West Virginia Public Employees Insurance Agency

Financial Statements, Required Supplementary Information and Other Supplementary Information

Years Ended June 30, 2019 and 2018

DIXON HUGHES GOODMAN LLP

Table of Contents

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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, 2019 and 2018, 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, 2019 and 2018, 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 2, the financial statements of PEIA are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business type activities of the State of West Virginia that is attributable to the transactions of PEIA. They do not purport to, and do not

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present fairly the financial position of the State of West Virginia as of June 20, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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 57 through 63 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, which 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 64 through 70 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 15, 2019 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 15, 2019

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, 2019, 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.

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.* 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.

(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:

	2019	2018	2017	Change 2019 - 2018 Amount	Change 2019 - 2018 Percent	Change 2018 - 2017 Amount	Change 2018 - 2017 Percent
ASSETS							
Cash and cash equivalents	**$ 11,957**	$ 7,832	$ 8,799	$ 4,125	52.7%	$ (967)	-11.0%
Equity position in - investment pool	**36,592**	21,049	35,378	15,543	73.8%	(14,329)	-40.5%
Premium receivable	**8,643**	8,231	8,642	412	5.0%	(411)	-4.8%
Other current assets	**43,999**	47,559	23,908	(3,560)	-7.5%	23,651	98.9%
Total current assets	**101,191**	84,671	76,727	16,520	19.5%	7,944	10.4%
Equity position in investment pools	**225,314**	198,826	153,908	26,488	13.3%	44,918	29.2%
Equity position in investment pool-restricted	**12,774**	15,089	19,973	(2,315)	-15.3%	(4,884)	-24.5%
Capital assets, net	**146**	196	247	(50)	-25.5%	(51)	-20.6%
Total assets	**339,425**	298,782	250,855	40,643	13.6%	47,927	19.1%
DEFERRED OUTFLOWS OF RESOURCES							
Pension & OPEB	**431**	562	575	(131)	-23.3%	(13)	-2.3%
Total deferred outflows of resources	**431**	562	575	(131)	-23.3%	(13)	-2.3%
LIABILITIES							
Claims payable	**64,897**	67,605	64,649	(2,708)	-4.0%	2,956	4.6%
Other current liabilities	**34,361**	20,366	15,749	13,995	68.7%	4,617	29.3%
Total current liabilities	**99,258**	87,971	80,398	11,287	12.8%	7,573	9.4%
Noncurrent liabilities:							
Other noncurrent liabilities	**938**	1,152	1,970	(214)	-18.6%	(818)	-41.5%
Premium stabilization fund	**12,774**	15,089	19,973	(2,315)	-15.3%	(4,884)	-24.5%
Total liabilities	**112,970**	104,212	102,341	8,758	8.4%	1,871	1.8%
DEFERRED INFLOWS OF RESOURCES							
Pension & OPEB	**499**	578	44	(79)	-13.7%	534	1213.6%
Total deferred inflows of resources	**499**	578	44	(79)	-13.7%	534	1213.6%
Net Position:							
Investment in capital assets	**146**	196	247	(50)	-25.5%	(51)	-20.6%
Unrestricted	**226,241**	194,358	148,799	31,883	16.4%	45,559	30.6%
Total net position	**$ 226,387**	$ 194,554	$ 149,046	$ 31,833	16.4%	$ 45,508	30.5%
Premium revenue	**$ 599,758**	$ 610,623	$ 625,116	$ (10,865)	-1.8%	$ (14,493)	-2.3%
Less payments to managed care organizations and life insurance premiums	**(54,098)**	(50,551)	(48,953)	(3,547)	7.0%	(1,598)	3.3%
Net premium revenue	**545,660**	560,072	576,163	(14,412)	-2.6%	(16,091)	-2.8%
Administrative fees, net	**4,775**	4,782	4,861	(7)	-0.1%	(79)	-1.6%
Total operating revenues	**550,435**	564,854	581,024	(14,419)	-2.6%	(16,170)	-2.8%
Claims expense, net	**542,674**	518,496	534,717	24,178	4.7%	(16,221)	-3.0%
Administrative service fees	**11,829**	11,222	10,542	607	5.4%	680	6.5%
Other expenses	**7,340**	7,358	7,657	(18)	-0.2%	(299)	-3.9%
Total operating expenses	**561,843**	537,076	552,916	24,767	4.6%	(15,840)	-2.9%
Operating (loss) income	**(11,408)**	27,778	28,108	(39,186)	-141.1%	(330)	-1.2%
State appropriation	**31,000**	10,000	10,000	21,000	210.0%	-	100.0%
Net investment (loss) income	**12,241**	7,525	12,808	4,716	62.7%	(5,283)	-41.2%
Total non-operating (loss) income	**43,241**	17,525	22,808	25,716	146.7%	(5,283)	-23.2%
Change in net position	**31,833**	45,303	50,916	(13,470)	-29.7%	(5,613)	-11.0%
Net position, beginning of year	**194,554**	149,046	98,130	45,508	30.5%	50,916	51.9%
Cumulative effect of adoption of GASB 75	**-**	205	-	(205)	100.0%	205	0.0%
Net position, beginnin of year, as restated	**194,554**	149,251	98,130	45,303	30.4%	51,121	52.1%
Net position, end of year	**$ 226,387**	$ 194,554	$ 149,046	$ 31,833	16.4%	$ 45,508	30.5%

Cash and cash equivalents ($17,353 increase)

Cash and cash equivalents plus the current and restricted portion of equity position in investment pool at the end of the year increased $17,353 as the result of $7,896 net cash used in operating activities, $39,504 net cash provided by capital and non-capital financing activities and $14,246 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 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.

Premium receivable ($412 increase)

As of the current year-end, premiums receivable increased by $412 from the prior year primarily due timing of payments received from agencies at year end.

Last year, premiums receivable decreased by $411 from the prior year primarily due to focused collection efforts within the premium receivables unit.

Equity position in investment pools current and noncurrent ($42,031 increase)

In the current year, the current and non-current portion of the equity position in investment pool increased by $42,031 as a result of current year operating results, investment earnings, and investment of the $31,000 State Appropriation received.

Last 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.

Capital assets ($50 decrease)

In the current year, capital assets decreased by $50 because no major software development expenses were incurred. The organization has been continuing to utilize equipment purchased in prior years without needing as many replacements in the current year.

Last 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.

Total assets ($40,643 increase)

As described in detail above, total assets for the current year increased by $40,643 due to operating results, market appreciation in the non-current portion of the equity position in investment pool, investment of the $31,000 State Appropriation, increase in premiums receivable, and a decrease in capital assets.

Last year, 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

Deferred outflows of resources related to pension and OPEB ($131 decrease)

The $131 decrease and $13 decrease 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 ($13,995 increase)

Other current liabilities in the current year increased $13,995, or 68.7%, due to an increase in the Premium Deficiency Reserve. A premium deficiency reserve 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.

Last year, other current liabilities 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 was offset by a decrease in Accounts Payable because of focused efforts to pay invoices prior to the fiscal year end cutoff.

Premium stabilization reserve ($2,315 decrease)

The premium stabilization reserve held at Minnesota Life on behalf of PEIA decreased $2,315 in the current year because PEIA utilized the lower life insurance premium rates that were implemented in fiscal year 2017 into fiscal year 2019. Reserve dollars were used to offset the reduction in life insurance premium revenue collected to pay claims.

Last year, the premium stabilization reserve decreased $4,884 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.

Deferred inflows of resources related to pension and OPEB ($79 decrease)

The $79 decrease and $534 increase 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 ($14,419 decrease)

For the current year, operating revenue decreased 2.6%, or $14,419 because premium revenue decreased $10,865 due to a decline in enrollment coupled with policyholder plan migration to less benefit rich but cost-effective insurance plans. Payments to managed care organizations and life insurance premiums increased $3,547. Life insurance premiums increased slightly because PEIA continued to spend down part of the Premium Stabilization Reserve held at Minnesota Life. Given the decline in enrollment, administration fee revenue decreased $7.

Last 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.

Claims expense ($24,178 increase)

Medical claims expense increased $24,178, primarily resulting from the premium deficiency reserve established of $13,359 and additional claims expense of $4,134. Drug claims expense increased $6,685. The rise in medical and drug claims expense in the current year is attributable to the exposure of cost trends in healthcare rising nationwide.

Last year, 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.

Non-operating income ($25,716 increase)

Non-operating income for the current year increased by 146.7%, or $25,716. This increase is due to $21,000 increase in State Appropriations ($31,000 in 2019 compared to $10,000 in 2018) and favorable market conditions in 2019 providing 4,716 in investment appreciation.

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

Net position ($31,833 increase)

In the current year net position increased $31,833, or 16.4%. The increase, in net position is comprised of both $11,408 of operating loss due to increased operating expenses and $43,241 in non-operating income due to the $31,000 state funding appropriation and investment income of $12,241.

Last year, net position increased $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.

Economic conditions and other matters

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.

The preparation of any estimate of future health costs requires consideration of a broad array of complex social and economic events. Changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, and the continuing evolution of the framework of the managed care options increase the level of uncertainty of such estimates. The estimate of insurance program costs continue to contain considerable uncertainty and variability to actual experience.

In 2019, the PEIA's claims costs increased 4.7%.

Legislative matters

West Virginia Code Section 11B-2-15a established a special account, designated as the PEIA Rainy Day Fund, which is an interest- bearing account administered by the Secretary of Revenue. The PEIA Rainy Day Fund consists of moneys appropriated by the Legislature, income from investment of moneys held in the special revenue account, and all other sums available for deposit to the account, public or private. The Secretary of Revenue, upon approval of the Governor, may transfer funds from this account to the PEIA in any fiscal year for the purpose of reducing or preventing benefit cuts and premium rate increases. March 9 2019, West Virginia House Bill 2665 enacted an appropriation transfer of $105 million from the State's General Revenue Fund to the PEIA Rainy Day Fund. There were no transfers from the PEIA Rainy Day Fund to the PEIA for the fiscal year ended June 30, 2019.

Capital asset and long-term debt activity

The PEIA had $9 in capital asset additions in 2019.

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, 2019 and 2018
(in thousands)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ **11,957**	$ 7,832
Equity position in investment pool	**36,592**	21,049
Premiums receivable:		
Other, less allowance for doubtful accounts of $266 and $243, respectively	**5,997**	5,662
Premiums due from State of West Virginia	**2,646**	2,569
Appropriation due from State of West Virginia	**-**	2,500
Accounts receivable:		
Provider refunds, less allowance for doubtful accounts of $995 and $1,275, respectively	**585**	960
Due from RHBT	**10,533**	16,537
Prescription rebates	**31,683**	27,098
Other	**1,198**	464
Total current assets	**101,191**	84,671
Noncurrent assets:		
Equity position in investment pools	**225,314**	198,826
Equity position in investment pool – restricted	**12,774**	15,089
Capital assets, net of accumulated depreciation of $10,180 and $10,122, respectively	**146**	196
Total noncurrent assets	**238,234**	214,111
Total assets	**339,425**	298,782
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**331**	497
OPEB	**100**	65
Total deferred outflows of resources	**431**	562

(in thousands) Continued

	2019	2018
LIABILITIES		
Current liabilities:		
Claims payable	**$ 64,897**	$ 67,605
Premium deficiency reserve	**13,359**	-
Accounts payable	**4,546**	4,385
Unearned revenue	**13,614**	13,661
Other accrued liabilities	**2,842**	2,320
Total current liabilities	**99,258**	87,971
Noncurrent liabilities:		
Other accrued liabilities:		
Other noncurrent liabilities	**938**	1,152
Premium stabilization fund	**12,774**	15,089
Total noncurrent liabilities	**13,712**	16,241
Total liabilities	**112,970**	104,212
DEFERRED INFLOWS OF RESOURCES		
Pension	**312**	434
OPEB	**187**	144
Total deferred inflows of resources	**499**	578
NET POSITION		
Investment in capital assets	**146**	196
Unrestricted	**226,241**	194,358
Total net position	**$ 226,387**	$ 194,554

West Virginia Public Employees Insurance Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018
(in thousands)

	2019	2018
Operating revenues:		
Premiums net of provisions for bad debts of $(23) and $(129), respectively	$ 599,758	$ 610,623
Less:		
Payments to managed care organizations	(46,714)	(43,220)
Basic life insurance premiums ceded	(1,228)	(1,237)
Optional life insurance premiums ceded	(6,156)	(6,094)
Net premium revenue	545,660	560,072
Administrative fees, net of refunds	4,775	4,782
Total operating revenues	550,435	564,854
Operating expenses:		
Claims expense, net	542,674	518,496
Administrative service fees	11,829	11,222
Other expenses	7,340	7,358
Total operating expenses	561,843	537,076
Operating (loss) income	(11,408)	27,778
Nonoperating revenues:		
Investment income, net of fees	12,241	7,525
State appropriation	31,000	10,000
Total non-operating income	43,241	17,525
Change in net position	31,833	45,303
Net position:		
Net position, beginning of year	194,554	149,251
Net position, end of year	$ 226,387	$ 194,554

West Virginia Public Employees Insurance Agency
Statements of Cash Flows
Years Ended June 30, 2019 and 2018
(in thousands)

	2019	2018
Operating activities:		
Cash received from participants	$ 545,058	$ 558,673
Cash received from pharmacy rebates	62,166	44,848
Cash paid to employees for salaries and benefits	(1,315)	(1,005)
Cash paid to suppliers and others	(19,616)	(17,315)
Cash paid for claims	(594,189)	(560,388)
Net cash (used in) provided by operating activities	(7,896)	24,813
Noncapital financing activities:		
Advances to RHBT	6,004	(15,088)
State appropriation	33,500	7,500
Net cash provided by (used in) noncapital financing activities	39,504	(7,588)
Capital and related financing activities:		
Purchases of capital assets	(9)	(13)
Net cash used in capital and related financing activities	(9)	(13)
Investing activities:		
Purchases of investments	(99,659)	(99,073)
Sale of investments	73,172	54,156
Investment earnings	12,241	7,525
Net cash used in investing activities	(14,246)	(37,392)
Net increase (decrease) in cash and cash equivalents	17,353	(20,180)
Cash and cash equivalents at beginning of year	43,970	64,150
Cash and cash equivalents at end of year	$ 61,323	$ 43,970
Cash and cash equivalents consist of:		
Cash and cash equivalents	11,957	7,832
Equity position in investment pool – current	36,592	21,049
Equity position in investment pool – restricted	12,774	15,089
	$ 61,323	$ 43,970

See accompanying notes.

West Virginia Public Employees Insurance Agency
Statements of Cash Flows
Years Ended June 30, 2019 and 2018
(in thousands) *Continued*

	2019	2018
Reconciliation of operating (loss) income to net cash used in operating activities:		
Operating (loss) income	**$ (11,408)**	$ 27,778
Adjustments:		
Depreciation	**58**	64
Provision for uncollectible accounts	**23**	129
Pension and OPEB expense	**50**	135
(Increase) decrease in operating assets:		
Premiums receivable	**(358)**	2,851
Due from State of West Virginia	**(77)**	(2,569)
Provider refunds receivable	**375**	(367)
Prescription rebates receivable	**(4,585)**	(5,979)
Other	**(734)**	283
(Decrease) increase in operating liabilities:		
Claims payable	**(2,708)**	2,956
Accounts payable	**161**	(1,169)
Premium deficiency	**13,359**	-
Unearned revenue	**(47)**	6,409
Other accrued liabilities	**522**	(220)
Due to State of West Virginia	**-**	(400)
Premium stabilization fund	**(2,315)**	(4,884)
Deferred outflows of resources, pension and OPEB	**(212)**	(204)
Total adjustments	**3,512**	(2,965)
Net cash (used in) provided by operating activities	**$ (7,896)**	$ 24,813
Noncash activities:		
Increase in fair value of investments	**$ 11,437**	$ 5,000

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 72,873 health and basic life insurance policyholders and 8,033 policyholders with life insurance only. The PEIA insures approximately 162,818 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 63,842 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, 2019 and 2018, 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

West Virginia Code 5-16-5 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.

PEIA reserve funds

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 the purpose of offsetting unanticipated claim losses in any fiscal year and to provide future stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be remitted to the RHBT in accordance with Senate Bill 129, which became effective July 1, 2007. The provision of the Code was amended effective March 9, 2019, with the passage of House Bill 3139 removing the requirement that excess funds be transferred to the RHBT.

West Virginia Code Section 11B-2-15a established a special account, designated as the PEIA Rainy Day Fund, which is an interest- bearing account administered by the Secretary of Revenue. The PEIA Rainy Day Fund consists of moneys appropriated by the Legislature, income from investment of moneys held in the special revenue account, and all other sums available for deposit to the account, public or private. The Secretary of Revenue, upon approval of the Governor, may transfer funds from this account to the PEIA in any fiscal year for the purpose of reducing or preventing benefit cuts and premium rate increases. March 9 2019, West Virginia House Bill 2665 enacted an appropriation transfer of $105 million from the State's General Revenue Fund to the PEIA Rainy Day Fund. There were no transfers from the PEIA Rainy Day Fund to the PEIA for the fiscal year ended June 30, 2019.

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) 645-2672.

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, 315 70th Street, South East, Charleston, West Virginia 25304, or by calling (304) 340-5030.

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 $58 and $64 for the years ended June 30, 2019 and 2018, 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 $148 and $139 for the years ended June 30, 2019 and 2018, 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 of resources related to other postemployment benefits in the statements of net position were composed of $64 and $65 for the year ended June 30, 2019 and 2018, respectively, related to employer contributions to the RHBT 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 or OPEB and changes in proportion and differences between the PEIA's contributions and proportionate share of contributions.

Claims payable and expense

The liability for unpaid claims and claims processing costs is based on an actuarial estimate of the ultimate cost of settling such claims incurred as of the statement of net position date (including claims reported and in process of settlement, claims reported but not yet processed for settlement and claims incurred but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment, utilization, inflation and other societal and economic factors. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that the actual results of the settlement of the claims are made and are known. The estimated liability is adjusted annually based on the most current claim incurrence and claim settlement history (see Note 7). 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 $66,750 and $50,827 for the years ended June 30, 2019 and 2018, 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 has determined a premium deficiency reserve of $13,359 is necessary as of June 30, 2019. No premium deficiency reserve was deemed necessary as of June 30, 2018.

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 2019 coverage month, the PEIA provided health coverage to 121 State agency divisions with approximately 20,162 primary participants (not including dependents), 55 county school boards with approximately 29,779 primary participants, 556 local government entities with approximately 12,999 primary participants and 20 college and university entities with approximately 9,933 primary participants. Approximately 89,945 dependents participated in the PEIA health plans as well.

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.

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 acting in an agency capacity from employees for optional coverage totaled $6,156 and $5,963 during the fiscal years ended June 30, 2019 and 2018, respectively, and were remitted directly to the carrier. Accordingly, such amounts are not reflected in the financial statements.

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.
>
> 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. There are no restrictions at June 30, 2019 and 2018.
>
> 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.

New accounting pronouncements

The GASB has issued Statement No. 87, Leases. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange like transaction. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of No. 87 are effective for reporting periods beginning after December 15, 2019. The PEIA has not yet determined the effect, if any, this statement will have on its financial statements.

Subsequent events

In preparing these financial statements, the PEIA has evaluated events and transactions for potential recognition or disclosure through October 15, 2019, the date the financial statements were available for issuance.

(in thousands)

3. Cash and Cash Equivalents

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

	2019	2018
Cash and cash equivalents on deposit with State Treasurer	**$ 8,877**	$ 5,302
Deposits with outside financial institutions	**3,080**	2,530
Cash and cash equivalents reported on statement of net assets	**11,957**	7,832
Equity position in investment pool with BTI – current-unrestricted	**36,592**	21,049
Equity position in investment pool with BTI – noncurrent-restricted	**5,362**	3,477
Equity position in investment pool with Minnesota Life – noncurrent-restricted	**7,412**	11,612
Total cash and cash equivalents	**$ 61,323**	$ 43,970

4. 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, 2019 and 2018, the carrying amount of the PEIA's outside bank deposits was $3,080 and $2,530, respectively, and the bank balances totaled $3,080 and $2,577, 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 $41,953 and $24,526 at June 30, 2019 and 2018, 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.

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.

(in thousands)

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.

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

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, 2019		June 30, 2018	
Investment Type	**Fair Value**	**WAM Days**	**Fair Value**	**Days**
Repurchase agreements (underlying securities)				
U.S. agency bonds and notes	**$ 47,200**	**3**	$ 227,800	3
U.S. Treasury bonds and notes	**426,000**	**3**	-	3
U.S. Treasury notes	**24,927**	**125**	90,330	73
U.S. Treasury bills	**329,390**	**34**	252,084	69
Commercial paper	**2,236,198**	**57**	1,868,900	36
Certificates of deposit	**714,142**	**33**	663,801	29
Corporate bonds and notes	**-**	**-**	18,078	21
Money market funds	**178,619**	**3**	143,067	3
Total rated investments	**$ 3,956,476**		$ 3,264,060	

The PEIA's amount invested in the West Virginia Money Market Pool of $41,954 and $24,526 is included in equity position in investment pools at June 30, 2019 and 2018, respectively, representing approximately 1.06% and 0.8%, respectively, of total investments in this Pool.

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

	Credit Rating		2019		2018	
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent**	**Carrying Value**	**Percent**
Commercial paper	P-1	A-1+	**$ 733,411**	**18.54%**	$ 473,172	14.50%
	P-1	A-1	**1,494,297**	**37.77**	1,351,128	41.39
	P-2	A-1	**8,490**	**0.21**	44,600	1.37
Corporate bonds and notes	P-1	A-1	**-**	**-**	18,078	0.55
U.S. Treasury notes	Aaa	AA+	**24,927**	**0.63**	90,330	2.77
U.S. Treasury bills	P-1	A-1+	**329,390**	**8.33**	52,084	7.72
Negotiable CDs	P-1	A-1+	**179,251**	**4.53**	205,501	6.30
	P-1	A-1	**534,891**	**13.52**	458,300	14.04
Money market funds	Aaa	AAAm	**178,619**	**4.51**	143,067	4.38
Repurchase agreements (underlying securities):						
U.S. Treasury bonds and notes	Aaa	AA+	**426,000**	**10.77**	227,800	6.98
U.S. agency bonds and notes	Aaa	AA+	**47,200**	**1.19**	-	-
			$ 3,956,476	**100.00%**	$ 3,264,060	100.00%

(in thousands)

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, 2019 and 2018, 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

During the year ended June 30, 2019 the PEIA did not participate in the WV Short Term Bond Pool. During the year ended June 30, 2018 the PEIA participated 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:

	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

(in thousands)

(continued)	June 30, 2018			
Investment Type	**Moody's**	**Credit Rating S&P**	**Carrying Value**	**Percent of Pool Assets**
Corporate fixed- and floating-rate bonds and notes *(continued)*	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

Interest Rate Risk

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for various asset types in the WV Short Term Bond Pool:

	June 30, 2018	
Investment Type	**Carrying Value**	**Effective Duration (Days)**
Corporate fixed rate bonds and notes	$ 178,097	696
Corporate asset backed securities	241,784	374
Corporate floating rate bonds and notes	147,817	44
Collateralized mortgage obligations	18,081	106
U.S. Treasury bonds and notes	86,189	472
U.S. agency mortgage backed securities	32,546	56
Corporate mortgage backed securities	3,014	52
Money market funds	5,054	-
	$ 712,582	372

(in thousands)

The PEIA did not participate in the BTI WV Short Term Bond pool in the year ended June 30, 2019. The PEIA's investment in the BTI WV Short Term Bond Pool of $0.47 at June 30, 2018 represents approximately 0.00007%, 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, 2018:

Investment Type	Level 1	Level 2	Level 3	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

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	
	2019	**2018**
Asset allocation (actual):		
TIPS pool	**$ 34,191**	$ 30,155
Domestic Equity	**25,918**	24,462
International nonqualified pool	**9,326**	8,244
International equity pool	**19,812**	16,061
Total return fixed income	**58,941**	52,652
Core fixed income	**25,503**	22,967
Hedge fund	**51,623**	44,285
Total	**$ 225,314**	$ 198,826

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.

(in thousands)

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	**2019**	**2018**	**2019**	**2018**
Domestic equity	**10.0%**	10.0%	**0.0%**	0.0%
International equity	**10.0**	10.0	**0.0**	0.0
Total equity	**20.0%**	20.0%	**0.0%**	0.0%
Fixed income	**80.0%**	80.0%	**40.0%**	40.0%
Cash		*		*

*WVIMB staff has authority to change the cash allocation plus or minus 10%, as necessary, in consultation with the appropriate representative(s) from 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 $34,192 and $30,155 at June 30, 2019 and 2018, respectively, represented approximately 8.48% and 7.71% respectively, of total investments in this Pool.

Credit 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, 2019 and 2018, the fund had an effective duration of 7.48 and 7.66 years, respectively.

Concentration of Credit Risk

As of June 30, 2019 and 2018, respectively, the Pool is not exposed to concentration of credit risk.

Custodial Credit Risk

As of June 30, 2019 and 2018, respectively, the Pool is not exposed to custodial credit risk.

Foreign Currency Risk

As of June 30, 2019 and 2018, respectively, the Pool is not exposed to right currency risk.

(in thousands)

Fair Value Measurements

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

		2019			
Assets		**Level 1**	**Level 2**	**Level 3**	**Total**
Comingled bond fund		$ 397,843	$ -	$ -	$ 397,843
Money Market Mutual Fund		5,500	-	-	5,500
	Total	$ 403,343	$ -	$ -	$ 403,343

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

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.

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 $25,918 June 30, 2019 represented approximately 0.56 % of total investments in this Pool. 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 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.

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

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:

	Fair Value	
Rating	**2019**	**2018**
AAA /A-1	$ 33,117	$ 47,082
AA	151,145	5,064
A	5,340	5,288
BBB	2,428	7,219
B	226	-
Not applicable	50,048	110,807
Total securities lending collateral	$ 242,304	$ 175,460

(in thousands)

Interest Rate Risk

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, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 days. 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, 2019 and 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, 2019 and 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

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, 2019:

Assets	Level 1	Level 2	Level 3	Total
Commingled equity fund	**$ 1,937,693**	**$ -**	**$ -**	**$ 1,937,693**
Common stock	**2,682,108**	**-**	**-**	**2,682,108**
Securities lending collateral	**27,792**	**-**	**-**	**27,792**
Money market mutual funds	**-**	**242,304**	**-**	**242,304**
Total	**$ 4,647,593**	**$ 242,304**	**$ -**	**$ 4,889,897**

The table below summarizes the valuation of the investment securities in accordance with 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

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). Silchester 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 $9,326 and $8,244 at June 30, 2019 and 2018, respectively, represents approximately 4.44% and 3.83%, 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, 2019 and 2018 was $210,181 and $215,417, 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 $19,812 and $16,061 at June 30, 2019 and 2018, respectively, represents approximately 0.61% and 0.54%, respectively, of total investments in this Pool.

Credit 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.

At June, 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

(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:

	Fair Value	
Rating	**2019**	**2018**
AAA/ A-1	**$ 9,678**	$ 20,359
AA	**44,168**	2,190
A	**1,560**	2,287
BBB	**710**	3,122
B	**66**	-
Not applicable	**14,625**	47,916
Total securities lending collateral	**$ 70,807**	$ 75,874

Interest Rate Risk

The pool is exposed to interest rate risk from its money market mutual fund investment and certain investments made with cash collateral for securities loaned. As of June 30, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2019, the WAM for securities lending collateral was 1 day. 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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019 and 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% for U.S. Dollar denominated loans and 105% for foreign denominated loans, 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.

Foreign Currency Risk

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

(in thousands)

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:

	2019			
Currency	Equity Investments	Cash	Foreign Currency Spot Contracts	Total
Australian Dollar	$ 126,545	$ 975	$ -	$ 127,520
Brazil Real	135,983	682	(2)	136,663
British Pound	284,807	2,169	(2)	286,974
Canadian Dollar	125,313	2,518	-	127,831
Chilean Peso	6,037	-	-	6,037
Danish Krone	4,586	-	-	4,586
Egyptian Pound	926	-	-	926
Emirati Dirham	1,689	10	3	1,699
Euro Currency Unit	463,116	6,782	-	469,901
Hong Kong Dollar	365,906	2,136	-	368,042
Hungarian Forint	11,477	41	-	11,518
Indian Rupee	89,501	946	-	90,447
Indonesian Rupiah	41,637	38	-	41,675
Israeli Shekel	17,395	31	-	17,426
Japanese Yen	380,550	2,595	-	383,145
Malaysian Ringgit	19,851	290	-	20,141
Mexican Peso	55,332	486	-	55,818
New Taiwan Dollar	91,450	553	-	92,003
New Zealand Dollar	553	50	-	603
Norwegian Krone	20,443	463	-	20,896
Pakistan Rupee	1,413	-	-	1,413
Philippine Peso	17,899	4	-	17,903
Polish Zloty	1,027	1,570	-	2,597
Qatari Riyal	756	51	-	807
Singapore Dollar	21,213	540	-	27,753
South African Rand	44,180	448	-	44,628
South Korean Won	201,839	2,128	(1)	203,966
Swedish Krona	71,775	2,166	-	73,941
Swiss Franc	95,408	42	-	95,450
Thailand Baht	60,524	(3)	-	60,521
Turkish Lira	21,677	293	-	21,970
Total	2,780,798	28,004	(2)	2,808,800
US. Dollar	413,517	1,018	-	414,535
Total	$ 3,194,315	$ 29,022	$ (2)	$ 3,223,335

(in thousands)

Currency	2018 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	4,008	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)

Fair Value Measurements

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

	2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common stock	**$ 3,142,466**	**$ -**	**$ -**	**$ 3,142,466**
Securities lending collateral	**-**	**70,807**	**-**	**70,807**
Preferred stock	**51,666**	**-**	**-**	**51,666**
Rights	**183**	**-**	**-**	**183**
Money market mutual fund	**26,048**	**-**	**-**	**26,048**
Total	**$ 3,220,363**	**$ 70,807**	**$ -**	**$ 3,291,170**

	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

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 $58,941 and $52,652 at June 30, 2019 and 2018, respectively, represented approximately 2.66% and 2.23%, respectively, of total investments in the Pool.

Credit 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:

Rating	Fair Value 2019	Fair Value 2018
AAA/ A-1	**$ 14,485**	$ 22,196
AA	**685,964**	889,097
A	**105,271**	104,870
BBB	**553,241**	587,744
BB	**320,377**	314,638
B	**204,230**	296,262
CCC	**13,962**	12,274
CC	**-**	3,716
C	**-**	403
D	**1,050**	3,982
Withdrawn	**7,324**	85
Not rated	**55,807**	38,996
Total fixed income investments	**$ 1,961,711**	$ 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.

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

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

Rating	Fair Value 2019	Fair Value 2018
AAA/ A-1	**$ 12,154**	$ 41,003
AA	**55,470**	4,410
A	**1,960**	4,605
BBB	**891**	6,287
B	**83**	-
Not applicable	**18,368**	96,503
Total securities lending collateral	**$ 88,926**	$ 152,808

Interest Rate Risk
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, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. 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:

	2019		2018	
Investment Type	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
Commingled bond funds	**$ -**	**-**	$ 304,379	2.5
Commingled debt funds	**214,489**	**2.9**	-	-
Corporate asset backed issues	**72,659**	**(0.1)**	36,072	0.9
Corporate ABS residual	**3,835**	**1.9**	5,487	2.8
Corporate CMO	**40,069**	**1.1**	71,666	1.0
Foreign asset backed issues	**27,005**	**1.0**	19,588	1.6
Foreign corporate bonds	**271,117**	**5.4**	296,352	5.6
Foreign government bond	**317,462**	**5.1**	263,976	5.3
Municipal bonds	**34,254**	**9.9**	44,629	9.6
Repurchase agreement	**8,000**	**0.0***	10,000	0.0
Short term investments	**6,083**	**0.0***	-	-
U.S. corporate bonds	**402,522**	**7.0**	401,582	6.9
U.S. Government agency bonds	**9,464**	**0.2**	2,721	1.3
U.S. Government agency CMO	**57,221**	**1.1**	51,608	1.4
U.S. Government agency CMO interest-only	**5,786**	**4.8**	5,664	2.8
U.S. Government agency MBS	**293,479**	**1.8**	326,082	3.7
U.S. Government agency TBA	**106**	**1.4**	8,974	6.4
U.S. Treasury bonds	**157,216**	**15.6**	407,697	8.5
U.S. Treasury inflation-protected securities	**40,944**	**20.6**	17,786	17.2
Total investments	**$ 1,961,711**		$ 2,274,263	

*Rounds to less than 0.05

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 $500,160 and $525,141 of these securities at June 30, 2019 and 2018, respectively, representing approximately 25% and 23% 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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk

At June 30, 2019 and 2018, 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 $32,063 and $84,695, or 15% and 28.0%, respectively, of the commingled investment pools hold substantially all of their investments in foreign currencies as of June 30, 2019 and 2018. This represents approximately 2.0% and 3.0%, respectively, of the value of the Pool's securities at June 30, 2019 and 2018, respectively.

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

	2019			
Currency	Foreign Fixed Income	Foreign Equity Investments	Cash	Total
Argentine Peso	$ 8,380	$ -	$ 1,503	$ 9,883
Australian Dollar	-	-	1,704	1,704
Belarusian Ruble	2,048	-	-	2,048
Brazil Real	47,752	-	24	47,776
British Pound	-	-	2,988	2,988
Canadian Dollar	-	-	1,411	1,411
Colombian Peso	5,209	-	-	5,209
Deutsche Mark	1,013	-	-	1,013
Dominican Peso	3,801	-	-	3,801
Egyptian Pound	2,104	-	126	2,230
Euro Currency Unit	5,967	-	12,929	18,896
Georgian Lari	1,796	-	-	1,796
Ghana Cedi	2,469	-	-	2,469
Indonesian Rupiah	2,779	-	-	2,779
Japanese Yen	51,443	-	6,077	57,520
Kenyan Shilling	3,171	-	-	3,171
Kazakhstani Tenge	1,841	-	-	1,841
Mexican Peso	44,765	-	1,943	46,708
New Zealand Dollar	-	-	791	791
Peruvian Nuevo Sol	1,846	-	-	1,846
Russian Ruble	28,094	-	1,796	29,890
Swedish Krona	-	-	483	483
Turkish Lira	3,190	-	-	3,190
Uruguayan Peso	7,479	-	-	7,479
South African Rand	6,726	14	2	6,742
Total foreign denominated investments	231,873	14	31,507	263,394
U.S. Dollar	383,711	-	28,425	412,136
Total	$ 615,584	$ 14	$ 59,932	$ 675,530

(in thousands)

	2018			
Currency	**Investments**	**Cash**	**Total**	**Percent of Total Investments and Cash**
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

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)

Assets	June 30, 2019 Level 1	Level 2	Level 3	Total
Corporate asset backed issues	$ -	$ 72,659	$ -	$ 72,659
Corporate ABS residual	-	3,835	-	3,835
Corporate CMO	-	40,069	-	40,069
Corporate preferred security	9,979	-	-	9,979
Foreign asset backed issues	-	27,005	-	27,005
Foreign corporate bonds	-	271,117	-	271,117
Foreign currency forward contracts	-	378	-	378
Foreign equity investments	14	-	-	14
Foreign government bonds	-	317,462	-	317,462
Future contracts	9,647	-	-	9,647
Money market mutual fund	41,138	-	-	41,138
Municipal bonds	-	34,254	-	34,254
Options contracts purchased	558	530	-	1,088
Repurchase agreement	-	8,000	-	8,000
Securities lending collateral	-	88,926	-	88,926
Short term investments	-	6,083	-	6,083
Swaps	-	3,683	-	3,683
U.S. corporate bonds	-	402,522	-	402,522
U.S. Government agency bond	-	9,464	-	9,464
U.S. Government agency CMO	-	57,221	-	57,221
U.S. Government agency CMO interest-only	-	5,786	-	5,786
U.S. Government agency MBS	-	293,479	-	293,479
U.S. Government agency TBAs	-	106	-	106
U.S. Treasury bonds	-	157,216	-	157,216
U.S. Treasury inflation protected securities	-	40,944	-	40,944
Total	$ 61,336	$ 1,840,739	$ -	1,902,075
Commingled debt funds				214,489
Total				$ 2,116,564

Liabilities	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	$ -	$ (2,357)	$ -	$ (2,357)
Future contracts	(15,161)	-	-	(15,161)
Options contracts written	(1,081)	(73)	-	(1,154)
Swaps	-	(20,337)	-	(20,337)
Total	$ (16,242)	$ (22,767)	$ -	$ (39,009)

The Pool's investments in commingled debt funds were measured at the NAV as of June 30, 2019. 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)

	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)

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 $25,503 and $22,967 at June 30, 2019 and 2018, respectively, represented approximately 2.63% and 2.20%, respectively, of total investments in this Pool.

Credit 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:

	Fair Value	
Rating	**2019**	**2018**
AAA	**$ 61,950**	$ 54,135
AA	**518,002**	609,075
A	**93,012**	129,011
BBB	**141,310**	169,116
BB	**10,003**	10,953
B	**600**	1,877
CCC	**562**	1,091
C	**-**	4
D	**146**	193
Withdrawn	**3,013**	325
Not rated	**45,328**	51,231
Total fixed income investments	**$ 873,926**	$ 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.

At June 30, 2019, securities lending collateral investments consisted of time deposits and repurchase agreements.

(in thousands)

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

	Fair Value	
Rating	**2019**	**2018**
AAA/ A-1	**$ 7,859**	$ 20,620
AA	**35,868**	2,218
A	**1,267**	2,316
BBB	**576**	3,162
B	**54**	-
Not applicable	**11,877**	48,528
Total securities lending collateral	**$ 57,501**	$ 76,844

Interest Rate Risk

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, 2019, the money market mutual fund has a weighted average maturity (WAM) of 43 days. The WAM for securities lending collateral investments is not to exceed 90 days. 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, 2019 and 2018, the Pool held $425,431 and $469,549, respectively, of these securities. This represents approximately 49% and 46.0%, 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:

Investment Type	2019 Fair Value	2019 Effective Duration (Years)	2018 Fair Value	2018 Effective Duration (Years)
Corporate asset backed issues	**$ 122,361**	**1.6**	$ 137,199	20.0
Corporate CMO	**33,139**	**3.2**	39,165	3.2
Corporate CMO interest-only	**303**	**(2.8)**	396	(6.5)
Corporate CMO principle only	**74**	**3.5**	107	3.3
Foreign asset backed issues	**2,698**	**3.3**	3,499	3.6
Foreign corporate bonds	**59,221**	**5.8**	64,249	5.4
Foreign government bond	**3,125**	**8.0**	5,877	8.2
Municipal bonds	**10,261**	**13.0**	9,007	12.9
U.S. corporate bonds	**165,080**	**7.7**	205,614	6.5
U.S. Government agency bonds	**5,257**	**1.2**	18,746	2.2
U.S. Government agency CMO	**109,465**	**4.7**	104,772	4.3
U.S. Government agency CMO interest-only	**2,153**	**12.7**	2,337	15.8
U.S. Government agency CMO principle only	**5,062**	**6.2**	5,683	6.7
U.S. Government agency MBS	**150,176**	**4.4**	176,391	4.3
U.S. Treasury bonds	**205,102**	**9.1**	253,524	8.8
U.S. Treasury inflation-protected securities	**449**	**1.9**	435	2.2
Total fixed income investments	**$ 873,926**		$ 1,027,011	

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, 2019 and 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk
At June 30, 2019 and 2018, 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:

	2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	**$ -**	**$ 122,361**	**$ -**	**$ 122,361**
Corporate CMO	**-**	**33,139**	**-**	**33,139**
Corporate CMO interest - only	**-**	**303**	**-**	**303**
Corporate CMO principal - only	**-**	**74**	**-**	**74**
Foreign assets backed issues	**-**	**2,698**	**-**	**2,698**
Foreign corporate bonds	**-**	**59,221**	**-**	**59,221**
Foreign government bonds	**-**	**3,125**	**-**	**3,125**
Money market mutual fund	**55,686**	**-**	**-**	**55,686**
Municipal bonds	**-**	**10,261**	**-**	**10,261**
Securities lending collateral	-	**57,501**	-	**57,501**
U.S. corporate bonds	**-**	**165,080**	**-**	**165,080**
U.S. Government agency bond	**-**	**5,257**	**-**	**5,257**
U.S. Government agency CMO	**-**	**109,465**	**-**	**109,465**
U.S. Government agency CMO interest-only	**-**	**2,153**	**-**	**2,153**
U.S. Government agency CMO principal-only	**-**	**5,062**	**-**	**5,062**
U.S. Government agency MBS	**-**	**150,176**	**-**	**150,176**
U.S. Treasury bonds	**-**	**205,102**	**-**	**205,102**
U.S. Treasury inflation protected securities	**-**	**449**	**-**	**449**
Total	**$ 55,686**	**$ 931,427**	**$ -**	**$ 987,113**

	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

(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 $51,623 and $44,285 at June 30, 2019 and 2018, respectively, represented approximately 2.18% and 1.98%, 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, 2019 and 2018, the money market mutual fund has the highest credit rating and has a weighted average maturity of 43 and 39 days, respectively. 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, 2019 and June 30, 2018, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

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 (NAV) as the practical expedient for the years ended June 30, 2019 and 2018. The majority of the Pool's investments in hedge funds were valued using the NAV per share; as such, they have not been categorized in the fair value hierarchy for 2019 and 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:

	2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market mutual fund	**$ 656**	**$ -**	**$ -**	**$ 656**
Hedge funds				**2,081,618**
Total				**$ 2,082,274**

	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

(in thousands)

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

Hedge Fund Strategies	2019 Fair Value	2018 Fair Value	Redemption Frequency	Redemption Notice Period
Directional [a]	**$ 154,484**	$ 222,419	Mthly/Qtly	3 to 60 days
Equity long/short [b]	**272,424**	277,653	Mthly/Qtly/Every 3 yrs	30 to 60 days
Event-driven [c]	**37,715**	46,183	Qtly	65 days
Long-biased [d]	**61,426**	60,818	Mthly	90 days
Multi-strategy [e]	**1,265,338**	1,198,457	Mthly/Qtly/Ann	3 to 95 days
Relative-value [f]	**290,231**	273,094	Wkly/Mthly/Qtly	5 to 60 days
Total investments measured at the NAV	**$ 2,081,618**	$ 2,078,624		

[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 60.0% in 2019 and 62.0% in 2018 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.

[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 43% in 2019 and 48% in 2018 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 37% of the fair value of the instruments in this strategy are subject to maximum withdrawal restrictions.

(in thousands)

5. 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 $12,774 and $15,089 as of June 30, 2019 and 2018, respectively, restricted to meet this obligation.

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

	2019	2018
Premium stabilization fund – beginning of the year	**$ 15,089**	$ 19,973
Life insurance dividends, interest received and pool results	**4,549**	1,953
Amounts used to lower optional life rates	**(6,864)**	(6,837)
Premium stabilization fund – end of year	**$ 12,774**	$ 15,089

6. Capital Assets

Capital asset activity for the years ended June 30, 2019 and 2018 was as follows:

	2018	Additions	Disposals	2019
Intangible assets	$ 9,021	$ 5	$ -	**$ 9,026**
Equipment	1,297	4	-	**1,301**
Total capital assets	10,318	9	-	**10,327**
Intangible assets	(8,766)	(49)	-	**(8,815)**
Equipment	(1,356)	(9)	-	**(1,365)**
Total accumulated depreciation	(10,122)	(58)	-	**(10,180)**
Total capital assets, net	$ 196	$ (50)	$ -	**$ 146**

	2017	Additions	Reclass	2018
Intangible assets	$ 9,021	$ -	$ -	$ 9,021
Equipment	1,284	13	-	1,297
Total capital assets	10,305	13	-	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)

7. 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:

	2019	2018
Claims payable, beginning of year	**$ 67,605**	$ 64,649
Incurred claims expenses:		
Provision for insured events of the current year	**532,325**	513,426
Increase (decrease) in provision for insured events of prior years	**(3,010)**	5,070
Total incurred claims expense	**529,315**	518,496
Payments:		
Claim payments, net of rebates, attributable to insured events of:		
Current year	**484,495**	460,173
Prior years	**47,528**	55,367
Total payments, net	**532,023**	515,540
Claims payable, end of year	**$ 64,897**	$ 67,605

The above payments are net of pharmacy rebates earned of $66,750 and $50,827 for the years ended June 30, 2019, and 2018, respectively.

8. 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 43,220 policyholders and 63,842 covered lives at June 30, 2018.

The PEIA currently has approximately 18 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 $183 and $177 for the years ending June 30, 2019 and 2018, respectively. Paygo rates were $135 for January 2017 through June 2017, and $196 for the period July 2016 through December 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 $64, $65 and $63 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively.

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.

(in thousands)

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

During fiscal year 2017, the PEIA along with other State of West Virginia agencies participating in OPEB adopted the provisions of GASB Statement No. 75 and GASB Statement No. 85. At June 30, 2019 and 2018, the PEIA reported a liability of $699 and $755, respectively, for its proportionate share of the net OPEB liability. The net pension liability reported at June 30, 2019 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2017. For fiscal year 2018, the net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date of June 30, 2017.The PEIA's proportion of the net OPEB liability each year is 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 respective year. At June 30, 2019, the PEIA's proportionate share was 0.0326%, which was an increase of 0.0019% from its proportionate share as of June 30, 2018.

For the year ended June 30, 2019 and 2018, the PEIA recognized OPEB expense of $61 and $39, respectively.

The PEIA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30:

	2019		2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Net difference between expected and actual earnings on OPEB plan investments	**$ -**	**$ 13**	$ -	$ 12
Difference between expected and actual experience	**-**	**10**	-	3
Changes in proportion and differences between PEIA's contributions and proportionate share of contributions	**36**	**94**	-	129
Changes in assumptions	-	**70**		
PEIA's contributions made subsequent to the measurement date	**64**	**-**	65	-
Total	**$ 100**	**$ 187**	$ 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.

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 and changes in assumptions 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 4.6370 years.

(in thousands)

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

Year Ended June 30,	OPEB Expense
2019	$ (51)
2020	$ (51)
2021	$ (41)
2022	$ (8)

OPEB Contributions by Non-employer Contributing Entities in a Special Funding Situation

The State of West Virginia is a non-employer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating $30M annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The $30 million transferred pursuant to the Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State of West Virginia is a non-employer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of $5 million of the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The $5 million transferred pursuant to this Code shall be transferred annually to the RHT through June 30, 2020. This funding is to the advantage of all RHBT Contributing Employers.

For the year ended June 30, 2019, the PEIA recognized revenue of $44 for support provided by the State as a special funding situation.

At June 30, 2019, the PEIA reported a liability for its proportionate share of the WV OPEB Plan's net OPEB liability that reflected a reduction for the State of WV OPEB support provided to PEIA. The amount recognized PEIA as its proportionate share of the net OPEB liability, the related State of WV support, and the total portion of the net OPEB liability that was associated with PEIA was as follows.

	2019	2018
PEIA's proportionate share of the net OPEB liability:	**$ 699**	$ 755
State of WV's special funding proportionate share of the net OPEB Liability associated with PEIA	**144**	655
Total portion of the net OPEB liability associated with PEIA	**$ 843**	$ 1,410

(in thousands)

Actuarial assumptions

The net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	20-year closed period as of June 30, 2017
Asset Valuation Method	Market Value
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation
Inflation	2.75%
Wage Inflation	4.00%
Salary increases	Dependent upon pension system. Ranging from 3.00% to 6.5%, including inflation
Retirement Age	Experience- based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.
Mortality	Post – Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generated basis for PERS and TRS. RP- 2014 Healthy Annuitant Mortality Table projected with a scale MP- 2016 on a fully generational basis 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-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.
Health Cost Trend Rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capital claims costs beginning in 2022 to account for the Excise Tax.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs- From Birth to Death"
Expenses	Health Administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the annual expense.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately $17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately $68 million; a change in certain healthcare-related assumptions decreased the liability by approximately $232 million; and an update to the mortality tables increased the liability by approximately $25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

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.

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 BTI.

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.

(in thousands)

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%)	Discount Rate (7.15%)	1% Increase (8.15%)
PEIA's proportionate share of net OPEB liability	$ 822	$ 699	$ 597

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.

The following presents PEIA's proportionate share of the net OPEB liability of the Plan, as well as what the PEIA's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	$ 579	$ 699	$ 846

9. 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 10%, 11% and 12% for the years ended June 30, 2019, 2018 and 2017, 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 $148, $139 and $159 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively.

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

At June 30, 2019 and 2018, the PEIA reported a liability of $239 and $397, respectively, for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2019 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. 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, 2018. At June 30, 2019, the PEIA's proportionate share was 0.0924%, which was an increase of 0.0005% for its proportionate share measured as of June 30, 2018.

For the years ended June 30, 2019 and 2018, the PEIA recognized pension expense of $35 and $100, respectively.

(in thousands)

At June 30, 2019 and 2018, the PEIA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	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	**$ -**	**$ 140**	$ -	$ 96
Difference between expected and actual experience	**12**	**1**	35	1
Difference in assumptions	**-**	**-**	-	21
Changes in proportion and differences between PEIA's contributions and proportionate share of contributions	**171**	**171**	323	316
PEIA's contributions made subsequent to the measurement date	**148**		139	-
Total	**$ 331**	**$ 312**	$ 497	$ 434

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
2020	$ (19)
2021	$ (21)
2022	$ (103)
2023	$ (24)

Actuarial assumptions and methods

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

	2019	2018
Inflation	**3.0%**	3.0%
Salary increase	**3.0-4.6%, avg. including inflation**	3.0-4.6%, 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, 2018 are summarized below:

Asset Class	Long-Term Expected Rate of Return
Domestic equity	4.5%
International equity	8.6%
Fixed Income	3.3%
Real estate	6.0%
Private equity	6.4%
Hedge funds	4.0%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that 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 3.13% is to be used to discount the benefit payments not covered by the system's fiduciary net position. The 3.13% 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%
$ 961	$ 239	$ (372)

10. Litigation

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

Required Supplementary Information
(in thousands)

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1) Premiums, investment, and other revenues:										
Earned	$ 576,693	$ 576,731	$ 570,677	$ 582,682	$ 606,681	$ 578,350	$ 562,179	$ 652,785	$ 610,623	**$ 599,758**
Ceded	74,643	54,298	54,952	52,720	50,623	51,599	51,176	48,953	50,551	**54,098**
Net earned	502,050	522,433	515,725	529,962	556,058	526,751	511,003	603,832	560,072	**545,660**
2) Unallocated expenses	25,344	24,472	22,560	22,484	25,253	28,553	22,421	18,199	18,580	**19,169**
3) Estimated incurred claims and allocated claims adjustment expense, end of accident year:										
Incurred	502,035	526,299	556,025	531,589	566,392	607,350	608,128	591,410	462,875	**428,227**
Ceded	74,643	54,298	54,952	52,720	50,623	51,599	51,176	48,953	50,551	**54,098**
Net incurred	427,392	472,001	501,073	478,869	515,769	555,751	556,952	542,457	513,426	**532,325**
4) Paid (cumulative) claims and allocated claims adjustment expense as of:										
End of accident year	375,571	420,768	444,524	436,560	471,415	474,120	500,897	480,228	460,173	**484,495**
One year later	429,976	475,499	491,427	489,742	528,128	532,549	499,447			
Two years later	430,219	475,818	491,264	490,133	528,128	532,549				
Three years later	430,219	475,818	491,264	490,133	528,128					
Four years later	430,219	475,818	491,264	490,133						
Five years later	430,219	475,818	491,264							
Six years later	430,219	475,818								
Seven years later	430,219									
Eight years later										
Nine years later										
5) Re-estimated ceded claims and expenses	54,298	54,952	52,720	52,720	50,623	51,599	51,176	48,953	50,551	**-**
6) Re-estimated net incurred claims and allocated claims adjustment expense:										
End of accident year	427,392	472,001	501,073	478,869	515,769	555,751	556,952	542,457	513,426	**532,325**
One year later	426,794	472,471	496,773	479,329	515,689	557,931	553,322	546,787	**509,436**	
Two years later	426,814	472,101	496,913	479,339	515,689	557,931	554,012	**547,687**		
Three years later	426,734	472,221	496,743	479,339	515,689	557,981	**554,092**			
Four years later	426,734	472,221	496,743	479,339	515,689	**557,981**				
Five years later	426,734	472,221	496,743	479,339	**515,689**					
Six years later	426,734	472,221	496,743	**479,339**						
Seven years later	426,734	472,221	**496,743**							
Eight years later	426,734	**472,221**								
Nine years later	**426,734**									
7) (Decrease) increase in estimated net incurred claims and allocated claims adjustment expense from end of accident year	(658)	220	(4,330)	470	(80)	2,230	(2,860)	5,230	(3,990)	-

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 Five Fiscal Years
(in thousands except percentages)

	2019	2018	2017	2016	2015
PEIA's proportionate (percentage) of the net pension liability	0.0924%	0.0919%	0.0983%	0.0945%	0.0994%
PEIA's proportionate share of the net pension liability	$ 239	$ 397	$ 903	$ 528	$ 367
PEIA's covered payroll	$ 1,264	$ 1,325	$ 1,415	$ 1,358	$ 1,394
PEIA's proportionate share of the net pension's liability as a percentage of its covered payroll	18.91%	29.96%	63.82%	38.88%	26.33%
Plan fiduciary net position as a percentage of the total pension liability *	96.33%	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 Seven Fiscal Years
(in thousands except percentages)

	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 148	$ 139	$ 159	$ 191	$ 190	$ 193	$ 187
Contributions in relation to the statutorily required contribution	(148)	(139)	(159)	(191)	(190)	(193)	(187)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,480	$ 1,264	$ 1,325	$ 1,415	$ 1,358	$ 1,394	$ 1,483
Contributions as a percentage of covered payroll	10%	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:

	2017	2016
Projected salary increases:		
State	3.0 - 4.6%	3.0 - 4.6%
Non-state 3.0 - 4.6%	3.0 - 4.6%	
Inflation rate 3.0%	3.0%	
Mortality rates	Healthy males -110% of RP-2000	Healthy males -110% of RP-2000
	Non-Annuitant, Scale AA	Non-Annuitant, Scale AA
	Healthy femailes-101% or RP-2000	Healthy femailes-101% or RP-2000
	Non-Annuitant, Scale AA	Non-Annuitant, Scale AA
	Disabled males - 96% of RP-2000	Disabled males - 96% of RP-2000
	Disabled annuitant, Scale AA	Disabled annuitant, Scale AA
	Disabled females - 107% of RP-2000	Disabled females - 107% of RP-2000
	Disabled annuitant, Scale AA	Disabled annuitant, Scale AA
Withdrawal rates:		
State	1.75 - 35.1%	1.75 - 35.1%
Non-state	2 - 35.8%	2 - 35.8%
Disability rates	0 - .675%	0 - .675%

(in thousands)

	2015	2014
Projected salary increases:		
State	3.0 - 4.6%	4.25 - 6.0%
Non-state	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	1.90%	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 -1983 GAM Healthy females -1971 GAM Disabled males -1971 GAM Disabled females – Revenue Ruling 96-7
Withdrawal rates:		
State	1.75 - 35.1%	1 - 26%
Non-state	2 - 35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

West Virginia Public Employees Insurance Agency
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability in RHBT
Year Ended June 30, 2019 and 2018
(in thousands except percentages)

	2019	2018
PEIA's proportionate (percentage) of the net OPEB liability	0.0326%	0.0307%
PEIA's proportionate share of the net OPEB liability	$ 699	$ 755
State's proportionate share of the net OPEB Liability associated with PEIA	144	655
Total	$ 843	$ 1,410
PEIA's covered-employee payroll	$ 688	$ 688
PEIA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	102%	115%
Plan fiduciary net position as a percentage of the total OPEB liability *	30.98%	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 Four Fiscal Years
(in thousands except percentages)

	2019	2018	2017	2016
Statutorily required contribution	**$ 64**	$ 65	$ 63	$ 64
Contributions in relation to the statutorily required contribution	**(64)**	(65)	(63)	(64)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
Covered-employee payroll	**$ 662**	$ 688	$ 655	$ 646
Contributions as a percentage of covered-employee payroll	**10%**	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)

		Carrying Amount	
Cash with State Treasurer	$	8,877	
Deposit in transit		-	
Cash in outside bank accounts		3,080	
Total carrying amount of deposits		11,957	
Cash equivalents (with BTI and Minnesota Life)		49,366	
Total cash	$	61,323	(1)(3)

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

Cash and cash equivalents	$	11,957	(2)
Equity position in investment pool – current		36,592	(2)
Equity position in investment pool – noncurrent and restricted		12,774	(2)
Total cash equivalents	$	61,323	(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, 2019
(in thousands)

Investment Pool	Amount Unrestricted	Amount Restricted	Amount Reported	Fair Value	
West Virginia Board of Treasury Investments (BTI):					
WV Money Market Pool	$ 36,592	$ 5,362	$ 41,954	$ 41,954	
Total equity position in investment pool with BTI	$ 36,592	$ 5,362	$ 41,954	$ 41,954	(2)(4)
Minnesota Life Insurance:					
Cash and cash equivalents	$ -	$ 7,412	$ 7,412	$ 7,412	(1)
West Virginia Investment Management Board (IMB) Investment Pools:					
Total return fixed income	$ 58,941	$ -	$ 58,941	$ 58,941	
Core fixed income	25,503	-	25,503	25,503	
TIPS	34,191	-	34,191	34,191	
Domestic Equity	25,918	-	25,918	25,918	
International nonqualified	9,326	-	9,326	9,326	
Hedge fund	51,623	-	51,623	51,623	
International equity	19,812	-	19,812	19,812	
Total equity position in investment pools with IMB	$ 225,314	$ -	$ 225,314	$ 225,314	(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	$ 36,592	(1)
Equity position in investment pool – noncurrent and restricted	238,088	(1)
Total	$ 274,680	(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, 2019
(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	$	11,957	(1)(2)
Equity position in investment pools as reported	$	274,680	(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, 2019
(in thousands)

Total accounts receivable	$	53,903	(1)
Less allowance for doubtful accounts		(1,261)	(1)
Net receivable	$	52,642	

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

Premium receivable:			
Due from State of West Virginia	$	2,646	(2)
Other, net		5,997	(2)
Add allowance for doubtful accounts		266	(2)
Accounts receivable:			
Appropriations due from State of West Virginia		-	(2)
Provider refunds, net		585	(2)
Add allowance for doubtful accounts		995	(2)
Due from RHBT		10,533	(2)
Prescription rebates		31,683	(2)
Other		1,198	(2)
Total accounts receivable	$	53,903	
Allowance for doubtful accounts:			
Premium receivable – other	$	266	(2)
Provider refunds		995	(2)
	$	1,261	

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

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2019
(in thousands)

Agency	Total
Workforce WV/Payroll-05303	$ (1)
	(1)
WV PERS State	173
WV PERS Non-State	(133)
WV Teachers Retirement Board	(322)
Consolidated Retirement Bd/Judges Ret.	(7)
Separated Pre-Retirement	1
Deputy Sheriffs Retirement	(121)
Public Safety/Con.Pub.Emp.Ret.Bd.	(14)
	(423)
ABC Commission	9
Agriculture	(1)
Anthony Correctional Center	(14)
Architects, Board Of	(1)
Berkeley-Morgan Co Board Of Health	7
Board Of Funeral Service Examiners	(1)
Buffalo Creek Public Service District	10
Cabell County Public Library	35
Corrections/Salem Corr, Dept Of	(7)
Corrections/St. Marys Corr, Dept Of	4
Culture And History	(9)
Department Of Corrections	1
Department Of Education	(54)
Department Of Highways	(47)
Department Of Labor	(2)
Dept Of Corrections/Denmar Facility	(1)
Division Of Financial Institution	(1)
Division Of Tourism	(6)
Dot Office Of Administrative Hearings	(1)
Economic Development Authority	(1)
Environmental Protection, Department Of	(1)
Forestry, Division Of	(32)
Geological Survey	(1)
Health Care Authority	(2)
Health Dept	(51)
Homeland Security - Emergency Management	(9)
Hopemont State Hospital	(6)
House Of Delegates	(10)
Human Rights Commission	(8)
Human Services, Dept Of	1
Huttonsville Correctional Center	(7)
Jackie Withrow Hospital	(1)
Jobs Investment Trust Board	1
Joint Comm On Govt & Finance	1
Lakin State Hospital	(9)

West Virginia Public Employees Insurance Agency
Form 10, Due (To) From Primary Government
June 30, 2019
(in thousands)

(Continued)

Agency	Total
Martinsburg Correctional Center	$ (1)
Mildred Mitchell-Bateman Hospital	(18)
Military Authority	(8)
Motor Vehicles	2
Mt Olive Correctional Facility	1
National Coal Heritage Area Authority	(1)
Natural Resources	1
Northern Correctional Facility	(5)
Off Of Miners Health, Safety & Training	(3)
Pharmacy, Board Of	(1)
Pruntytown Correctional Center	(2)
Public Port Authority	0
Public Safety	(53)
Public Service Commission	(53)
Public Transit	(1)
Real Estate Appraiser/Lic Cert BD	(6)
Real Estate Commission	0
Rehabilitation Services, Division of	(39)
School Building Authority	0
Secretary Of State	(28)
Senate	(32)
Supreme Court / Judicial	2
Tax Dept	(183)
Tax Dept - Budget Office	(3)
Treasurer Of State's Office	(2)
Veterans Affairs	(86)
Welch Emergency Hospital	(20)
William R Sharpe Jr Hospital	(20)
WV Board Of Barbers And C	(19)
WV Center For Nursing	(3)
WV Division Of Juvenile Services	(5)
WV Enterprise Planning Board	(1)
WV Massage Therapy Licensure BD	(1)
WV Office Of Tax Appeals	(1)
WV School For The Deaf And Blind	(100)
WV State Bd Of Examiners For LPNs	1
	(902)
Total primary government	(1,326)
Total component units	3,972
Due from State of West Virginia, net	$ 2,646 [1]

[1] Agrees to the audited statement of net position

West Virginia Public Employees Insurance Agency
Form 11, Component Unit - A/R Balances
June 30, 2019
(in thousands)

Unit	Amount
Bluefield State College	$ (15)
Concord College	(34)
Eastern WV Community & Technical College	(1)
Educational Broadcasting	(14)
Fairmont State University	(13)
Glenville State College	(6)
Higher Education Policy Commission	(2)
Kanawha Valley Community and Technical College	(1)
Marshall University	43
Mountwest Community & Technical College	(19)
New River Community & Technical College	(5)
Public Defender Corporation 2nd Judicial Circuit	(1)
Public Defender Corporation 23rd Judicial Circuit	15
Public Defender Corporation 30th Judicial Circuit	4
Public Defender Corporation 28th Judicial Circuit	2
Public Defender Corporation 7th Judicial Circuit	4
Public Defender Corporation 13th Judicial Circuit	19
Railroad Maintenance Authority	(7)
Regional Jail & Correctional Facility Authority	(16)
School Of Osteopathic Medicine	(10)
Shepherd University	(19)
West Liberty State College	(3)
West Virginia Lottery Commission	(1)
West Virginia University	4,060
WV Network For Educational Telecommunication	(2)
WV Parkways Economic Development & Tourism Authority	1
WV Southern Community College	(5)
WV State University	(1)
WVSC R & D Corporation	(1)
Total component units	$ 3,972

DIXON HUGHES GOODMAN LLP

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Public Employees Insurance Agency (PEIA), which comprise the statement of net position as of June 30, 2019, 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 15, 2019.

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.

DIXON HUGHES GOODMAN LLP

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 15, 2019