West Virginia Public Employees Insurance Agency

Financial Statements, Required Supplementary Information and Other Required Information

Years Ended June 30, 2016 and 2015

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

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

We have audited the accompanying financial statements of 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, 2016 and 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 previously present fairly, in all material respects, the financial position of PEIA, an enterprise fund of the State of West Virginia, as of June 30, 2016 and 2015, 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.

Basis of Presentation

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

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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, 2016 and 2015, and the changes in its financial position and its cash flows for the year 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 59 through 62 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 audit was 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 accompany schedules on pages 63 through 69 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 December 21, 2016 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
December 21, 2016

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, 2016 and 2015. 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:

	2016	2015	2014	Change 2016 – 2015 Amount	Change 2016 – 2015 Percent	Change 2015 – 2014 Amount	Change 2015 – 2014 Percent
ASSETS							
Cash and cash equivalents	**$ 9,201**	$ 7,153	$ 3,859	$ 2,048	28.6%	$ 3,294	85.4%
Equity position in - investment pool	**388**	31,198	75,704	(30,810)	(98.8)	(44,506)	(58.8)
Premium receivable	**7,565**	12,491	7,239	(4,926)	(39.4)	5,252	72.6
Other current assets	**12,296**	12,853	7,741	(557)	(4.3)	(5,112)	(66.0)
Total current assets	**29,450**	63,695	94,543	(34,245)	(53.8)	(30,847)	(32.6)
Equity position in investment pools	**176,829**	218,202	214,210	(41,373)	(19.0)	3,992	1.9
Equity position in investment pool-restricted	**26,549**	24,949	24,564	1,600	6.4	385	1.6
Capital assets, net	**165**	66	141	99	150.0	(75)	(53.2)
Total assets	**232,993**	306,912	333,458	(73,919)	(24.1)	(26,546)	(8.0)
DEFERRED OUTFLOWS OF RESOURCES							
Pension	**460**	190	-	270	142.1	190	100.0
Total deferred outflows of resources	**460**	190	-	270	142.1	190	100.0
LIABILITIES							
Claims payable	**73,523**	78,077	53,230	(4,554)	(5.8)	24,847	46.7
Other current liabilities	**34,379**	73,340	74,276	(38,961)	(53.1)	(936)	(1.3)
Total current liabilities	**107,902**	151,417	127,506	(43,515)	(28.7)	23,911	18.8
Noncurrent liabilities:							
Other noncurrent liabilities	**528**	366	-	162	44.3	366	100.0
Premium stabilization fund	**26,549**	24,950	24,564	1,599	6.4	386	1.6
Total liabilities	**134,979**	176,733	152,070	(41,754)	(23.6)	24,663	16.2
DEFERRED INFLOWS OF RESOURCES							
Pension	**344**	391	-	(47)	(12.0)	391	100.0
Total deferred inflows of resources	**344**	391	-	(47)	(12.0)	391	100.0
Net Position:							
Net position-invested in capital assets	**165**	66	141	99	150.0	(75)	(53.2)
Net position-unrestricted	**97,965**	129,912	181,247	(31,947)	(24.6)	(51,335)	(28.3)
Total net position	**$ 98,130**	$ 129,978	$ 181,388	$ (31,848)	(24.5)%	$ (51,410)	(28.3)%
Premium revenue	**$ 558,610**	$ 568,350	$ 566,669	$ (9,740)	(1.7)%	$ 1,681	0.3%
Less payments to managed care organizations and life reinsurance premiums	**(51,176)**	(51,599)	(50,624)	423	(0.8)	(975)	1.9
Net premium revenue	**507,434**	516,751	516,045	(9,317)	(1.8)	706	0.1
Administrative fees, net	**4,883**	4,928	4,890	(45)	(0.9)	38	0.8
Total operating revenues	**512,317**	521,679	520,935	(9,362)	(1.8)	744	0.1
Claims expense, net	**520,104**	548,892	547,767	(28,788)	(5.2)	1,125	0.2
Administrative service fees	**12,445**	13,448	13,328	(1,003)	(7.5)	120	0.9
Other expenses	**10,302**	15,105	11,922	(4,803)	(31.8)	3,183	26.7
Total operating expenses	**542,851**	577,445	573,017	(34,594)	(6.0)	4,428	0.8
Operating (loss) income	**(30,534)**	(55,766)	(52,082)	25,232	(45.2)	(3,684)	(7.1)
Transfer in	**-**	-	4,000	-	-	(4,000)	100.0
Litigation settlement	**-**	778	10,564	(778)	(100.0)	(9,786)	(92.6)
Net investment (loss) income	**(1,314)**	4,294	20,558	(5,608)	(130.6)	(16,264)	(79.1)
Total non-operating (loss) income	**(1,314)**	5,072	35,122	(6,386)	(125.9)	(30,050)	(85.6)
Change in net position	**(31,848)**	(50,694)	(16,960)	18,846	(37.2)	(33,734)	198.9
Net position, beginning of year	**129,978**	180,672	198,348	(50,694)	(28.1)	(17,676)	(8.9)
Net position, end of year	**$ 98,130**	$ 129,978	$ 181,388	$ (31,848)	(24.5)%	$ (51,410)	(28.3)%

Cash and cash equivalents ($27,162 decrease)

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.

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 $40,827 as the result of $44,637 net cash used in operating activities, $3,508 net cash provided by capital and non-capital financing activities, and $303 net cash provided by investing activities.

Premium receivable ($4,926 decrease)

As of the current year-end, premiums receivable was down $4,926 from the prior year due to increased collections efforts from a better experienced receivables staff compared to fiscal year 2015.

Last year, premiums receivable was $5,252 higher than the previous year because of the loss of an experienced staff member, which resulted in a buildup of receivables at the end of fiscal year 2015.

Equity position in investment pools current and noncurrent ($72,183 decrease)

In the current 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.

Last year, current and non-current portion of the equity position in investment pool decreased by $40,514 resulting from liquidating cash to meet plan financial obligations despite favorable market experiences in the non-current portion of equity position in investment pool.

Capital assets ($99 increase)

In the current 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.

Last year, capital assets decreased $75 as a result of depreciation. There were no material capital purchases fiscal year 2015.

Total assets ($73,919 decrease)

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.

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

Deferred outflows of resources related to pension ($270 increase)

The $270 increase 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*.

Last year, the increase of $190 in deferred outflows was due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* in fiscal year 2015.

Other current liabilities ($38,961 decrease)

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 HRM payroll system will reduce as users become acclimated to the software.

Last year, other current liabilities decreased 1.3% due to the premium deficiency reserve decreasing from better-anticipated operating results as forecast by the actuary. Additionally, unearned revenue increased last year because of revenue transferred to be held on account with PEIA from the Department of Education at the end of the year.

Deferred inflows of resources related to pension ($47 decrease)

The $47 decrease 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*.

Last year, deferred inflows of resources increased due to the adoption of GASB Statement No. 68 in fiscal year 2015.

Total operating revenue ($9,362 decrease)

For the current 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.

Last year, operating revenue increased 0.1% or $744. Premium revenue increased $1,681, payments to managed care organizations plus life insurance premiums increased $975, and administrative fee revenue increased $38.

Claims expense ($28,788 decrease)

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.

Last year, claims expense increased $1,125. Medical claims expense decreased $2,615, resulting in the net effect of high claims costs in 2015 offset by the reduction in the premium deficiency reserve. Drug claims expense decreased $3,740. PEIA obtained better pharmacy rebate returns year over year to offset rising drug prices.

Other expenses ($4,803 decrease)

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.

Last year, other expenses increased 26.7% because of an increase in the Affordable Care Act reinsurance contribution fees rate for the year.

Non-operating income ($6,386 decrease)

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

Last year, non-operating income decreased 85.6% because year over year the litigation settlement decreased $9,786 and net investment income fell.

Net position ($31,848 decrease)

For the current 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.

For last year, the change in net position declined $50,694. This difference resulted principally from a decline in non-operating revenue and a decrease in the premium deficiency reserve year over year.

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 $890.

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 2016, PEIA's claims costs declined 5%.

Capital asset and long-term debt activity

PEIA had $127 in Capital Asset additions in 2016.

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.

WV OASIS

On July 1, 2014, PEIA, as well as all other State government agencies transitioned to a new statewide accounting system. The WV Our Advanced Solution with Integrated System (WVOASIS) is an enterprise resource planning (ERP) system offering full double entry accounting capabilities. The WVOASIS replaces the WV Financial Information Management System (WVFIMS), which served as the State's accounting system from October 1, 1993 through June 30, 2014.

Adoption of new Accounting Standards

During fiscal year 2016, 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 statements of changes in net position, but primarily related to modifications to the disclosures related to the PEIA's deposit and investment disclosures.

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, 2016 and 2015
(in thousands)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 9,201**	$ 7,153
Equity position in investment pool	**388**	31,198
Premiums receivable:		
Due from State of West Virginia	**-**	411
Other, less allowance for doubtful accounts of $324 and $311, respectively	**7,565**	12,080
Accounts receivable:		
Provider refunds, less allowance for doubtful accounts of $1,204 and $1,164, respectively	**225**	399
Prescription rebates	**11,292**	11,407
Other	**779**	1,047
Total current assets	**29,450**	63,695
Noncurrent assets:		
Equity position in investment pools	**176,829**	218,202
Equity position in investment pool – restricted	**26,549**	24,949
Capital assets, net of accumulated depreciation of $10,003 and $ 9,975, respectively	**165**	66
Total noncurrent assets	**203,543**	243,217
Total assets	**232,993**	306,912
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**460**	190
Total deferred outflows of resources	**460**	190

West Virginia Public Employees Insurance Agency
Statements of Net Position
June 30, 2016 and 2015
(in thousands) *Continued*

	2016	2015
LIABILITIES		
Current liabilities:		
Claims payable	**$ 73,523**	$ 78,077
Premium deficiency reserve	**6,860**	41,528
Accounts payable	**7,376**	11,696
Unearned revenue	**8,902**	13,170
Other accrued liabilities	**3,145**	3,161
Premiums Due to State of West Virginia	**1,071**	-
Due to RHBT	**7,025**	3,785
Total current liabilities	**107,902**	151,417
Noncurrent liabilities:		
Other accrued liabilities:		
Other noncurrent liabilities	**528**	366
Premium stabilization fund	**26,549**	24,950
Total noncurrent liabilities	**27,077**	25,316
Total liabilities	**134,979**	176,733
DEFERRED INFLOWS OF RESOURCES		
Pension	**344**	391
Total deferred inflows of resources	**344**	391
Net position:		
Invested in capital assets	**165**	66
Unrestricted	**97,965**	129,912
Total net position	**$ 98,130**	$ 129,978

West Virginia Public Employees Insurance Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015
(in thousands)

	2016	2015
Operating revenues:		
Premiums net of provisions for bad debts of $(80) and $(74), respectively	$ 558,610	$ 568,350
Less:		
Payments to managed care organizations	(36,840)	(39,186)
Basic life insurance premiums ceded	(2,475)	(2,135)
Optional life insurance premiums ceded	(11,861)	(10,278)
Net premium revenue	507,434	516,751
Administrative fees, net of refunds	4,883	4,928
Total operating revenues	512,317	521,679
Operating expenses:		
Claims expense, net	520,104	548,892
Administrative service fees	12,445	13,448
Other expenses	10,302	15,105
Total operating expenses	542,851	577,445
Operating loss	(30,534)	(55,766)
Nonoperating revenues:		
Investment (loss) income, net of fees	(1,314)	4,294
Litigation settlement	-	778
Transfer in from the State	-	-
Total nonoperating (loss) income	(1,314)	5,072
Change in net position	(31,848)	(50,694)
Net position:		
Net position, beginning of year	129,978	181,388
Cumulative effect of adoption of accounting principle	-	(716)
Net position, beginning of year, as restated	129,978	180,672
Net position, end of year	$ 98,130	$ 129,978

See accompanying notes.

West Virginia Public Employees Insurance Agency
Statements of Cash Flows
Years Ended June 30, 2016 and 2015
(in thousands)

	2016	2015
Operating activities:		
Cash received from participants	**$ 518,792**	$ 511,239
Cash received from pharmacy rebates	**24,299**	11,989
Cash paid to employees for salaries and benefits	**(1,516)**	(1,357)
Cash paid to suppliers and others	**(28,284)**	(23,295)
Cash paid for claims	**(583,625)**	(543,213)
Net cash used in operating activities	**(70,334)**	(44,637)
Noncapital financing activities:		
Advances from RHBT	**3,240**	2,731
Litigation settlement	**-**	777
Net cash provided by noncapital financing activities	**3,240**	3,508
Capital and related financing activities:		
Purchases of capital assets	**(127)**	(1)
Net cash used in capital and related financing activities	**(127)**	(1)
Investing activities:		
Purchases of investments	**(56,006)**	(10,528)
Sale of investments	**93,580**	7,687
Investment earnings	**2,485**	3,144
Net cash provided by investing activities	**40,059**	303
Net decrease in cash and cash equivalents	**(27,162)**	(40,827)
Cash and cash equivalents at beginning of year	**63,300**	104,127
Cash and cash equivalents at end of year	**$ 36,138**	$ 63,300
Cash and cash equivalents consist of:		
Cash and cash equivalents	**9,201**	7,153
Equity position in investment pool – current	**388**	31,198
Equity position in investment pool – restricted	**26,549**	24,949
	$ 36,138	$ 63,300

See accompanying notes.

(in thousands) Continued

	2016	2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (30,534)**	$ (55,766)
Adjustments:		
Depreciation	**28**	77
Provision for uncollectible accounts	**80**	74
Pension expense	**35**	41
(Increase) decrease in operating assets:		
Premiums receivable	**4,515**	(5,303)
Due from State of West Virginia	**411**	(24)
Provider refunds receivable	**174**	870
Prescription refunds receivable	**115**	(5,633)
Other	**268**	(349)
(Decrease) increase in operating liabilities:		
Claims payable	**(4,554)**	24,847
Accounts payable	**(4,320)**	2,073
Premium deficiency	**(34,668)**	(7,179)
Unearned revenue	**(4,268)**	3,216
Other accrued liabilities	**(16)**	(1,777)
Due to State of West Virginia	**1,071**	-
Premium stabilization fund	**1,599**	386
Deferred outflows of resources	**(270)**	(190)
Total adjustments	**(39,800)**	11,129
Net cash used in operating activities	**$ (70,334)**	$ (44,637)
Noncash activities:		
(Decrease) Increase in fair value of investments	**$ (3,799)**	$ 1,151

See accompanying notes.

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 76,104 health and basic life insurance policyholders, and 13,730 policyholders with life insurance only. PEIA insures approximately 172,199 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 42,000 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, 2016 and 2015, 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 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 be reasonably 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.

(in thousands)

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 Unites 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 $1,000 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 $28 and $76 for the years ended June 30, 2016 and 2015, 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 $191 and $190 for the years ending June 30, 2016 and 2015, 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 and differences between expected and actual experience related to pension.

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 $24,183 and $17,622 for the years ended June 30, 2016 and 2015, 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. Management has recorded a premium deficiency reserve of $6,860 and $41,528 as of June 30, 2016 and 2015, respectively. 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 2016 coverage month, PEIA provided health coverage to 123 State agency divisions with approximately 21,231 primary participants (not including dependents), 55 county school boards with approximately 31,637 primary participants, 543 local government entities with approximately 12,000 primary participants, and 25 college and university entities with approximately 11,000 primary participants. Approximately 96,000 dependents participated in PEIA health plans as well.

As of the June 2015 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 life insurance coverage under basic and optional life insurance plans. Basic life benefits and AD&D benefits of $10 per month are provided to active State employees under the age of 65 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 depending on age. For these basic life benefits, PEIA collects premiums and submits them to the insurance carrier. 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 $2 to $500 per month that decreases with age. Active employees may also elect dependent optional life coverage and AD&D at a level up to $40 per spouse and $15 per child per month. Retirees may obtain optional life insurance coverage from $2 to $150 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 for a spouse and $15 per child per month. Amounts collected by PEIA from employees for optional coverage totaled $11,861 and $10,579 during the fiscal years ended June 30, 2016 and 2015, 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.

> Net 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 "net 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 25% 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, 2016 or 2015.

Reclassifications

Certain other accrued liability accounts in the prior-year financial statements have been reclassified to accounts payable for comparative purposes to conform to the presentation in the current-year financial statements. This reclassification has no impact on the Statements of Revenues, Expenses and Changes in Net Position.

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 December 21, 2016, 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:

	2016	2015
Cash and cash equivalents on deposit with State Treasurer	**$ 6,923**	$ 4,896
Deposits with outside financial institutions	**2,278**	2,257
Cash and cash equivalents reported on statement of net assets	**9,201**	7,153
Equity position in investment pool with BTI – current-unrestricted	**388**	31,198
Equity position in investment pool with BTI – noncurrent-restricted	**2,861**	4,276
Equity position in investment pool with Minnesota Life – noncurrent-restricted	**23,688**	20,674
Total cash and cash equivalents	**$ 36,138**	$ 63,300

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, 2016 and 2015, the carrying amount of PEIA's bank deposits was $2,278 and $2,256, respectively, and the bank balances totaled $2,319 and $2,406, 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 $3,249 and $29,796 at June 30, 2016 and June 30, 2015, 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

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 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 AA- 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		2016		2015	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent**	**Carrying Value**	**Percent**
Commercial Paper	P-1	A-1+	**$ 290,118**	**18.65%**	$ 186,737	9.88 %
	P-1	A-1	**632,773**	**40.68**	660,027	34.91
Corporate Bonds and Notes	Aa1	AA-	**23,014**	**1.48**	-	-
	Aa3	A+	**-**	**-**	10,005	.53
	Aa3	AA-	**15,000**	**.96**	10,000	.53
	Aa3	NR	**-**	**-**	10,000	.53
	A2	A	**11,268**	**.72**	-	-
U.S. Agency Bonds	Aaa	AA+	**9,499**	**.61**	81,994	4.34
U.S. Treasury Notes	Aaa	AA+	**231,398**	**14.88**	229,760	12.15
U.S. Treasury Bills	P-1	A-1+	**19,982**	**1.28**	92,059	4.87
Negotiable CDs	Aa2	AA-	**3,000**	**.19**	10,000	.53
	Aa3	AA-	**6,000**	**.39**	-	-
	P-1	A-1+	**78,006**	**5.02**	51,000	2.70
	P-1	A-1	**121,001**	**7.78**	142,000	7.51
U.S. Agency Discount Notes	P-1	A-1+	**-**	**-**	304,342	16.10
Money Market Funds	Aaa	AAAm	**72,370**	**4.65**	90,017	4.76
Repurchase Agreements (underlying securities):						
U.S. Treasury Notes	Aaa	AA+	**42,100**	**2.71**	1,323	.07
U.S. Agency Notes	Aaa	AA+	**-**	**-**	11,200	.59
			$ 1,555,529	**100.00%**	$ 1,890,464	100.00 %

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, 2016 and 2015, 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All pools and accounts are subject to interest rate risk.

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:

(in thousands)

	June 30, 2016		June 30, 2015	
Investment Type	**Fair Value**	**WAM Days**	**Fair Value**	**WAM Days**
Repurchase agreements	**$ 42,100**	**1**	$ 12,523	1
U.S. Treasury notes	**231,398**	**88**	229,760	75
U.S. Treasury bills	**19,982**	**91**	92,059	123
Commercial paper	**922,891**	**48**	846,764	30
Certificates of deposit	**208,007**	**40**	203,005	51
U.S. agency discount notes	**-**	**-**	304,342	60
Corporate bonds and notes	**49,282**	**14**	30,000	75
U.S. agency bonds/notes	**9,499**	**24**	81,994	58
Money market funds	**72,370**	**1**	90,017	1
Total rated investments	**$ 1,555,529**	**49**	$ 1,890,464	47

PEIA's amount invested in the West Virginia Money Market Pool of $3,249 is included in equity position in investment pools at June 30, 2016, and $29,796 at June 30, 2015, representing approximately 5.8% and 1.7%, respectively, of total investments in this Pool.

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, 2016			
Investment Type	Moody's	Credit Rating S&P	Carrying Value	Percent of 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 %

(in thousands)

	June 30, 2015			
Investment Type	**Moody's**	**Credit Rating S&P**	**Carrying Value**	**Percent of Pool Assets**
Corporate asset back securities	Aaa	AAA	$ 106,301	13.96 %
	Aaa	AA+	3,822	0.50
	Aaa	NR	105,366	13.84
Corporate bonds and notes	NR	AAA	80,008	10.51
	Aaa	AA+	7,689	1.01
	Aa1	AA+	5,013	0.66
	Aa1	AA	4,039	0.53
	Aa2	AA+	4,041	0.53
	Aa2	AA	6,987	0.92
	Aa2	AA-	15,025	1.97
	Aa2	A	1,496	0.20
	Aa2	A	1,001	0.13
	Aa3	AA-	16,380	2.15
	Aa3	A+	15,787	2.07
	A1	AA+	7,097	0.93
	A1	AA-	21,552	2.83
	A1	A+	24,116	3.17
	A1	A	8,078	1.06
	A2	A+	4,617	0.61
	A2	A	45,485	5.97
	A2	A-	9,485	1.25
	A3	A-	43,564	5.72
	A3	A	20,699	2.72
	A3	BBB+	9,745	1.28
	Baa1	A	2,001	0.26
	Baa1	A-	27,754	3.64
	Baa1	BBB+	33,751	4.43
	Baa1	BBB	12,788	1.68
	Baa1	BBB-	500	0.07
	Baa2	BBB+	3,205	0.42
	Baa2	BBB	19,066	2.50
	Baa2	BBB-	3,008	0.40
	Baa3	BBB+	2,125	0.28
	Baa3	BBB	6,265	0.82
	Baa3	BBB-	17,460	2.29
U.S. Agency mortgage backed securities	Aaa	AA+	32,198	4.23
Money market funds	Aaa	AAAm	34,012	4.46
			$ 761,526	100.00 %

(in thousands)

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

	June 30, 2016		June 30, 2015	
Investment Type	**Carrying Value**	**Effective Duration (Days)**	**Carrying Value**	**Effective Duration (Days)**
Corporate bonds and notes	**$ 386,556**	**480**	$ 399,822	495
Corporate asset backed securities	**227,907**	**302**	295,494	357
U.S. Treasury notes	**89,497**	**1,034**	-	-
U.S. agency mortgage backed securities	**47,311**	**175**	32,198	267
Corporate mortgage backed securities	**29,402**	**338**	-	-
Money market funds	**10,077**	**1**	34,012	1
	$ 790,750	**462**	$ 761,526	410

PEIA's investment in the BTI WV Short Term Bond Pool of $0.46 and $5,677 at June 30, 2016 and 2015, respectively, represents approximately 0.00% and 0.75%, 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:

	June 30, 2016			
Investment Type	**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**

	June 30, 2015			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate bonds and notes	$ -	$ 399,819	$ -	$ 399,819
Corporate asset backed securities	-	295,497	-	295,497
U.S. agency mortgage backed securities	-	32,198	-	32,198
Money market funds	34,012	-	-	34,012
Total	$ 34,012	$ 727,514	$ -	$ 761,526

(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	
	2016	**2015**
Asset allocation (actual):		
TIPS pool	**$ 17,854**	$ 21,676
Large cap domestic equity pool	**20,772**	26,318
Non-large cap domestic equity pool	**4,992**	6,274
International nonqualified pool	**8,533**	10,752
Opportunistic debt	**2,374**	-
International equity pool	**18,240**	21,547
Short-term fixed income pool	**104**	36
Total return fixed income	**46,721**	61,282
Core fixed income	**21,225**	26,285
Hedge fund	**36,014**	44,032
Total	**$ 176,829**	$ 218,202

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	**2016**	**2015**	**2016**	**2015**
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 $17,854 and $21,676 at June 30, 2016 and 2015, respectively, represented approximately 4.6% and 5.0% respectively, of total investments in this Pool.

Credit risk

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

	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 %**

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Assets**
Short-term issue	Aaa	AAA	$ 228	0.1 %
U.S. Treasury inflation-protected securities	Aaa	AA	427,774	99.9
Total rated investments			$ 428,002	100.0 %

Concentration Of Credit Risk

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

Custodial Credit Risk

At June 30, 2016, 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.

(in thousands)

Interest Rate Risk

The WVIMB monitors interest rate risk of the Pool by evaluating the real modified duration of the investments in the Pool. The following table provides the weighted-average real modified duration for the various asset types in the Pool as of June 30:

	June 30, 2016		June 30, 2015	
Investment Type	**Fair Value**	**Real Modified Duration (Years)**	**Fair Value**	**Real Modified Duration (Years)**
Money market mutual fund	**$ 127**	**N/A**	$ -	0.0
Short-term issue	-	-	228	0.0
U.S. Treasury inflation-protected securities	**374,622**	**7.9**	427,774	7.9
Total investments	**$ 374,749**	**7.9**	$ 428,002	7.9

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.

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, 2016 and 2015, 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, 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**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term issue	$ 228	$ -	$ -	$ 228
U.S. Treasury inflation-protected securities	-	427,774	-	427,774
Total	$ 228	$ 427,774	$ -	$ 428,002

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

Large Cap Domestic Equity Pool

The Pool's objective is to 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 State

(in thousands)

Street Global Advisors (SSgA). The PEIA's amount invested in the Large Cap Domestic Equity Pool of $20,772 and $26,318 at June 30, 2016 and 2015, respectively, represents approximately 0.6% and 0.8%, respectively, of total investments in this Pool.

Credit 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.

	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 %**

This table 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.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aaa	AAA	$ 6,225	0.2 %
Corporate CMO	Aaa	AAA	2,345	0.1
Foreign asset backed issues	Aaa	AAA	529	0.0
Foreign corporate bonds	Aa	A	1,748	0.0
Foreign government bonds	Aa3	A	251	0.0
Preferred stock	A	A	42	0.0
Short-term issue	P-1	A-1	158,805	4.1
U.S. corporate bonds	A1	A	1,006	0.0
U.S. Government agency bonds	Aaa	AA	235	0.0
U.S. Government agency CMO interest-only	Aaa	AA	45	0.0
U.S. Government agency MBS	Aaa	AA	111,550	2.9
U.S. Treasury bonds	Aaa	AA	39,426	1.0
Total rated investments			322,207	8.3
Common stock			3,533,100	91.7
Total investments			$ 3,855,307	$ 100.0 %

(in thousands)

This table includes investments received as collateral for repurchase agreements with a fair value of $302,436 as compared to the amortized cost of the repurchase agreements of $286,428.

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, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016 and 2015, 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.

Interest Rate Risk

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 the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016 and 2015:

	2016		2015	
Investment Type	**Fair Value**	**WAM (Days)**	**Fair Value**	**WAM (Days)**
Repurchase agreements	**$ 314,482**	**2**	$ 286,428	1
Asset backed issues			197	22
Time deposits	**105,545**	**1**	137,472	1
Total	**$ 420,027**	**1**	$ 424,097	1

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, 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**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

(in thousands)

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 3,393,869	$ -	$ -	$ 3,393,869
Investments made with cash collateral for securities loaned	-	424,097	-	424,097
Short-term issues	21,333	-	-	21,333
Total	$ 3,415,202	$ 424,097	$ -	$ 3,839,299
Liabilities				
Futures contracts	$ (203)	$ -	$ -	$ (203)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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 $4,992 and $6,274 at June 30, 2016 and 2015, respectively, represents approximately 0.6% and 0.8%, respectively, of total investments in this Pool.

Credit 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 following table provides information on the weighted average credit ratings of the Pool's investments as of June 30, 2016:

	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 %**

This table 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.

(in thousands)

The following table provides information on the weighted average credit ratings of the Pool's investments as of June 30, 2015:

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aaa	AAA	$ 4,720	0.4 %
Corporate CMO	Aaa	AAA	1,778	0.2
Foreign asset backed issues	Aaa	AAA	401	0.0
Foreign corporate bonds	Aa	A	1,325	0.1
Foreign government bonds	Aa#	A	190	0.0
Preferred stock	A	A	32	0.0
Short-term issue	P-1	A-1	112,978	9.8
U.S. corporate bonds	A1	A	762	0.1
U.S. Government agency bonds	Aaa	AA	178	0.0
U.S. Government agency CMO interest-only	Aaa	AA	34	0.0 %
U.S. Government agency MBS	Aaa	AA	84,577	7.4
U.S. Treasury bonds	Aaa	AA	29,892	2.6
Total rated investments			236,867	20.6
Common stock			911,488	79.4
Total investments			$ 1,148,355	$ 100.0 %

This table includes investments received as collateral for repurchase agreements with a fair value of $229,307 as compared to the amortized cost of the repurchase agreements of $217,169.

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, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016 and 2015, 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.

Interest Rate Risk

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 the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016 and 2015.

	2016		2015	
Investment Type	**Fair Value**	**WAM (Days)**	**Fair Value**	**WAM (Days)**
Repurchase agreements	**$ 218,904**	**2**	$ 217,169	1
Asset backed issues	**-**	**-**	149	22
Time deposits	**73,468**	**1**	104,230	1
Total	**$ 292,372**	**1**	$ 321,548	1

(in thousands)

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, 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**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stock	$ 805,922	$ -	$ -	$ 805,922
Investments made with cash collateral for securities loaned	-	321,548	-	321,548
Short-term issue	8,747	-	-	8,747
Total	$ 814,669	$ 321,548	$ -	$ 1,136,217

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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, 2016 and 2015 was $141,311 and $153,554, 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 $8,533 and $10,752 at June 30, 2016 and 2015, respectively, represents approximately 6.0% and 7.0%, 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. 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.

(in thousands)

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 $18,240 and $21,547 at June 30, 2016 and 2015, respectively, represents approximately 0.6% and 0.8%, respectively, of total investments in this Pool.

Credit 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.

	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
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 %**

This table 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.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aaa	AAA	$ 3,101	0.1 %
Corporate CMO	Aaa	AAA	1,168	0.0
Foreign asset backed issues	Aaa	AAA	264	0.0
Foreign corporate bonds	Aa	A	871	0.0
Foreign government bonds	Aa	A	125	0.0
Short-term issue	Aaa	AAA	32,015	1.1
Time deposits	P-1	A-1	68,488	2.3
U.S. corporate bonds	A	A	501	0.0

(in thousands)

(continued)	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
U.S. Government agency bonds	Aaa	AA	117	0.0
U.S. Government agency CMO interest only	Aaa	AA	22	0.0
U.S. Government agency MBS	Aaa	AA	55,574	1.9 %
U.S. Treasury bonds	Aaa	AA	19,642	0.7
Total rated investments			181,888	6.1
Common stock			2,747,001	92.5
Preferred stock			40,815	1.4
Rights			8	0.0
Total investments			$ 2,969,712	$ 100.0 %

This table includes investments received as collateral for repurchase agreements with a fair value of $150,672 as compared to the amortized cost of the repurchase agreements of $142,698.

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, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016 and 2015, 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.

Interest Rate Risk

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 the WAM for applicable investments made with cash collateral for securities loaned as of June 30, 2016 and 2015:

	2016		2015	
Investment Type	**Fair Value**	**WAM (Days)**	**Fair Value**	**WAM (Days)**
Repurchase agreements	**$ 112,380**	**2**	$ 142,698	1
Asset backed issues			97	22
Time deposits	**37,716**	**1**	68,488	1
Total investments	**$ 150,096**	**1**	$ 211,283	1

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 amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2016 and 2015 were as follows:

(in thousands)

	June 30, 2016			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
Australian Dollar	$ 70,519	$ 1,384	$ 71,903	$ 2.4 %
Brazil Real	134,558	1,156	135,714	4.5
British Pound	251,332	2,256	253,588	8.3
Canadian Dollar	114,574	211	114,785	3.8
Chilean Peso	12,200	685	12,885	0.4
Czech Koruna	8,630	368	8,998	0.3
Danish Krone	21,390	1,390	22,780	0.7
Egyptian Pound	1,631	(20)	1,611	0.1
Emirati Dirham	5,631	5	5,636	0.2
Euro Currency Unit	423,512	504	424,016	13.8
Hong Kong Dollar	277,680	776	278,456	9.2
Hungarian Forint	8,991	135	9,126	0.3
Indian Rupee	64,154	697	64,851	2.1
Indonesian Rupiah	28,164	132	28,296	0.9
Israeli Shekel	16,429	49	16,478	0.5
Japanese Yen	381,024	2,588	383,612	12.6
Malaysian Ringgit	24,344	207	24,551	0.8
Mexican Peso	44,979	383	45,362	1.5
New Taiwan Dollar	63,355	1,166	64,521	2.1
New Zealand Dollar	7,782	3	7,785	0.3
Norwegian Krone	20,899	28	20,927	0.7
Pakistan Rupee	5,150	-	5,150	0.2
Philippine Peso	10,085	1	10,086	0.3
Polish Zloty	5,239	-	5,239	0.2
Qatari Riyal	407	16	423	0.0
Singapore Dollar	13,817	105	13,922	0.5
South African Rand	38,313	94	38,407	1.3
South Korean Won	188,612	1,479	190,091	6.3
Swedish Krona	52,296	1	52,297	1.7
Swiss Franc	95,697	-	95,697	3.1
Thailand Baht	47,149	1	47,150	1.6
Turkish Lira	55,220	507	55,727	1.8
Total	$ 2,493,793	$ 16,307	$ 2,510,070	82.5 %

This table excludes cash and securities held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and investments is $531,171, or 17.5%.

(in thousands)

	June 30, 2015			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
Australian Dollar	$ 71,411	$ 21	$ 71,432	2.4 %
Brazil Real	113,460	829	114,289	3.8
British Pound	272,285	1,049	273,334	9.2
Canadian Dollar	130,182	62	130,244	4.4
Czech Koruna	11,113	-	11,113	0.4
Danish Krone	24,755	1	24,756	0.8
Egyptian Pound	3,762	-	3,762	0.1
Emirati Dirham	3,773	-	3,773	0.1
Euro Currency Unit	410,970	(51)	410,919	13.9
Hong Kong Dollar	267,032	979	268,011	9.0
Hungarian Forint	9,379	106	9,485	0.3
Indian Rupee	49,212	1,019	50,231	1.7
Indonesian Rupiah	19,720	39	19,759	0.7
Israeli Shekel	19,243	3	19,246	0.6
Japanese Yen	401,766	2,410	404,176	13.6
Malaysian Ringgit	12,366	252	12,618	0.4
Mexican Peso	35,498	5	35,503	1.2
New Taiwan Dollar	70,408	2,623	73,031	2.5
New Zealand Dollar	1,056	57	1,113	0.0
Norwegian Krone	26,742	34	26,776	0.9
Pakistan Rupee	5,610	-	5,610	0.2
Philippine Peso	8,810	-	8,810	0.3
Polish Zloty	10,753	71	10,824	0.4
Qatari Riyal	300	9	309	0.0
Singapore Dollar	13,923	151	14,074	0.5
South African Rand	48,901	551	49,452	1.7
South Korean Won	174,570	1,238	175,808	5.9
Swedish Krona	48,637	1	48,638	1.6
Swiss Franc	97,333	14	97,347	3.3
Thailand Baht	25,382	29	25,411	0.9
Turkish Lira	45,967	-	45,967	1.5
Total	$ 2,434,319	$ 11,502	$ 2,445,821	82.3 %

This table excludes cash and securities held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and investments is $527,419, or 17.7%.

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, 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**

(in thousands)

Liabilities	June 30, 2016 Level 1	Level 2	Level 3	Total
Foreign currency contracts	$ -	$ (63)	$ -	$ (63)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

Assets	June 30, 2015 Level 1	Level 2	Level 3	Total
Common Stock	$ 2,677,637	$ -	$ -	$ 2,677,637
Foreign currency contracts	-	35	-	35
Investments made with cash collateral for securities loaned	-	211,283	-	211,283
Preferred stock	40,795	-	-	40,795
Rights	8	-	-	8
Money market mutual fund	32,015	-	-	32,015
Total	$ 2,750,455	$ 211,318	$ -	$ 2,961,773
Liabilities				
Foreign currency contracts	$ -	$ (62)	$ -	$ (62)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

Short-Term Fixed Income Pool

The main objective of this Pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. (JPM) manages the Pool. The Pool's investment objective, net of external investment fees, is to meet or exceed the Citigroup ninety-day T-bill Index plus fifteen basis points.

The PEIA's amount invested in the Short-Term Fixed Income Pool of $104 and $36 at June 30, 2016 and 2015, respectively, represented approximately 0.0% and 0.0%, respectively, of total investments in this Pool.

Credit Risk

The WVIMB limits the exposure to credit risk in the Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the Pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Short-Term Fixed Income Pool's investments as of June 30, 2016.

Investment Type	June 30, 2016 Moody's	S&P	Carrying Value	Percent of Total Investment
Commercial paper	P-1	A-1	$ 52,734	14.9 %
Money market mutual fund	Aaa	AAA	82,161	23.2
U.S. Government agency issues	P-1	A-1	130,482	37.0
U.S. Treasury issues	Aaa	AA	88,046	24.9
Total rated investments			$ 353,423	100.0 %

(in thousands)

This table includes U.S. Treasury notes received as collateral for repurchase agreements with a fair value of $13,260 as compared to the amortized cost of the repurchase agreements of $13,000.

The following table provides information on the weighted average credit ratings of the Short-Term Fixed Income Pool's investments as of June 30, 2015.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Total Investment**
Commercial paper	Aaa	AA	$ 22,999	8.5 %
U.S. Government agency issues	Aaa	AA	136,763	50.5
U.S. Treasury issues	Aaa	AA	110,922	41.0
Total rated investments			$ 270,684	100.0 %

This table includes U.S. Treasury notes received as collateral for repurchase agreements with a fair value of $65,365 as compared to the amortized cost of the repurchase agreements of $64,341.

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, 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

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

Interest Rate Risk

The weighted-average maturity of the investments of the Short-Term Fixed Income Pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the WAM for the various asset types in the Short-Term Fixed Income Pool as of June 30, 2016 and 2015:

	2016		2015	
Investment Type	**Fair Value**	**WAM (Days)**	**Fair Value**	**WAM (Days)**
Commercial paper	**$ 52,734**	**22**	$ 22,999	19
Money market mutual fund	**82,161**	**N/A**	-	-
Repurchase agreement	**13,000**	**1**	64,341	1
U.S. Government agency issues	**130,482**	**55**	136,763	52
U.S. Treasury issues	**74,786**	**28**	45,557	70
Total investments	**$ 353,163**	**39**	$ 269,660	40

Foreign Currency Risk

The Pool has no investments that are subject to 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:

(in thousands)

	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Commercial paper	**$ -**	**$ 52,734**	**$ -**	**$ 52,734**
Money market mutual fund	**82,161**	**-**	**-**	**82,161**
Repurchase agreement	**-**	**13,000**	**-**	**13,000**
U.S. Government agency bonds	**-**	**130,482**	**-**	**130,482**
U.S. Treasury bonds	**-**	**74,786**	**-**	**74,786**
Total	**$ 82,161**	**$ 271,002**	**$ -**	**$ 353,163**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Commercial paper	$ -	$ 22,999	$ -	$ 22,999
Repurchase agreement	-	64,341	-	64,341
U.S. Government agency issues	-	136,763	-	136,763
U.S. Treasury bonds	-	45,557	-	45,557
Total	$	$ 269,660	$ -	$ 269,660

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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 $46,721 and $61,282 at June 30, 2016 and 2015, respectively, represented approximately 2.2% and 2.6%, respectively, of total investments in the Pool.

Credit 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 following table provides the weighted average credit ratings of the rated assets in the Pool as of June 30, 2016.

	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**

(in thousands)

(continued)

Investment Type	Moody's	S&P	Fair Value	Percent of Total Investment
	June 30, 2016			
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.

This table 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.

The following table provides the weighted average credit ratings of the rated assets in the Pool as of June 30, 2015.

Investment Type	Moody's	S&P	Fair Value	Percent of Total Investment
	June 30, 2015			
Corporate asset backed issues	A	AA	$ 116,267	4.8 %
Corporate CMO	B	B	101,927	4.2
Corporate CMO interest-only	C	Not Rated	7,706	0.3
Corporate preferred securities	Ba	BB	10,430	0.4
Foreign asset backed issues	A	A	20,876	0.9
Foreign corporate bonds	Baa	BBB	286,053	11.9
Foreign government bonds	Baa	BB	212,335	8.8
Municipal bonds	A	A	51,734	2.2
Short-term issues	Aaa	AAA	102,153	4.3
Time deposits	P-1	A-1	7,174	0.3
U.S. corporate bonds	Baa	BBB	578,292	24.2
U.S. Government agency bonds	Aaa	AA	2,579	0.1
U.S. Government agency CMO	Aaa	AA	80,795	3.4
U.S. Government agency CMO interest-only	Aaa	AA	3,819	0.2
U.S. Government agency MBS	Aaa	AA	298,744	12.4
U.S. Government agency TBA	Aaa	AA	884	0.0
U.S. Treasury bonds	Aaa	AA	113,459	4.7
U.S. Treasury inflation-protected securities	Aaa	AA	20,616	0.9
Total rated investments			$ 2,015,843	84.0 %

(in thousands)

Unrated investments include investments in common stock valued at $7,266, investments in corporate CMO residuals valued at $21,983, investments in other funds valued at $356,277, and options contracts purchased valued at $1,114. These unrated securities represent 16% of the fair value of the Pool's investments.

This table includes investments received as collateral for repurchase agreements with a fair value of $15,783 as compared to the amortized cost of the repurchase agreements of $14,948.

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, 2016 and 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2016 and 2015, 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.

Interest Rate Risk

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. The following table provides the weighted-average effective duration for the various asset types in the Pool as of June 30, 2016 and 2015:

	2016		2015	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
Bank loan	**$ 936**	**0.1**	$ -	-
Corporate asset backed issues	**36,980**	**1.8**	115,952	2.2
Corporate ABS residual	**5,385**	**N/A**	-	-
Corporate CMO	**27,879**	**1.9**	101,802	1.8
Corporate CMO interest-only			7,706	18.8
Corporate preferred securities	**10,472**	**0.1**	10,428	0.3
Foreign asset backed issues	**11,726**	**2.4**	20,849	1.6
Foreign corporate bonds	**292,987**	**6.6**	285,960	6.0
Foreign government bond	**217,698**	**6.0**	212,324	6.3
Investments in other funds	**360,669**	**2.9**	356,277	3.2
Money market mutual funds	**66,469**	**N/A**	-	-
Short-term issue			102,153	0.0
Municipal bonds	**40,081**	**10.4**	51,734	8.4
Options contracts purchase	**1,192**	**N/A**	-	-
Repurchase agreement	**59,675**	**0.0**	14,948	-
Time deposits	**20,028**	**0.0**	7,173	-
U.S. corporate bonds	**540,049**	**8.3**	578,249	6.6
U.S. Government agency bonds	**2,699**	**3.3**	2,566	4.3
U.S. Government agency CMO	**64,627**	**0.9**	80,795	2.1
U.S. Government agency CMO interest-only	**6,519**	**34.0**	3,816	2.2
U.S. Government agency MBS	**254,842**	**1.7**	292,921	2.6
U.S. Government agency TBA	**637**	**0.0**	884	2.1
U.S. Treasury bonds	**101,702**	**3.0**	111,398	4.2
U.S. Treasury inflation-protected securities	**26,550**	**19.5**	20,616	14.0
Total investments	**$ 2,149,802**	**5.1**	$ 2,378,551	4.5

(in thousands)

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 modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. The Pool held $407,958 and $623,846 of these securities at June 30, 2016 and 2015, respectively, representing approximately 19.0% and 26.0% of the value of the Pool's securities.

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 $82,390, or 23%, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 4% of the value of the Pool's securities. 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
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 %

This table 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.

(in thousands)

The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2015, are as follows:

	June 30, 2015			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
Brazil Real	$ 16,991	$ -	$ 16,991	0.7 %
Colombian Peso	2,706	-	2,706	0.1
Deutsche Mark	2,086	-	2,086	0.0
Euro Currency Unit	29,225	2,006	31,231	1.3
Ghana Cedi	1,267	-	1,267	0.1
Indian Rupee	3,385	-	3,385	0.1
Japanese Yen	53,751	2,782	56,533	2.3
Kenyan Shilling	1,937	-	1,937	0.1
Mexican Peso	35,266	162	35,428	1.5
Nigerian Naira	461	-	461	0.0
Russian Ruble	5,933	192	6,125	0.3
Serbian Dinar	1,634	-	1,634	0.1
South African Rand	5,431	214	5,645	0.2
Swiss Franc	1,375	-	1,375	0.1
Turkish Lira	3,302	-	3,302	0.1
Ugandan Shilling	1,248	3	1,251	0.1
Uruguayan Peso	4,093	-	4,093	0.2
Zambian Kwacha	2,594	12	2,606	0.1
Total	$ 172,685	$ 5,371	$ 178,056	7.4 %

This table 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 $2,234,766. 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 sets 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, 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**

(in thousands)

(continued)	June 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
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				
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)**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	$ -	$ 115,941	$ -	$ 115,941
Corporate ABS residual	-	21,983	-	21,983
Corporate CMO	-	101,802	-	101,802
Corporate CMO interest-only	-	7,706	-	7,706
Corporate preferred security	10,428	-	-	10,428
Foreign asset backed issues	-	20,849	-	20,849
Foreign corporate bonds	-	285,960	-	285,960
Foreign currency forward contracts	-	2,675	-	2,675
Foreign government bonds	-	212,324	-	212,324
Future contracts	3,193	-	-	3,193
Investments made with cash collateral for securities loaned	-	22,132	-	22,132
Municipal bonds	-	51,734	-	51,734
Options contracts purchased	1,114	-	-	1,114
Short-term issue	102,153	-	-	102,153
Swaps	-	531	-	531
U.S. corporate bonds	-	578,249	-	578,249
U.S. Government agency bond	-	2,566	-	2,566
U.S. Government agency CMO	-	80,795	-	80,795
U.S. Government agency CMO interest-only	-	3,816	-	3,816
U.S. Government agency MBS	-	292,921	-	292,921

(in thousands)

(continued) **Assets**	**June 30, 2015** Level 1	Level 2	Level 3	Total
U.S. Government agency TBA	$ -	$ 884	$ -	$ 884
U.S. Treasury bonds	-	111,398	-	111,398
U.S. Treasury inflation protected securities	-	20,616	-	20,616
Total	$ 116,888	$ 1,934,882	$ -	$ 2,051,770
Investments in other funds				356,277
Total				$ 2,408,047
Liabilities				
Foreign currency forward contracts	$ -	$ (292)	$ -	$ (292)
Future contracts	(660)	-	-	(660)
Options contracts written	(1,244)	-	-	(1,244)
Total	$ (1,904)	$ (292)	$ -	$ (2,196)

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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 $21,225, and $26,285 at June 30, 2016 and 2015, respectively, and represented approximately 2.1% and 2.5%, respectively, of total investments in this Pool.

Credit 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 following table provides the weighted-average credit ratings of the rated assets in the Pool as of June 30, 2016.

Investment Type	**June 30, 2016** 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**

(in thousands)

(continued)	June 30, 2016			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
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.

This table 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.

The following table provides the weighted-average credit ratings of the rated assets in the Pool as of June 30, 2015.

	June 30, 2015			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	A	A	$ 76,880	7.0 %
Corporate CMO	A	A	87,661	8.0
Corporate CMO interest-only	Ba	AAA	1,198	0.1
Corporate CMO principal-only	B	AA	278	0.0
Foreign asset backed issues	Aa	AA	2,813	0.3
Foreign corporate bonds	A	A	46,435	4.3
Foreign government bonds	Aa	A	7,814	0.7
Municipal bonds	Aa	AA	8,646	0.8
Preferred stock	A	A	2	0.0
Short-term issue	Aaa	AAA	41,293	3.8
Time deposits	P-1	A-1	7,044	0.6
U.S. corporate bonds	A	A	222,329	20.4
U.S. Government agency bonds	Aaa	AA	21,742	2.0
U.S. Government agency CMO	Aaa	AA	144,364	13.2
U.S. Government agency CMO interest-only	Aaa	AA	6,921	0.6
U.S. Government agency CMO principal only	Aaa	AA	10,501	1.0
U.S. Government agency MBS	Aaa	AA	194,546	17.8
U.S. Treasury bonds	Aaa	AA	204,400	18.7
U.S. Treasury inflation protected security	Aaa	AA	415	0.0
Total rated investments			1,085,282	99.3
Common stock			7,134	0.7
Total			$ 1,092,416	100.0 %

(in thousands)

This table includes investments received as collateral for repurchase agreements with a fair value of $15,496 as compared to the amortized cost of the repurchase agreements of $14,676.

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, 2016, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 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. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Interest Rate Risk

The WVIMB monitors interest rate risk of the Pool by evaluating the effective duration of the investments in the Pool. The following table provides the weighted-average modified duration for the various asset types in Pool as of June 30, 2016 and 2015.

	2016		**2015**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
Corporate asset backed issues	**$ 71,452**	**2.1**	$ 76,574	2.0
Corporate CMO	**58,738**	**2.5**	87,539	2.0
Corporate CMO interest-only	**713**	**(17.4)**	1,198	(8.5)
Corporate CMO principal-only	**200**	**4.2**	278	3.2
Foreign asset backed issues	**1,793**	**0.1**	2,786	0.1
Foreign corporate bonds	**44,399**	**5.7**	46,346	5.7
Foreign government bonds	**7,251**	**9.0**	7,800	8.7
Money market mutual funds	**35,271**	**N/A**	-	-
Municipal bonds	**9,782**	**14.4**	8,646	13.9
Repurchase agreements	**39,023**	**0.0**	14,676	0.0
Short-term issue	**-**	**-**	41,293	0.0
Time deposits	**13,097**	**0.0**	7,044	0.0
U.S. corporate bonds	**220,665**	**6.3**	222,273	6.1
U.S. Government agency bonds	**22,805**	**3.8**	21,730	4.7
U.S. Government agency CMO	**129,989**	**3.0**	144,364	3.7
U.S. Government agency CMO interest-only	**5,229**	**5.9**	6,919	7.6
U.S. Government agency CMO principal only	**9,002**	**7.2**	10,501	7.4
U.S. Government agency MBS	**187,410**	**4.4**	188,831	4.8
U.S. Treasury bonds	**200,740**	**8.5**	202,383	7.2
U.S. Treasury inflation protected security	**431**	**3.4**	415	5.4
Total	**$ 1,057,990**	**4.9**	$ 1,091,596	4.8

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, 2016, the Pool held $464,526 of these securities. This represents approximately 44.0% of the value of the Pool's securities.

(in thousands)

Foreign Currency Risk
None of the securities held by the Pool are exposed to 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, 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**

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	$ -	$ 76,563	$ -	$ 76,563
Corporate CMO	-	87,539	-	87,539
Corporate CMO interest - only	-	1,198	-	1,198
Corporate CMO principal - only	-	278	-	278
Foreign asset backed issues	-	2,786	-	2,786
Foreign corporate bonds	-	46,346	-	46,346
Foreign government bonds	-	7,800	-	7,800
Investments made with cash collateral for securities loaned		21,731	-	21,731
Municipal bonds	-	8,646	-	8,646
Short-term issue	41,293	-		41,293
U.S. corporate bonds	-	222,273	-	222,273
U.S. Government agency bond	-	21,730	-	21,730
U.S. Government agency CMO	-	144,364	-	144,364
U.S. Government agency CMO interest-only	-	6,919	-	6,919
U.S. Government agency CMO principal-only	-	10,501	-	10,501

(in thousands)

(continued)	June 30, 2015			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Government agency MBS	$ -	$ 188,831	$ -	$ 188,831
U.S. Treasury bonds	-	202,383	-	202,383
U.S. Treasury inflation protected securities	-	415	-	415
Total	$ 41,293	$ 1,050,303	$ -	$ 1,091,596

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2015.

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, 2016, 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 $36,014 and $44,032 at June 30, 2016 and 2015, respectively, represented approximately 2.3% and 2.7%, 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. All of the Pool's investments in hedge funds were valued using the net asset value per share practical expedient. As these are the only investments in the Pool, a fair value hierarchy table is not presented.

Opportunistic Debt Pool

This Pool was established to hold the WVIMB's investments in middle market direct loans. Assets are managed by Angelo, Gordon & Co. and TCW Asset Management Company. The objective of the Pool is to generate a total net return of 7% - 9% over a normal market cycle (typically a 5 - 7 year period), and/or 250 basis points above the return of the credit Suisse Leveraged Loan Index.

The PEIA's amount invested in the Opportunistic Debt Pool of $2,374 at June 30, 2016 represented approximately 2.1% of total investments in this Pool.

Credit Risk

The Pool is exposed to credit risk from investments in unrated direct lending funds. This risk is limited by requiring that underlying fund holdings are at least 90% collateralized by one or more assets of the issuer. The Pool also holds shares of a money market fund with the highest credit rating.

Concentration of Credit Risk

Due to being in the infancy stage of the program, the fund is exposed to concentration of credit risk. Approximately 32% of committed capital has been called. As the program becomes fully funded, the concentration of credit risk will be mitigated. Each asset manager is restricted from investing more than 10% of the capital commitment in a single issuer for investments that are expected to be held longer than one year. At June 30, 2016, the Pool was in compliance with this restriction.

(in thousands)

Custodial Credit Risk
At June 30, 2016, the Pool held no securities that were subject to custodial credit risk.

Interest Rate Risk
The Pool is exposed to interest rate risk from investments in direct lending funds. The WVIMB manages interest rate risk of the Pool by requiring at least 80% of the fund holdings that mature in more than one year to have variable of floating interest rate structures.

Foreign Currency Risk
The investments in direct lending funds might be indirectly 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 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, 2016. All the Pool's investments in direct lending 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, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market mutual fund	$ 100	$ -	$ -	$ 100
Direct lending funds				114,158
Total				$ 114,258

There were no transfers in or out of Levels 1 and 2 during the year ended June 30, 2016.

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 $26,549 and $24,950 as of June 30, 2016 and 2015, respectively, restricted to meet this obligation.

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

	2016	**2015**
Premium stabilization fund – beginning of the year	**$ 24,950**	$ 24,564
Life insurance dividends, interest received and pool results	**3,013**	386
Amounts used to lower optional life rates	**(1,414)**	-
Premium stabilization fund – end of year	**$ 26,549**	$ 24,950

(in thousands)

7. Capital Assets

Capital asset activity for the years ended June 30, 2016 and 2015 was as follows:

	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	(1,298)	(16)	-	**(1,314)**
Total accumulated depreciation	(9,975)	(28)	-	**(10,003)**
Total capital assets, net	$ 66	$ 99	$ -	**$ 165**

	2014	Additions	Reclass	2015
Intangible assets	$ 8,730	$ -	$ -	$ 8,730
Equipment	1,310	1	-	1,311
Total capital assets	10,040	1	-	10,041
Intangible assets	(8,619)	(59)	-	(8,677)
Equipment	(1,280)	(17)	-	(1,298)
Total accumulated depreciation	(9,899)	(76)	-	(9,975)
Total capital assets, net	$ 141	$ (75)	$ -	$ 66

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:

	2016	2015	2014
Claims payable, beginning of year	**$ 78,077**	$ 53,230	$ 62,615
Incurred claims expenses:			
Provision for insured events of the current year	**556,952**	555,751	515,769
Increase (decrease) in provision for insured events of prior years	**(2,180)**	320	(720)
Total incurred claims expense	**554,772**	556,071	515,049
Payments:			
Claim payments, net of rebates, attributable to insured events of:			
Current year	**500,897**	474,120	471,415
Prior years	**58,429**	57,104	53,019
Total payments, net	**559,326**	531,224	524,434
Claims payable, end of year	**$ 73,523**	$ 78,077	$ 53,230

The above payments are net of pharmacy rebates earned of $24,183, $17,622, and $10,485, for the years ended June 30, 2016, 2015, and 2014, 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, 2016, 2015, and 2014. PEIA's contributions to the RHBT were $65, $65, and $70 for fiscal years 2016, 2015, and 2014, respectively, which represent 66.7%, 47.0%, and 75.0%, respectively, of the contractually required contributions. The cumulative unpaid balances of $1,042, $1,010, and $936 for fiscal years 2016, 2015, and 2014, respectively, are recorded in other accrued liabilities in the statements of net assets.

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 $264 to $845 per month for retiree-only coverage, and from $529 to $2,009 per month for retiree and spouse coverage. Medicare-covered retirees are charged premiums ranging from $84 to $398 per month for retiree-only coverage, and from $342 to $1,331 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.

(in thousands)

Benefits provided

Employees are eligible for normal retirement at age 60 with five or more years of credited service, of 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 ten 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 fifteen 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 13.5%, 14.0% and 14.5% for the years ended June 30, 2016, 2015 and 2014, respectively. As permitted by legislation, PEIA has elected to pay 100% of all costs relating to the Plan, including the employee's 4.5% contribution for employees hired on or before February 6, 2012. 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 $191, $190, and $193 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

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. As summarized below, a cumulative effect adjustment of $716 has been recorded to decrease net position previously reported at the beginning of fiscal year 2015. The PEIA determined that it was not practical to restate the prior year financial statements, as the information was not provided by the West Virginia Consolidated Public Retirement Board (WVCPRB), which administers this cost-sharing multiple-employer plan. These statements reclassified some items previously reported as expenses as deferred outflows and now requires the PEIA to record the net pension liability and a more comprehensive measure of pension expense.

Net Position at the Beginning of the Year Required Statement:		
Net Position beginning of year, as previously reported	$	181,388
Total cumulative effect adjustment		(716)
Net Position at June 30, 2014, restated	$	180,672

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

(in thousands)

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, 2016 and 2015, the PEIA reported a liability of $528 and $367 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2016 was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, rolled forward to the measurement date of June 30, 2015. For fiscal year 2015, the net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. 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, 2015. At June 30, 2015, the PEIA's proportionate share was 0.0945%, which was a decrease of 0.0049% for its proportionate share measured as of June 30, 2014.

For the years ended June 30, 2016 and 2015, the PEIA recognized pension expense of $35 and $41. At June 30, 2016 and 2015, the PEIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016		June 30, 2015	
	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	**$ 161**	**$ 277**	$ -	$ 388
Difference between expected and actual experience	**108**	**-**	-	-
Difference in assumptions	**-**	**64**	-	-
Changes in proportion and differences between PEIA's contributions and proportionate share of contributions	**-**	**3**	-	3
PEIA's contributions made subsequent to the measurement date	**191**	**-**	190	-
Total	**$ 460**	**$ 344**	$ 190	$ 391

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
2017	$ (43)
2018	$ (43)
2019	$ (29)
2020	$ 40

Actuarial assumptions and methods

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	1.9%
Salary increase	3.0 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 110% of the RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant Scale for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results from an actual experience study for the period July 1, 2009 through June 30, 2014.

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2%
Salary increase	4.25 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on the 1983 Group Annuity Mortality (GAM) for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

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.

(in thousands)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2016	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Fixed Income	**15.0%**	**2.9-4.8%**
Domestic equity	**27.5%**	**7.6%**
International equity	**27.5%**	**8.5%**
Real estate	**10.0%**	**6.8%**
Private equity	**10.0%**	**9.9%**
Hedge funds	**10.0%**	**5.0%**
Total	**100.0%**	

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 employee contributions will be made at the current contribution rate and that contributions from employers will continue to be made at statutorily required rates, which are determined by actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

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%**
$ 1,217	$ 528	$ (55)

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.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1) Premiums, investment, and other revenues:										
Earned	$ 523,611	$ 453,269	$ 474,209	$ 576,693	$ 576,731	$ 570,677	$ 582,682	$ 606,681	$ 578,350	$ 562,179
Ceded	80,174	79,906	73,640	74,643	54,298	54,952	52,720	50,623	51,599	51,176
Net earned	443,437	373,363	400,569	502,050	522,433	515,725	529,962	556,058	526,751	511,003
2) Unallocated expenses	20,231	25,038	24,179	25,344	24,472	22,560	22,484	25,253	28,553	22,421
3) Estimated incurred claims and allocated claims adjustment expense, end of accident year:										
Incurred	440,016	457,004	473,929	502,035	526,299	556,025	531,589	566,392	607,350	605,948
Ceded	80,174	79,906	73,640	74,643	54,298	54,952	52,720	50,623	51,599	51,176
Net incurred	359,842	377,098	400,289	427,392	472,001	501,073	478,869	515,769	555,751	554,772
4) Paid (cumulative) claims and allocated claims adjustment expense as of:										
End of accident year	320,480	335,380	354,773	375,571	420,768	444,524	436,560	471,415	474,120	500,897
One year later	362,605	373,609	398,798	429,976	475,499	491,427	489,742	528,128	532,549	
Two years later	363,147	373,942	400,059	430,219	475,818	491,264	490,133	528,128		
Three years later	363,147	373,942	400,059	430,219	475,818	491,264	490,133			
Four years later	363,147	373,942	400,059	430,219	475,818	491,264				
Five years later	363,147	373,942	400,059	430,219	475,818					
Six years later	363,147	373,942	400,059	430,219						
Seven years later	363,147	373,943	400,059							
Eight years later	363,147	373,943								
Nine years later	363,147									
5) Re-estimated ceded claims and expenses	79,906	73,640	74,643	54,298	54,952	52,720	52,720	50,623	51,599	-
6) Re-estimated net incurred claims and allocated claims adjustment expense:										
End of accident year	359,842	377,099	400,289	427,392	472,001	501,073	478,869	515,769	555,751	556,952
One year later	358,832	374,948	401,109	426,794	472,471	496,773	479,329	515,689	557,931	
Two years later	359,112	374,778	400,879	426,814	472,101	496,913	479,339	515,689		
Three years later	359,002	374,878	400,669	426,734	472,221	496,743	479,339			
Four years later	359,002	374,878	400,669	426,734	472,221	496,743				
Five years later	359,002	374,878	400,669	426,734	472,221					
Six years later	359,002	374,878	400,669	426,734						
Seven years later	359,002	374,878	400,669							
Eight years later	359,002	374,878								
Nine years later	359,002									
7) Increase (decrease) in estimated net incurred claims and allocated claims adjustment expense from end of accident year	(840)	(2,220)	380	658	220	(4,330)	470	(80)	(2,180)	2,180

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
(in thousands except percentages)

	2016	2015
PEIA's proportionate (percentage) of the net pension liability	**0.0945%**	0.0994%
PEIA's proportionate share of the net pension liability	**$ 528**	$ 367
PEIA's covered-employee payroll	**$ 1,358**	$ 1,394
PEIA's proportionate share of the net pension's liability as a percentage of its covered-employee payroll	**38.88%**	**26.33%**
Plan fiduciary net position as a percentage of the total pension liability *	**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
Years Ended June 30
(in thousands except percentages)

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

(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 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 fifteen 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

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuation for the year ending June 30, 2015 as follows:

	2015	2014
Projected salary increases:		
State	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	4.25 - 6.0%
Inflation rate 1.90%	1.90%	2.20%
Mortality rates	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA Healthy females - 101% of RP 2000 Non-Annuitant, Scale AA Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA Disables 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 - 26%
Non-state	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

Other Financial Information
(in thousands)

West Virginia Public Employees Insurance Agency
Form 7, Deposits Disclosure
June 30, 2016
(in thousands)

	Carrying Amount	
Cash with State Treasurer	$ 6,923	
Cash in outside bank accounts	2,278	
Total carrying amount of deposits	9,201	
Cash equivalents (with BTI and Minnesota Life)	26,937	
Total cash	$ 36,138	(1)(3)

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

Cash and cash equivalents	$ 9,201	(2)
Equity position in investment pool – current	388	(2)
Equity position in investment pool – noncurrent and restricted	26,549	(2)
Total cash equivalents	$ 36,138	(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, 2016
(in thousands)

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value	
West Virginia Board of Treasury Investments (BTI):					
WV Money Market Pool	$ 388	$ -	$ 388	$ 388	
Total equity position in investment pool with BTI	$ 388	$ -	$ 388	$ 388	(2)(4)
Minnesota Life Insurance:					
Cash and cash equivalents	$ -	$ 26,549	$ 26,549	$ 26,549	(1)
West Virginia Investment Management Board (IMB) Investment Pools:					
Short-term fixed income	$ 103	$ -	$ 103	$ 103	
Total return fixed income	46,721	-	46,721	46,721	
Core fixed income	21,225	-	21,225	21,225	
TIPS	17,855	-	17,855	17,855	
Large cap domestic	20,772	-	20,772	20,772	
Non-large cap domestic	4,992	-	4,992	4,992	
International nonqualified	8,533	-	8,533	8,533	
Optortunistic debt	2,374	-	2,374	2,374	
Hedge fund	36,014	-	36,014	36,014	
International equity	18,240	-	18,240	18,240	
Total equity position in investment pools with IMB	$ 176,829	$ -	$ 176,829	$ 176,829	(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	$ 388	(1)
Equity position in investment pool – noncurrent and restricted	203,378	(1)
Total	$ 203,766	(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, 2016
(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	$	9,201	[1][2]
Equity position in investment pools as reported	$	203,766	[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, 2016
(in thousands)

Total accounts receivable	$	21,389	[1]
Less allowance for doubtful accounts		(1,528)	[1]
Net receivable	$	19,861	

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

Premium receivable:			
Due from State of West Virginia		-	[2]
Other, net		7,565	[2]
Add allowance for doubtful accounts		324	[2]
Accounts receivable:			
Provider refunds, net		225	[2]
Add allowance for doubtful accounts		1,204	[2]
Prescription rebates		11,292	[2]
Other		779	[2]
Total accounts receivable	$	21,389	
Allowance for doubtful accounts:			
Premium receivable – other		324	[2]
Provider refunds		1,204	[2]
	$	1,528	

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

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2016
(in thousands)

Agency	Total
Workforce WV/Payroll-05303	$ 2
	2
WV PERS State	172
WV PERS Non-State	(132)
WV Teachers Retirement Board	(329)
Consolidated Retirement Bd/Judges Ret.	(7)
Deputy Sheriffs Retirement	(120)
Public Safety/Con.Pub.Emp.Ret.Bd.	(14)
	(430)
House of Delegates	1
Senate	6
Joint Comm on Govt and Finance	4
Supreme Court/Judicial	4
Governors Office	(1)
Homeland Security – Emergency Management	1
WV Enterprise Planning Board	(2)
Auditors Office	1
Tax Department	(2)
Attorney General	4
Secretary of State	(2)
Department of Education	(12)
Division of Forestry	(3)
Huttonsville Correctional Center	4
Pruntytown Correctional Center	(3)
Mt Olive Correctional Facility	19
Department of Corrections/Salem	(2)
Department of Corrections/Denmar Facility	(1)
WV Division of Juvenile Services	2
Ohio County Correctional Center	(2)
Health Department	(20)
Veterans Affairs	(73)
Jackie Withrow Hospital	(8)
Welch Emergency Hospital	(1)
William R Sharpe Jr Hospital	5
Mildred Mitchell-Bateman Hospital	6
Lakin Correctional Facility	1
John Manchin Sr. Health Care	1
Hopemont State Hospital	4
Division of Rehabilitation Services	(1)
Department of Labor	(1)
Off of Miners Health, Safety & Training	3
Division of Environmental Protection	2

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2016
(in thousands)

Agency	Total
Agriculture	(2)
Geological Survey	1
Division of Protective Services	1
Public Safety	(29)
Human Rights Commission	(1)
DOT Office of Administrative Hearings	(4)
Department of Highways	(434)
Public Port Authority	(3)
Aeronautics Commission	(1)
Motor Vehicles	(74)
Bureau of Senior Services	(1)
Public Transit	(2)
Separated Pre-retirement	1
Insurance Commission	1
WV Board of Veterinary Medicine	(1)
Board of Funeral Service Examiners	(1)
Department of Administration	(6)
Public Service Commission	(26)
Natural Resources	28
WV Board of Social Worker Examiners	1
Martinsburg Correctional Center	4
Division of Tourism	(3)
WV Center for Nursing	(3)
Human Services, Dept of	(9)
Board of Medicine	(5)
ABC Commission	(1)
WV Military Authority	(8)
	(643)
Total primary government	(1,071)
Total component units	74
	$ (997)

West Virginia Public Employees Insurance Agency
Form 11, Component Unit - A/R Balances
June 30, 2016
(in thousands)

Unit	Amount
Public Defender Corporation	$ 44
Higher Education Policy Commission	(3)
Mountwest Community & Technical College	(1)
Marshall University	47
Educational Broadcasting	(2)
WV Northern Community College	1
West Liberty State College	1
Fairmont State University	4
Shepherd University	(17)
Concord College	1
WV Southern Community College	(1)
WV State University	(13)
New River Comm. & Tech.	4
WV Parkways Econ. Dev. & Tourism Auth.	13
Railroad Maintenance Authority	(3)
Reg Jail & Correctional Fac Auth.	2
Water Development Authority	3
BridgeValley Community and Technical College	(3)
WVSC R&D Corporation	(1)
WV Network for Educational Telecom	(2)
	$ 74

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, 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 December 21, 2016.

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.

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*.

DIXON HUGHES GOODMAN LLP

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
December 21, 2016

DHG