West Virginia Public Employees Insurance Agency

Financial Statements, Required Supplementary Information and Other Supplementary Information

Years Ended June 30, 2018 and 2017

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Public Employees Insurance Agency (PEIA), an enterprise fund of the State of West Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the PEIA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the PEIA, an enterprise fund of the State of West Virginia, as of June 30, 2018 and 2017, and the revenues, expenses and changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the PEIA adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. As a result of adopting these standards, the PEIA restated net position as of July 1, 2017, to record the net OPEB liability. 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 62 through 67 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the PEIA's basic financial statements as a whole. The accompanying schedules on pages 68 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 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 the PEIA's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Charleston, West Virginia
October 12, 2018

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, 2018 and 2017. Please read it in conjunction with the basic financial statements, which follow this section.

Overview of the financial statements

The 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 the 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. The PEIA operates in a manner similar to any other insurance company. The 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 the 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 the 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.

Adoption of New Accounting Standards

Effective July 1, 2017, the PEIA adopted the provisions of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017.* GASB 75 replaced the requirements of Statement No. 45 and No. 57. GASB 75 established standards for recognizing and measuring liabilities, deferred outflows and inflows of resources and expenses related to OPEB. Footnote disclosure and required supplementary information requirements about defined benefit OPEB are also addressed. The requirements of this Statement are designed to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general financial statements of state and local governmental OPEB plans for making decisions and assessing accountability. The PEIA determined that it was not practical to restate all periods presented and has recorded a cumulative effect adjustment of $205 as of July 1, 2017, to increase the 2018 beginning net position. The $205 cumulative effect adjustment as of July 1, 2017, is comprised of the removal of the GASB 45 OPEB liability of $1,070 and the recording of the beginning net OPEB liability of $928 less deferred outflows of resources related to OPEB plan contributions of $63 as of that date. Decisions regarding the allocations are made by the West Virginia Retiree Health Benefit Trust Fund management. Further, the statements of fiduciary net position now reflect the PEIA's portion of the net OPEB liability and related deferred outflows of resources and deferred inflows of resources related to OPEB.

(in thousands)

Financial highlights

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

				Change 2018 - 2017		Change 2017 - 2016	
	2018	**2017**	**2016**	**Amount**	**Percent**	**Amount**	**Percent**
ASSETS							
Cash and cash equivalents	**$ 7,832**	$ 8,799	$ 9,201	$ (967)	-11.0%	$ (402)	-4.4%
Equity position in - investment pool	**21,049**	35,378	388	(14,329)	-40.5%	34,990	9018.0%
Premium receivable	**8,231**	8,642	7,565	(411)	-4.8%	1,077	14.2%
Other current assets	**47,559**	23,908	12,296	23,651	98.9%	11,612	94.4%
Total current assets	**84,671**	76,727	29,450	7,944	10.4%	47,277	160.5%
Equity position in investment pools	**198,826**	153,908	176,829	44,918	29.2%	(22,921)	-13.0%
Equity position in investment pool-restricted	**15,089**	19,973	26,549	(4,884)	-24.5%	(6,576)	-24.8%
Capital assets, net	**196**	247	165	(51)	-20.6%	82	49.7%
Total assets	**298,782**	250,855	232,993	47,927	19.1%	17,862	7.7%
DEFERRED OUTFLOWS OF RESOURCES							
Pension & OPEB	**562**	575	460	(13)	-2.3%	115	25.0%
Total deferred outflows of resources	**562**	575	460	(13)	-2.3%	115	25.0%
LIABILITIES							
Claims payable	**67,605**	64,649	73,523	2,956	4.6%	(8,874)	-12.1%
Other current liabilities	**20,366**	15,749	33,337	4,617	29.3%	(17,588)	-52.8%
Total current liabilities	**87,971**	80,398	106,860	7,573	9.4%	(26,462)	-24.8%
Noncurrent liabilities:							
Other noncurrent liabilities	**1,152**	1,970	1,570	(818)	-41.5%	400	25.5%
Premium stabilization fund	**15,089**	19,973	26,549	(4,884)	-24.5%	(6,576)	-24.8%
Total liabilities	**104,212**	102,341	134,979	1,871	1.8%	(32,638)	-24.2%
DEFERRED INFLOWS OF RESOURCES							
Pension & OPEB	**578**	44	344	534	1213.6%	(300)	-87.2%
Total deferred inflows of resources	**578**	44	344	534	1213.6%	(300)	-87.2%
Net Position:							
Investment in capital assets	**196**	247	165	(51)	-20.6%	82	49.7%
Unrestricted	**194,358**	148,799	97,965	45,559	30.6%	50,834	51.9%
Total net position	**$ 194,554**	$ 149,046	$ 98,130	$ 45,508	30.5%	$ 50,916	51.9%
Premium revenue	**$ 610,623**	$ 625,116	$ 558,610	$ (14,493)	-2.3%	$ 66,506	11.9%
Less payments to managed care organizations and life insurance premiums	**(50,551)**	(48,953)	(51,176)	(1,598)	3.3%	2,223	-4.3%
Net premium revenue	**560,072**	576,163	507,434	(16,091)	-2.8%	68,729	13.5%
Administrative fees, net	**4,782**	4,861	4,883	(79)	-1.6%	(22)	-0.5%
Total operating revenues	**564,854**	581,024	512,317	(16,170)	-2.8%	68,707	13.4%
Claims expense, net	**518,496**	534,717	520,104	(16,221)	-3.0%	14,613	2.8%
Administrative service fees	**11,222**	10,542	12,445	680	6.5%	(1,903)	-15.3%
Other expenses	**7,358**	7,657	10,302	(299)	-3.9%	(2,645)	-25.7%
Total operating expenses	**537,076**	552,916	542,851	(15,840)	-2.9%	10,065	1.9%
Operating (loss) income	**27,778**	28,108	(30,534)	(330)	-1.2%	58,642	-192.1%
State appropriation	**10,000**	10,000	-	-	0.0%	10,000	100.0%
Litigation settlement	**-**	-	-	-	0.0%		
Net investment (loss) income	**7,525**	12,808	(1,314)	(5,283)	-41.2%	14,122	-1074.7%
Total non-operating (loss) income	**17,525**	22,808	(1,314)	(5,283)	-23.2%	24,122	-1835.8%
Change in net position	**45,303**	50,916	(31,848)	(5,613)	-11.0%	82,764	-259.9%
Net position, beginning of year	**149,046**	-	-	149,046	100.0%	-	0.0%
Cumulative effect of adoption of accounting principle	**205**	-	-	205	100.0%	-	0.0%
Net position, beginning of year, as restated	**149,251**	98,130	129,978	51,121	52.1%	(31,848)	-24.5%
Net position, end of year	**$ 194,554**	$ 149,046	$ 98,130	$ 45,303	30.4%	$ 50,916	51.9%

Cash and cash equivalents ($20,180 decrease)

Cash and cash equivalents plus the current and restricted portion of equity position in investment pool at the end of the year decreased $20,180 as the result of $24,813 net cash provided by operating activities, $7,588 net cash used in capital and non-capital financing activities and $37,392 net cash used in 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 increased $28,012 as the result of $8,922 net cash used in operating activities, $1,389 net cash provided by capital and non-capital financing activities and $35,545 net cash provided by investing activities.

Premium receivable ($411 decrease)

As of the current year-end, premiums receivable was down $411 from the prior year primarily due to focused collection efforts within the premium receivables unit.

Last year, premiums receivable was up $1,077 from the prior year due to increased premium revenues as a result of rate increases.

Equity position in investment pools current and noncurrent ($30,589 increase)

In the current year, the current and non-current portion of the equity position in investment pool increased by $30,589 as a result of current year operating results and investment earnings.

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

Capital assets ($51 decrease)

In the current year, capital assets decreased by $51 because no major software development expenses were incurred. The organization has been utilizing equipment purchased in prior years without needing as many replacements in the current year.

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

Total assets ($47,927 increase)

As described in detail above, total assets for the current year increased $47,927 due to operating results, market appreciation in the non-current portion of the equity position in investment pool offset by liquidizing portions of the current equity to meet plan obligations, a decrease in premiums receivable and a decrease in capital assets.

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

Deferred outflows of resources related to pension and OPEB ($13 decrease)

The $13 decrease and $115 increase in the current and prior year, respectively, is related to the PEIA allocation of the current year pension and OPEB amounts accounted for in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68 and GASB Statement No. 75.

Other current liabilities ($4,617 increase)

Other current liabilities in the current year increased $4,617, or 29.3%, due to an increase in unearned revenue because of the transfer of excess funds from the Department of Education to be used to pay premiums in future years for the county Boards of Education. This is offset by a decrease in Accounts Payable because of focused efforts to pay invoices prior to the fiscal year end cutoff.

Last year, other current liabilities in the decreased $17,588, or 52.8%, due to a decrease in the premium deficiency reserve based on financial plan projections provided by the actuary forecasting improved operating results in 2018 and revenue earned decreasing unearned revenue held on account with the PEIA by the Department of Education. Claims payable and accounts payable both decreased because of better timing of payments to vendors and a reduction in the IBNR year over year. Offsetting the decreases mentioned above, the PEIA currently holds a liability of premiums due to the State of West Virginia for overpayment of premiums resulting from the implementation of the new Oasis HRM payroll system. Starting in Fiscal Year 2018, premium withholdings return to 24 deductions from 26 deductions and as a result it is expected that overpayments of premiums should start to stabilize in the upcoming year.

Premium stabilization reserve ($4,884 decrease)

The premium stabilization reserve held at Minnesota Life on behalf of PEIA decreased $4,884 in the current year because PEIA continued to keep the lower life insurance premium rates that were implemented in fiscal year 2017 Reserve dollars are used to offset the reduction in life insurance premium revenue collected to pay claims.

Last year, the premium stabilization reserve decreased $6,576 because the PEIA decided to reduce participant life insurance premium rates and utilize the reserve dollars to offset the decrease in premium revenue.

Deferred inflows of resources related to pension and OPEB ($534 increase)

The $534 increase and $300 decrease in the current and prior year, respectively, is related to PEIA allocation of the current year pension and OPEB amounts accounted for in accordance with GASB Statement No. 68 and GASB Statement No. 75.

Total operating revenue ($8,839 decrease)

For the current year, operating revenue decreased 1.5%, or $8,839. Premium revenue decreased $14,493 because of a decline in enrollment, lower payments to managed care organizations and life insurance premiums decreasing $5,733. Life insurance premiums decreased because PEIA decided to spend down part of the Premium Stabilization Reserve held at Minnesota Life. Reflecting the decline in enrollment, administration fee revenue decreased $79.

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

Claims expense ($16,221 decrease)

Medical claims expense decreased $16,221, resulting from benefits changes put in place to mitigate health claim costs. Drug claims expense decreased $7,713 because the PEIA shifted to a mandatory 90-day prescription fill for maintenance drugs which resulted in greater rebate guarantees from the third-party administrator compared to last year.

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

Non-operating income ($5,283 decrease)

Non-operating income for the current year decreased by 23.2%, or $5,283, because despite favorable market conditions in 2018, actual investment income was lower than investment income in 2017.

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

Net position ($45,303 increase)

In the current year net position rose $45,303, or 30.4%. The increase in net position is comprised of both $27,778 of operating income due to reduced operating expenses and $17,525 in non-operating income due to the 10,000 state funding appropriation and investment income of $7,525.

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

Economic conditions

Industry conditions reflects that the most important task ahead for the healthcare industry is to curb the price inflation for brand pharmaceuticals. Top health officials are exploring the idea of importing drugs from other countries, despite broad and long-standing opposition from drug makers. There are plans in place to release biosimilar drugs to market that should promote healthy competition resulting in lower prices. The current Presidential Administration believes that it is close to releasing a new plan to change the way pharmacy benefits managers (PBMs) get paid. Combining PBM payment changes with removing restrictions on imported drugs and making more drugs available over the counter, the Administration believes it will dramatically reshape the landscape of pharmaceutical drug pricing.

The boldest attempt of the current Presidential Administration is removing restrictions on imported drugs. The Federal Drug Administration (FDA) has considerable concerns about the safety of drugs that would be imported from countries with less strict regulations. Top officials from the FDA are currently working with the Presidential Administration to get answers to the many questions they believe will govern the success of imported drugs in the future.

The PBM industry acts as a third-party advocate between insurers and drug companies to bolster deals for reduced pricing. The current Presidential Administration has indicated that it intends to remove safe harbor regulations for prescription drug rebates; ultimately eliminating the rebates. At this time, it is still uncertain how substantial the impact of regulatory change for rebates would be on the market, but PBM entities saw an immediate depreciation as the news of potential rebate changes spread.

In 2018, the PEIA's claims costs fell 3.0%.

Capital asset and long-term debt activity

The PEIA had $13 in capital asset additions in 2018.

Request for information

This financial report is designed to provide the PEIA's customers, governing officials, legislators, citizens and taxpayers with a general overview of the 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 extension 52642.

Basic Financial Statements
(in thousands)

West Virginia Public Employees Insurance Agency
Statements of Net Position
June 30, 2018 and 2017
(in thousands)

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 7,832**	$ 8,799
Equity position in investment pool	**21,049**	35,378
Premiums receivable:		
Other, less allowance for doubtful accounts of $243 and $114, respectively	**5,662**	8,642
Premiums due from State of West Virginia	**2,569**	-
Appropriation due from State of West Virginia	**2,500**	-
Accounts receivable:		
Provider refunds, less allowance for doubtful accounts of $1,275 and $1,727, respectively	**960**	593
Due from RHBT	**16,537**	1,449
Prescription rebates	**27,098**	21,119
Other	**464**	747
Total current assets	**84,671**	76,727
Noncurrent assets:		
Equity position in investment pools	**198,826**	153,908
Equity position in investment pool – restricted	**15,089**	19,973
Capital assets, net of accumulated depreciation of $10,122 and $ 10,058, respectively	**196**	247
Total noncurrent assets	**214,111**	174,128
Total assets	**298,782**	250,855
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**497**	575
OPEB	**65**	-
Total deferred outflows of resources	**562**	575

See accompanying notes.

West Virginia Public Employees Insurance Agency
Statements of Net Position
June 30, 2018 and 2017
(in thousands)

	2018	2017
LIABILITIES		
Current liabilities:		
Claims payable	**$ 67,605**	$ 64,649
Accounts payable	**4,385**	5,554
Unearned revenue	**13,661**	7,252
Other accrued liabilities	**2,320**	2,543
Premiums Due to State of West Virginia	**-**	400
Total current liabilities	**87,971**	80,398
Noncurrent liabilities:		
Other accrued liabilities:		
Other noncurrent liabilities	**1,152**	1,970
Premium stabilization fund	**15,089**	19,973
Total noncurrent liabilities	**16,241**	21,943
Total liabilities	**104,212**	102,341
DEFERRED INFLOWS OF RESOURCES		
Pension	**434**	44
OPEB	**144**	-
Total deferred inflows of resources	**578**	44
Net position:		
Investment in capital assets	**196**	247
Unrestricted	**194,358**	148,799
Total net position	**$ 194,554**	$ 149,046

See accompanying notes.

West Virginia Public Employees Insurance Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017
(in thousands)

	2018	2017
Operating revenues:		
Premiums net of provisions for bad debts of		
$(129) and $(80), respectively	**$ 610,623**	$ 625,116
Less:		
Payments to managed care organizations	**(43,220)**	(41,700)
Basic life insurance premiums ceded	**(1,237)**	(1,261)
Optional life insurance premiums ceded	**(6,094)**	(5,992)
Net premium revenue	**560,072**	576,163
Administrative fees, net of refunds	**4,782**	4,861
Total operating revenues	**564,854**	581,024
Operating expenses:		
Claims expense, net	**518,496**	534,717
Administrative service fees	**11,222**	10,542
Other expenses	**7,358**	7,657
Total operating expenses	**537,076**	552,916
Operating income	**27,778**	28,108
Nonoperating revenues:		
Investment income, net of fees	**7,525**	12,808
State appropriation	**10,000**	10,000
Total nonoperating income	**17,525**	22,808
Change in net position	**45,303**	50,916
Net position:		
Net position, beginning of year	**149,046**	98,130
Cumulative effect of adoption of accounting principle	**205**	-
Net position, beginning of year, as restated	**149,251**	98,130
Net position, end of year	**$ 194,554**	$ 149,046

West Virginia Public Employees Insurance Agency
Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(in thousands)

	2018	2017
Operating activities:		
Cash received from participants	**$ 558,673**	$ 569,323
Cash received from pharmacy rebates	**44,848**	27,448
Cash paid to employees for salaries and benefits	**(1,005)**	(1,303)
Cash paid to suppliers and others	**(17,315)**	(26,491)
Cash paid for claims	**(560,388)**	(577,899)
Net cash provided by (used in) operating activities	**24,813**	(8,922)
Noncapital financing activities:		
Advances to RHBT	**(15,088)**	(8,474)
State appropriation	**7,500**	10,000
Net cash (used in) provided by noncapital financing activities	**(7,588)**	1,526
Capital and related financing activities:		
Purchases of capital assets	**(13)**	(137)
Net cash used in capital and related financing activities	**(13)**	(137)
Investing activities:		
Purchases of investments	**(99,073)**	(86,362)
Sale of investments	**54,156**	119,873
Investment earnings	**7,525**	2,034
Net cash (used in) provided by investing activities	**(37,392)**	35,545
Net increase (decrease) in cash and cash equivalents	**(20,180)**	28,012
Cash and cash equivalents at beginning of year	**64,150**	36,138
Cash and cash equivalents at end of year	**$ 43,970**	$ 64,150
Cash and cash equivalents consist of:		
Cash and cash equivalents	**7,832**	8,799
Equity position in investment pool – current	**21,049**	35,378
Equity position in investment pool – restricted	**15,089**	19,973
	$ 43,970	$ 64,150

See accompanying notes.

West Virginia Public Employees Insurance Agency
Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(in thousands) ***Continued***

	2018	2017
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income	**$ 27,778**	$ 28,108
Adjustments:		
Depreciation	**64**	54
Provision for uncollectible accounts	**129**	210
Pension and OPEB expense	**135**	120
(Increase) decrease in operating assets:		
Premiums receivable	**2,851**	(1,077)
Due from State of West Virginia	**(2,569)**	-
Provider refunds receivable	**(367)**	(368)
Prescription refunds receivable	**(5,979)**	(9,828)
Other	**283**	32
(Decrease) increase in operating liabilities:		
Claims payable	**2,956**	(8,874)
Accounts payable	**(1,169)**	(1,822)
Premium deficiency	**-**	(6,860)
Unearned revenue	**6,409**	(1,650)
Other accrued liabilities	**(220)**	465
Due to State of West Virginia	**(400)**	(671)
Premium stabilization fund	**(4,884)**	(6,576)
Deferred outflows of resources, pension and OPEB	**(204)**	(185)
Total adjustments	**(2,965)**	(37,030)
Net cash provided by (used in) operating activities	**$ 24,813**	$ (8,922)
Noncash activities:		
Increase in fair value of investments	**$ 5,000**	$ 10,546

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). The 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).

The 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 the PEIA. See "Annual Financial Plan" for further discussion of this process. The PEIA's enrollment consists of approximately 72,993 health and basic life insurance policyholders and 7,669 policyholders with life insurance only. The PEIA insures approximately 164,599 individuals, including participants and dependents.

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

The basic financial statements of the 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 the PEIA. They do not purport to and do not present fairly the net position of the State as of June 30, 2018 and 2017, 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

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

Annual financial plan

The Act requires the Finance Board of the 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 the PEIA. An independent professional actuary must review the plan and give an opinion stating that the plan may reasonably be expected to generate sufficient revenue to meet estimated insurance claims and administrative expenses. The financial plan must be presented to the Governor and the Legislature no later than January 1, prior to the beginning of the new plan year.

The PEIA Finance Board establishes the 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 the 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 the PEIA, estimated prescription refunds and rebates that are due the 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

The 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 the PEIA based on the balance of the PEIA's investments maintained in relation to the total investments of all State agencies participating in the Pool. The equity position in investment pools is reported at amortized cost, or fair value and changes in fair value are included in investment income.

A 13-member Board of Trustees governs the WVIMB. Three members of the Board serve by virtue of their office: the Governor, the Auditor and the Treasurer. The other ten are appointed by the Governor and confirmed by the State Senate. All appointees must have experience in pension management, institutional management, or financial markets. In addition, one must be an attorney experienced in finance and investment matters and another must be a certified public accountant. Only six of the ten appointed Trustees may be from the same political party. The Governor serves as Chairman of the Board. A Vice-Chairman is elected by the Trustees. A Secretary, who need not be a member of the Board, is also elected by the Trustees to keep a record of the proceedings of the Board. Details regarding these investment pools and a copy of the WVIMB financial report can be obtained by contacting:

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

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

Fair value measurements

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

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 judgment and considers factors specific to the investment.

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

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

- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.

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

Capital assets

Capital assets with an initial cost of $500 or greater are recorded at cost. The PEIA has assigned a useful life of three to five years for capital assets. Depreciation expense computed using the straight-line method was $64 and $54 for the years ended June 30, 2018 and 2017, 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 $497 and $575 for the years ending June 30, 2018 and 2017, respectively, related to employer contributions to the Public Employees Retirement System (PERS) made during the current fiscal year subsequent to the measurement date. Deferred outflows also consisted of other amounts related to differences between projected and actual earnings on pension plan investments, differences between expected and actual experience related to pension and changes in proportion and differences between the PEIA's contributions and proportionate share of contributions. Deferred outflows of resources related to other postemployment benefits in the statements of net position were composed of $65 for the year ending June 30, 2018, related to employer contributions to the RHBT made during the current fiscal year subsequent to the measurement date.

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 the 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, the PEIA is responsible for such liability. Claims expense is reported net of pharmacy rebate income of $50,827 and $37,275 for the years ended June 30, 2018 and 2017, respectively.

Premium deficiency reserve

Premium deficiency is required when policies in force as of the financial statement date are expected to produce a loss when claims cost (including IBNR), plus expected claims adjustment expenses, are expected to exceed related premiums. In making its determination, management took into consideration anticipated premium revenue and claims costs. The 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. Management determined that a premium deficiency reserve was not necessary at June 30, 2018 or 2017.

The 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 the PEIA. If the assets of the 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 postemployment benefits

Employees fully vest in all earned but unused annual leave and the 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 postemployment health care coverage through the 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 the PEIA's contributions and proportionate share of contributions and differences in assumptions. Deferred inflows of resources related to other-post employment benefits relate to differences between expected and actual experience, net different between expected and actual earnings on OPEB plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions.

Insurance programs and related premium revenues

The 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. The PEIA collects premiums for participants in the PPB plan and uses these premiums in the administration of the plan. Additionally, the 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, the PEIA collects premiums from employers and remits a capitation fee to an MCO carrier. The capitation fees paid by the PEIA to each MCO are in accordance with their respective contracts. Benefits are the responsibility of each MCO carrier. The premiums earned by the PEIA have been included in gross premium revenue while the capitation fees submitted to each MCO carrier are reflected as a reduction in premium revenue on the financial statements.

Effective July 1, 2017, the Finance Board approved that opt-out employers (OPEB ineligible) were no longer required to pay a retiree subsidy contribution to RHBT, but instead would be responsible for the equivalent full active health PEIA premium. Accordingly, all payments received by opt-out employers subsequent to July 1, 2017 are recorded as PEIA premiums.

As of the June 2018 coverage month, the PEIA provided health coverage to 121 State agency divisions with approximately 19,963 primary participants (not including dependents), 55 county school boards with approximately 30,181 primary participants, 545 local government entities with approximately 12,778 primary participants and 20 college and university entities with approximately 10,071 primary participants. Approximately 91,606 dependents participated in the PEIA health plans as well.

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

Employees covered through the PEIA are eligible to obtain decreasing term life insurance under a basic and optional life insurance plan. Basic life benefits, which include AD&D averaging from $0.60 to $1.20 a month for a $5,000 to $10,000 policy (depending on age), are available to active State employees at no cost to the employee. Coverage amounts decrease with age. No AD&D benefits are available to retirees. Basic life benefits are available to retirees with coverage ranging from $3 to $5 per month for a $2,500 or $5,000 policy, depending on age. The PEIA has reinsured 100% of these basic benefits; however, the 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 a reduction in premium revenue on the financial statements.

Active employees may elect to obtain additional optional coverage for both life and AD&D with coverage from $0.20 to $288 per month that decreases with age. Active employees may also elect dependent optional life coverage and AD&D at a level up to $40,000 per spouse and $15,000 per child. Retirees may obtain optional life insurance coverage from $0.40 to $501 per month depending on age; however, optional AD&D insurance is not available to retirees. Retirees may also elect dependent optional life coverage at levels up to $40,000 for a spouse and $15,000 per child, however, dependent optional AD&D insurance is not available to retirees. Amounts collected by the PEIA from employees for optional coverage totaled $5,963 and $5,992 during the fiscal years ended June 30, 2018 and 2017, respectively, and were remitted directly to the carrier.

Revenues include an administrative fee that the 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

The 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 the 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, the PEIA displays net position in three components, if applicable: net investment in capital assets, restricted and unrestricted.

> Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(in thousands)

Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Net position should be reported as restricted when constraints placed on net position use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Assets – Unrestricted assets consist of assets that do not meet the definition of “restricted” or “investment in capital assets”. In the governmental environment, assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statements of net position.

West Virginia Code Section 5-16-25 requires the Finance Board of the PEIA to maintain a reserve of 10% of projected plan costs for general operation purposes and provide future plan stability. In the event the reserve fund exceeds 15% of the actuarial recommended reserve of 20% to 24% of total projected costs, the excess is required to be transferred to the RHBT. There were no excess reserves to be transferred for the years ended June 30, 2018 and 2017.

Reclassifications

Certain reclassifications have been made to the June 30, 2017 financial statement presentation to correspond to the current period’s presentation. Such reclassifications had no impact on previously reported increase in net position or change in net position.

Subsequent events

In preparing these financial statements, the PEIA has evaluated events and transactions for potential recognition or disclosure through October 12, 2018, the date the financial statements were available for issuance.

3. Adoption of New Accounting Pronouncements and Restatement of Beginning Net Position

Effective July 1, 2017, the PEIA adopted the provisions of GASB Statement No. 75 and GASB Statement No. 85. As summarized below, a cumulative effect adjustment of $205 has been recorded to increase net position previously reported at the beginning of fiscal year 2017. The PEIA determined that it was not practical to restate the prior year financial statements as the information was not provided by the RHBT, 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 OPEB liability and a more comprehensive measure of OPEB expense.

Net Position at the Beginning of the Year Required Statement:

Net Position beginning of year, as previously reported	$ 149,046
Total cumulative effect adjustment	205
Net Position at June 30, 2017, restated	$ 149,251

The PEIA’s net OPEB liability recorded as of June 30, 2018 is $755. Employer contributions to the RHBT made during the current fiscal year subsequent to the OPEB liability measurement date are recorded as deferred outflows of resources relating to these payments of $65. Additionally, differences between expected and actual experience and the net difference between expected and actual earnings on OPEB Plan investments are required to be recorded as deferred inflows and amortized over the average remaining service lives of 4.714 and 5 years, respectively. The PEIA's change in proportion and difference between employer contributions and proportionate share of contributions was recognized as a deferred inflow as of June 30, 2018 and is amortized over 5 years. For the fiscal year ended June 30, 2018, the PEIA reported deferred inflows of resources of $144.

(in thousands)

See Note 9 for additional OPEB disclosures.

4. Cash and Cash Equivalents

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

	2018	2017
Cash and cash equivalents on deposit with State Treasurer	**$ 5,302**	$ 6,080
Deposits with outside financial institutions	**2,530**	2,719
Cash and cash equivalents reported on statement of net assets	**7,832**	8,799
Equity position in investment pool with BTI – current-unrestricted	**21,049**	31,448
Equity position in investment pool with Minnesota Life– current-unrestricted	**-**	3,930
Equity position in investment pool with BTI – noncurrent-restricted	**3,477**	2,166
Equity position in investment pool with Minnesota Life – noncurrent-restricted	**11,612**	17,807
Total cash and cash equivalents	**$ 43,970**	$ 64,150

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, the PEIA's deposits might not be recovered. The PEIA has no deposit policy for custodial credit risk.

As of June 30, 2018 and 2017, the carrying amount of the PEIA's outside bank deposits was $2,530 and $2,719, respectively, and the bank balances totaled $2,577 and $2,558, respectively.

Equity position in investment pools managed by BTI

WEST VIRGINIA MONEY MARKET POOL

The 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 $24,526 and $33,614 at June 30, 2018 and 2017, respectively. These deposits are reported as equity position in investment pools. Investment income earned is pro-rated to the 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 the PEIA with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website www.wvbti.com.

(in thousands)

Credit Risk and Interest Rate Risk

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

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor's (or its equivalent). 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.

The overall weighted average maturity of the investments of the WV 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 information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	June 30, 2018		June 30, 2017	
Investment Type	**Fair Value**	**WAM Days**	**Fair Value**	**WAM Days**
Repurchase agreements	**$ 227,800**	**3**	$ 110,800	3
U.S. Treasury notes	**90,330**	**73**	97,823	44
U.S. Treasury bills	**252,084**	**69**	69,837	88
Commercial paper	**1,868,900**	**36**	1,064,527	36
Certificates of deposit	**663,801**	**29**	330,476	41
Corporate bonds and notes	**18,078**	**21**	9,485	79
U.S. agency bonds/notes	**-**	**-**	-	-
Money market funds	**143,067**	**3**	100,005	3
Total rated investments	**$ 3,264,060**		$ 1,782,953	

The PEIA's amount invested in the West Virginia Money Market Pool of $24,526 and $33,614 is included in equity position in investment pools at June 30, 2018 and 2017, respectively, representing approximately 0.8% and 2.03%, respectively, of total investments in this Pool.

(in thousands)

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

	Credit Rating		2018		2017	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent**	**Carrying Value**	**Percent**
Commercial paper	P-1	A-1+	**$ 473,172**	**14.50%**	$ 358,377	20.10 %
	P-1	A-1	**1,351,128**	**41.39**	706,150	39.60
	P-2	A-1	**44,600**	**1.37**	-	-
Corporate bonds and notes	P-1	A-1	**18,078**	**0.55**	-	-
	Aa3	AA-	**-**	**-**	6,285	0.35
	A1	A	**-**	**-**	3,200	0.18
U.S. agency bonds	Aaa	AA+	**-**	**-**	-	-
U.S. Treasury notes	Aaa	AA+	**90,330**	**2.77**	97,823	5.49
U.S. Treasury bills	P-1	A-1+	**252,084**	**7.72**	69,837	3.92
Negotiable CDs	P-1	A-1+	**205,501**	**6.30**	174,000	9.76
	P-1	A-1	**458,300**	**14.04**	156,476	8.78
Money market funds	Aaa	AAAm	**143,067**	**4.38**	100,005	5.61
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AA+	**227,800**	**6.98**	-	-
	P-1	A-1	**-**	**-**	50,000	2.80
	NR	A-1	**-**	**-**	60,800	3.41
			$ 3,264,060	**100.00%**	$1,782,953	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, 2018 and 2017, the Pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial Credit Risk

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

Foreign Currency Risk

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

WV Short Term Bond Pool

The 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 long-term corporate debt be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). 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.

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

	June 30, 2018			
Investment Type	Moody's	Credit Rating S&P	Carrying Value	Percent of Pool Assets
U.S. Treasury notes *	Aaa	AA+	$ 86,189	12.10 %
U.S. agency collateralized mortgage obligations *	Aaa	AA+	32,546	4.57
Corporate fixed- and floating-rate bonds and notes	Aaa	AAA	2,878	0.40
	Aa1	AA+	5,012	0.70
	Aa2	AA+	3,990	0.56
	Aa2	AA-	7,094	1.00
	Aa2	A+	9,940	1.39
	Aa3	AA-	13,999	1.96
Corporate fixed- and floating-rate bonds and notes (continued)	Aa3	A+	5,084	0.71
	A1	AA-	11,813	1.66
	A1	A+	10,595	1.49
	A1	A	6,306	0.88
	A1	A-	3,273	0.46
	A2	A+	5,968	0.84
	A2	A	27,673	3.89
	A2	A-	11,531	1.62
	A3	A	8,974	1.26
	A3	A-	29,872	4.19
	A3	BBB+	27,112	3.80
	Baa1	A	2,828	0.40
	Baa1	A-	8,922	1.25
	Baa1	BBB+	28,242	3.96
	Baa1	BBB	13,078	1.84
	Baa2	A-	1,016	0.14
	Baa2	BBB+	8,353	1.17
	Baa2	BBB	30,250	4.25
	Baa2	BBB-	2,946	0.41
	Baa3	BBB+	3,003	0.42
	Baa3	BBB	8,548	1.20
	Baa3	BBB-	12,378	1.74
	Baa3	NR	2,135	0.30
	Ba1	A-	350	0.05
	Ba1	BBB	2,007	0.28
	Ba1	BBB-	6,219	0.87
	NR	BBB+	2,572	0.36
	NR	BBB-	1,953	0.28
Collateralized mortgage obligations	Aaa	AAA	14,773	2.07
	Aaa	NR	3,308	0.46
Commercial mortgage-backed securities	Aaa	NR	3,014	0.42
Asset-backed securities	Aaa	AAA	87,146	12.23
	Aaa	NR	88,599	12.44
	NR	AAA	66,039	9.27
Money market funds	Aaa	AAAm	5,054	0.71
			$ 712,582	90.24 %

NR = Not Rated

(in thousands)

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

NR = Not Rated

Interest Rate Risk

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

(in thousands)

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

Investment Type	June 30, 2018 Carrying Value	June 30, 2018 Effective Duration (Days)	June 30, 2017 Carrying Value	June 30, 2017 Effective Duration (Days)
Corporate fixed rate bonds and notes	$ 178,097	696	$ 355,535	412
Corporate asset backed securities	241,784	374	217,672	423
Commercial Paper	-	-	23,903	113
Corporate floating rate bonds and notes	147,817	44	-	-
Collateralized mortgage obligations	18,081	106	-	-
U.S. Treasury bonds and notes	86,189	472	87,588	766
U.S. agency mortgage backed securities	32,546	56	37,287	148
Corporate mortgage backed securities	3,014	52	21,498	347
Money market funds	5,054	-	11,479	1
	$ 712,582	372	$ 754,962	426

The PEIA's investment in the BTI WV Short Term Bond Pool of $0.47 and $0.47 at June 30, 2018 and 2017, respectively, represents approximately 0.00% and 0.00%, respectively, of total investments in this Pool and is reported as part of current equity position in investment pools and part of noncurrent – restricted equity position in investment pools on the statement of net position.

Custodial Credit Risk

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

Fair Value Measurements

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

Investment Type	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total
Corporate fixed rate bonds and notes	$ -	$ 178,097	$ -	$ 178,097
Corporate floating rate bonds and notes	-	147,817	-	147,817
Asset backed securities	-	241,784	-	241,784
Commercial paper	-	-	-	-
U.S. Treasury notes	86,189	-	-	86,189
U.S. agency collateralized mortgage obligations	-	32,546	-	32,546
Collateralized mortgage obligations	-	18,081	-	18,081
Commercial mortgage backed securities	-	3,014	-	3,014
Money market funds	5,054	-	-	5,054
Total	$ 91,243	$ 621,339	$ -	$ 712,582

(in thousands)

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

Equity position in investment pools managed by the 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	
	2018	**2017**
Asset allocation (actual):		
TIPS pool	**$ 30,155**	$ 22,411
Domestic Equity	**24,462**	-
Large cap domestic equity pool	**-**	15,750
Non-large cap domestic equity pool	**-**	3,226
International nonqualified pool	**8,244**	6,876
International equity pool	**16,061**	14,195
Total return fixed income	**52,652**	43,377
Core fixed income	**22,967**	18,408
Hedge fund	**44,285**	29,665
Total	**$ 198,826**	$ 153,908

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 pool below are reported in equity position in investment pools – noncurrent-unrestricted on the statement of net assets.

	Policy Target		Strategic Allocation	
Asset Class	**2018**	**2017**	**2018**	**2017**
Domestic equity	**10.0%**	10.0%	**0.0%**	15.0 %
International equity	**10.0**	10.0	**0.0**	15.0
Total equity	**20.0%**	20.0%	**0.0%**	30.0 %
Fixed income	**80.0%**	80.0%	**40.0%**	40.0 %
TIPS	**-**	-	**0.0%**	10.0 %
Hedge fund	**-**	-	**0.0%**	20.0 %
Cash		*		*

(in thousands)

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

Asset class risk disclosures

U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS)

The pool was established to offer an additional level of diversification over and above the nominal fixed income securities in an attempt to mitigate the risk of inflation. The main objective for the Pool is to generate a return that exceeds the rate of inflation over a market cycle, to provide investment income and stability of principal and to diversify interest rate exposure. The Pool's performance is measured against the Bloomberg Barclays U.S. Treasury Inflation Protection Index on an annualized basis over rolling three- to five- year periods, gross of fees. Assets were managed by State Street Global Advisors through April 2, 2018. Effective April 4, 2018, the Pool invests in BlackRock U.S. Treasury Inflation Protected Securities Fund B (BlackRock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

The PEIA's amount invested in the TIPS Pool of $30,155 and $22,411 at June 30, 2018 and 2017, respectively, represented approximately 7.71% and 6.8% respectively, of total investments in this Pool.

Credit Risk and Interest Risk
The Pool invests in a commingled bond fund that holds primarily U.S. Treasury inflation protected securities. This investment is exposed to credit and interest rate risk. The fund is not rated by a nationally recognized statistical rating organization. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for 1% change in interest rates. As of June 30, 2018, the fund had an effective duration of 7.66 years.

As of June 30, 2017, the WVIMB limited the exposure to credit risk in the Pool by primarily investing in U.S. Treasury inflation-protected securities (TIPS). The WVIMB monitored 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 credit ratings of the rated assets in the Pool as of June 30:

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

Concentration of Credit Risk
As of June 30, 2018 and 2017, respectively, the Pool is not exposed to concentration of credit risk.

Custodial Credit Risk
As of June 30, 2018 and 2017, respectively, the Pool is not exposed to custodial credit risk.

Right currency risk
As of June 30, 2018 and 2017, respectively, the Pool is not exposed to right currency risk.

(in thousands)

Foreign Currency Risk
As of June 30, 2018 and 2017, respectively, the Pool is not exposed to right currency risk.

Fair Value Measurements
The tables below summarize the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30:

	2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Comingled bond fund	**$ 391,265**	**$ -**	**$ -**	**$ 391,265**

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

DOMESTIC EQUITY POOL

On July 1, 2017, the WVIMB created the Domestic Equity Pool (Pool) to invest in U.S. equities of small-, mid- and large-cap growth and value stocks. On July 1, 2017, the assets and liabilities of $3,546,187 from the Large Cap Domestic Equity Pool and $720,632 from the Non-Large Cap Domestic Equity Pool, were transferred in-kind to the Pool.

Investment disclosures reported previously under the Large Cap Domestic Equity Pool and Non-Large Cap Domestic equity Pools on June 30, 2017 have been consolidated into one Domestic Equity Pool for reporting as of June 30, 2018. Prior year disclosures related to the Large Cap and Non-Large Cap Domestic Equity Pools will immediately follow the Domestic Equity Pool.

The Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods. The PEIA's amount invested in the Domestic Equity Pool of $24,462 at June 30, 2018 represented approximately 0.54% of total investments in this Pool.

Credit and interest risk
The Pools Money market mutual fund investment and investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. Credit risk from securities lending collateral investments are 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 by P-1 b Moody's or A-1 by Standard & Poor's at the time of purchase. The WVIMB Reviews available ratings from Standard & Poor's' and Moody's.

(in thousands)

The following table provides the credit ratings indicative of the great degree of risk of the Pool's securities lending collateral investments as of June 30, 2018:

Rating	Fair Value
AAA	**$ 47,082**
AA	**5,064**
A	**5,288**
BBB	**7,219**
Not applicable	**110,807**
Total securities lending collateral	**$ 175,460**

The Pool is exposed to interest rate risk from its money market mutual fund investment and from investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the WAM for securities lending collateral was 2 days.

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, 2018 the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial credit Risk

At June 30, 2018, 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. Securities on loan are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign currency risk

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

Fair Value Measurements

GASB Statement No. 72 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value of an investment is the amount 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 (i.e., the exit price).

GASB Statement No. 72 establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

(in thousands)

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 judgment and considers factors specific to the investment.

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2018:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	$ 1,924,392	$ -	$ -	$ 1,924,392
Common stock	2,533,416	-	-	2,533,416
Securities lending collateral	-	175,460	-	175,460
Money market mutual funds	55,540	-	-	55,540
Total	$ 4,513,348	$ 175,460	$ -	$ 4,688,808

LARGE CAP DOMESTIC EQUITY POOL

On July 1, 2017, the WVIMB created the Domestic Equity Pool to invest in U.S. equities of small-, mid- and large-cap growth and value stocks. On July 1, 2017, the assets and liabilities from the Large Cap Domestic Equity Pool and the Non-Large Cap Domestic Equity Pool, were transferred in-kind to the Pool.

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

Credit Risk and Interest Rate Risk

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

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

(in thousands)

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

Investment Type	2017 Fair Value	2017 WAM (Days)
Repurchase agreements	$ 110,335	3
Time deposits	76,236	3
Total	$ 186,571	

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

Fair Value Measurements

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

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

NON-LARGE CAP DOMESTIC EQUITY POOL

The Pool invests in the equities of small to mid-sized companies and its objective is to exceed, net of external investment management fees, the Russell 2500 Index over three- to five-year periods. Assets are managed by AJO and Westfield Capital Management (Westfield). The PEIA's amount invested in the Non-Large Cap Domestic Equity Pool of $3,226 at June 30, 2017 representing approximately0.4%of total investments in this Pool.

Credit Risk and Interest Rate Risk

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

(in thousands)

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

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

	2017	
Investment Type	**Fair Value**	**WAM (Days)**
Repurchase agreements	$ 125,660	2
Time deposits	86,826	1
Total	$ 212,486	

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, 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

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

Foreign Currency Risk
The Pool is exposed to no or minimal foreign currency risk as of June 30, 2017.

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:

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

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

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 diversified developed country, non-U.S. equity, bottom-up value-oriented portfolio of securities with limited exposure to emerging markets and no reasonable concentration exposure to any single issuer or country.

The PEIA's amount invested in the International Non-qualified Pool of $8,244and $6,876 at June 30, 2018 and 2017, respectively, represents approximately 3.83% and 3.4%, respectively, of total investments in this Pool.

Investment Risk
The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this Pool at June 30, 2018 and 2017 was $215,417 and $201,799, respectively. This investment, 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.

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

Redemption Provisions
The Pool is restricted to the following redemption provisions: monthly with ten days advance written notice and generally be made within seven business days following month-end.

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 $16,061 and $14,195 at June 30, 2018 and 2017, respectively, represents approximately 0.5% and 0.5%, respectively, of total investments in this Pool.

Credit Risk and Interest Rate Risk
The Pool's money market mutual fund investments made with cash collateral for securities loaned are exposed to credit risk. The money market mutual fund has the highest credit rating. Credit risk from securities lending collateral investments are 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 WVIMB reviews available ratings from Standard & Poor's and Moody's.

(in thousands)

The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2018:

Rating	Fair Value
AAA	$ 20,359
AA	2,190
A	2,287
BBB	3,122
Not applicable	47,916
Total securities lending collateral	$ 75,874

As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the WAM for securities lending collateral was 2 days.

As of June 30, 2017, the Pool was 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 weighted average credit ratings and weighted average maturities (WAM) as of June 30, 2017:

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

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, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2018 and 2017, 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. Securities on loan are collateralized to a minimum of 102% and the collateral is held by WVIMB's custodian in the name of WVIMB. All remaining securities are held by the WVIMB's custodian in the name of WVIMB.

(in thousands)

Foreign Currency Risk
The Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks.

The tables below show the amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30:

	2018			
Currency	**Equity Investments**	**Cash**	**Foreign Currency Spot Contracts**	**Total**
Australian Dollar	$ 90,582	$ 1	$ -	$ 90,583
Brazil Real	98,891	494	(20)	99,365
British Pound	275,749	493	115	276,357
Canadian Dollar	110,687	226	-	110,913
Chilean Peso	4,661	-	-	4,661
Czech Koruna	3,051	-	-	3,051
Danish Krone	19,525	9	1	19,535
Egyptian Pound	1,733	-	-	1,733
Emirati Dirham	-	10	-	10
Euro Currency Unit	434,429	4008	80	438,517
Hong Kong Dollar	356,625	5,338	(1)	361,962
Hungarian Forint	6,907	28	(1)	6,935
Indian Rupee	79,014	12,993	-	92,007
Indonesian Rupiah	15,318	93	-	15,411
Israeli Shekel	12,605	27	-	12,632
Japanese Yen	402,074	5,651	(40)	407,685
Malaysian Ringgit	28,119	1,284	(2)	29,401
Mexican Peso	47,526	140	-	47,666
New Taiwan Dollar	100,384	855	-	101,239
New Zealand Dollar	357	5	-	362
Norwegian Krone	25,384	307	(4)	25,687
Pakistan Rupee	2,949	-	-	2,949
Philippine Peso	6,761	5,082	-	11,843
Polish Zloty	4,150	73	(34)	4,189
Qatari Riyal	1,249	40	-	1,289
Singapore Dollar	15,955	207	2	16,164
South African Rand	46,338	10	(55)	46,293
South Korean Won	209,540	1,846	(1)	211,385
Swedish Krona	39,199	129	1	39,329
Swiss Franc	85,297	62	6	85,365
Thailand Baht	53,440	2	(9)	53,433
Turkish Lira	24,459	16	(6)	24,469
Total	$ 2,602,958	$ 39,429	$ 33	$ 2,642,420
US. Dollar	337,370	-	-	337,370
Total	$ 2,940,328	$ 39,429	$ 33	$ 2,979,790

(in thousands)

	2017		
Currency	**Investments**	**Cash**	**Total**
Australian Dollar	$ 86,903	$ 3,905	$ 90,808
Brazil Real	107,336	1,305	108,641
British Pound	268,603	8,426	277,029
Canadian Dollar	114,239	77	114,316
Chilean Peso	14,919	-	14,919
Czech Koruna	7,352	108	7,460
Danish Krone	11,750	(1)	11,749
Egyptian Pound	1,605	-	1,605
Emirati Dirham	6,060	10	6,070
Euro Currency Unit	463,410	6,309	469,719
Hong Kong Dollar	332,332	9,785	342,117
Hungarian Forint	6,749	58	6,807
Indian Rupee	93,581	1,604	95,185
Indonesian Rupiah	33,767	59	33,826
Israeli Shekel	13,482	35	13,517
Japanese Yen	371,110	2,302	373,412
Malaysian Ringgit	26,081	508	26,589
Mexican Peso	47,583	263	47,846
New Taiwan Dollar	75,661	2,418	78,079
New Zealand Dollar	6,060	7	6,067
Norwegian Krone	19,812	598	20,410
Pakistan Rupee	3,848	-	3,848
Philippine Peso	10,603	2	10,605
Polish Zloty	13,957	-	13,957
Qatari Riyal	99	32	131
Singapore Dollar	18,722	445	19,167
South African Rand	56,807	30	56,837
South Korean Won	218,594	1,856	220,750
Swedish Krona	37,428	(1)	37,427
Swiss Franc	109,989	1,566	111,555
Thailand Baht	54,069	(6)	54,063
Turkish Lira	55,190	96	55,286
Total	$ 2,688,001	$ 41,796	$ 2,729,797

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 $487,320, or 15.1%.

(in thousands)

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30:

	2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common stock	**$ 2,875,697**	**$ -**	**$ -**	**$ 2,875,697**
Investments made with cash collateral for securities loaned	**-**	**75,874**	**-**	**75,874**
Preferred stock	**61,720**	**-**	**-**	**61,720**
Rights	**2,911**	**-**	**-**	**2,911**
Money market mutual fund	**26,558**	**-**	**-**	**26,558**
Total	**$ 2,966,886**	**$ 75,874**	**$ -**	**$ 3,042,760**

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

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

TOTAL RETURN FIXED INCOME POOL

This Pool's objective is to generate investment income, provide stability and diversification, but not at the expense of total return. Dodge & Cox, Franklin Templeton Investments 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 Bloomberg Barclays U.S. Universal Bond Index over three to five-year period. The PEIA's amount invested in the Total Return Fixed Income Pool of $52,652 and $43,377 at June 30, 2018 and 2017, respectively, represented approximately 2.23% and 1.9%, respectively, of total investments in the Pool.

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment and certain investments made with cash collateral for securities loaned. 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 organization. The WVIMB reviews available ratings from Standard & Poor's, Moody's and Fitch and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating.

(in thousands)

The following table provides credit ratings of the Pool's fixed income investments as of June 30, 2018:

Rating	Fair Value
AAA	$ 22,196
AA	889,097
A	104,870
BBB	587,744
BB	314,638
B	296,262
CCC	12,274
CC	3,716
C	403
D	3,982
Withdrawn	85
Not rated	38,996
Total securities lending collateral	$ 2,274,263

Credit risk from securities lending collateral investments are 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 WVIMB reviews available ratings from Standard & Poor's and Moody's and reports the rating indicative of the greatest degree of risk.

The following table provides credit ratings of the Pool's securities lending collateral investments as of June 30, 2018:

Rating	Fair Value
AAA	$ 41,003
AA	4,410
A	4,605
BBB	6,287
Not applicable	96,503
Total securities lending collateral	$ 152,808

(in thousands)

The following table provides credit ratings of the Pool's rated assets as of June 30:

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

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment and certain investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the AM for securities lending collateral was 2 days.

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

(in thousands)

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

Investment Type	2018 Fair Value	2018 Effective Duration (Years)	2017 Fair Value	2017 Effective Duration (Years)
Commingled bond funds	**$ 304,379**	**2.5**	$ -	0.0
Common stock	**-**	**0.0**	14	N/A
Corporate asset backed issues	**36,072**	**0.9**	32,078	2.0
Corporate ABS residual	**5,487**	**2.8**	5,034	N/A
Corporate CMO	**71,666**	**1.0**	46,766	0.9
Corporate preferred securities	**-**	**0.0**	10,436	0.1
Foreign asset backed issues	**19,588**	**1.6**	17,436	0.5
Foreign corporate bonds	**296,352**	**5.6**	285,298	6.6
Foreign government bond	**263,976**	**5.3**	244,812	5.3
Investments in other funds	**-**	**0.0**	319,061	2.4
Money market mutual funds	**-**	**0.0**	63,965	N/A
Municipal bonds	**44,629**	**9.6**	47,351	9.0
Options contracts purchase	**-**	**0.0**	2,098	N/A
Repurchase agreement	**10,000**	**0.0**	119,844	0.0
Time deposits	**-**	**0.0**	82,806	0.0
U.S. corporate bonds	**401,582**	**6.9**	460,676	7.0
U.S. Government agency bonds	**2,721**	**1.3**	11,630	0.7
U.S. Government agency CMO	**51,608**	**1.4**	51,865	1.4
U.S. Government agency CMO interest-only	**5,664**	**2.8**	3,796	1.8
U.S. Government agency MBS	**326,082**	**3.7**	289,155	3.0
U.S. Government agency TBA	**8,974**	**6.4**	17,294	5.4
U.S. Treasury bonds	**407,697**	**8.5**	361,886	7.8
U.S. Treasury inflation-protected securities	**17,786**	**17.2**	42,269	13.9
Total investments	**$ 2,274,263**		$ 2,515,570	5.0

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. The Pool held $525,141 and $463,424 of these securities at June 30, 2018 and 2017, respectively, representing approximately 23% and 18% of the value of the Pool's securities.

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, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2018 and 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Securities on loan are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian 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.

(in thousands)

Foreign Currency Risk

The Pool has foreign fixed income, foreign equity investments and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The Pool also has foreign denominated derivative instruments. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately $84,695 and $87,411, or 28.0% and 27.0%, respectively, of the commingled investment pools hold substantially all of their investments in foreign currencies as of June 30, 2018 and 2017. This represents approximately 3.0% and 3.0%, respectively, of the value of the Pool's securities at June 30, 2018 and 2017.

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

	2018			
Currency	**Foreign Fixed Income**	**Foreign Equity Investments**	**Cash**	**Total**
Argentine Peso	$ 8,328	$ -	$ 824	$ 9,152
Azerbaijani Manat	640	-	-	640
Brazil Real	26,048	-	12	26,060
Colombian Peso	5,376	-	-	5,376
Deutsche Mark	1,390	-	-	1,390
Dominican Peso	1,771	-	-	1,771
Egyptian Pound	3,671	-	1,129	4,800
Euro Currency Unit	-	-	9,688	9,688
British Pound	-	-	1,174	1,174
Georgian Lari	2,085	-	-	2,085
Ghana Cedi	2,758	-	-	2,758
Indonesian Rupiah	1,756	-	-	1,756
Indian Rupee	581	-	-	581
Japanese Yen	50,279	-	194	50,473
Kenyan Shilling	2,784	-	-	2,784
Kazakhstani Tenge	1,758	-	-	1,758
Mexican Peso	41,777	-	3,600	45,377
New Zealand Dollar	-	-	797	797
Peruvian Nuevo Sol	1,726	-	-	1,726
Russian Ruble	27,247	-	-	27,247
Swedish Krona	-	-	1,021	1,021
Turkish Lira	3,916	-	-	3,916
Ugandan Shilling	736	-	-	736
Uruguayan Peso	8,218	-	-	8,218
South African Rand	6,174	14	-	6,188
Total foreign denominated investments	199,019	14	18,439	217,472
U.S. Dollar	380,897	-	25,524	406,421
Total	$ 579,916	$ 14	$ 43,963	$ 623,893

(in thousands)

The table below shows the amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, are as follows:

	2017			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
Argentine Peso	$ 10,274	$ 455	$ 10,729	0.4 %
Australian Dollar	-	1,207	1,207	0.0
Azerbaijani Manat	652	-	652	0.0
Brazil Real	22,496	1	22,497	0.9
Canadian Dollar	7,653	-	7,653	0.3
Colombian Peso	5,003	-	5,003	0.2
Deutsche Mark	1,932	-	1,932	0.1
Euro Currency Unit	-	7,865	7,865	0.3
British Pound	4,800	61	4,861	0.2
Georgian Lari	1,678	-	1,678	0.1
Ghana Cedi	2,791	-	2,791	0.1
Indian Rupee	620		620	0.0
Japanese Yen	49,484	921	50,405	2.0
Kenyan Shilling	2,338	40	2,378	0.1
Mexican Peso	39,783	1,014	40,797	1.6
New Zealand Dollar	-	1,251	1,251	0.0
Peruvian Nuevo Sol	1,440	-	1,440	0.1
Russian Ruble	3,637	861	4,498	0.2
Swedish Krona	-	704	704	0.0
Turkish Lira	4,445	-	4,445	0.2
Ugandan Shilling	1,907	-	1,907	0.1
Uruguayan Peso	7,767	-	7,767	0.3
South African Rand	5,882	-	5,882	0.2
Total	$ 174,582	$ 14,380	$ 188,962	7.4 %

The table above excludes investments and cash held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is $2,346,267. This represents approximately 93.0% of the value of the Pool's investments and cash.

Fair Value Measurements

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

(in thousands)

	June 30, 2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	$ -	$ 36,072	$ -	$ 36,072
Corporate ABS residual	-	5,487	-	5,487
Corporate CMO	-	71,666	-	71,666
Corporate preferred security	10,886	-	-	10,886
Foreign asset backed issues	-	19,588	-	19,588
Foreign corporate bonds	-	296,352	-	296,352
Foreign currency forward contracts	-	4,057	-	4,057
Foreign equity investments	14	-	-	14
Foreign government bonds	-	263,976	-	263,976
Future contracts	1,631	-	-	1,631
Money market mutual fund	33,322	-	-	33,322
Municipal bonds	-	44,629	-	44,629
Options contracts purchased	1,887	6,106	-	7,993
Repurchase agreement	-	10,000	-	10,000
Securities lending collateral	-	152,808	-	152,808
Swaps	-	1,599	-	1,599
U.S. corporate bonds	-	401,582	-	401,582
U.S. Government agency bond	-	2,721	-	2,721
U.S. Government agency CMO	-	51,608	-	51,608
U.S. Government agency CMO interest-only	-	5,664	-	5,664
U.S. Government agency MBS	-	326,082	-	326,082
U.S. Government agency TBAs	-	8,974	-	8,974
U.S. Treasury bonds	-	407,697	-	407,697
U.S. Treasury inflation protected securities	-	17,786	-	17,786
Total	$ 47,740	$ 2,134,454	$ -	2,182,194
Commingled debt funds				304,379
Total				$ 2,486,573

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency forward contracts	$ -	$ (642)	$ -	$ (642)
Future contracts	(5,673)	-	-	(5,673)
Options contracts written	(2,363)	(18)	-	(2,381)
Security sold short	-	(489)	-	(489)
Swaps	-	(7,413)	-	(7,413)
Total	$ (8,036)	$ (8,562)	$ -	$ (16,598)

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2018. These commingled debt funds invest in certain niche sectors, particularly ones that are not a significant percentage to the Pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve. These funds offer daily liquidity.

(in thousands)

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

Liabilities	June 30, 2017 Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	$ -	$ (794)	$ -	$ (794)
Future contracts	(1,236)	-	-	(1,236)
Options contracts written	(538)	-	-	(538)
Swaps	-	(1,483)	-	(1,483)
Total	$ (1,774)	$ (2,277)	$ -	$ (4,051)

Redemption Provisions

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

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 outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three to five-year period. The PEIA's amount invested in the Core Fixed Income Pool of $22,967 and $18,408 at June 30, 2018 and 2017, respectively, represented approximately 2.20% and 1.8%, respectively, of total investments in this Pool.

(in thousands)

Credit Risk and Interest Rate Risk

The Pool is exposed to credit risk from its fixed income investments, money market mutual fund investment and certain investments made with cash collateral for securities loaned. The WVIMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the nationally recognized statistical rating organizations. The WVIMB reviews available ratings from Standard & Poor's, Moody's, Fitch and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating.

The following table provides credit ratings for the Pool's fixed income investments as of June 30, 2018.

Rating	Fair Value
AAA	$ 54,135
AA	609,075
A	129,011
BBB	169,116
BB	10,953
B	1,877
CCC	1,091
C	4
D	193
Withdrawn	325
Not rated	51,231
Total fixed income investments	$ 1,027,011

Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standards & 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 WVIMB reviews available ratings from Standard & Poor's, Moody's, Fitch and reports the rating indicative of the greatest degree of risk.

The following table provides credit ratings of the Pool's securities lending collateral investments as of June 30, 2018.

Rating	Fair Value
AAA	$ 20,620
AA	2,218
A	2,316
BBB	3,162
Not applicable	48,528
Total securities lending collateral	$ 76,844

(in thousands)

The following table provides credit ratings of the Pool's various asset types as of June 30:

	2017			
Investment Type	**Moody's**	**S&P**	**Fair Value**	**Percent of Total Investment**
Corporate asset backed issues	Aa	A	$ 102,422	9.3 %
Corporate CMO	A	A	41,600	3.8
Corporate CMO interest-only	B	NR	599	0.1
Corporate CMO principal-only	NR	AA	129	0.0
Foreign asset backed issues	Aaa	AAA	3,446	0.3
Foreign corporate bonds	A	A	52,706	4.8
Foreign government bonds	Aa	A	7,218	0.7
Money market mutual fund	Aaa	AAA	18,950	1.7
Municipal bonds	Aa	AA	9,013	0.8
Repurchase agreements	Aaa	AA	60,406	5.5
Time deposits	P-1	A-1	41,738	3.8
U.S. corporate bonds	A	A	226,894	20.7
U.S. Government agency bonds	Aaa	AA	22,596	2.1
U.S. Government agency CMO	Aaa	AA	114,552	10.5
U.S. Government agency CMO interest-only	Aaa	AA	3,635	0.3
U.S. Government agency CMO principal-only	Aaa	AA	7,159	0.7
U.S. Government agency MBS	Aaa	AA	166,711	15.2
U.S. Treasury bonds	Aaa	AA	215,469	19.7
U.S. Treasury inflation protected security	Aaa	AA	432	0.0
Total Investments			$ 1,095,675	100.0 %

The Pool is exposed to interest rate risk from its fixed income investments, money market mutual fund investment and investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the WAM for securities lending collateral was 2 days.

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

The Pool invests in commercial and residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations. The cash flows from these securities were 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, 2018 and 2017, the Pool held $469,549 and $440,253, respectively, of these securities. This represents approximately 46.0% and 40.0%, respectively, of the value of the Pool's securities.

(in thousands)

The following table provides the weighted average effective duration for the Pool's fixed income investments as of June 30:

	2018		2017	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
Corporate asset backed issues	**$ 137,199**	**2.0**	$ 102,422	2.5
Corporate CMO	**39,165**	**3.2**	41,600	2.6
Corporate CMO interest-only	**396**	**(6.5)**	599	(11.6)
Corporate CMO principal-only	**107**	**3.3**	129	6.8
Foreign asset backed issues	**3,499**	**3.6**	3,446	2.5
Foreign corporate bonds	**64,249**	**5.4**	52,706	5.3
Foreign government bonds	**5,887**	**8.2**	7,218	8.5
Money market mutual funds	**-**	**-**	18,950	N/A
Municipal bonds	**9,007**	**12.9**	9,013	13.6
Repurchase agreements	**-**	**-**	60,406	0.0
Time deposits	**-**	**-**	41,738	0.0
U.S. corporate bonds	**205,614**	**6.5**	226,894	6.1
U.S. Government agency bonds	**18,746**	**2.2**	22,596	2.8
U.S. Government agency CMO	**104,772**	**4.3**	114,552	3.8
U.S. Government agency CMO interest-only	**2,337**	**15.8**	3,635	11.2
U.S. Government agency CMO principal only	**5,683**	**6.7**	7,159	6.8
U.S. Government agency MBS	**176,391**	**4.3**	166,711	4.2
U.S. Treasury bonds	**253,524**	**8.8**	215,469	9.0
U.S. Treasury inflation protected security	**435**	**2.2**	432	3.3
Total	**$ 1,027,011**		$ 1,095,675	5.0

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, 2018 and 2017, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2018 and 2017, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102% and the collateral is held in the name of the WVIMB. Securities on loans are collateralized to a minimum of 102% and the collateral is held by the WVIMB's custodian in the name of the WVIMB. All remaining securities are held by the WVIMB's custodian in the name of the WVIMB.

Foreign Currency Risk

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

(in thousands)

Fair Value Measurements

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

	2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	**$ -**	**$ 137,199**	**$ -**	**$ 137,199**
Corporate CMO	**-**	**39,165**	**-**	**39,165**
Corporate CMO interest - only	**-**	**396**	**-**	**396**
Corporate CMO principal - only	**-**	**107**	**-**	**107**
Foreign assets backed issues	**-**	**3,499**	**-**	**3,499**
Foreign corporate bonds	**-**	**64,249**	**-**	**64,249**
Foreign government bonds	**-**	**5,887**	**-**	**5,887**
Money market mutual fund	**17,736**	**-**	**-**	**17,736**
Municipal bonds	**-**	**9,007**	**-**	**9,007**
Securities lending collateral	-	**76,844**	-	**76,844**
U.S. corporate bonds	**-**	**205,614**	**-**	**205,614**
U.S. Government agency bond	**-**	**18,746**	**-**	**18,746**
U.S. Government agency CMO	**-**	**104,772**	**-**	**104,772**
U.S. Government agency CMO interest-only	**-**	**2,337**	**-**	**2,337**
U.S. Government agency CMO principal-only	**-**	**5,683**	**-**	**5,683**
U.S. Government agency MBS	**-**	**176,391**	**-**	**176,391**
U.S. Treasury bonds	**-**	**253,524**	**-**	**253,524**
U.S. Treasury inflation protected securities	**-**	**435**	**-**	**435**
Total	**$ 17,736**	**$ 1,103,855**	**$ -**	**$ 1,121,591**

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

(in thousands)

HEDGE FUND POOL

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

The objective of the Pool is to reduce risk through diversification of participants' assets. The primary performance benchmark is the Hedge Funds Research, Inc. Fund of the Funds Composite Index plus 100 Basis points. The secondary benchmark is the Citigroup 90-Day Treasury Bill Index plus 400 basis points. The PEIA's amount invested in the Hedge Fund Pool of $44,285 and $29,665 at June 30, 2018 and 2017, respectively, represented approximately 1.98% and 1.6%, respectively, of total investments in this Pool.

Investment Risk
The Pool holds shares in hedge funds and shares of money market fund with the highest credit rating. As of June 30, 2018, the money market mutual fund has the highest credit rating and has a weighted average maturity of 39 Days. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit 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, 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit 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 for the year ended June 30, 2018. The majority of the Pool's investments in hedge funds were valued using the net asset value (NAV) per share; as such, they have not been categorized in the fair value hierarchy for 2018.

The tables 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.

	2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market mutual fund	**$ 52,364**	**$ -**	**$ -**	**$ 52,364**
Hedge funds				**2,078,988**
Total				**$ 2,130,988**

	2017			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market mutual fund	$ 22	$ -	$ -	$ 22
Hedge funds				1,809,889
Total				$ 1,809,911

(in thousands)

The following tables present information on investments measured at the NAV as of June 30:

	2018		
Hedge Fund Strategies	**Fair Value**	**Redemption Frequency**	**Redemption Notice Period**
Directional [a]	$ 222,419	Mthly/Qtly	3 to 30 days
Equity long/short [b]	277,653	Mthly/Qtly/Every 3 yrs	30 to 60 days
Event-driven [c]	46,183	Qtly	65 days
Long-biased [d]	60,818	Mthly	90 days
Multi-strategy [e]	1,198,457	Mthly/Qtly/Annually	3 to 95 days
Relative-value [f]	273,094	Mthly	45 to 60 days
Total investments measured at the NAV	$ 2,078,624		

	2017			
Hedge Fund Strategies	**Fair Value**	**Number of Funds**	**Redemption Frequency**	**Redemption Notice Period**
Directional [a]	$ 173,459	3	Mthly/Qtly	3 to 30 days
Equity long/short [b]	235,206	3	Mthly/Qtly/Every 3 yrs	30 to 60 days
Event-driven [c]	44,907	1	Qtly	65 days
Long-biased [d]	49,427	1	Mthly	90 days
Multi-strategy [e]	1,165,427	16	Mthly/Qtly/Annually	3 to 95 days
Relative-value [f]	141,463	2	Mthly	45 to 60 days
Total investments measured at the NAV	$ 1,809,889			

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

(b) An equity long/short strategy is an investing strategy, used primarily by hedge funds, that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 62% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

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

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

(in thousands)

(e) Multi-strategy managers combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivatives risk and leverage risk. Investments representing approximately 48% in 2018 and 62% in 2017 of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

(f) Relative-value managers maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights and security types range broadly across equity, fixed income, derivative or other security types. Fixed Income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represents an attractive opportunity. Investments representing approximately 36% of the fair value of the instruments in this strategy are subject to maximum withdrawal restrictions.

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 Note 5 for investment disclosures related to this Pool). To the extent that these policyholder premiums are refunded to the 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 $15,089 and $19,973 as of June 30, 2018 and 2017, respectively, restricted to meet this obligation.

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

	2018	2017
Premium stabilization fund – beginning of the year	**$ 19,973**	$ 26,549
Life insurance dividends, interest received and pool results	**1,953**	272
Amounts used to lower optional life rates	**(6,837)**	(6,848)
Premium stabilization fund – end of year	**$ 15,089**	$ 19,973

7. Capital Assets

Capital asset activity for the years ended June 30, 2018 and 2017 was as follows:

	2017	Additions	Disposals	2018
Intangible assets	$ 9,021	$ -	$ -	**$ 9,021**
Equipment	1,284	13	-	**1,297**
Total capital assets	10,305	-	-	**10,318**
Intangible assets	(8,723)	(43)	-	**(8,766)**
Equipment	(1,335)	(21)	-	**(1,356)**
Total accumulated depreciation	(10,058)	(64)	-	**(10,122)**
Total capital assets, net	$ 247	$ (51)	$ -	**$ 196**

(in thousands)

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

8. Unpaid Claims Liabilities

As discussed in Note 2, the 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 the PEIA for the years ended June 30:

	2018	2017	2016
Claims payable, beginning of year	**$ 64,649**	$ 73,523	$ 78,077
Incurred claims expenses:			
Provision for insured events of the current year	**513,426**	542,457	556,952
Increase (decrease) in provision for insured events of prior years	**5,070**	(880)	(2,180)
Total incurred claims expense	**518,496**	541,577	554,772
Payments:			
Claim payments, net of rebates, attributable to insured events of:			
Current year	**460,173**	480,228	500,897
Prior years	**55,367**	70,233	58,429
Total payments, net	**515,540**	550,451	559,326
Claims payable, end of year	**$ 67,605**	$ 64,649	$ 73,523

The above payments are net of pharmacy rebates earned of $50,827, $37,275 and $24,183 for the years ended June 30, 2018, 2017 and 2016, respectively.

9. Other Postemployment Benefits (OPEB)

Plan description

PEIA participates in the West Virginia Other Postemployment Benefit Plan (the Plan) a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and 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 Section 5-16D-2 (the Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the PEIA and the RHBT staff. Plan benefits are established and revised by the PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

The Plan had approximately 43,000 policyholders and 63,000 covered lives at June 30, 2017.

The PEIA currently has approximately 20 employees eligible to receive RHBT benefits.

Active employees who retire are eligible for the PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008 forward, is a participating employer with the PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with the PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by the PEIA, that the employer will pay to the PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Active employees who are members of the Teacher's Defined Contribution Retirement plan must be either: 55 years of age and have 12 or more years of credited service; or be at least 60 years of age with five years of service; and their last employer immediately prior to retirement must be a participating employer under that, or the CPRB system to qualify to continue PEIA insurance benefits upon retirement. Employees who participate in non-State retirement systems but are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and similar plans), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teacher's Retirement System and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

For additional financial information, which may be used for disclosure by participating employers, please refer to the audited financial statements of the RHBT. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. If you have any questions about this report or need additional information, contact the Chief Financial Officer, Jason Haught, at 304-558-7850, ext. 52642 or the RHBT Controller, Jennifer Priddy, at 304-558-7850, ext. 52681. You can also submit your questions in writing to West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

Contributions

Contributions into the RHBT include paygo, retiree leave conversion billings and other matters, including billing adjustments. Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. Paygo rates were $135 for January 2017 through June 2017, $196 for the period July 2016 through December 2016, and $163 for the period July 2015 through June 2016. Other contributions such as retiree leave conversion differ by agency and are only recorded as utilized by plan participants. The PEIA's contributions to the RHBT were $65, $63 and $64 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

(in thousands)

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

OPEB liabilities, OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

Effective July 1, 2017, the PEIA adopted the provisions of GASB Statement No. 75 and GASB Statement No. 85.

At June 30, 2018, the PEIA reported a liability of $755 for its proportionate share of the net OPEB liability. The net pension liability reported at June 30, 2018 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The PEIA's proportion of the net OPEB liability was based on the PEIA's share of contributions to the OPEB plan relative to the contributions of all employers participating in the RHBT for the year ended June 30, 2017. At June 30, 2018, the PEIA's proportionate share was 0.0307%, which was a decrease of 0.0066% from its proportionate share as of June 30, 2017.

For the year ended June 30, 2018, the PEIA recognized OPEB expense of $39. At June 30, 2018, the PEIA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between expected and actual earnings on OPEB plan investments	$ -	$ 12
Differences between expected and actual experience	-	3
Changes in proportion and differences between PEIA's contributions and proportionate share of contributions	-	129
PEIA's contributions made subsequent to the measurement date of June 30, 2017	65	-
Total	$ 65	$ 144

Employer contributions to the RHBT made during the fiscal year, subsequent to the net OPEB liability measurement date, are recorded as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the following year.

(in thousands)

The net difference between projected and actual investment earnings on OPEB Plan investments are recognized in OPEB expense using a systematic and rational method over a closed five year period. Differences between actual and expected experience relating to OPEB amounts are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB Plan determined as of the beginning of the measurement period. The average of the expected remaining lives is 4.7140 years.

These other amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	OPEB Expense
2019	$ (39)
2020	$ (39)
2021	$ (39)
2022	$ (27)

Actuarial assumptions

The net OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 3.0% for assets invested with the West Virginia Board of Treasury Investments.

(in thousands)

Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term rates of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB 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 weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate

The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that the RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

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

The following presents the PEIA's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the PEIA's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
PEIA's proportionate share of net OPEB liability	$ 879	$ 755	652

10. Pension Plan

Plan description

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

Benefits provided

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

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 11%, 12% and 13.5% for the years ended June 30, 2018, 2017 and 2016, respectively. Beginning February 7, 2012, new hires are required to pay the employee's contribution of 4.5%. For all employees hired on or after July 1, 2015 the employee contribution increased to 6.0%. The PEIA's contributions to the plan were $139, $159 and $191 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively.

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

At June 30, 2018 and 2017, the PEIA reported a liability of $397 and $903, respectively, for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2018 was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. 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, 2017. At June 30, 2018, the PEIA's proportionate share was 0.0092%, which was an increase of 0.0983% for its proportionate share measured as of June 30, 2017.

For the years ended June 30, 2018 and 2017, the PEIA recognized pension expense of $100 and $120, respectively.

(in thousands)

At June 30, 2018 and 2017, the PEIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		**June 30, 2017**	
	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	**$ -**	**$ 96**	$ 284	$ -
Difference between expected and actual experience	**35**	**1**	75	-
Difference in assumptions	**-**	**21**	-	44
Changes in proportion and differences between PEIA's contributions and proportionate share of contributions	**323**	**316**	57	-
PEIA's contributions made subsequent to the measurement date	**139**	**-**	159	-
Total	**$ 497**	**$ 434**	$ 575	$ 44

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.

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**
2019	$ (34)
2020	$ 40
2021	$ 1
2022	$ (83)

Actuarial assumptions and methods

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

	2018	**2017**
Inflation	**3.0%**	3.0%
Salary increase	**3.0-4.6%, avg. including inflation**	3.0-6.0%, avg., including inflation
Investment rate of return	**7.5%, net of pension plan investment expense**	7.5%, net of pension plan investment expense

(in thousands)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of long-term geometric rates of return for each major asset class included in the system's target asset allocation as of June 30, 2017 are summarized below:

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

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that State contributions would continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current system members. Therefore, the long-term expected rate of return on system investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the system's fiduciary net position, a municipal bond rate of 2.71% is to be used to discount the benefit payments not covered by the system's fiduciary net position. The 2.71% rate equals the S&P Municipal Bond 20 Year High Grade Index at June 30, 2017.

Sensitivity of the 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)	$ (397)	$ 196

11. Litigation

On October 20, 2017, the district court issued an order finding that the ADA preempts WV Code §§ 5-16-5(c)(1), 5-16-8a(a) and 5-16-8a(b) and enjoining the PEIA from enforcing its legislatively-mandated fee schedules and regulations, including the state prohibition against balance-billing of the PEIA's members. Although the PEIA is currently enjoined from using its fee schedule which would mandate payment of such services at the Medicare Rural Rate, the district court's order provides no guidance as to what amounts the PEIA may be expected to pay for emergency services by an air ambulance company not under contract with the PEIA. The PEIA filed its notice of appeal of the district court's order on November 20, 2017, and Air Evac Case currently remains pending in the United States Court of Appeals for the Fourth Circuit. An evaluation of the likelihood of an unfavorable outcome is too speculative at this time and the PEIA intends to appeal any negative Fourth Circuit decision to the Supreme Court of the United States, if necessary. In any event, the Air Evac Case, is not of the nature where a negative decision on the preemption issue necessarily determines what amounts, if any, the PEIA may be required to pay for Air Evac's billing, or that of other air ambulance providers not under contract, in the future. Thus, the ultimate outcome of this matter cannot be determined at this time.

Following the district court's October 20, 2017 order, the PEIA has pended payment of air ambulance bills received from providers not under contract with the PEIA until the Court of Appeals for the Fourth Circuit decide the appeal, or until such emergency providers may be under contract with the PEIA. The total amount of pended air ambulance bills relevant to the PEIA as of June 30, 2018 is approximately $2,409.

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.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1) Premiums, investment, and other revenues:										
Earned	$ 474,209	$ 576,693	$ 576,731	$ 570,677	$ 582,682	$ 606,681	$ 578,350	$ 562,179	$ 652,785	**$ 610,623**
Ceded	73,640	74,643	54,298	54,952	52,720	50,623	51,599	51,176	48,953	**50,551**
Net earned	400,569	502,050	522,433	515,725	529,962	556,058	526,751	511,003	603,832	**560,072**
2) Unallocated expenses	24,179	25,344	24,472	22,560	22,484	25,253	28,553	22,421	18,199	**18,580**
3) Estimated incurred claims and allocated claims adjustment expense, end of accident year:										
Incurred	473,929	502,035	526,299	556,025	531,589	566,392	607,350	608,128	591,410	**569,047**
Ceded	73,640	74,643	54,298	54,952	52,720	50,623	51,599	51,176	48,953	**50,551**
Net incurred	400,289	427,392	472,001	501,073	478,869	515,769	555,751	556,952	542,457	**518,496**
4) Paid (cumulative) claims and allocated claims adjustment expense as of:										
End of accident year	354,773	375,571	420,768	444,524	436,560	471,415	474,120	500,897	480,228	**460,173**
One year later	398,798	429,976	475,499	491,427	489,742	528,128	532,549	499,447		
Two years later	400,059	430,219	475,818	491,264	490,133	528,128	532,549			
Three years later	400,059	430,219	475,818	491,264	490,133	528,128				
Four years later	400,059	430,219	475,818	491,264	490,133					
Five years later	400,059	430,219	475,818	491,264						
Six years later	400,059	430,219	475,818							
Seven years later	400,059	430,219								
Eight years later	400,059									
Nine years later										
5) Re-estimated ceded claims and expenses	74,643	54,298	54,952	52,720	52,720	50,623	51,599	51,176	48,953	**-**
6) Re-estimated net incurred claims and allocated claims adjustment expense:										
End of accident year	400,289	427,392	472,001	501,073	478,869	515,769	555,751	556,952	542,457	**513,426**
One year later	401,109	426,794	472,471	496,773	479,329	515,689	557,931	553,322	**546,787**	
Two years later	400,879	426,814	472,101	496,913	479,339	515,689	557,931	**554,012**		
Three years later	400,669	426,734	472,221	496,743	479,339	515,689	**557,981**			
Four years later	400,669	426,734	472,221	496,743	479,339	**515,689**				
Five years later	400,669	426,734	472,221	496,743	**479,339**					
Six years later	400,669	426,734	472,221	**496,743**						
Seven years later	400,669	426,734	**472,221**							
Eight years later	400,669	**426,734**								
Nine years later	**400,669**									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of accident year	380	(658)	220	(4,330)	470	(80)	2,230	(2,940)	4,330	**-**

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 the 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
Last Four Fiscal Years
(in thousands except percentages)

	2018	2017	2016	2015
PEIA's proportionate (percentage) of the net pension liability	0.0919%	0.0983%	0.0945%	0.0994%
PEIA's proportionate share of the net pension liability	$ 397	$ 903	$ 528	$ 367
PEIA's covered-employee payroll	$ 1,325	$ 1,415	$ 1,358	$ 1,394
PEIA's proportionate share of the net pension's liability as a percentage of its covered-employee payroll	29.96%	63.82%	38.88%	26.33%
Plan fiduciary net position as a percentage of the total pension liability *	93.67%	86.11%	91.29%	93.98%

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

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

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

	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 139	$ 159	$ 191	$ 190	$ 193	$ 187
Contributions in relation to the statutorily required contribution	(139)	(159)	(191)	(190)	(193)	(187)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,264	$ 1,325	$ 1,415	$ 1,358	$ 1,394	$ 1,483
Contributions as a percentage of covered-employee payroll	11%	12%	13%	14%	14%	13%

See notes to required supplementary information.

(in thousands)

Notes to Required Supplementary Information

1. Trend Information Presented

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

2. Plan Amendment

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

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with 30 or more years of service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last 15 years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last 15 years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

3. Changes in Assumptions

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

	2016	2015	2014
Projected salary increases:			
State	3.0 - 4.6%	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0%	1.90%	2.20%
Mortality rates	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA Healthy femailes-101% or RP-2000 Non-Annuitant, Scale AA Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA Disabled females - 107% of RP-2000 Disabled annuitant, Scale AA	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA Healthy femailes-101% or RP-2000 Non-Annuitant, Scale AA Disabled males - 96% of RP-2000 Disabled annuitant, Scale AA Disabled females - 107% of RP-2000 Disabled annuitant, Scale AA	Healthy males -11983 GAM Healthy femailes-1971 GAM Disabled males-1971 GAM Disabled females-Revenue Ruling 96.7
Withdrawal rates:			
State	1.75 - 35.1%	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .675%	0 - .8%

West Virginia Public Employees Insurance Agency
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability in RHBT
Year Ended June 30, 2018
(in thousands except percentages)

		2018
PEIA's proportionate (percentage) of the net OPEB liability		**0.0307%**
PEIA's proportionate share of the net OPEB liability	**$**	**755**
PEIA's covered-employee payroll	**$**	**655**
PEIA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		**115%**
Plan fiduciary net position as a percentage of the total OPEB liability *		**25.10%**

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

Note 1: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

Note 2: The accompanying schedules of PEIA's proportionate share of the net OPEB liability is required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedule for those years for which information is available.

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

	2018	2017	2016
Statutorily required contribution	**$ 65**	$ 63	$ 64
Contributions in relation to the statutorily required contribution	**(65)**	(63)	(64)
Contribution deficiency (excess)	**$ -**	$ -	$ -
Covered-employee payroll	**$ 688**	$ 655	$ 646
Contributions as a percentage of covered-employee payroll	**9%**	10%	10%

Note 1: The accompanying schedules of PEIA's contributions to PEIA is required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedule for those years for which information is available.

Other Supplementary Information
(in thousands)

West Virginia Public Employees Insurance Agency
Form 7, Deposits Disclosure
June 30, 2018
(in thousands)

		Carrying Amount	
Cash with State Treasurer	$	5,302	
Deposit in transit		-	
Cash in outside bank accounts		2,530	
Total carrying amount of deposits		7,832	
Cash equivalents (with BTI and Minnesota Life)		36,138	
Total cash	$	43,970	(1)(3)

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

Cash and cash equivalents	$	7,832	(2)
Equity position in investment pool – current		21,049	(2)
Equity position in investment pool – noncurrent and restricted		15,089	(2)
Total cash equivalents	$	43,970	(2)(3)

(2) Agrees to audited statement of cash flows.

(3) Agrees to footnote 4, cash and cash equivalents.

West Virginia Public Employees Insurance Agency
Form 8, Investments Disclosure
June 30, 2018
(in thousands)

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value	
West Virginia Board of Treasury Investments (BTI):					
WV Money Market Pool	$ 21,049	$ 3,477	$ 24,526	$ 24,526	
Total equity position in investment pool with BTI	$ 21,049	$ 3,477	$ 24,526	$ 24,526	(2)(4)
Minnesota Life Insurance:					
Cash and cash equivalents	$ -	$ 11,612	$ 11,612	$ 11,612	(1)
West Virginia Investment Management Board (IMB) Investment Pools:					
Total return fixed income	$ 52,652	$ -	$ 52,652	$ 52,652	
Core fixed income	22,967	-	22,967	22,967	
TIPS	30,155	-	30,155	30,155	
Domestic Equity	24,462	-	24,462	24,462	
International nonqualified	8,244	-	8,244	8,244	
Hedge fund	44,285	-	44,285	44,285	
International equity	16,061	-	16,061	16,061	
Total equity position in investment pools with IMB	$ 198,826	$ -	$ 198,826	$ 198,826	(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	$ 21,049	(1)
Equity position in investment pool – noncurrent and restricted	213,915	(1)
Total	$ 234,964	(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, 2018
(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	$ 7,832	[(1)(2)]
Equity position in investment pools as reported	$ 234,964	[(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, 2018
(in thousands)

Total accounts receivable	$	57,308	(1)
Less allowance for doubtful accounts		(1,518)	(1)
Net receivable	$	55,790	

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

Premium receivable:			
Due from State of West Virginia	$	2,569	(2)
Other, net		5,662	(2)
Add allowance for doubtful accounts		243	(2)
Accounts receivable:			
Appropriations due from State of West Virginia		2,500	(2)
Provider refunds, net		960	(2)
Add allowance for doubtful accounts		1,275	(2)
Due from RHBT		16,537	(2)
Prescription rebates		27,098	(2)
Other		464	(2)
Total accounts receivable	$	57,308	
Allowance for doubtful accounts:			
Premium receivable – other	$	243	(2)
Provider refunds		1,275	(2)
	$	1,518	

(2) Agrees to the audited statement of net position.

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2018
(in thousands)

Agency	Total
Workforce WV/Payroll-05303	$ (2)
	(2)
WV PERS State	174
WV PERS Non-State	(132)
WV Teachers Retirement Board	(322)
Consolidated Retirement Bd/Judges Ret.	(7)
Separated Pre-Retirement	1
Deputy Sheriffs Retirement	(120)
PEIA - Survivors	-
Public Safety/Con.Pub.Emp.Ret.Bd.	(14)
	(420)
ABC Commission	3
Adjutant General	(9)
Administration, Dept of	1
Agriculture	(2)
Anthony Correctional Center	(3)
Architects, Board of	(1)
Attorney General	(4)
Auditors Office	(1)
Board of Funeral Service Examiners	(1)
Board of Medicine	1
Bureau of Senior Services	(2)
Commerce, Office of Secretary, Dept of	(7)
Corrections/Salem Corr, Dept of	(14)
Corrections/St. Marys Corr, Dept of	(4)
Culture and History	(8)
Department of Corrections	3
Department of Education	(42)
Department of Highways	(448)
Department of Labor	(3)
Division of Protective Services	(3)
Division of Tourism	(4)
DOT Office of Administrative Hearings	(4)
Education & Arts, Dept of	1
Environmental Protection, Department of	(8)
Fire Commission	(1)
Forestry, Division of	(28)
Geological Survey	(2)
Health Care Authority	(6)
Health Dept	(91)
Homeland Security - Emergency Management	(14)
Hopemont State Hospital	(5)
House of Delegates	(14)
Human Rights Commission	(9)
Human Services, Dept of	(126)
Huttonsville Correctional Center	(5)

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2018
(in thousands)

Agency		Total
Jackie Withrow Hospital	$	(4)
Lakin Correctional Facility		1
Lakin State Hospital		(11)
Library Commission		(1)
Martinsburg Correctional Center		(1)
Mildred Mitchell-Bateman Hospital		(20)
Military Authority		(8)
Motor Vehicles		7
Mt Olive Correctional Facility		(12)
Municipal Bond Commission		1
National Coal Heritage Area Authority		(1)
Natural Resources		(25)
Northern Correctional Facility		(4)
Office of Minters Health, Safety & Training		(9)
Ohio Co. Correctional Center		(2)
Pruntytown Correctional Center		(12)
Public Safety		(37)
Public Service Commission		(44)
Public Transit		(1)
Real Estate Appraiser/Lic Cert Bd		(6)
Rehabilitation Services, Division of		(46)
Secretary of State		(28)
Senate		(49)
Supreme Court/Judicial		1
Tax Dept		(195)
Tax Dept - Budget Office		(2)
Veterans Affairs		(95)
Welch Emergency Hospital		(17)
William R. Sharpe Jr Hospital		(15)
WV Board of Barbers and Cosmetology		(19)
WV Center for Nursing		(3)
WV Division of Juvenile Services		20
WV Enterprise Planning Board		(1)
WV Massage Therapy Licensure BD		(1)
WV Office of Tax Appeals		(1)
WV Parole Board		(1)
WV School for the Deaf and the Blind		(14)
WV State Bd of Examiners for LPNs		(2)
		(1,517)
Total primary government		(1,939)
Total component units		4,508
Due to State of West Virginia, net	$	2,569 [1]

[1] Agrees to the audited statement of nest position

West Virginia Public Employees Insurance Agency
Form 11, Component Unit - A/R Balances
June 30, 2018
(in thousands)

Unit		Amount
Blue Ridge Community & Technical College	$	(11)
Bluefield State College		(12)
Bridgemont Community & Technical College		(1)
BridgeValley Community & Technical College		(6)
Concord College		(46)
Eastern WV Community & Technical College		(3)
Educational Broadcasting		(14)
Fairmont State University		(13)
Glenville State College		(3)
Higher Education Policy Commission		(4)
Kanawha Valley Community & Technical College		(1)
Marshall University		51
Mountwest Community & Technical College		(13)
New River Community & Technical College		(3)
Public Defender Corporation 11th Judicial Circuit		5
Public Defender Corporation 23rd Judicial Circuit		15
Public Defender Corporation 30th Judicial Circuit		3
Public Defender Corporation 13th Judicial Circuit		19
Public Defender Corporation 7th Judicial Circuit		4
Railroad Maintenance Authority		(8)
Regional Jail & Correctional Facility Authority		(4)
School of Osteopathic Medicine		(6)
Shepherd University		(31)
Water Development Authority		(4)
West Liberty State College		2
West Virginia Lottery Commission		(1)
West Virginia University		4,613
WV Northern Community College		(2)
WV Parkways Economic Development & Tourism		4
WV Southern Community College		(16)
WV State University		(5)
WVSC R&D Corporation		(1)
	$	4,508

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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, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 the PEIA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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Compliance and Other Matters

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

Purpose of This Report

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

Dixon Hughes Goodman LLP

Charleston, West Virginia
October 12, 2018

DHG