%**	20.0%	**30.0%**	30.0 %
Fixed income	**80.0%**	80.0%	**40.0%**	40.0 %
TIPS	**-**	-	**10.0%**	10.0 %
Hedge fund	**-**	-	**20.0%**	20.0 %
Cash		*		*

*WVIMB staff has authority to change the cash allocation plus or minus 10%, as necessary, in consultation with the appropriate representative(s) from PEIA. Not all cash is invested with the WVIMB.

(in thousands)

Asset class risk disclosures

U.S. Treasury Inflation Protected Securities (TIPS)

The Pool invests in TIPS, and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets are managed by State Street Global Advisors. PEIA's amount invested in the TIPS Pool of $22,411 and $17,854 at June 30, 2017 and 2016, respectively, represented approximately 6.8% and 4.6% respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk

The WVIMB limits the exposure to credit risk in the Pool by primarily investing in U.S. Treasury inflation-protected securities (TIPS). The WVIMB monitors interest rate risk of the Pool by evaluating the real modified duration of the investments in the Pool. The following tables provide the weighted-average credit ratings of the rated assets in the Pool as of June 30:

	June 30, 2017			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Money market mutual fund	**Aaa**	**AAA**	**$ 128**	**0.0 %**
Repurchase agreements	**Aaa**	**AA**	**6,314**	**1.9**
Time deposits	**A-1**	**P-1**	**4,363**	**1.3**
U.S. Treasury inflation-protected securities	**Aaa**	**AA**	**326,866**	**96.8**
Total rated investments			**$ 337,671**	**100.0 %**

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Money market mutual fund	Aaa	AAA	$ 127	0.0 %
U.S. Treasury inflation-protected securities	Aaa	AA	374,622	100.0
Total rated investments			$ 374,749	100.0 %

The following table provides the weighted-average real modified duration for the various asset types in the Pool as of June 30:

	June 30, 2017		June 30, 2016	
Investment Type	**Fair Value**	**Real Modified Duration (Years)**	**Fair Value**	**Real Modified Duration (Years)**
Money market mutual fund	**$ 128**	**N/A**	$ 127	N/A
Repurchase agreements	**6,314**	**0.0**	-	0.0
Time deposits	**4,363**	**0.0**	-	0.0
U.S. Treasury inflation-protected securities	**326,866**	**7.9**	374,622	7.9
Total investments	**$ 337,671**	**7.9**	$ 374,749	7.9

(in thousands)

The pool invests in TIPS, and its objective is to match the performance of the Barclay's Capital U.S. TIPS Bond Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets are managed by State Street Global Advisors (SSgA).

Concentration of Credit Risk
The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk
At June 30, 2017, the Pool held no securities that were subject to custodial credit risk. All securities are held by the WVIMB's custodian in the name of the WVIMB.

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

Fair Value Measurements
GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The tables that follow sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2017 and 2016, respectively. All the Pool's investments in other funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

	June 30, 2017			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments made with cash collateral for securities loaned	**$ -**	**$ 10,677**	**$ -**	**$ 10,677**
Money market mutual fund	**128**	**-**	**-**	**128**
U.S. Treasury inflation-protected securities	**-**	**326,866**	**-**	**326,866**
Total	**$ 128**	**$ 337,543**	**$ -**	**$ 337,671**

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market mutual fund	$ 127	$ -	$ -	$ 127
U.S. Treasury inflation-protected securities	-	374,622	-	374,622
Total	$ 127	$ 374,622	$ -	$ 374,749

Large Cap Domestic Equity Pool

The Pool's objective is to equal or exceed, net of external investment management fees, the S&P 500 Stock Index over three-to-five-year periods. Assets are managed by INTECH Investment Management, LLC (INTECH) and SSgA. The PEIA's amount invested in the Large Cap Domestic Equity Pool of $15,750 and $20,772 at June 30, 2017 and 2016, respectively, represents approximately 0.4% and 0.6%, respectively, of total investments in this Pool.

(in thousands)

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The Pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following tables provide the weighted average credit ratings and weighted average maturities (WAM) as of June 30:

	June 30, 2017				
Investment Type	**Moody's**	**S&P**	**WAM (Days)**	**Fair Value**	**Percent of Total Investments**
Common stock	**N/A**	**N/A**	**N/A**	**$ 3,490,823**	**94.0** %
Money market mutual fund	**Aaa**	**AAA**	**N/A**	**34,740**	**0.9**
Repurchase agreements	**Aaa**	**AA**	**3**	**110,335**	**3.0**
Time deposits	**A-1**	**P-1**	**3**	**76,236**	**2.1**
Total investments				**$ 3,712,134**	**100.0** %

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Foreign corporate bonds	A	A	$ 3,156	0.1 %
Foreign government bonds	Aa	A	10	0.0
Money market mutual funds	Aaa	AAA	132,987	3.6
Time deposits	P-1	A-1	105,546	2.8
U.S. corporate bonds	A	A	12,246	0.3
U.S. Government agency bonds	Aaa	AA	3,335	0.1
U.S. Government agency MBS	Aaa	AA	109,742	2.9
U.S. Treasury bonds	Aaa	AA	32,119	0.9
Total rated investments			399,141	10.7
Common stock			3,322,262	89.3
Total investments			$ 3,721,403	100.0 %

The table above includes investments received as collateral for repurchase agreements with a fair value of $332,025 as compared to the amortized cost of the repurchase agreements of $314,482.

The table below provides the total WAM for applicable investments made with cash collateral for securities loaned as of June 30:

	2016	
Investment Type	**Fair Value**	**WAM (Days)**
Repurchase agreements	$ 314,482	2
Time deposits	105,545	1
Total	$ 420,027	

(in thousands)

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one company. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

The Pool is exposed to no or minimal foreign currency risk.

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30:

	June 30, 2017			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	**$ 3,490,823**	**$ -**	**$ -**	**$ 3,490,823**
Investments made with cash collateral for securities loaned	**-**	**186,571**	**-**	**186,571**
Short-term issues	**34,740**	**-**	**-**	**34,740**
Total	**$ 3,525,563**	**$ 186,571**	**$ -**	**$ 3,712,134**
Liabilities				
Futures contracts	**$ (65)**	**$ -**	**$ -**	**$ (65)**

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 3,150,846	$ -	$ -	$ 3,150,846
Futures contracts	3,026	-	-	3,026
Investments made with cash collateral for securities loaned	110,454	420,027	-	530,481
Money market mutual funds	22,533	-	-	22,533
Total	$ 3,286,859	$ 420,027	$ -	$ 3,706,886

Non-Large Cap Domestic Equity Pool

The Pool invests in the equities of small to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods. Assets are managed by AJO and Westfield Capital Management (Westfield). The PEIA's amount invested in the Non-Large Cap Domestic Equity Pool of $3,226 and $4,992 at June 30, 2017 and 2016, respectively, represents approximately 0.4% and 0.6%, respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The following table provides information on the weighted average credit ratings of the Pool's investments as of June 30:

(in thousands)

	June 30, 2017				
Investment Type	**Moody's**	**S&P**	**WAM (Days)**	**Fair Value**	**Percent of Total Investments**
Common stock	**N/A**	**N/A**	**N/A**	**$ 717,579**	**76.1 %**
Money market mutual fund	**Aaa**	**AAA**	**N/A**	**13,317**	**1.4**
Repurchase agreements	**Aaa**	**AA**	**3**	**125,660**	**13.3**
Time deposits	**A-1**	**P-1**	**3**	**86,826**	**9.2**
Total investments				**$ 943,382**	**100.0 %**

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Foreign corporate bonds	A	A	$ 2,198	0.2 %
Foreign government bonds	Aa	A	7	0.0
Money market mutual funds	Aaa	AAA	88,686	7.7
Time deposits	P-1	A-1	73,468	6.4
U.S. corporate bonds	A	A	8,524	0.7
U.S. Government agency bonds	Aaa	AA	2,322	0.2
U.S. Government agency MBS	Aaa	AA	76,389	6.6
U.S. Treasury bonds	Aaa	AA	22,357	1.9
Total rated investments			273,951	23.7
Common stock			880,130	76.3
Total investments			$ 1,154,081	100.0 %

The table above includes investments received as collateral for repurchase agreements with a fair value of $231,116 as compared to the amortized cost of the repurchase agreements of $218,904.

The following table provides the WAM for applicable investments made with cash collateral for securities loaned as of June 30:

	2016	
Investment Type	**Fair Value**	**WAM (Days)**
Repurchase agreements	$ 218,904	2
Time deposits	73,468	1
Total	$ 292,372	

(in thousands)

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one company. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

The Pool is exposed to no or minimal foreign currency risk.

Fair Value Measurements

The tables below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30:

	June 30, 2017			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	**$ 717,579**	**$ -**	**$ -**	**$ 717,579**
Investments made with cash collateral for securities loaned	**-**	**212,486**	**-**	**212,486**
Money market mutual fund	**13,317**	**-**	**-**	**13,317**
Total	**$ 730,896**	**$ 212,486**	**$ -**	**$ 943,382**

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 760,811	$ -	$ -	$ 760,811
Investments made with cash collateral for securities loaned	76,886	292,372	-	369,258
Money market mutual fund	11,800	-	-	11,800
Total	$ 849,497	$ 292,372	$ -	$ 1,141,869

International Non-Qualified Pool

This Pool invests in The Silchester International Investors International Value Equity Trust (Silchester). The Pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. The Pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this Pool at June 30, 2017 and 2016 was $201,799 and $141,311, respectively. This Pool, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

The PEIA's amount invested in the International Non-qualified Pool of $6,876 and $8,533 at June 30, 2017 and 2016, respectively, represents approximately 3.4% and 6.0%, respectively, of total investments in this Pool.

(in thousands)

Fair Value Measurements

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

Redemption Provisions

The pool is restricted to the following redemption provisions: monthly on the first business day.

International Equity Pool

This Pool invests in the equities of international companies. Assets are managed by Acadian Asset Management, LLC (Acadian), Axiom International Investors, LLC (Axiom), Brandes Investment Partners, L.P. (Brandes), LSV Asset Management (LSV), and Oberweis Asset Management, Inc. (Oberweis). The objective of the Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods.

The PEIA's amount invested in the International Equity Pool of $14,195 and $18,240 at June 30, 2017 and 2016, respectively, represents approximately 0.5% and 0.6%, respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from certain investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days.

The following tables provide the weighted average credit ratings and weighted average maturities (WAM) as of June 30:

		June 30, 2017			
Investment Type	**Moody's**	**S&P**	**WAM (Days)**	**Fair Value**	**Percent of Total Investment**
Common stock	**N/A**	**N/A**	**N/A**	**$ 2,958,970**	**93.2 %**
Money market mutual funds	**Aaa**	**AAA**	**N/A**	**38,306**	**1.2**
Preferred stock	**N/A**	**N/A**	**N/A**	**67,086**	**2.1**
Repurchase agreements	**Aaa**	**AA**	**3.0**	**63,972**	**2.0**
Rights	**N/A**	**N/A**	**N/A**	**2,562**	**0.1**
Time deposits	**A-1**	**P-1**	**3.0**	**44,201**	**1.4**
Total investments				**$ 3,175,097**	**100.0 %**

(in thousands)

Investment Type	Moody's	S&P	Fair Value	Percent of Total Investment
	June 30, 2016			
Foreign corporate bonds	A	A	$ 1,127	0.0 %
Foreign government bonds	Aa	A	4	0.0
Money market mutual funds	Aaa	AAA	69,992	2.4
Time deposits	P-1	A-1	37,717	1.2
U.S. corporate bonds	A	A	4,376	0.1
U.S. Government agency bonds	Aaa	AA	1,192	0.0
U.S. Government agency MBS	Aaa	AA	39,216	1.3
U.S. Treasury bonds	Aaa	AA	11,478	0.4
Total rated investments			165,102	5.4
Common stock			2,797,848	92.4
Preferred stock			68,037	2.2
Rights			217	0.0
Total investments			$ 3,031,204	100.0 %

The table above includes investments received as collateral for repurchase agreements with a fair value of $118,650 as compared to the amortized cost of the repurchase agreements of $112,380.

Investment Type	2016 Fair Value	2016 WAM (Days)
Repurchase agreements	$ 112,380	2
Time deposits	37,716	1
Total investments	$ 150,096	

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one company. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

(in thousands)

Foreign Currency Risk

The Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The tables below show the amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30:

	2017			2016		
Currency	**Investments**	**Cash**	**Total**	**Investments**	**Cash**	**Total**
Australian Dollar	**$ 86,903**	**$ 3,905**	**$ 90,808**	$ 70,519	$ 1,384	$ 71,903
Brazil Real	**107,336**	**1,305**	**108,641**	134,558	1,156	135,714
British Pound	**268,603**	**8,426**	**277,029**	251,332	2,256	253,588
Canadian Dollar	**114,239**	**77**	**114,316**	114,574	211	114,785
Chilean Peso	**14,919**	**-**	**14,919**	12,200	685	12,885
Czech Koruna	**7,352**	**108**	**7,460**	8,630	368	8,998
Danish Krone	**11,750**	**(1)**	**11,749**	21,390	1,390	22,780
Egyptian Pound	**1,605**	**-**	**1,605**	1,631	(20)	1,611
Emirati Dirham	**6,060**	**10**	**6,070**	5,631	5	5,636
Euro Currency Unit	**463,410**	**6,309**	**469,719**	423,512	504	424,016
Hong Kong Dollar	**332,332**	**9,785**	**342,117**	277,680	776	278,456
Hungarian Forint	**6,749**	**58**	**6,807**	8,991	135	9,126
Indian Rupee	**93,581**	**1,604**	**95,185**	64,154	697	64,851
Indonesian Rupiah	**33,767**	**59**	**33,826**	28,164	132	28,296
Israeli Shekel	**13,482**	**35**	**13,517**	16,429	49	16,478
Japanese Yen	**371,110**	**2,302**	**373,412**	381,024	2,588	383,612
Malaysian Ringgit	**26,081**	**508**	**26,589**	24,344	207	24,551
Mexican Peso	**47,583**	**263**	**47,846**	44,979	383	45,362
New Taiwan Dollar	**75,661**	**2,418**	**78,079**	63,355	1,166	64,521
New Zealand Dollar	**6,060**	**7**	**6,067**	7,782	3	7,785
Norwegian Krone	**19,812**	**598**	**20,410**	20,899	28	20,927
Pakistan Rupee	**3,848**	**-**	**3,848**	5,150	-	5,150
Philippine Peso	**10,603**	**2**	**10,605**	10,085	1	10,086
Polish Zloty	**13,957**	**-**	**13,957**	5,239	-	5,239
Qatari Riyal	**99**	**32**	**131**	407	16	423
Singapore Dollar	**18,722**	**445**	**19,167**	13,817	105	13,922
South African Rand	**56,807**	**30**	**56,837**	38,313	94	38,407
South Korean Won	**218,594**	**1,856**	**220,750**	188,612	1,479	190,091
Swedish Krona	**37,428**	**(1)**	**37,427**	52,296	1	52,297
Swiss Franc	**109,989**	**1,566**	**111,555**	95,697	-	95,697
Thailand Baht	**54,069**	**(6)**	**54,063**	47,149	1	47,150
Turkish Lira	**55,190**	**96**	**55,286**	55,220	507	55,727
Total	**$ 2,688,001**	**$ 41,796**	**$ 2,729,797**	$ 2,493,763	$ 16,307	$ 2,510,070

The table above excludes cash and securities held by the pool that are denominated in U.S. dollars. The fair value of the U.S. dollar denominated cash and investments is $487,320, or 15.1% and $531,171, or 17.5% for the years ended June 30, 2017 and 2016, respectively.

(in thousands)

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

	June 30, 2017			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	**$ 2,958,970**	**$ -**	**$ -**	**$ 2,958,970**
Foreign currency contracts	**-**	**32**	**-**	**32**
Investments made with cash collateral for securities loaned	**-**	**108,173**	**-**	**108,173**
Preferred stock	**67,086**	**-**	**-**	**67,086**
Rights	**2,562**	**-**	**-**	**2,562**
Money market mutual fund	**38,306**	**-**	**-**	**38,306**
Total	**$ 3,066,924**	**$ 108,205**	**$ -**	**$ 3,175,129**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency contracts	**$ -**	**$ (90)**	**$ -**	**$ (90)**

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 2,736,592	$ -	$ -	$ 2,736,592
Foreign currency contracts	-	68	-	68
Investments made with cash collateral for securities loaned	39,472	150,096	-	189,568
Preferred stock	68,037	-	-	68,037
Rights	217	-	-	217
Money market mutual fund	30,520	-	-	30,520
Total	$ 2,874,838	$ 150,164	$ -	$ 3,025,002

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency contracts	$ -	$ (63)	$ -	$ (63)

Total Return Fixed Income Pool

This Pool's objective is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox (DAC), Franklin Templeton Investments (FTI), and Western Asset Management Company (Western) manage the Pool. The Pool's investment objective, net of external investment management fees, is to meet or exceed the Barclay Capital Universal Index.

The PEIA's amount invested in the Total Return Fixed Income Pool of $43,377 and $46,721 at June 30, 2017 and 2016, respectively, represented approximately 1.9% and 2.2%, respectively, of total investments in the Pool.

Credit Risk and Interest Rate Risk

The WVIMB limits the exposure to credit risk in the Total Return Fixed Income Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool.

(in thousands)

Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1% change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations.

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. The Pool held $463,424 and $407,958 of these securities at June 30, 2017 and 2016, respectively, representing approximately 18% and 19% of the value of the Pool's securities.

The following tables provide the weighted average credit ratings of the rated assets in the Pool as of June 30:

	June 30, 2017			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Common stock	A	N/A	$ 14	0.0 %
Corporate asset backed issues	Ba	AA	32,078	1.3
Corporate ABS residual	N/A	N/A	5,034	0.2
Corporate CMO	Baa	BB	46,766	1.9
Corporate preferred security	Ba	BB	10,436	0.4
Foreign asset backed issues	Baa	BBB	17,436	0.7
Foreign corporate bonds	Baa	BBB	285,298	11.3
Foreign government bonds	Baa	BBB	244,812	9.7
Investments in other funds	N/A	N/A	319,061	12.7
Money market mutual fund	Aaa	AAA	63,965	2.5
Municipal bonds	A	A	47,351	1.9
Options contracts purchased	N/A	N/A	2,098	0.1
Repurchase agreements	Aaa	AA	119,844	4.8
Time deposits	P-1	A-1	82,806	3.3
U.S. corporate bonds	Baa	BBB	460,676	18.1
U.S. Government agency bonds	Aaa	AA	11,630	0.5
U.S. Government agency CMO	Aaa	AA	51,865	2.1
U.S. Government agency CMO interest-only	Aaa	AA	3,796	0.2
U.S. Government agency MBS	Aaa	AA	289,155	11.5
U.S. Government agency TBAs	Aaa	AA	17,294	0.7
U.S. Treasury bonds	Aaa	AA	361,886	14.4
U.S. Treasury inflation protected securities	Aaa	AA	42,269	1.7
Total Investments			$ 2,515,570	100.0 %

(in thousands)

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Bank loan	B	B	$ 936	0.0 %
Corporate asset backed issues	A	A	36,980	1.7
Corporate CMO	Ba	BB	27,879	1.3
Corporate preferred securities	Ba	BB	10,472	0.5
Foreign asset backed issues	A	A	11,726	0.5
Foreign corporate bonds	Baa	BBB	293,586	13.6
Foreign government bonds	Ba	BB	217,700	10.1
Money market mutual funds	Aaa	AAA	66,469	3.1
Municipal bonds	A	A	40,081	1.9
Time deposits	P-1	A-1	20,028	0.9
U.S. corporate bonds	Baa	BBB	542,373	25.2
U.S. Government agency bonds	Aaa	AA	3,332	0.2
U.S. Government agency CMO	Aaa	AA	64,627	3.0
U.S. Government agency CMO interest-only	Aaa	AA	6,519	0.3
U.S. Government agency MBS	Aaa	AA	275,666	12.8
U.S. Government agency TBA	Aaa	AA	637	0.0
U.S. Treasury bonds	Aaa	AA	107,797	5.0
U.S. Treasury inflation-protected securities	Aaa	AA	26,550	1.2
Total rated investments			$ 1,753,358	81.3 %

Unrated investments include investments in common stock valued at $32,528, investments in corporate ABS residual valued at $5,385, investments in other funds valued at $360,669, and options contracts purchased valued at $1,192. These unrated securities represent 18.7% of the fair value of the Pool's investments.

The table above includes investments received as collateral for repurchase agreements with a fair value of $63,005 as compared to the amortized cost of the repurchase agreements of $59,675.

(in thousands)

The following table provides the weighted-average effective duration for the various asset types in the Pool as of June 30:

	2017		2016	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
Bank loan	**$ -**	**N/A**	$ 936	0.1
Common stock	**14**	**N/A**	-	N/A
Corporate asset backed issues	**32,078**	**2.0**	36,980	1.8
Corporate ABS residual	**5,034**	**N/A**	5,385	N/A
Corporate CMO	**46,766**	**0.9**	27,879	1.9
Corporate preferred securities	**10,436**	**0.1**	10,472	0.1
Foreign asset backed issues	**17,436**	**0.5**	11,726	2.4
Foreign corporate bonds	**285,298**	**6.6**	292,987	6.6
Foreign government bond	**244,812**	**5.3**	217,698	6.0
Investments in other funds	**319,061**	**2.4**	360,669	2.9
Money market mutual funds	**63,965**	**N/A**	66,469	N/A
Municipal bonds	**47,351**	**9.0**	40,081	10.4
Options contracts purchase	**2,098**	**N/A**	1,192	N/A
Repurchase agreement	**119,844**	**0.0**	59,675	0.0
Time deposits	**82,806**	**0.0**	20,028	0.0
U.S. corporate bonds	**460,676**	**7.0**	540,049	8.3
U.S. Government agency bonds	**11,630**	**0.7**	2,699	3.3
U.S. Government agency CMO	**51,865**	**1.4**	64,627	0.9
U.S. Government agency CMO interest-only	**3,796**	**1.8**	6,519	34.0
U.S. Government agency MBS	**289,155**	**3.0**	254,842	1.7
U.S. Government agency TBA	**17,294**	**5.4**	637	0.0
U.S. Treasury bonds	**361,886**	**7.8**	101,702	3.0
U.S. Treasury inflation-protected securities	**42,269**	**13.9**	26,550	19.5
Total investments	**$ 2,515,570**	**5.0**	$ 2,149,802	5.1

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2017 and 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017 and 2016, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Investments in commingled funds are held in an account in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

The Pool has foreign government bonds and foreign corporate bonds that are denominated in foreign currencies and are exposed to foreign currency risks. The Pool also has foreign denominated futures contracts, a currency swap and foreign exchange forward contracts. Refer to Notes 7, 8 and 9, respectively, for details on these contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately $87,411, or 27%, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 3.0% of the value of the Pool's securities.

(in thousands)

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2017, are as follows:

	June 30, 2017			
Currency	Investments	Cash	Total	Percent of Total Investments and Cash
Argentine Peso	$ 10,274	$ 455	$ 10,729	0.4 %
Australian Dollar	-	1,207	1,207	0.0
Azerbaijani Manat	652	-	652	0.0
Brazil Real	22,469	1	22,497	0.9
Canadian Dollar	7,653	-	7,653	0.3
Colombian Peso	5,003	-	5,003	0.2
Deutsche Mark	1,932	-	1,932	0.1
Euro Currency Unit	-	7,865	7,865	0.3
British Pound	4,800	61	4,861	0.2
Georgian Lari	1,678	-	1,678	0.1
Ghana Cedi	2,791	-	2,791	0.1
Indian Rupee	620	-	620	0.0
Japanese Yen	49,484	921	50,405	2.0
Kenyan Shilling	2,338	40	2,378	0.1
Mexican Peso	39,783	1,014	40,979	1.6
New Zealand Dollar	-	1,251	1,251	0.0
Peruvian Nuevo Sol	1,440	-	1,440	0.1
Russian Ruble	3,637	861	4,498	0.2
South African Rand	5,882	-	5,882	0.2
Swedish Krona	-	704	704	0.0
Turkish Lira	4,445	-	4,445	0.2
Ugandan Shilling	1,907	-	1,907	0.1
Uruguayan Peso	7,767	-	7,767	0.3
Total	$ 174,582	$ 14,380	$ 188,962	7.4 %

The table above excludes investments and cash held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is $2,346,267. This represents approximately 93% of the value of the Pool's investments and cash.

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2016, are as follows:

	June 30, 2016			
Currency	Investments	Cash	Total	Percent of Total Investments and Cash
Brazil Real	$ 18,357	$ 739	$ 19,096	0.9 %
British Pound	(16)	29	13	0.0
Colombian Peso	3,827	-	3,827	0.2
Deutsche Mark	2,242	-	2,242	0.1
Euro Currency Unit	7,012	4,749	11,761	0.5
Ghana Cedi	1,871	308	2,179	0.1
Indian Rupee	3,192	-	3,192	0.1
Japanese Yen	50,390	1,458	51,848	2.4
Kenyan Shilling	2,149	-	2,149	0.1
Mexican Peso	36,421	-	36,421	1.7
Russian Ruble	9,159	588	9,747	0.4
South African Rand	4,814	192	5,006	0.2

(in thousands)

(continued)	June 30, 2016			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
Turkish Lira	$ 5,094	$ -	$ 5,094	0.2 %
Ugandan Shilling	1,919	-	1,919	0.1
Uruguayan Peso	3,759	-	3,759	0.2
Zambian Kwacha	-	311	311	0.0
Total	$ 150,190	$ 8,374	$ 158,564	7.2 %

The table above excludes investments and cash held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is $2,029,009. This represents approximately 93% of the value of the Pool's investments and cash.

Fair Value Measurements

GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The tables that follow set forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30. All the Pool's investments in other funds were valued using the net asset value per share practical expedient; as such, they have not been categorized in the fair value hierarchy.

	June 30, 2017			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common stock	**$ 14**	**$ -**	**$ -**	**$ 14**
Corporate asset backed issues	**-**	**32,078**	**-**	**32,078**
Corporate ABS residual	**-**	**5,034**	**-**	**5,034**
Corporate CMO	**-**	**46,766**	**-**	**46,766**
Corporate preferred security	**10,436**	**-**	**-**	**10,436**
Foreign asset backed issues	**-**	**17,436**	**-**	**17,436**
Foreign corporate bonds	**-**	**285,298**	**-**	**285,298**
Foreign currency forward contracts	**-**	**911**	**-**	**911**
Foreign government bonds	**-**	**244,812**	**-**	**244,812**
Future contracts	**7,290**	**-**	**-**	**7,290**
Investments made with cash collateral for securities loaned	**-**	**202,650**	**-**	**202,650**
Money market mutual fund	**63,965**	**-**	**-**	**63,965**
Municipal bonds	**-**	**47,351**	**-**	**47,351**
Options contracts purchased	**2,098**	**-**	**-**	**2,098**
Swaps	**-**	**6,482**	**-**	**6,482**
U.S. corporate bonds	**-**	**460,676**	**-**	**460,676**
U.S. Government agency bond	**-**	**11,630**	**-**	**11,630**
U.S. Government agency CMO	**-**	**51,865**	**-**	**51,865**
U.S. Government agency CMO interest-only	**-**	**3,796**	**-**	**3,796**
U.S. Government agency MBS	**-**	**289,155**	**-**	**289,155**
U.S. Government agency TBA	**-**	**17,294**	**-**	**17,294**
U.S. Treasury bonds	**-**	**361,886**	**-**	**361,886**
U.S. Treasury inflation protected securities	**-**	**42,269**	**-**	**42,269**
Total	**$ 83,803**	**$ 2,127,389**	**$ -**	**2,211,192**
Investments in other funds				**319,061**
Total				**$ 2,530,253**

(in thousands)

Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	$ -	$ (794)	$ -	$ (794)
Future contracts	(1,236)	-	-	(1,236)
Options contracts written	(538)	-	-	(538)
Swaps	-	(1,483)	-	(1,483)
Total	$ (1,774)	$ (2,277)	$ -	$ (4,051)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2017.

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Bank loan	$ -	$ 936	$ -	$ 936
Corporate asset backed issues	-	36,980	-	36,980
Corporate ABS residual	-	5,385	-	5,385
Corporate CMO	-	27,879	-	27,879
Corporate preferred security	10,472	-	-	10,472
Foreign asset backed issues	-	11,726	-	11,726
Foreign corporate bonds	-	292,987	-	292,987
Foreign currency forward contracts	-	1,054	-	1,054
Foreign government bonds	-	217,698	-	217,698
Future contracts	5,597	-	-	5,597
Investments made with cash collateral for securities loaned	20,960	79,703	-	100,663
Money market mutual fund	45,509	-	-	45,509
Municipal bonds	-	40,081	-	40,081
Options contracts purchased	849	343	-	1,192
Swaps	-	837	-	837
U.S. corporate bonds	-	540,049	-	540,049
U.S. Government agency bond	-	2,699	-	2,699
U.S. Government agency CMO	-	64,627	-	64,627
U.S. Government agency CMO interest-only	-	6,519	-	6,519
U.S. Government agency MBS	-	254,842	-	254,842
U.S. Government agency TBA	-	637	-	637
U.S. Treasury bonds	-	101,702	-	101,702
U.S. Treasury inflation protected securities	-	26,550	-	26,550
Total	$ 83,387	$ 1,713,234	$ -	1,796,621
Investments in other funds				360,669
Total				$ 2,157,290

Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	$ -	$ (4,747)	$ -	$ (4,747)
Future contracts	(7,013)	-	-	(7,013)
Options contracts written	(142)	(293)	-	(435)
Swaps	-	(18,200)	-	(18,200)
Total	$ (7,155)	$ (23,240)	$ -	$ (30,395)

Redemption Provisions

The Pool is restricted to the following redemption provisions: daily.

(in thousands)

Core Fixed Income Pool

The main objective of this Pool is to generate investment income, provide stability and diversification, but not at the expense of the total return. JP Morgan Investment Advisors, Inc. (JPM) manages this Pool. This Pool's investment objective, net of external management fees, is to meet or exceed the Barclays Capital U.S. Aggregate Index.

The PEIA's amount invested in the Core Fixed Income Pool of $18,408 and $21,225 at June 30, 2017 and 2016, respectively, represented approximately 1.8% and 2.1%, respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk

The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the nationally recognized statistical rating organizations. The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1% change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations.

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2017 and 2016, the Pool held $440,253 and $464,526 of these securities, respectively. This represents approximately 40% and 44%, respectively, of the value of the Pool's securities.

The following tables provide the weighted average credit ratings and the weighted average effective duration for the various asset types in the Pool as of June 30:

	June 30, 2017			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aa	A	$ 102,422	9.3 %
Corporate CMO	A	A	41,600	3.8
Corporate CMO interest-only	B	NR	599	0.1
Corporate CMO principal-only	NR	AA	129	0.0
Foreign asset backed issues	Aaa	AAA	3,446	0.3
Foreign corporate bonds	A	A	52,706	4.8
Foreign government bonds	Aa	A	7,218	0.7
Money market mutual fund	Aaa	AAA	18,950	1.7
Municipal bonds	Aa	AA	9,013	0.8
Repurchase agreements	Aaa	AA	60,406	5.5
Time deposits	P-1	A-1	41,738	3.8
U.S. corporate bonds	A	A	226,894	20.7
U.S. Government agency bonds	Aaa	AA	22,596	2.1
U.S. Government agency CMO	Aaa	AA	114,552	10.5
U.S. Government agency CMO interest-only	Aaa	AA	3,635	0.3
U.S. Government agency CMO principal-only	Aaa	AA	7,159	0.7

(in thousands)

(continued)

	June 30, 2017			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
U.S. Government agency MBS	**Aaa**	**AA**	**$ 166,711**	**15.2 %**
U.S. Treasury bonds	**Aaa**	**AA**	**215,469**	**19.7**
U.S. Treasury inflation protected security	**Aaa**	**AA**	**432**	**0.0**
Total Investments			**$ 1,095,675**	**100.0 %**

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aa	AA	$ 71,452	6.7 %
Corporate CMO	A	A	58,738	5.5
Corporate CMO interest-only	Ba	AAA	713	0.1
Corporate CMO principal-only	B	AA	200	0.0
Foreign asset backed issues	Aa	AA	1,793	0.2
Foreign corporate bonds	A	A	44,793	4.2
Foreign government bonds	Aa	A	7,252	0.7
Money market mutual funds	Aa	AAA	35,271	3.3
Municipal bonds	Aa	AA	9,782	0.9
Time deposits	P-1	A-1	13,097	1.2
U.S. corporate bonds	A	A	222,175	21.1
U.S. Government agency bonds	Aaa	AA	23,219	2.2
U.S. Government agency CMO	Aaa	AA	129,989	12.3
U.S. Government agency CMO interest-only	Aaa	AA	5,229	0.5
U.S. Government agency CMO principal only	Aaa	AA	9,002	0.8
U.S. Government agency MBS	Aaa	AA	201,029	19.0
U.S. Treasury bonds	Aaa	AA	204,730	19.3
U.S. Treasury inflation protected security	Aaa	AA	431	0.0
Total rated investments			$ 1,038,895	98.0 %

Unrated securities include investments made with common stock valued at $21,270, or 2.0% of the fair value of the Pool's investments.

The table above includes investments received as collateral for repurchase agreements with a fair value of $41,198 as compared to the amortized cost of the repurchase agreements of $39,023.

(in thousands)

The following table provides the weighted average credit ratings and the weighted average effective duration for the various asset types in the Pool as of June 30:

Investment Type	2017 Fair Value	2017 Effective Duration (Years)	2016 Fair Value	2016 Effective Duration (Years)
Corporate asset backed issues	**$ 102,422**	**2.5**	$ 71,452	2.1
Corporate CMO	**41,600**	**2.6**	58,738	2.5
Corporate CMO interest-only	**599**	**(11.6)**	713	(17.4)
Corporate CMO principal-only	**129**	**6.8**	200	4.2
Foreign asset backed issues	**3,446**	**2.5**	1,793	0.1
Foreign corporate bonds	**52,706**	**5.3**	44,399	5.7
Foreign government bonds	**7,218**	**8.5**	7,251	9.0
Money market mutual funds	**18,950**	**N/A**	35,271	N/A
Municipal bonds	**9,013**	**13.6**	9,782	14.4
Repurchase agreements	**60,406**	**0.0**	39,023	0.0
Time deposits	**41,738**	**0.0**	13,097	0.0
U.S. corporate bonds	**226,894**	**6.1**	220,665	6.3
U.S. Government agency bonds	**22,596**	**2.8**	22,805	3.8
U.S. Government agency CMO	**114,522**	**3.8**	129,989	3.0
U.S. Government agency CMO interest-only	**3,635**	**11.2**	5,229	5.9
U.S. Government agency CMO principal only	**7,159**	**6.8**	9,002	7.2
U.S. Government agency MBS	**166,711**	**4.2**	187,410	4.4
U.S. Treasury bonds	**215,469**	**9.0**	200,740	8.5
U.S. Treasury inflation protected security	**432**	**3.3**	431	3.4
Total	**$ 1,095,675**	**5.0**	$ 1,057,990	4.9

Concentration of Credit Risk

The Pool is restricted from investing more than 5% of the value of the Pool in any one corporate name. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

(in thousands)

Fair Value Measurements

The tables below summarize the valuation of the investment securities in accordance with fair value hierarchy levels as of June 30:

	June 30, 2017			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	**$ -**	**$ 102,422**	**$ -**	**$ 102,422**
Corporate CMO	**-**	**41,600**	**-**	**41,600**
Corporate CMO interest - only	**-**	**599**	**-**	**599**
Corporate CMO principal - only	**-**	**129**	**-**	**129**
Foreign asset backed issues	**-**	**3,446**	**-**	**3,446**
Foreign corporate bonds	**-**	**52,706**	**-**	**52,706**
Foreign government bonds	**-**	**7,218**	**-**	**7,218**
Investments made with cash collateral for securities loaned	**-**	**102,144**	**-**	**102,144**
Money market mutual fund	**18,950**	**-**	**-**	**18,950**
Municipal bonds	**-**	**9,013**	**-**	**9,013**
U.S. corporate bonds	**-**	**226,894**	**-**	**226,894**
U.S. Government agency bonds	**-**	**22,596**	**-**	**22,596**
U.S. Government agency CMO	**-**	**114,552**	**-**	**114,552**
U.S. Government agency CMO interest-only	**-**	**3,635**	**-**	**3,635**
U.S. Government agency CMO principal-only	**-**	**7,159**	**-**	**7,159**
U.S. Government agency MBS	**-**	**166,711**	**-**	**166,711**
U.S. Treasury bonds	**-**	**215,469**	**-**	**215,469**
U.S. Treasury inflation protected security	**-**	**432**	**-**	**432**
Total	**$ 18,950**	**$ 1,076,725**	**$ -**	**$ 1,095,675**

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	$ -	$ 71,452	$ -	$ 71,452
Corporate CMO	-	58,738	-	58,738
Corporate CMO interest - only	-	713	-	713
Corporate CMO principal - only	-	200	-	200
Foreign asset backed issues	-	1,793	-	1,793
Foreign corporate bonds	-	44,399	-	44,399
Foreign government bonds	-	7,251	-	7,251
Investments made with cash collateral for securities loaned	13,705	52,120	-	65,825
Money market mutual fund	21,566	-	-	21,566
Municipal bonds	-	9,782	-	9,782
U.S. corporate bonds	-	220,665	-	220,665
U.S. Government agency bond	-	22,805	-	22,805
U.S. Government agency CMO	-	129,989	-	129,989
U.S. Government agency CMO interest-only	-	5,229	-	5,229
U.S. Government agency CMO principal-only	-	9,002	-	9,002
U.S. Government agency MBS	-	187,410	-	187,410
U.S. Treasury bonds	-	200,740	-	200,740
U.S. Treasury inflation protected securities	-	431	-	431
Total	$ 35,271	$ 1,022,719	$ -	$ 1,057,990

(in thousands)

Hedge Fund Pool

This Pool was established to hold the WVIMB's investments in hedge funds. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

This Pool holds shares in hedge funds and shares of a money market fund with the highest credit rating. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk and/or custodial credit risk. The Pool is restricted from investing more than 10% of the value of the Pool with any single manager. At June 30, 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

The PEIA's amount invested in the Hedge Fund Pool of $29,665 and $36,014 at June 30, 2017 and 2016, respectively, represented approximately 1.6% and 2.3%, respectively, of total investments in this Pool.

Fair Value Measurements
GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient for the year ended June 30, 2017. The majority of the Pool's investments in hedge funds were valued using the net asset value (NAV) per share; as such, they have not been categorized in the fair value hierarchy for 2017. The table that follows sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2017. At June 30, 2016, there were no assets at fair value in the pool; therefore, a fair value hierarchy table is not presented.

Assets	Level 1	Level 2	Level 3	Total
Money market mutual fund	$ 22	$ -	$ -	$ 22
Hedge funds				1,809,889
Total				$ 1,809,911

The following table presents information on investments measured at the NAV as of June 30, 2017.

Hedge Fund Strategies	Fair Value	Number of Funds	Redemption Frequency	Redemption Notice Period
Directional (a)	$ 173,459	3	Mthly/Qtly	3 to 60 days
Equity long/short (b)	235,206	3	Mthly/Qtly/Evry 3 yrs	30 to 60 days
Event-driven (c)	44,907	1	Qtly	65 days
Long-biased (d)	49,427	1	Mthly	90 days
Multi-strategy (e)	1,165,427	16	Mthly/Qtly/Anu.	3 to 95 days
Relative-value (f)	141,463	2	Mthly	45 to 60 days
Total investments measured at the NAV	$ 1,809,889			

(a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in ether long or short positions to take advantage of that. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.

(b) An equity long/short strategy is an investing strategy, used primarily by hedge funds, that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 64% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

(in thousands)

(c) Event-driven managers maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.

(d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.

(e) Multi-strategy managers combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk, and leverage risk. Investments representing approximately 62% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

(f) Relative-value managers maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed Income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity.

At June 30, 2016, the Pool was restricted to the following redemption provisions: ranging from monthly with three days prior written notice to every three years with 45 days prior written notice and subject to maximum withdrawal restrictions.

Realized and Unrealized Investment Income Disclosure

Investment income (loss) is comprised of the following for the years ended June 30:

	2017	2016
Investment income:		
Interest income including realized gains/losses on sale of securities	**$ 2,262**	$ 2,485
Unrealized gain on investments	**10,546**	(3,799)
Total investment income (loss)	**$ 12,808**	$ (1,314)

(in thousands)

6. Equity Position in Investment Pool – Restricted (Premium Stabilization Fund) Managed by BTI and Minnesota Life

Optional life insurance premiums are funded entirely by program participants. The premium stabilization fund consists of accumulated dividends and interest on the participant optional life insurance policies. The premium stabilization fund is invested in the BTI Money Market Pool (see Footnote 5 for investment disclosures related to this Pool). To the extent that these policyholder premiums are refunded to PEIA in the form of dividends and interest by the life insurance company, the funds are refunded to the related optional life policyholders by way of reductions in future premium increases. This account is utilized to track the accumulated balance due to optional life policyholders. Noncurrent assets include $19,973 and $26,549 as of June 30, 2017 and 2016, respectively, restricted to meet this obligation.

The following table represents changes in the premium stabilization fund for the years ended June 30:

	2017	2016
Premium stabilization fund – beginning of the year	**$ 26,549**	$ 24,950
Life insurance dividends, interest received and pool results	**272**	3,013
Amounts used to lower optional life rates	**(6,848)**	(1,414)
Premium stabilization fund – end of year	**$ 19,973**	$ 26,549

7. Capital Assets

Capital asset activity for the years ended June 30, 2017 and 2016 was as follows:

	2016	Additions	Disposals	**2017**
Intangible assets	$ 8,895	$ 126	$ -	**$ 9,021**
Equipment	1,273	11	-	**1,284**
Total capital assets	10,168	137	-	**10,305**
Intangible assets	(8,689)	(34)	-	**(8,723)**
Equipment	(1,315)	(20)	-	**(1,335)**
Total accumulated depreciation	(10,004)	(54)	-	**(10,058)**
Total capital assets, net	$ 164	$ 83	$ -	**$ 247**

	2015	Additions	Reclass	2016
Intangible assets	$ 8,730	$ 8	$ 157	$ 8,895
Equipment	1,311	119	(157)	1,273
Total capital assets	10,041	127	-	10,168
Intangible assets	(8,677)	(12)	-	(8,689)
Equipment	(1,299)	(16)	-	(1,315)
Total accumulated depreciation	(9,976)	(28)	-	(10,004)
Total capital assets, net	$ 65	$ 99	$ -	$ 164

(in thousands)

8. Unpaid Claims Liabilities

As discussed in Note 2, PEIA establishes a liability for both reported and unreported insured events, which includes an estimate of future payments of losses. The following represents changes in those aggregate liabilities for PEIA for the years ended June 30:

	2017	2016	2015
Claims payable, beginning of year	**$ 73,523**	$ 78,077	$ 53,230
Incurred claims expenses:			
Provision for insured events of the current year	**542,457**	556,952	555,751
Increase (decrease) in provision for insured events of prior years	**(880)**	(2,180)	320
Total incurred claims expense	**541,577**	554,772	556,071
Payments:			
Claim payments, net of rebates, attributable to insured events of:			
Current year	**480,228**	500,897	474,120
Prior years	**70,233**	58,429	57,104
Total payments, net	**550,451**	559,326	531,224
Claims payable, end of year	**$ 64,649**	$ 73,523	$ 78,077

The above payments are net of pharmacy rebates earned of $37,275, $24,183 and $17,622 for the years ended June 30, 2017, 2016 and 2015, respectively.

9. Postemployment Benefits Other than Pension Benefits

Other postemployment benefits

PEIA participates in a cost-sharing, multiemployer, defined benefit other postemployment benefit (OPEB) plan that covers the retirees of State agencies, colleges and universities, county boards of education and other government entities as set forth in the West Virginia Code. Financial activities of the OPEB plan are accounted for in the RHBT. The plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured plan and through external managed care organizations, basic group life, accidental death and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan and a copy of the RHBT financial report can be obtained by contacting Public Employees Insurance Agency, 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

Upon retirement, an employee may apply unused sick leave and/or annual leave to reduce their future insurance premiums paid to RHBT. Substantially all employees hired prior to July 1, 2001 may become eligible for these benefits if they reach normal retirement age while working for PEIA. According to West Virginia State Code, employees hired prior to June 30, 1988 can receive health care credit against 100% of their health care coverage. Employees hired between June 30, 1988 and June 30, 2001 can receive health care credit against 50% of their health care cost. Employees hired July 1, 2001 or later, may not convert sick leave into a health care benefit.

Legislation requires RHBT to determine through an actuarial study the contractually required contribution (CRC) that shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC is allocated to respective cost-sharing employers, including PEIA, who are required by law to fund at least the minimum annual premium component of the CRC. Revenues collected by RHBT shall be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. Based on the actuarial studies completed, the contractually required contribution rates were determined for the fiscal years ended June 30, 2017, 2016 and 2015. PEIA's contributions to the RHBT were $66, $65 and $65 for fiscal years 2017, 2016 and 2015, respectively, which represent 73%, 66.7% and 47.0%, respectively, of the contractually required contributions. The cumulative unpaid balances of $1,066, $1,042 and $1,010 for fiscal years 2017, 2016 and 2015, respectively, are recorded in other accrued liabilities in the statements of net position.

The West Virginia State Code provides that contribution requirements of the members and the participating employers are established and may be amended by the RHBT Finance Board. A non-Medicare plan member or beneficiaries receiving benefits contribute monthly premiums ranging from $259 to $1,115 per month for retiree-only coverage, and from $353 to $2,654 per month for retiree and spouse coverage. Medicare-covered retirees are charged premiums ranging from $73 to $437 per month for retiree-only coverage, and from $121 to $1,464 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage.

10. Pension Plan

Plan description

All full-time PEIA employees are eligible to participate in the State's Public Employees' Retirement System (PERS), a multiple-employer defined benefit cost-sharing public employee retirement system administered by the West Virginia Consolidated Public Retirement Board (CPRB). Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Benefits under PERS include deferred retirement, early retirement, death and disability benefits and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits provided

Employees are eligible for normal retirement at age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with 30 or more years of service. The straight-life annuity retirement benefit, established by State statute, is equivalent to 2% of the employee's final average salary multiplied by years of service. Final average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last 15 years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015 who have separated from employment with a participating PERS agency prior to retirement, the retirement age increases to age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 12%, 13.5% and 14.0% for the years ended June 30, 2017, 2016 and 2015, respectively. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015 the employee contribution increased to 6.0%. The PEIA's contributions to the plan were $159, $191 and $190 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

(in thousands)

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

Effective July 1, 2014, the PEIA adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an Amendment of GASB Statement No. 68. The West Virginia Consolidated Public Retirement Board (WVCPRB) administers this cost-sharing multiple-employer plan.

During fiscal year 2016, PEIA, along with other State of West Virginia agencies participating in PERS, adopted GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The impact of adopting these statements was not material to the PEIA's financial statements.

At June 30, 2017 and 2016, the PEIA reported a liability of $903 and $528, respectively, for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2017 was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. The PEIA's proportion of the net pension liability was based on the PEIA's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2016. At June 30, 2017, the PEIA's proportionate share was 0.0983%, which was an increase of 0.0038% for its proportionate share measured as of June 30, 2016.

For the years ended June 30, 2017 and 2016, the PEIA recognized pension expense of $120 and $35. At June 30, 2017 and 2016, the PEIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2017		**June 30, 2016**	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	**$ 284**	**$ -**	$ 161	$ 277
Difference between expected and actual experience	**75**	**-**	108	-
Difference in assumptions		**44**	-	64
Changes in proportion and differences between PEIA's contributions and proportionate share of contributions	**57**	**-**	-	3
PEIA's contributions made subsequent to the measurement date	**159**	**-**	191	-
Total	**$ 575**	**$ 44**	$ 460	$ 344

Employer contributions to the PERS made during the fiscal year, subsequent to the pension liability measurement date, are recorded as deferred outflows of resources, and will be recognized as a reduction of the net pension liability in the following year. The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported in the financial statements are amortized and included in pension expense over the average remaining service life, rounded to the nearest whole year, of four years.

(in thousands)

These other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2018	$ 130
2019	$ 128
2020	$ 112
2021	$ 2

Actuarial assumptions and methods

The total pension liability in the actuarial valuations was determined using the following actuarial assumptions:

	2017	2016
Inflation	3.0%	1.9%
Salary increase	3.0-6.0%, avg., including inflation	3.0-6.0%, avg., including inflation
Investment rate of return	7.5%, net of pension plan investment expense	7.5%, net of pension plan investment expense

Mortality rates were based on 110% of the RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis for healthy males, 101% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis for healthy females, 96% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis for disabled males, and 107% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis for disabled females.

The actuarial assumptions used in the valuations were based on the results from an actual experience study for the period July 1, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of long-term geometric rates of return for each major asset class included in the system’s target asset allocation as of June 30, 2016 are summarized below:

Asset Class	Long-Term Expected Rate of Return
Domestic equity	7.0%
International equity	7.7%
Core fixed income	2.7%
High-yield fixed income	5.5%
TIPS	2.7%
Real estate	7.0%
Private equity	9.4%
Hedge funds	4.7%

(in thousands)

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that State contributions would continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current system members. Therefore, the long-term expected rate of return on system investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the system's fiduciary net position, a municipal bond rate of 2.71% is to be used to discount the benefit payments not covered by the system's fiduciary net position. The 2.71% rate equals the S&P Municipal Bond 20 Year High Grade Index at June 30, 2016.

Sensitivity of PEIA's proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability of the PEIA, calculated using the discount rate of 7.5%, as well as what the PEIA's net pension liability would be if it were calculated using a discount rate that is 1 percentage - point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

Net Pension Liability		
1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
$ 1,635	$ 903	$ 282

11. Litigation

PEIA is engaged in various legal actions that it deems to be in the ordinary course of business. PEIA believes that it has adequately provided for probable costs of current litigation, as these legal actions are resolved; however, PEIA could realize positive and/or negative impact to its financial performance in the period in which these legal actions are ultimately decided.

Required Supplementary Information
(in thousands)

West Virginia Public Employees Insurance Agency
Ten-Year Claims Development Information
Year Ended June 30
(in thousands)

The table below illustrates how PEIA's earned premiums (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by PEIA as of the end of each of the years presented. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned and ceded premiums, administrative fees, other operating costs, and investment revenues. (2) This line shows each fiscal year's other operating costs of PEIA including overhead and unallocated claims expense not allocable to individual claims. (3) This line shows PEIA's incurred and ceded claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage occurred (called accident year). (4) These lines show the cumulative amounts paid as of the end of successive years for each accident year. (5) This line shows the most current estimate of losses assumed by reinsurers for each accident year. (6) These lines show how each accident year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature accident years. The columns of the table show data for successive accident years.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1) Premiums, investment, and other revenues:										
Earned	$ 453,269	$ 474,209	$ 576,693	$ 576,731	$ 570,677	$ 582,682	$ 606,681	$ 578,350	$ 562,179	**$ 652,785**
Ceded	79,906	73,640	74,643	54,298	54,952	52,720	50,623	51,599	51,176	**48,953**
Net earned	373,363	400,569	502,050	522,433	515,725	529,962	556,058	526,751	511,003	**603,832**
2) Unallocated expenses	25,038	24,179	25,344	24,472	22,560	22,484	25,253	28,553	22,421	**18,199**
3) Estimated incurred claims and allocated claims adjustment expense, end of accident year:										
Incurred	457,004	473,929	502,035	526,299	556,025	531,589	566,392	607,350	608,128	**591,410**
Ceded	79,906	73,640	74,643	54,298	54,952	52,720	50,623	51,599	51,176	**48,953**
Net incurred	377,098	400,289	427,392	472,001	501,073	478,869	515,769	555,751	556,952	**542,457**
4) Paid (cumulative) claims and allocated claims adjustment expense as of:										
End of accident year	335,380	354,773	375,571	420,768	444,524	436,560	471,415	474,120	500,897	**480,228**
One year later	373,609	398,798	429,976	475,499	491,427	489,742	528,128	532,549	499,447	
Two years later	373,942	400,059	430,219	475,818	491,264	490,133	528,128	532,549		
Three years later	373,942	400,059	430,219	475,818	491,264	490,133	528,128			
Four years later	373,942	400,059	430,219	475,818	491,264	490,133				
Five years later	373,942	400,059	430,219	475,818	491,264					
Six years later	373,942	400,059	430,219	475,818						
Seven years later	373,943	400,059	430,219							
Eight years later	373,943	400,059								
Nine years later	373,943									
5) Re-estimated ceded claims and expenses	73,640	74,643	54,298	54,952	52,720	52,720	50,623	51,599	51,176	**-**
6) Re-estimated net incurred claims and allocated claims adjustment expense:										
End of accident year	377,099	400,289	427,392	472,001	501,073	478,869	515,769	555,751	556,952	**542,457**
One year later	374,948	401,109	426,794	472,471	496,773	479,329	515,689	557,931	553,322	
Two years later	374,778	400,879	426,814	472,101	496,913	479,339	515,689	557,931		
Three years later	374,878	400,669	426,734	472,221	496,743	479,339	515,689			
Four years later	374,878	400,669	426,734	472,221	496,743	479,339				
Five years later	374,878	400,669	426,734	472,221	496,743					
Six years later	374,878	400,669	426,734	472,221						
Seven years later	374,878	400,669	426,734							
Eight years later	374,878	400,669								
Nine years later										
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of accident year	(2,220)	380	658	220	(4,330)	350	70	2,450	(1,180)	**-**

Note: The above financial data is summarized for individual contract periods. Subsequent premium and related expense adjustments and reserve developments are recorded in the year incurred for fiscal year financial reporting but are included in the applicable contract year for purposes of the above schedule. Accordingly, components of change in net assets as determined on a contract-year basis will differ from that included in PEIA's fiscal year financial statements.

West Virginia Public Employees Insurance Agency
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability in PERS
Years Ended June 30, 2017 through 2015
(in thousands except percentages)

	2017	2016	2015
PEIA's proportionate (percentage) of the net pension liability	**0.0983%**	0.0945%	0.0994%
PEIA's proportionate share of the net pension liability	**$ 903**	$ 528	$ 367
PEIA's covered-employee payroll	**$ 1,415**	$ 1,358	$ 1,394
PEIA's proportionate share of the net pension's liability as a percentage of its covered-employee payroll	**63.82%**	38.88%	26.33%
Plan fiduciary net position as a percentage of the total pension liability *	**86.11%**	91.29%	93.98%

* This is the same percentage for all participant employers in the PERS plan.

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

West Virginia Public Employees Insurance Agency
Required Supplementary Information
Schedule of Contributions to PERS
Last Five Fiscal Years
(in thousands except percentages)

	2017	2016	2015	2014	2013
Statutorily required contribution	**$ 159**	$ 191	$ 190	$ 193	$ 187
Contributions in relation to the statutorily required contribution	**(159)**	(191)	(190)	(193)	(187)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Covered-employee payroll	**$ 1,325**	$ 1,415	$ 1,358	$ 1,394	$ 1,483
Contributions as a percentage of covered-employee payroll	**12.00%**	13.50%	14.00%	14.50%	14.00%

See notes to required supplementary information.

(in thousands)

Notes to Required Supplementary Information

1. Trend Information Presented

The accompanying schedules of PEIA's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

2. Plan Amendment

The PERS was amended to make changes that apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, 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. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with 30 or more years of service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last 15 years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last 15 years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

3. Changes in Assumptions

A summary of changes in key actuarial valuation assumptions utilized in the actuarial valuations are as follows:

	2016	2015	2014
Projected salary increases:			
State	3.0 - 4.6%	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0%	1.90%	2.20%
Mortality rates	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA Healthy females -101% or RP-2000 Non-Annuitant, Scale AA Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA Disabled females - 107% of RP-2000 Disabled annuitant, Scale AA	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA Healthy females -101% or RP-2000 Non-Annuitant, Scale AA Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA Disabled females - 107% of RP-2000 Disabled annuitant, Scale AA	Healthy males -1983 GAM Healthy females -1971 GAM Disabled males -1971 GAM Disabled females - Revenue Ruling 96-7
Withdrawal rates:			
State	1.75 - 35.1%	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .675%	0 - .8%

Other Financial Information
(in thousands)

West Virginia Public Employees Insurance Agency
Form 7, Deposits Disclosure
June 30, 2017
(in thousands)

		Carrying Amount	
Cash with State Treasurer	$	6,080	
Deposit in transit		-	
Cash in outside bank accounts		2,719	
Total carrying amount of deposits		8,799	
Cash equivalents (with BTI and Minnesota Life)		55,351	
Total cash	$	64,150	[1][3]

[1] Agrees to audited statement of net position as follows:

Cash and cash equivalents	$	8,799	[2]
Equity position in investment pool – current		35,378	[2]
Equity position in investment pool – noncurrent and restricted		19,973	[2]
Total cash equivalents	$	64,150	[2][3]

[2] Agrees to audited statement of cash flows.

[3] Agrees to footnote 4, cash and cash equivaltents.

West Virginia Public Employees Insurance Agency
Form 8, Investments Disclosure
June 30, 2017
(in thousands)

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value	
West Virginia Board of Treasury Investments (BTI):					
WV Money Market Pool	$ 31,448	$ 2,166	$ 33,614	$ 33,614	
Total equity position in investment pool with BTI	$ 31,448	$ 2,166	$ 33,614	$ 33,614	(2)(4)
Minnesota Life Insurance:					
Cash and cash equivalents	$ 3,930	$ 17,807	$ 21,737	$ 21,737	(1)
West Virginia Investment Management Board (IMB) Investment Pools:					
Total return fixed income	$ 43,377	$ -	$ 43,377	$ 43,377	
Core fixed income	18,408	-	18,408	18,408	
TIPS	22,411	-	22,411	22,411	
Large cap domestic	15,750	-	15,750	15,750	
Non-large cap domestic	3,226	-	3,226	3,226	
International nonqualified	6,876	-	6,876	6,876	
Hedge fund	29,665	-	29,665	29,665	
International equity	14,195	-	14,195	14,195	
Total equity position in investment pools with IMB	$ 153,908	$ -	$ 153,908	$ 153,908	(1)

(1) Agrees to the audited statement of net position

(2) Agrees to audited statement of net position as follows:

Equity position in investment pool – current	$ 35,378	(1)
Equity position in investment pool – noncurrent and restricted	173,881	(1)
Total	$ 209,259	(3)

(3) Agrees to Form 8a.

(4) Amortized cost approximates fair value.

West Virginia Public Employees Insurance Agency
Form 8-A, Deposits and Investments Disclosure
June 30, 2017
(in thousands)

Reconciliation of cash and cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnotes:

Cash and cash equivalents as reported	$	8,799	[1][2]
Equity position in investment pools as reported	$	209,259	[3]

[1] Agrees to audited statement of net position.

[2] Agrees to Form 7.

[3] Agrees to Form 8.

West Virginia Public Employees Insurance Agency
Form 9, Accounts Receivable
June 30, 2017
(in thousands)

Total accounts receivable	$	34,391	[1]
Less allowance for doubtful accounts		(1,841)	[1]
Net receivable	$	32,550	

[1] Agrees to audited statement of net position as follows:

Premium receivable:			
Due from State of West Virginia	$	-	
Other, net		8,642	[2]
Add allowance for doubtful accounts		114	[2]
Accounts receivable:			
Provider refunds, net		593	[2]
Add allowance for doubtful accounts		1,727	[2]
Due from RHBT		1,449	[2]
Prescription rebates		21,119	[2]
Other		747	[2]
Total accounts receivable	$	34,391	
Allowance for doubtful accounts:			
Premium receivable – other	$	114	[2]
Provider refunds		1,727	[2]
	$	1,841	

[2] Agrees to the audited statement of net position.

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2017
(in thousands)

Agency	Total
Workforce WV/Payroll-05303	$ (15)
	(15)
WV PERS State	190
WV PERS Non-State	(132)
WV Teachers Retirement Board	(328)
Consolidated Retirement Bd/Judges Ret.	(7)
Separated Pre-Retirement	1
Deputy Sheriffs Retirement	(120)
PEIA - Retirees State	36
Public Safety/Con.Pub.Emp.Ret.Bd.	(14)
	(374)
ABC Commission	4
Adjutant General	6
Administration, Dept of	(5)
Agriculture	(7)
Anthony Correctional Center	3
Architects, Board of	(1)
Attorney General	8
Auditors Office	(1)
Board of Coal Mine Health & Safety	(1)
Board of Funeral Service Examiners	(1)
Board of Medicine	(3)
Bureau of Senior Services	(3)
Corrections/Salem Corr, Dept of	15
Corrections/St. Mary's Corr, Dept of	1
Culture and History	(6)
Dental Examiners, Board of	(1)
Department of Corrections	10
Department of Education	112
Department of Highways	(386)
Department of Labor	(5)
Department of Corrections/Denmar Facility	1
Division of Financial Institution	1
Division of Tourism	(6)
DOT Office of Administrative Hearings	(4)
Economic Development Authority	(1)
Education & Arts, Dept of	2
Environmental Protection, Department of	(52)
Fire Commission	(3)
Forestry, Division of	(16)
Geological Survey	(1)
Governors Office	3
Health Care Authority	(2)
Health Dept	(33)
Homeland Security - Emergency Management	(10)
Hopemont State Hospital	3
House of Delegates	(14)

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2017
(in thousands)

Agency		Total
Human Rights Commission	$	(2)
Human Services, Dept of		5
Insurance Commission		(18)
Jackie Withrow Hospital		1
John Manchin Sr. Health Care		1
Joint Committee on Government & Finance		4
Justice & Community Service		(2)
Lakin Correctional Facility		(1)
Lakin State Hospital		2
Library Commission		(6)
Mildred Mitchell-Bateman Hospital		9
Military Affairs & Public Safety		(1)
Military Authority		(8)
Motor Vehicles		(78)
Mt Olive Correctional Facility		18
Municipal Bond Commission		(1)
Natural Resources		(28)
Northern Correctional Facility		5
Office of Minters Health, Safety & Training		(13)
Ohio Co. Correctional Center		(4)
Pharmacy, Board of		1
Pruntytown Correctional Center		1
Public Port Authority		(2)
Public Safety		(80)
Public Service Commission		(30)
Public Transit		(2)
Real Estate Appraiser/Lic Cert Bd		(3)
Real Estate Commission		1
Rehabilitation Services, Division of		(47)
School Building Authority		(1)
Secretary of State		(5)
Senate		4
Supreme Court/Judicial		(4)
Tax Dept		(142)
Tax Dept - Budget Office		(3)
Veterans Affairs		(54)
Welch Emergency Hospital		2
William R. Sharpe Jr Hospital		9
WV Board of Barbers and Cosmetology		(10)
WV Board of Veterinary Medicine		(1)
WV Center for Nursing		(3)
WV Division of Energy		(2)
WV Division of Juvenile Services		16
WV Enterprise Planning Board		(2)
WV Massage Therapy Licensure BD		(1)
WV Office of Tax Appeals		1
WV Parole Board		(1)

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2017
(in thousands)

Agency	Total
WV School for the Deaf and the Blind	$ (14)
WV State Bd of Examiners for LPNs	(2)
	(884)
Total primary government	(1,273)
Total component units	873
Due to State of West Virginia, net	$ (400) [1]

[1] Agrees to the audited statement of nest position

West Virginia Public Employees Insurance Agency
Form 11, Component Unit - A/R Balances
June 30, 2017
(in thousands)

Unit	Amount
Blue Ridge Community & Technical College	$ 2
Bluefield State College	(9)
Bridgemont Community & Technical College	(1)
BridgeValley Community & Technical College	(14)
Concord College	28
Development Office	(8)
Educational Broadcasting	(15)
Fairmont State University	(19)
Glenville State College	(3)
Higher Education Policy Commission	(4)
Kanawha Valley Community & Technical College	(1)
Marshall University	55
Mountwest Community & Technical College	(9)
New River Community & Technical College	4
Public Defender Corporation 25th Judicial Circuit	5
Public Defender Corporation 23rd Judicial Circuit	15
Public Defender Corporation 30th Judicial Circuit	3
Public Defender Corporation 7th Judicial Circuit	5
Public Defender Corporation 13th Judicial Circuit	17
Racing Commission	(2)
Railroad Maintenance Authority	(2)
Regional Jail & Correctional Facility Authority	13
School of Osteopathic Medicine	(13)
Shepherd University	1
Water Development Authority	(4)
West Liberty State College	(2)
West Virginia Lottery Commission	(8)
West Virginia University	861
WV Network for Educational Telecommunications	13
WV Northern Community College	(2)
WV Parkways Economic Development & Tourism	(3)
WV Southern Community College	(7)
WV State University	(22)
WVSC R&D Corporation	(1)
	$ 873

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finance Board and Management
West Virginia Public Employees Insurance Agency
Charleston, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Public Employees Insurance Agency (PEIA), which comprise the statement of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered PEIA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PEIA's internal control. Accordingly, we do not express an opinion on the effectiveness of PEIA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

DIXON HUGHES GOODMAN LLP

Compliance and Other Matters
As part of obtaining reasonable assurance about whether PEIA'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*.

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Charleston, West Virginia
October 12, 2017