West Virginia Retiree Health Benefit Trust Fund

Financial Statements, Required Supplementary Information and Other Supplementary Information

Years Ended June 30, 2019 and 2018

DHG
DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

Finance Board and Management
West Virginia Retiree Health Benefit Trust Fund
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary 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 RHBT'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 audits to obtain reasonable assurance about whether the 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 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 fiduciary net position of the RHBT, a fiduciary fund of the State of West Virginia, as of June 30, 2019 and 2018, and the changes in its fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the RHBT are intended to present the fiduciary net position and the changes in fiduciary net position of only that portion of the fiduciary activities of the State of West Virginia that is attributable to the transactions of the RHBT. They do not purport to and do not present fairly the financial position of the State of West Virginia as of June 30, 2019 and 2018, and the changes in its position 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.

DIXON HUGHES GOODMAN LLP

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 10 and the required supplementary information on pages 60 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 RHBT's basic financial statements as a whole. The accompanying schedules on pages 71 through 77 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management, was derived from, and relates 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 RHBT'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 RHBT'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 Retiree Health Benefit Trust Fund's (RHBT) 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 financial statements, which follow this section.

Fund overview

The RHBT is a fiduciary fund of the State of West Virginia (State), established July 1, 2006, as an irrevocable trust (Code section 5-16D-2). The RHBT revenues pay costs of the defined benefit, cost sharing, multiple employer Other Postemployment Benefit (OPEB) Plan (the Plan). The Plan provides medical, prescription drug and life insurance for retirees of State agencies, colleges and universities, county boards of education and other government entities as set forth in the West Virginia Code (Employers) and has approximately 43,000 policyholders and 64,000 covered lives.

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

Effective July 1, 2012, the RHBT contracted with Humana to provide a Medicare Advantage Plan (Humana MAPD) benefit to Medicare-eligible retired employees and their Medicare-eligible dependents. Under this arrangement, Humana assumes the financial risk of providing comprehensive medical and drug coverage with limited co-payments. Non-Medicare retirees will continue enrollment in the PEIA's Preferred Provider Benefit or the Managed Care Option.

Life insurance is provided through Minnesota Life Insurance Company and is fully funded by member contributions.

Major developments

Senate Bill (SB) No. 469 was passed February 10, 2012, granting Other Post-Employment Benefits Liability relief to the 55 County Boards of Education effective July 1, 2012. Section 18-9A-24 states "any amount of the employer annual required contribution allocated and billed to the county boards on or after July 1, 2012, and any amount of the employer annual required contribution allocated and billed to the county boards prior to that date for employees who are employed as professional employees within the limits authorized by section four of this article, employees who are employed as service personnel within the limits authorized by section five of this article and employees who are employed as professional student support personnel within the limits authorized by section eight of this article, shall be charged to the state." In compliance with SB 469, for fiscal year 2012, the RHBT transferred $715 million in annual required contribution liability from the County Boards of Education to the State.

With the passage of SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96, the State identified a supplemental pre-funding source dedicating $30 million annually to the RHBT Fund. These funds are transferred from personal income tax. Transfers will be made until the RHBT's unfunded liability has been provided for in its entirety, or July 1, 2037, whichever date is later. This pre-funding should be to the advantage of all West Virginia OPEB participating agencies and allow the Plan to accumulate assets.

Overview of the financial statements

The two basic financial statements (described below) are presented on the accrual basis of accounting:

> Statement of Fiduciary Net Position – Presents information reflecting assets, liabilities and fiduciary net position. Fiduciary net position represents the amount of total assets less total liabilities. The statement of fiduciary net position is the government version of a for-profit balance sheet.
>
> Statement of Changes in Fiduciary Net Position – Presents contributions and deductions to the Plan during the fiscal year. The primary source of contributions is premium income. The primary sources of deductions are medical and prescription drug claims costs. The statement of changes in fiduciary net position is the government version of a for-profit income statement.

Effective July 1, 2017, the RHBT adopted the provisions of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB No. 85, *Omnibus 2017.* The RHBT determined that it was not practical to restate all periods presented and recorded a cumulative effect adjustment of $104 as of July 1, 2017, to increase the 2018 beginning net position. The $104 cumulative effect adjustment as of July 1, 2017, is comprised of the removal of the GASB 45 OPEB liability of $569 and the recording of the beginning net OPEB liability of $499 less deferred outflows of resources related to OPEB plan contributions of $34 as of that date.

Economic conditions

Health care cost inflation continued to significantly exceed general economic inflationary costs. The primary factors contributing to rising health care costs are:

- Medical equipment technology
- New drug therapies
- Consumer-driven advertising for health care services
- Aging population – baby boomers reaching prime years of health care utilization

OPEB liability

The total OPEB liability (TOL) at June 30, 2019 is $3.0 billion, which is based on an actuarial valuation date of June 30, 2017. The $3.0 billion TOL less $1,092 million of actuarial value of assets results in a projected Net OPEB liability of $1.9 billion at June 30, 2019. This is a substantial unfunded liability for the Employers. The State has demonstrated its intent to deal with the substantial unfunded liability by the passage of Senate Bill 129, which became effective July 1, 2007. This bill amended West Virginia Code (the Code) Section 5-16-25, indicating that the PEIA excess reserve funds shall be transferred to the RHBT. Funds totaling $108.2 million were transferred to the Plan in fiscal year 2008 related to this provision in the Code. 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 RHBT. In fiscal year 2009, the State transferred $91.0 million to pay for general funded employers' portion of the AAL. Senate Bill 419, effective July 1, 2012, amended Code section 11-21-96 by dedicating $30 million to be transferred annually from personal income tax previously collected for payment of the unfunded liability of the Workers' Compensation fund to the RHBT. Appropriations will be made through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. The PEIA and the RHBT Finance Board has also demonstrated its intent to address the OPEB liability by their ruling to no longer provide subsidized health care insurance for retirees with a hire date on or after July 1, 2010. The most significant change occurred in December 2011, when the PEIA Finance Board passed a finance plan that placed a 3% cap on the amount participating employers will now pay in retiree premium subsidy annual increases. By doing this, the Employer is no longer exposed to ever-increasing trends in health care costs, significantly reducing future retiree premium subsidy costs.

(in thousands)

Financial highlights

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

				Change 2019 - 2018		Change 2018 - 2017	
	2019	**2018**	**2017**	**Amount**	**Percent**	**Amount**	**Percent**
ASSETS							
Cash and cash equivalents	**$ 3,805**	$ 2,124	$ 592	$ 1,681	79%	$ 1,532	259%
Equity position in - investment pool	**1,108,753**	961,755	827,008	146,998	15%	134,747	16%
Contributions receivable, net	**1,213**	1,697	1,222	(484)	-29%	475	39%
Due from the State - contributions	**1,383**	1,411	1,072	(28)	-2%	339	32%
Due from the State - State appropriation (contribution)	**-**	1,250	-	(1,250)	-100%	1,250	100%
Other receivables	**8,193**	22,974	19,680	(14,781)	-64%	3,294	17%
Total assets	**1,123,347**	991,211	849,574	132,136	13%	141,637	17%
Deferred outflows of resources:							
Pension	**179**	269	339	(90)	-33%	(70)	-21%
Other post-employment benefits	**69**	34	-	35	103%	34	100%
Total deferred outflows of resources	**248**	303	339	(55)	-18%	(36)	-11%
LIABILITIES							
Claims payable	**9,290**	10,613	9,670	(1,323)	-12%	943	10%
Due to PEIA	**10,532**	16,537	1,449	(6,005)	-36%	15,088	1041%
Payables to MCO	**8,955**	-	11,387	8,955	100%	(11,387)	-100%
Other liabilities	**2,883**	933	3,471	1,950	209%	(2,538)	-73%
Total liabilities	**31,660**	28,083	25,977	3,577	13%	2,106	8%
Deferred inflows of resources:							
Pension	**171**	239	25	(68)	-28%	214	856%
Other post-employment benefits	**103**	77	-	26	34%	77	100%
Total deferred inflows of resources	**274**	316	25	(42)	-13%	291	1164%
Net Position:							
Net position restricted for OPEB	**$ 1,091,661**	$ 963,115	$ 823,911	$ 128,546	13%	$ 139,204	17%

Comparative year-to-year major variance explanations (2019 vs. 2018 and 2018 vs. 2017) for the statements of fiduciary net position are as follows:

Cash and cash equivalents ($1,681 increase)

Cash and cash equivalents for fiscal year 2019 totaled $3,805, an increase of $1,681 compared to fiscal year 2018. Cash and cash equivalents for fiscal year 2018 totaled $2,124, an increase of $1,532 compared to fiscal year 2017. These fluctuations are primarily due to having sufficient cash available to pay current operating expenses and the timing of those payments.

Equity position in investment pools ($146,998 increase)

The change in Equity position in investment pools from year to year is generated from operations and the availability of funds to invest with the Board of Treasury Investments (BTI), the net effect of the change in fair value of investments with the West Virginia Investment Management Board (WVIMB) and the $30.0 million invested in the WVIMB from the State appropriation related to OPEB. Equity position in investment pools increased $146,998 for fiscal year 2019 compared to fiscal year 2018 and increased $134,747 for fiscal year 2018 compared to fiscal year 2017.

Contributions receivable, net ($484 decrease)

Contributions receivable, net for fiscal year 2019 totaled $1,213, which is a $484 decrease from the balance for fiscal year 2018. Fiscal year 2018 had an increase of $475 compared to fiscal year 2017. The changes in the balance of contributions receivable, net are the result of collection efforts and the timing of the collections at year end.

Due from the State - Contributions ($28 decrease)

Contributions due from the State for fiscal year 2019 totaled $1,383, which is a $28 decrease from the balance for fiscal year 2018. Fiscal year 2018 had an increase of $339 compared to fiscal year 2017. The changes in the balance of Contributions Due from the State are the result of collection efforts and the timing of the collections at year end.

Due from the State – State appropriation (Contribution)

For fiscal year 2018, the Due from the State – State appropriation had a receivable balance of $1,250. This appropriation is for stability of retiree premiums. This appropriation is paid quarterly and the final quarter for fiscal year 2018 was not received until after year end. There was not a receivable for fiscal year 2019. All quarters were paid within the fiscal year.

Other receivables ($14,781 decrease)

Fiscal year 2019 has a $14,781 decrease in other receivables compared to fiscal year 2018. This is due to a reduced gain share financial incentive from Humana.

Last year, the gain share financial incentive from Humana resulted in a $3,294 increase from the prior year 2017.

Deferred outflows of resources ($55 decrease)

Deferred outflows and inflows of resources are directly related to the activity described in Note 6 – Other Postemployment Benefits - Employer Reporting and Note 7 – Pension Plan to the Financial Statements.

The net of the RHBT allocation of the pension amounts for GASB Statement No. 68 and the RHBT allocation of the OPEB amounts for GASB Statement No. 75 resulted in a decrease of $55 compared to fiscal year 2018 and a $36 decrease from 2018 to 2017.

Claims Payable ($ 1,323 decrease)

The fluctuations in claims payable from year to year is due to the actuarial reserve estimate provided by the Plan's actuaries. There is a $1,323 decrease in 2019 over 2018 and a $943 increase in 2018 over 2017 in claims payable.

Due to PEIA ($6,005 decrease)

Due to PEIA is the net change in the timing of payments to the PEIA for allocated services and receipts from the PEIA for monies collected or paid on behalf of the RHBT. The change from fiscal year 2019 compared to 2018 is a decrease of $6,005. The change from fiscal year 2018 compared to 2017 is an increase of $15,088.

Other liabilities and payables to managed care organizations ($10,905 increase)

A combined $10,905 increase is due primarily from the final June 2019 Humana capitation not being paid until after year end. Last year, a combined $13,925 decrease is due to the same. Fiscal year 2018 did not have an accrual for the final year end Humana capitation and fiscal year 2017 did.

Deferred inflows of resources ($42 decrease)

Deferred outflows and inflows of resources are directly related to the activity described in Note 6 – Other Postemployment Benefits - Employer Reporting and Note 7 – Pension Plan to the Financial Statements.

The net of the RHBT allocation of the pension amounts for GASB Statement No. 68 and the RHBT allocation of the OPEB amounts for GASB Statement No. 75 resulted in a decrease of $42 compared to fiscal year 2018 and a $291 increase from 2018 to 2017.

(in thousands)

Statements of fiduciary net position

				Change 2019 - 2018		Change 2018 - 2017	
	2019	**2018**	**2017**	**Amount**	**Percent**	**Amount**	**Percent**
Additions:							
Contributions:							
Employers	**$ 115,345**	$ 121,974	$ 115,510	$ (6,629)	-5%	$ 6,464	6%
State appropriation (School Aid)	**55,683**	47,261	54,805	8,422	18%	(7,544)	-14%
State appropriation (Contribution)	**5,000**	5,000	5,000	-	0%	-	0%
State appropriation (OPEB)	**30,000**	30,000	30,000	-	0%	-	0%
						-	
Total contributions	**206,028**	204,235	205,315	1,793	1%	(1,080)	-1%
Retiree drug subsidy	**882**	1,572	557	(690)	-44%	1,015	182%
Other revenue	**24**	-	-	24	100%	-	0%
Interest and dividend income	**1,810**	4,564	6,929	(2,754)	-60%	(2,365)	-34%
Net appreciation in fair value of investments	**57,688**	69,484	92,518	(11,796)	-17%	(23,034)	-25%
Total additions	**266,432**	279,855	305,319	(13,423)	-5%	(25,464)	-8%
Deductions:							
Benefit payments, net	**133,625**	136,358	163,376	(2,733)	-2%	(27,018)	-17%
Administrative service fees	**1,436**	1,342	1,447	94	7%	(105)	-7%
Other expenses	**2,825**	3,055	2,253	(230)	-8%	802	36%
Total deductions	**137,886**	140,755	167,076	(2,869)	-2%	(26,321)	-16%
Net increase in net position	**128,546**	139,100	138,243	(10,554)	-8%	857	1%
Net position restricted for other postemployment benefits:							
Net position, beginning of year	**963,115**	823,911	685,668	139,204	17%	138,243	20%
Cumulative effect of adoption of GASB 75	**-**	104	-	(104)	-100%	104	0%
Net position, beginning of year, as restated	**963,115**	824,015	685,668	139,100	17%	138,347	20%
Net position, end of year	**$ 1,091,661**	$ 963,115	$ 823,911	$ 128,546	13%	$ 139,204	17%

Comparative year-to-year major variance explanations (2019 vs. 2018 and 2018 vs. 2017) for the statements of changes in fiduciary net position are as follows:

Employer Contributions ($6,629 decrease)

A $6,629 decrease is due to a decrease in enrollment. Employers contribute the retiree subsidy (pay-go) per active health policy enrollment per month.

Last year, a $6,464 increase was due to an increase in the rate the Employer's contributed for the retiree subsidy (pay-go).

State appropriation (School Aid) ($8,422 increase)

A $8,422 increase is due to the increase in the Pay-go Employer contribution rate of $6 per active policyholder per month.

Last year, a $7,544 decrease is due to a combination in the change in the allocation methodology of 75/25 split between the PEIA and the RHBT for state aid purposes to 80/20 and the overall state aid allocation in general decreased due to (1) a reduction in the number of positions funded under the state aid funding formula (as a result of a decline in student enrollment) and (2) a reduction in the average premium rate for county board of education employees.

Retiree drug subsidy ($690 decrease)

Retiree drug subsidy is the payments received from Centers for Medicare Services (CMS) under the provisions of Medicare Part D. The change in the timing of payments causes fluctuations in the revenue from year to year. There is a $690 decrease in 2019 compared to 2018 and a $1,015 increase from 2018 to 2017 resulting from the timing of these receipts.

Interest and dividend income ($2,754 decrease)

A $2,754 decrease in fiscal year 2019 compared to fiscal year 2018 and a $2,365 decrease from fiscal year 2018 compared to fiscal year 2017 is primarily due to changes in the type and timing of investments managed by WVIMB.

Net appreciation (depreciation) in fair value of investments ($11,796 decrease)

The $11,796 decrease in fiscal year 2019 over 2018 and the $23,034 decrease in fiscal year 2018 over 2017 in the net investment appreciation is due to a combination of unfavorable market conditions compared to the prior year and changes in the type and timing of investments managed by WVIMB.

Benefit Payments ($2,733 decrease)

A $2,733 decrease is due to favorable medical and prescription drug trends and a decrease in the Humana capitation rate per member per month.

Last year, a $27,018 decrease is due to a combination of an increased gain share incentive received, favorable medical trends and a decrease in the Humana capitation rate per member per month.

Administrative service fees ($94 increase)

A $94 increase is due to an increased rate charged for non-Medicare retirees.

Last year, a $105 decrease is due to a lower rate charged for fewer non-Medicare retirees.

Other expenses ($230 decrease)

A $230 decrease is due to a decrease of overhead expenses that are allocated between PEIA and RHBT.

Last year, an $802 increase is due to an increased bad debt allowance for contributions receivable.

Requests for information

This financial report is designed to provide the RHBT's participants, governing officials, legislators, citizens and taxpayers with a general overview of the RHBT's accountability for the money it receives. 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.

Basic Financial Statements
(in thousands)

West Virginia Retiree Health Benefit Trust Fund
Statements of Fiduciary Net Position
June 30, 2019 and 2018
(in thousands)

	2019	2018
ASSETS		
Cash and cash equivalents	$ **3,805**	$ 2,124
Equity position in investment pools	**1,108,753**	961,755
Contributions receivable – net of allowance for doubtful accounts of $468 and $468, respectively	**1,213**	1,697
Due from the State - contributions	**1,383**	1,411
Due from the State - State appropriation (Contribution)	**-**	1,250
Other receivables	**8,193**	22,974
Total assets	**1,123,347**	991,211
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**179**	269
Other postemployment benefits	**69**	34
Total deferred outflows of resources	**248**	303
LIABILITIES		
Claims payable	**9,290**	10,613
Due to PEIA	**10,532**	16,537
Payables to managed care organizations	**8,955**	-
Other liabilities	**2,883**	933
Total liabilities	**31,660**	28,083
DEFERRED INFLOWS OF RESOURCES		
Pension	**171**	239
Other postemployment benefits	**103**	77
Total deferred inflows of resources	**274**	316
NET POSTION		
Net position restricted for other postemployment benefits	$ **1,091,661**	$ 963,115

See accompanying notes.

West Virginia Retiree Health Benefit Trust Fund
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2019 and 2018
(in thousands)

	2019	2018
Additions:		
Contributions:		
Employers	**$ 115,345**	$ 121,974
State appropriation (School Aid)	**55,683**	47,261
State appropriation (Contribution)	**30,000**	5,000
State appropriation (OPEB)	**5,000**	30,000
Total contributions	**206,028**	204,235
Retiree drug subsidy	**882**	1,572
Other revenue	**24**	-
Interest and dividend income	**1,810**	4,564
Net appreciation in fair value of investments	**57,688**	69,484
Total additions	**266,432**	279,855
Deductions:		
Benefit payments, net	**133,625**	136,358
Administrative service fees	**1,436**	1,342
Other expenses	**2,825**	3,055
Total deductions	**137,886**	140,755
Net increase in net position	**128,546**	139,100
Net position restricted for other postemployment benefits:		
Net position, beginning of year	**963,115**	824,015
Net position, end of year	**$ 1,091,661**	$ 963,115

See accompanying notes.

Notes to Financial Statements
(in thousands)

Notes to Financial Statements (in thousands)

1. Reporting Entity

The West Virginia Retiree Health Benefit Trust Fund (RHBT) is a fiduciary fund of the State of West Virginia (State), was established July 1, 2006 as an irrevocable trust (Code section 5-16D-2). The RHBT's financial results are included in the State's Comprehensive Annual Financial Report.

The RHBT's basic financial statements present the fiduciary net position and the changes in fiduciary net position for the State's fiduciary activities attributable only to the transactions of the RHBT. The RHBT's basic financial statements do not purport to, and do not present fairly the financial position of the State as of June 30, 2019 and 2018, or the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

2. Plan Description Including Contribution and Benefit Information

The Other Postemployment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other post-employment 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 (the Code). Financial activities of the Plan are accounted for in the RHBT. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by the PEIA and the RHBT management with the approval of their Finance Board.

Active employees who retire are eligible for 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 the 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 the PEIA insurance benefits upon retirement. Employees who participate in non-State retirement systems but that 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 the PEIA benefits as a retiree.

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The Plan Medical and Prescription Drug benefits are 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

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan (Humana MAPD) administered by Humana. Under this arrangement, Humana assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees will continue enrollment in the PEIA's Preferred Provider Benefit or the Managed Care Option.

The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Medical and prescription drug benefits paid by the MCO are not reflected in the RHBT's financial statements. Contributions earned by the RHBT are included in employer contributions. MCO capitation fee payments are recorded as a benefit payment deduction on the financial statements.

Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Life insurance is provided through Minnesota Life Insurance Company – fully funded by member contributions.

The Plan has the following characteristics:

- Other post-employment benefit plan
- Cost-sharing
- Multiemployer
- Defined benefit

Eligible participants of the Plan are retirees of:

- State government agencies
- State colleges and universities
- County boards of education
- Other government entities (towns, county commissions, etc.)

Eligible participants hired after June 30, 2010, are required to fully fund premium contributions upon retirement.

Plan administration is provided by:

- Claims adjudication – Health Smart (third-party administrator)
- The staff of PEIA and the RHBT
- Finance Board 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.

Members may obtain optional life insurance coverage from $2,500 to $150,000 depending on age; however, optional accidental death and dismemberment insurance is not available. Members may also elect dependent optional life coverage at levels up to $40,000 for spouse and $15,000 per child. Amounts collected by the RHBT from members for optional coverage totaled $21.3 million and $20.7 million during the fiscal years ended

(in thousands)

June 30, 2019 and 2018, respectively, and were remitted directly to the carrier. The RHBT functions as an agent for these optional benefits and, accordingly, neither these premiums nor the related costs are reflected in the financial statements.

At June 30, the RHBT membership consisted of the following:

	Covered Policyholders	
	2019	**2018**
Retirees and beneficiaries currently receiving benefit payments	**42,435**	42,501
Inactive plan members entitled to but not yet receiving benefit payments [a]	**8,906**	12,242
Active plan members	**43,398**	45,928
Totals	**94,739**	100,671
Number of participating employers	**703**	700

[a] Inactive plan members excluded 3,860 waived annuitants over the age of 75 in 2019.

A non-Medicare plan member, or beneficiaries receiving benefits, contributes monthly health care premiums ranging from $267 to $1,160 per month for retiree-only coverage and from $367 to $2,760 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from $79 to $473 per month for retiree-only coverage and from $130 to $1,583 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage. Retiree premium payments are reflected as a reduction of benefit payments.

West Virginia Code section 5-16D-6 also assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2019 and 2018, respectively, were:

	2019	**2018**
Paygo premium	**$ 183**	$ 177

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.

Senate Bill 419, effective July 1, 2012, amended Code section 11-21-96 by dedicating $30 million to be transferred annually from personal income tax previously collected for payment of the unfunded liability of the Workers' Compensation fund to the RHBT. Appropriations will be made through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the RHBT received an additional $5 million appropriation from the State for the year ending June 30, 2019 for retiree contributions. A similar State appropriation for $5 million has been approved for fiscal year ending June 30, 2020.

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting Other Post-Employment Benefits Liability relief to the 55 County Boards of Education effective July 1, 2012. The Public School Support Plan is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the Code. The special funding under the school aid formula subsidizes employer contributions of the county boards of education and contributes to the overall unfunded OPEB liability.

West Virginia Code section 5-16-25 requires the Finance Board of the PEIA to maintain a reserve of 10% of projected plan costs for general operation purposes and to provide future PEIA 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. Funds totaling $108.2 million were transferred to the Plan for fiscal year 2008 related to this provision in the Code. 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. In fiscal year 2009, the State transferred $91 million to pay for general funded employers' portion of the AAL.

As an employer, the RHBT's obligation of $393 and $406 for fiscal years 2019 and 2018, respectively, are recorded in other liabilities in the statements of net position.

3. Summary of Significant Accounting Policies

Basis of reporting

The RHBT is accounted for as a fiduciary fund and the basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

Budgetary requirements

The Code requires the PEIA Finance Board (the Board) to set the annual required contribution sufficient to maintain the RHBT in an actuarially sound manner. The Board shall annually allocate to the respective employers the employers' portion of the annual required contribution.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and investments with maturities of three months or less when purchased. Cash and cash equivalents are monies deposited on account with the West Virginia State Treasurer and used primarily to fund operating expenses.

Equity position in investment pools

The RHBT owns equity positions in State government investment pools managed by the 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 RHBT based on the balance of the RHBT's investments maintained in relation to the total investments of all State agencies participating in the pool.

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 10 are appointed by the Governor and confirmed by the 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 10 appointed Trustees may be from the same political party. The

Governor serves as Chairman of the Board. A Vice-Chairman is elected by the Trustees. A Secretary, who need not be a member of the Board, is also elected by the Trustees to keep a record of the proceedings of the Board. Details regarding these investment pools and a copy of the WVIMB financial report can be obtained by contacting: West Virginia Investment Management Board, 500 Virginia Street, East, Suite 200, Charleston, West Virginia 25301 or by calling (304) 645-5939.

A five-member Board of Directors governs the BTI. The Governor, Treasurer and Auditor serve as ex-officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant, 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 funds, which can be obtained from its website or a published copy from the West Virginia Board of Treasury Investments, 1900 Kanawha Boulevard, East, Building 1, Room E-122, Charleston, West Virginia 25305.

Due to/from PEIA

This balance primarily represents the deficiency or excess of the RHBT contributions collected by the PEIA over expenses paid by the PEIA for the RHBT.

Contributions receivable

Contributions receivable are reported net of an allowance for amounts estimated to be uncollectible based on management's review of the payment status of the underlying accounts and other economic factors that are deemed necessary in the circumstances.

Due from the State

Due from the State are contributions receivable due to the RHBT from primary government entities and their component units.

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 fiduciary net position as aggregations of different types of deferred amounts. Deferred outflows in the statements of fiduciary net position were composed of $78 for fiscal year ending June 30, 2019, related to contributions to the Public Employees Retirement System (PERS) made during the current fiscal year subsequent to the measurement date, and $101 for differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions. Deferred outflows of resources related to other post-employment benefits in the statements of fiduciary net position were composed of $34 for the year ending June 30, 2019, related to employer contributions to the RHBT made during the current fiscal year subsequent to the measurement date and $35 for changes in proportion and differences between employer contributions and proportionate share of contributions.

Benefit payments, net

Benefit payments, net includes healthcare claims expense and payments to managed care organizations, net of retiree share of healthcare premiums.

Prescription drug rebates

Through arrangements with its Prescription Benefit Manager, the RHBT collects rebates from prescription drug manufacturers. The estimated prescription rebates receivable is based on prescription claims counts and historical average rebate per claim.

Retiree drug subsidy

The RHBT records retiree drug subsidy (RDS) payments from Centers for Medicare Services (CMS) under the provisions of Medicare Part D. For fiscal years 2019 and 2018, the RHBT received a drug subsidy for Medicare-eligible members covered by the PEIA PPB plans – transitioning to Medicare coverage beginning with the new plan year. The Medicare-eligible Drug Subsidy is recorded as revenue.

The RDS revenue has been accounted for as voluntary non-exchange transactions. Accordingly, RDS estimated collections from CMS are recognized as the RHBT incurs Medicare-eligible retiree prescription drug expenditures.

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 due and payable as of the statements of fiduciary net position date (including claims reported and in process of settlement, claims reported but not yet processed for settlement and claims incurred for services provided but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment and utilization. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that actual results of the settlement of the claims are made and are known. The estimated liability is adjusted periodically based on the most current claim incurrence and claim settlement history.

Claims relating to participants in MCOs, as well as claims relating to participants covered under the optional life insurance plan, are not considered in the liability, as the RHBT 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 RHBT is responsible for such liability.

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 of resources related to pension in the statements of plan net position are composed of amounts related to differences between projected and actual earnings on pension investments and changes in proportion and differences between the RHBT's contributions and proportionate share of contributions. Deferred inflows of resources related to other-post employment benefits relate to differences between expected and actual experience, net differences between expected and actual earnings on OPEB plan investments, difference in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions.

Humana gain share

Effective January 1, 2012, the Humana MAPD contract provided sharing of financial incentives with the RHBT based on favorable medical loss ratios. The financial incentive receipts from Humana are recorded as reductions in the MCO payments. During fiscal year 2019, the RHBT received financial incentives from Humana to reduce capitation payment costs savings of $2.3 million, which is down $15.3 million from the savings recorded in 2018.

Administrative service fees

The RHBT contracts with two external third-party administrators (TPA) for claims adjudication precertification reviews, utilization reviews and various other duties. TPA fees are assessed monthly based upon the number of covered members without regard to the period in which a claim is incurred. TPA contracts are either on an annual or biannual basis.

Other operating expenses

Other operating expenses are comprised primarily of:

- Professional fees
- Personnel costs
- Lease costs from PEIA

RHBT and PEIA share:

- Office space
- Personnel
- Computer systems
- Third-party administrators

Expenses directly attributable to the OPEB plan are charged to the RHBT. Shared expenses with the PEIA are allocated based on membership count between the PEIA and the RHBT. Personnel expenses attributable to the RHBT full-time dedicated employees are charged in full to the RHBT; while the balance of the combined personnel expense is allocated between the two entities based on estimated time requirements.

Fair value measurements

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

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

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

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

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

Fair value of the securities the RHBT 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. If no sales have been recorded within the five days of the financial statement date, the fair value of the securities is determined in accordance with approved procedures.

- 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 processed are valued at fair value as determined in accordance with the WVIMB's established procedures.

Subsequent events

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

4. Deposit and Investment Disclosures

Investment policy and rate of return

The RHBT is mandated by statute to have its cash and investments managed by the WVIMB and BTI. However, the RHBT currently does not have specific policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Investment expense information is not readily available as investment expenses are not separately reported by the WVIMB and BTI, rather they are reflected within the reported rate of return and related deposit and investment income. More detailed information regarding the investment policies is below. There were no significant changes to the investment policies during the year.

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.2% and 9.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Equity position in investment pool managed by BTI

WEST VIRGINIA MONEY MARKET POOL

The RHBT 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 on 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 RHBT measures its investment in this Pool at amortized cost that approximates market value of $107,183 and $57,942 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 RHBT 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 RHBT with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website www.wvbti.com.

(in thousands)

Credit Risk and Interest Rate Risk

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

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

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

	June 30, 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 RHBT's amount invested in the West Virginia Money Market Pool is $107,183 at June 30, 2019 and $57,942 at June 30, 2018, representing approximately 2.8% and 1.9%, respectively, of total investments in this Pool.

(in thousands)

The following table provides information on the 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**	252,084	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 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 %

*U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue. 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 BTI 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 WV Money Market's Pool does not hold securities subject to foreign currency risk.

(in thousands)

Equity position in investment pools managed by the WVIMB

The RHBT'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 fiduciary net position.

	June 30,	
	2019	**2018**
Domestic Equity	**$ 248,998**	$ 228,115
International Equity Pool	**173,189**	149,920
International Non-Qualified Pool	**83,843**	76,159
Total Return Fixed Income Pool	**88,937**	87,553
Core Fixed Income Pool	**38,465**	38,256
Hedge Funds Pool	**114,290**	99,437
Private Markets	**253,848**	224,373
	$ 1,001,570	$ 903,813

Liquidity Needs and Investment Objectives

The RHBT is expected to have minimal liquidity needs until fiscal year 2021 upon which time annual liquidity needs are expected to increase. The investment objective is to provide for stable, long-term growth of assets, while seeking to minimize risk of loss. There is no specifically identified rate of return target.

Asset Allocation

Based upon the WVIMB's determination of the appropriate risk tolerance for the fund, the WVIMB adopted the following broad asset allocation guidelines for the assets managed for the RHBT. (Policy targets and strategic allocations are established on a market value basis.)

	Policy Target		Strategic Allocation	
Asset Class	**2019**	**2018**	**2019**	**2018**
Domestic equity	**30.0%**	30.0%	**27.5%**	27.5%
International equity	**30.0**	30.0	**27.5**	27.5
Private equity	**-**	-	**10.0**	10.0
Fixed income	**40.0**	40.0	**15.0**	15.0
Hedge funds	**-**	-	**10.0**	10.0
Real estate	**-**	-	**10.0**	10.0
Total equity	**100.0%**	100.0%	**100.0%**	100.0%
Cash		*		*

* Cash levels to be reviewed as needed, at least annually, collaboratively with management staff from the RHBT.

Asset class risk disclosures

DOMESTIC EQUITY POOL

On July 1, 2017, the IMB 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.

(in thousands)

The Pool's objective is to exceed, net of external investment management fees, the Russell 3000 Stock Index over three- to five-year periods. Assets are managed by AJO, BlackRock, INTECH Investment Management, LLC, and Westfield Capital Management.

The RHBT's amount invested in the Domestic Equity Pool of $248,998 and $228,115 at June 30, 2019 and 2018, respectively, represents approximately 5.4% and 5.0%, respectively, of total investments in this Pool.

Credit Risk

The Pool's 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 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. The WVIMB discloses the ratings of the securities underlying the repurchase agreements.

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

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 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% 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.

(in thousands)

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**
Money market mutual fund	**27,792**	**-**	**-**	**27,792**
Securities lending collateral	**-**	**242,304**	**-**	**242,304**
Total	**$ 4,647,593**	**$ 242,304**	**$ -**	**$ 4,889,897**

	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
Money market mutual fund	55,540	-	-	55,540
Securities lending collateral	-	175,460	-	175,460
Total	$ 4,513,348	$ 175,460	$ -	$ 4,688,808

INTERNATIONAL EQUITY POOL

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

The RHBT's amount invested in the International Equity Pool of $173,189 and $149,920 at June 30, 2019 and 2018, respectively, represents approximately 5.3% and 5.0%, respectively, of total investments in this Pool.

Credit Risk
The Pool's 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 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. The WVIMB discloses the ratings of the securities underlying the repurchase agreements.

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:

Rating	Fair Value 2019	Fair Value 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 the 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 equity investments, cash and foreign currency spot contracts that are exposed to foreign currency risks.

(in thousands)

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

	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	-	1,699
Euro Currency Unit	463,116	6,782	3	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	20,433	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	-	21,753
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)

	2018			
Currency	Equity Investments	Cash	Foreign Currency Spot Contracts	Total
Australian Dollar	$ 90,582	$ 1	$ -	$ 90,583
Brazil Real	98,891	494	(20)	99,365
British Pound	275,749	493	115	276,357
Canadian Dollar	110,687	226	-	110,913
Chilean Peso	4,661	-	-	4,661
Czech Koruna	3,051	-	-	3,051
Danish Krone	19,525	9	1	19,535
Egyptian Pound	1,733	-	-	1,733
Emirati Dirham	-	10	-	10
Euro Currency Unit	434,429	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 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**
Common stock	**$ 3,142,466**	**$ -**	**$ -**	**$ 3,142,466**
Money market mutual fund	**26,048**	**-**	**-**	**26,048**
Preferred stock	**51,666**	**-**	**-**	**51,666**
Rights	**183**	**-**	**-**	**183**
Securities lending collateral	**-**	**70,807**	**-**	**70,807**
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

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. Redemptions from Silchester can be made monthly with ten days advance written notice. Redemptions will usually be made within seven business days following month-end.

The RHBT's amount invested in the International Non-qualified Pool of $83,843 and $76,159 at June 30, 2019 and 2018, respectively, represents approximately 39.9% and 35.4%, respectively, of total investments in this Pool.

Investment Risk

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this Pool at June 30, 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. As Silchester is the only investment in the pool, a fair value hierarchy table is not presented.

(in thousands)

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.

TOTAL RETURN FIXED INCOME POOL

This Pool's objective is to generate investment income, provide stability and enhance diversification, but not at the expense of total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Universal Bond Index over three to five-year periods, net of external investment management fees. Dodge & Cox, Franklin Templeton Investments and Western Asset Management Company manage the Pool.

The RHBT's amount invested in the Total Return Fixed Income Pool of $88,937 and $87,553 at June 30, 2019 and 2018, respectively, represented approximately 4.0% and 3.3%, 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.

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

	Fair Value	
Rating	**2019**	**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. The WVIMB discloses the ratings of the securities underlying the repurchase agreements.

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

(in thousands)

The following table provides credit ratings indicative of the greatest degree of risk 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, 2019, the AM 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 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.

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 debt funds	**$ 214,489**	**2.9**	$ -	-
Commingled bond funds	**-**	**-**	304,379	2.5
Common stock	**-**	**0.0**	-	0.0
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
Corporate preferred securities	**-**	**-**	-	-
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 bonds	**317,462**	**5.1**	263,976	5.3
Investments in other funds	**-**	**-**	-	-
Money market mutual funds	**-**	**-**	-	-
Municipal bonds	**34,254**	**9.9**	44,629	9.6
Options contracts purchase	**-**	**-**	-	-
Repurchase agreement	**8,000**	**-***	10,000	-

(in thousands)

(continued)	2019		2018	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
Short term investments	**$ 6,083**	**-***	$ -	-
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 25.0% and 23.0% 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 a minimum of 102% and the collateral is held in the name of the WVIMB. Securities on loans 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 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.

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 15.0% 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.

(in thousands)

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	-	-	1,141	1,141
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
Kazakhstani Tenge	1,841	-	-	1,841
Kenyan Shilling	3,171	-	-	3,171
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
South African Rand	6,726	14	2	6,742
Swedish Krona	-	-	483	483
Turkish Lira	3,190	-	-	3,190
Uruguayan Peso	7,479	-	-	7,479
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)

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

Fair Value Measurements

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

(in thousands)

	June 30, 2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Corporate asset backed issues	$ -	$ 72,659	$ -	$ 3,835
Corporate ABS residual	-	3,835	-	72,659
Corporate CMO	-	40,069	-	40,069
Corporate preferred securities	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)

(in thousands)

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

	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)

CORE FIXED INCOME POOL

The main objective of this Pool is to generate investment income, provide stability and enhance diversification, but not at the expense of the total return. The Pool's investment objective is to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over three- to five-year period, net of external management fees. JP Morgan Investment Advisors, Inc. (JPM) manages this Pool.

(in thousands)

The RHBT's amount invested in the Core Fixed Income Pool of $38,465 and $38,256 at June 30, 2019 and 2018, respectively, and represented approximately 4.0% and 3.7%, 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, and 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, and Fitch. The WVIMB discloses the ratings of the securities underlying the repurchase agreements.

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

The following table provides 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	**$ 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

(in thousands)

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, 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.

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 49.0% and 46.0%, respectively, of the value of the Pool's securities.

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

	2019		2018	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
Corporate asset backed issues	**$ 122,361**	**1.6**	$ -	-
Corporate CMO	**33,139**	**3.2**	-	-
Corporate CMO interest-only	**303**	**(2.8)**	-	-
Corporate CMO principal-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 bonds	**3,125**	**8.0**	5,887	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 principal 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 security	**449**	**1.9**	435	2.2
Total	**$ 873,926**		$ 1,027,011	

(in thousands)

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 to a minimum of 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.

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	-	205,176	-	205,102
U.S. Treasury inflation protected securities	-	449	-	449
Total	$ 55,686	$ 931,427	$ -	$ 987,113

(in thousands)

	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

HEDGE FUND POOL

This Pool was established to hold the WVIMB's investments in hedge funds. 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 Funds Composite Index plus 100 basis points. The second benchmark is the Citigroup 90-Day Treasury Bill Index plus 400 basis points. Albourne America, LLC has been retained by the WVIMB to provide consulting services for this investment strategy.

The RHBT's amount invested in the Hedge Fund Pool of $114,290 and $99,437 at June 30, 2019 and 2018, respectively, represented approximately 4.8% and 4.4%, 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 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 year 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.

(in thousands)

The tables that follow sets forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30:

	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				2,078,624
Total				$ 2,130,988

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 43.0% in 2019 and 48.0% 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 37.0% in 2019 and 36.0% in 2018 of the fair value of the instruments in this strategy are subject to maximum withdrawal restrictions.

PRIVATE MARKETS

On July 1, 2017, the WVIMB created the Private Markets Pool (Pool) to invest primarily in private equity funds, real estate limited partnerships and funds, real estate investment trusts, middle market direct commercial loans, real estate loan funds, and other income focused funds. On July 1, 2017, the assets and liabilities of $1,627,023 from the Private Equity Pool, $1,640,039 from the Real Estate Pool, and $304,510 from the Opportunistic Income Pool were transferred in-kind to the Pool.

The objective of the Pool is to enhance the diversification and stability of the portfolio, while generating a higher level of income than generally available in the public fixed income markets and to provide for long-term growth of participants' assets and risk-reduction through diversification.

The Pool holds the WVIMB's investments in a commingled equity fund, opportunistic income funds, private equity funds, real estate investment trusts (REITs), and real estate limited partnerships and funds. The selection of investments in the Private Markets Pool are approved by the Board of Trustees or by its established committees.

The RHBT's amount invested in the Private Markets Pool of $253,848 and $224,373 at June 30, 2019 and 2018, respectively, represents approximately 5.7% and 5.4%, 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, investments in unrated opportunistic income funds, 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 a nationally recognized statistical rating organization. The WVIMB reviews available ratings from Standard & Poor's and Moody's, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. Credit risk associated with the unrated opportunistic income funds are limited by requiring that underlying fund holdings are at least 90% collateralized by one or more assets of the issuer.

(in thousands)

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

	Fair Value	
Rating	**2019**	**2018**
BBB	**$ 13,257**	$ 7,162
BB	**1,591**	440
B	**511**	-
Total fixed income investments	**$ 15,359**	$ 7,602

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 for the Pool's securities lending collateral investments as of June 30:

	Fair Value	
Rating	**2019**	**2018**
AAA/A-1	**$ 860**	$ 2,854
AA	**3,922**	307
A	**139**	321
BBB	**63**	438
B	**6**	-
Not applicable	**1,299**	6,716
Total securities lending collateral	**$ 6,289**	$ 10,636

Interest Rate Risk
The Pool is exposed to interest rate risk through its investments in U.S. corporate bonds, opportunistic income funds, securities lending collateral investments, and money market mutual fund. The WVIMB monitors interest rate risk of the U.S. corporate bonds by evaluating the effective duration. 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. As of June 30, 2019, the effective duration for U.S. corporate bonds was 5.0 years. The WVIMB manages interest rate risk of the opportunistic income funds by requiring at least 80% of the opportunistic income fund holdings that mature in more than one year to have variable or floating interest rate structures. 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 effective duration for U.S. corporate bonds was 3.2 years. The WVIMB manages interest rate risk of the opportunistic income funds by requiring at least 80% of the opportunistic income fund holdings that mature in more than one year to have variable or floating interest rate structures. 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's investments in alternative investment funds might be indirectly exposed to concentration of credit risk.

(in thousands)

Custodial Credit Risk

At June 30, 2019 and 2018, the Pool held no securities that were directly 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, except for the alternative investments, are held by the WVIMB's custodian in the name of the WVIMB. The alternative investments might be indirectly exposed to custodial credit risk.

Foreign Currency Risk

The Pool holds foreign common stock, real estate limited partnerships and funds, and cash that is denominated in foreign currencies and exposed to foreign currency risks. The investments in private equity partnerships and opportunistic income funds might be indirectly exposed to foreign currency risk.

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 Common Stock**	**Real Estate Limited Partnerships and Funds**	**Cash**	**Total**
Australian Dollar	$ 3,826	$ -	$ -	$ 3,826
British Pound	3,959	-	-	3,959
Canadian Dollar	1,611	19,398	-	21,009
Euro Currency Unit	6,966	74,751	-	81,717
Hong Kong Dollar	7,371	-	-	7,371
Japanese Yen	9,835	-	25	9,860
Norwegian Krone	368	-	-	368
Singapore Dollar	2,126	-	-	2,126
Swedish Krona	2,893	-	-	2,893
Total foreign denominated investments	38,955	94,149	25	133,129
U.S. Dollar	858	1,629,556	7,095	1,637,508
Total	$ 39,813	$ 1,723,705	$ 7,120	$ 1,770,637

(in thousands)

	2018			
Currency	**Foreign Common Stock**	**Real Estate Limited Partnerships and Funds**	**Cash**	**Total**
Australian Dollar	$ 3,643	$ -	$ -	$ 3,643
British Pound	4,305	-	-	4,305
Canadian Dollar	1,331	11,466	1	12,798
Euro Currency Unit	6,729	67,304	-	74,033
Hong Kong Dollar	6,656	-	-	6,656
Japanese Yen	7,581	-	22	7,603
Norwegian Krone	327	-	-	327
Singapore Dollar	1,812	-	-	1,812
Swedish Krona	2,509	-	-	2,509
Total foreign denominated investments	34,893	78,770	23	113,686
U.S. Dollar	1,542	1,543,530	3,063	1,548,135
Total	$ 36,435	$ 1,622,300	$ 3,086	$ 1,661,821

Fair Value Measurements

GAAP does not require the Pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The table that follows set forth information about the level within the fair value hierarchy at which the Pool's assets and liabilities are measured at June 30, 2019 and 2018. All the Pool's investments in real estate limited partnerships and funds were valued using the net asset value per share practical expedient, as such, they have not been categorized in the fair value hierarchy.

	June 30, 2019			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Commingled equity fund	**$ 80,475**	**$ -**	**$ -**	**$ 80,475**
Foreign common stock	**39,813**	**-**	**-**	**39,813**
Securities lending collateral	**-**	**6,289**	**-**	**6,289**
Money market mutual fund	**96,635**	**-**	**-**	**96,635**
U.S. common stock	**82,787**	**-**	**-**	**82,787**
U.S. corporate bonds	**-**	**15,359**	**-**	**15,359**
U.S. preferred stock	**12,918**	**-**	**-**	**12,918**
Total	**$ 312,628**	**$ 21,648**	**$ -**	**334,276**
Opportunistic income funds				**569,356**
Private equity partnerships				**1,826,265**
Real estate limited partnerships and funds				**1,723,705**
Total				**$ 4,453,602**

(in thousands)

	June 30, 2018			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Commingled equity fund	$ 186,323	$ -	$ -	$ 186,323
Foreign common stock	36,435	-	-	36,435
Securities lending collateral	-	10,636	-	10,636
Money market mutual fund	202,780	-	-	202,780
U.S. common bonds	84,550	-	-	84,550
U.S. corporate bonds	-	7,602	-	7,602
U.S. preferred stock	10,368	-	-	10,368
Total	$ 520,456	$ 18,238	$ -	538,694
Opportunistic income funds				428,343
Private equity partnerships				1,562,388
Real estate limited partnerships and funds				1,622,300
Total				$ 4,151,725

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

The following table presents information on investments measured at the NAV as of June 30, 2019.

Strategies	**Fair Value**	**Unfunded Commitments**	**Contractual Termination Date Range** [a]	**Redemption/ Notice Period**
Opportunistic income:				
Middle Market Loan Funds [b]	**$ 315,725**	**$ 50,168**	**N/A**	**N/A**
Real Estate Income Funds [c]	**253,631**	**104,154**	**2021 to 2029**	**45 days**
Private equity partnerships:				
Corporate Finance – Buyout [d]	**1,112,888**	**694,069**	**2019 to 2034**	**N/A**
Corporate Finance – Distressed Debt [e]	**63,474**	**14,803**	**2019 to 2020**	**N/A**
Corporate Finance – Growth Equity [f]	**60,527**	**61,398**	**2020 to 2027**	**N/A**
Corporate Finance – Hard Assets [g]	**100,190**	**56,871**	**2019 to 2028**	**N/A**
Corporate Finance – Mezzanine [h]	**72,341**	**49,917**	**2020 to 2028**	**N/A**
Corporate Finance – Turnaround [i]	**89,832**	**53,025**	**2019 to 2026**	**N/A**
Venture Capital [j]	**327,013**	**96,773**	**2023 to 2034**	**N/A**
Real estate limited partnerships and funds:				
Core Funds [k]	**974,569**	**32,850**	**2020 to 2022**	**30-60 days**
Opportunistic Funds [l]	**278,468**	**236,347**	**2019 to 2028**	**N/A**
Value Funds [m]	**470,668**	**412,773**	**2020 to 2028**	**N/A**
Total	**$ 4,119,326**	**$ 1,863,148**		

(in thousands)

The following table presents information on investments measured at the NAV as of June 30, 2018.

Strategies	Fair Value	Unfunded Commitments	Contractual Termination Date Range [a]	Redemption/ Notice Period
Opportunistic income:				
Middle Market Loan Funds [b]	$ 288,855	$ 69,760	N/A	N/A
Real Estate Income Funds [c]	139,488	162,553	2021 to 2028	45 days
Private equity partnerships:				
Corporate Finance – Buyout [d]	881,830	626,082	2018 to 2032	N/A
Corporate Finance – Distressed Debt [e]	203,404	65,709	2018 to 2028	N/A
Corporate Finance – Growth Equity [f]	52,035	38,226	2018 to 2027	N/A
Corporate Finance – Mezzanine [g]	71,738	61,458	2019 to 2028	N/A
Corporate Finance – Turnaround [h]	90,752	60,936	2018 to 2026	N/A
Venture Capital [i]	262,629	100,679	2023 to 2033	N/A
Real estate limited partnerships and funds:				
Core Funds [j]	889,165	50,396	2020 to 2022	45-60 days
Opportunistic Funds [k]	264,808	197,298	2020 to 2022	45-60 days
Value Funds [l]	468,327	375,776	2018 to 2028	60 days
Total	$ 3,613,031	$ 1,808,873		

[a] Investments without standard redemption frequencies cannot be redeemed until termination of the partnership.

[b] Middle Market Loan Funds seek to generate current income while preserving capital primarily through investments in senior secured loans to middle market companies domiciled in North America.

[c] Real Estate Income Funds invest in U.S. commercial real estate mortgage and debt investments.

[d] Corporate Finance – Buyout funds acquire controlling or influential interests in companies.

[e] Corporate Finance – Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.

[f] Corporate Finance – Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.

[g] Corporate Finance – Hard Assets funds acquire controlling or influential interests in companies operating in natural resources or infrastructure.

[h] Corporate Finance – Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another Fund.

[i] Corporate Finance – Turnaround funds acquire the debt and or equity of companies experiencing operational or financial distress in order to radically reorganize and improve the business.

[j] Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.

[k] Core Funds are more conservative real estate investments that use a very modest level of financing to acquire and hold high-quality, stable properties typically located in major markets. These assets tend to have high occupancy rates, higher credit tenants, and staggered lease terms, with a number of long-term lease expiring in five-to-ten years.

[l] Opportunistic Funds have higher risk/return profiles and have broad strategies to achieve these types of returns. Common strategies are properties that need significant rehabilitation or a total redevelopment to transition to a different type of property (for example, converting an office building into a condominium). It may also include new development, distressed debt strategies, and more complex transactions, as well as a more traditional value-add strategy that is financed with a higher amount of leverage.

[m] Value Funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manger believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space

at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

5. Net OPEB Liability – Plan Reporting

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future post-employment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return and other matters increase the level of uncertainty of such estimates. As such, the estimate of post-employment program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated net OPEB liability.

The actuarial OPEB valuation as of June 30, 2016, was used as the basis to develop the Total OPEB Liability measured as of June 30, 2018, for the purpose of complying with GASB Statement No. 74 for RHBT's financial reporting for the fiscal year end June 30, 2018. It was determined by a roll forward, with update procedures, of the actuarial OPEB valuation as of June 30, 2016. In order to comply with the GASB 75 requirement that information must be collected within 30 months of the measurement date, management had another actuarial OPEB valuation completed as of June 30, 2017, which was used as the basis to estimate the total OPEB Liability as of June 30, 2018, for the purpose of complying with GASB Statement No. 75. This actuarial valuation was measured as of June 30, 2018 and was utilized for the GASB 75 Allocation Schedules for the OPEB Plan's participating Employers fiscal year ending June 30, 2019.

The preparation of dual actuarial OPEB valuations, both measured at June 30, 2018 created a variance from the total OPEB liability disclosed in RHBT's June 30, 2018 financial statements in comparison to the total OPEB liability in the GASB Statement No. 75 allocation schedules because of the differences in the actuarial valuation dates.

(in thousands)

This variance was primarily due to differences in demographics and changes in assumptions and methodologies as outlined below.

Total OPEB liability as of June 30, 2018 [a]	$ 3,385,684
Experience (gain) loss at June 30, 2017, projected to June 30, 2018 [b]	
Demographic experience	(9,406)
Inclusion of waived retirees	17,400
Interest, change in service cost and other adjustments for plan year end June 30, 2018	709
(Gain) loss due to change in expected versus actual benefit Payments at June 30, 2018	10,842
Total experience (gain)/loss for plan year end June 30, 2018	19,545
Change in assumptions and methods at June 30, 2017, projected to June 30, 2018 [b]	
Retirement rate reduction of 15%	(67,649)
Change in pension-related assumptions	1,581
Change in healthcare-related assumptions	(232,402)
Change in methodology	25,351
Change in service costs	(3,762)
Interest and other adjustments for plan year end June 30, 2018	(19,797)
Total changes in assumptions and methods for plan year end June 30, 2018	(296,678)
Total OPEB liability as of June 30, 2018 [b]	3,108,551
Service cost for fiscal year 2019	51,870
Employer benefits and expenses for fiscal year 2019	(135,061)
(Gain) loss due to expected versus actual benefit payments	(52,833)
Interest	219,338
Healthcare trend adjustments due to emerging experience	(161,103)
Total	(77,789)
Total OPEB liability as of June 30, 2019 [b]	$ 3,030,762

[a] *Based on actuarial valuation as of June 30, 2016.*
[b] *Based on actuarial valuation as of June 30, 2017.*

The net OPEB liability reported at June 30, 2019 was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward, with update procedures, to the measurement date of June 30, 2019. Additional information for the latest actuarial valuation follows:

Net OPEB Liability of the RHBT

The components of the net OPEB liability of the RHBT at June 30, 2019 rolled forward, were as follows:

Total OPEB liability	$ 3,030,762
Plan fiduciary net position	1,091,661
RHBT's net OPEB liability	$ 1,939,101
Plan fiduciary net position as a percentage of the total OPEB liability	36.02%

(in thousands)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 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%. Trend rates for fiscal years 2019 and 2020 were updated based on emerging experience. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years closed as of June 30, 2017
Asset valuation method	Market value
Wage inflation	4.00%
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 cost. Operating expenses are included as a component of the annual expense.
Retirement age	Experienced-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 generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with 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.

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 − June 30, 2015.

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

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 rate of return on OPEB plan investments were 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) was developed for each major asset class. These ranges were 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
Domestic Equity	7.5%
International Non-Qualified	(2.5)%
International Equity	(0.6)%
Short-Term Fixed	2.2%
Total Return Fixed Income	7.4%
Core Fixed Income	8.3%
Hedge Fund	2.5%
Private Markets	12.8%
Cash	0.0%

Single discount rate

The single discount rate used to measure the total 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. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2036, 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. The discount rate used to measure the total OPEB liability did not change for the June 30, 2017 valuation from the June 30, 2016 valuation.

Other key assumptions

The projection assumes that the capped subsidy aggregate contribution limit of $140 million for 2020 will increase by $10 million per year on and after 2020. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected remain stable as a percentage of total costs following the year that the program is fully funded. After 2036, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2036, the member's share of total plan costs is assumed to remain stable at approximately 50% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2024 and 4.5% per year after 2024.

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

(in thousands)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the RHBT calculated using the assumed trend rates, as well as what the RHBT's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage-point higher (8.15%) than the current discount rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	$ 2,305,787	$ 1,939,101	$ 1,633,430

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

The following presents the net OPEB liability of the Plan, as well as what the Plan'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	$ 1,578,162	$ 1,939,101	$ 2,378,894

6. Other Postemployment Benefits – Employer Reporting

Plan description

As an employer, the RHBT participates in the Plan, which is described in Note 1.

The RHBT's contributions to the Plan were $34, $34, and $34 for the fiscal years ended June 30, 2019, 2018, and 2017, respectively.

Other Post Employment Benefit (OPEB) liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

Effective July 1, 2017, the RHBT 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.* At June 30, 2019 and 2018, the RHBT reported a liability of $393 and $406 for its proportionate share of the net OPEB liability. The net OPEB liability reported at June 30, 2019 was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. 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 RHBT's proportion of the net OPEB liability was based on the RHBT's share of contributions to the OPEB plan relative to the contributions of all employers participating in the RHBT for the year ended June 30, 2018. At June 30, 2018, the RHBT's proportionate share was 0.0183%, which was an increase of 0.0018% for its proportionate share measured as of June 30, 2018.

(in thousands)

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

	June 30, 2019		June 30, 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 OEPB plan investments	**$ -**	**$ 7**	$ -	$ 7
Difference between expected and actual experience	**-**	**6**	-	1
Difference in assumptions	**-**	**39**	-	-
Changes in proportion and differences between the RHBT's contributions and proportionate share of contributions	**35**	**51**	-	69
RHBT's contributions made subsequent to the measurement date	**34**	**-**	34	-
Total	**$ 69**	**$ 103**	$ 34	$ 77

Employer contributions of $35 made to the RHBT during the current fiscal year, subsequent to the measurement date of June 30, 2018, were recorded as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in fiscal year 2019. For fiscal year 2018, employer contributions of $34 were made to the RHBT during the fiscal year, subsequent to the measurement date of June 30, 2017, were recorded as deferred outflows of resources and were recognized as a reduction of the net OPEB liability in fiscal year 2018. Other amounts reported as deferred inflows of resources related to OPEB were the net difference between projected and actual investment earnings on OPEB plan investments, amortized over a five-year period, and other deferred inflows of resources relating to OPEB amounts which are amortized and included in OPEB expense over the average remaining service life of 4.6370 years, rounded to the nearest whole year, of five years. These other amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	OPEB Expense
2020	$ (18)
2021	$ (18)
2022	$ (18)
2023	$ (14)

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

The State of West Virginia is a nonemployer 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 $30 million 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 this 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.

(in thousands)

The State is a nonemployer 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 to 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 into the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

For the year ended June 30, 2019, RHBT recognized revenue of $24 for support provided by the State as a special funding situation.

At June 30, 2019, the RHBT 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 the RHBT. The amount recognized by RHBT 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 the RHBT was as follows.

	2019	2018
RHBT's proportionate share of the net OPEB liability:	**$ 393**	$ 406
State of WV's special funding proportionate share of the net OPEB Liability associated with the RHBT	**81**	83
Total portion of the net OPEB liability associated with RHBT	**$ 474**	$ 489

OPEB Expense

For the years ended June 30, 2019 and 2018, the RHBT recognized OPEB expense of $36 and $19.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.75%

Salary increases .... Dependent upon pension system ranging from 3.00% to 6.50%, including inflation

Investment rate of return .... 7.15%, net of OPEB plan investment expense, including inflation

Healthcare cost trend rates .... Actual trend used for fiscal year 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 capita claims costs beginning in 2022 to account for the Excise Tax.

Actuarial cost method .... Entry Age Normal Cost Method

Amortization method.................. Level percentage of payroll, closed

Remaining amortization period.. 20 years closed as of June 30, 2017

Asset valuation method .... Market value

Wage inflation 4.00%

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 cost. Operating expenses are included as a component of the annual expense.

Retirement age .... Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.

(in thousands)

Mortality .... Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with 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.

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 − June 30, 2015.

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

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 rate of return on OPEB plan investments were 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) was developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation.

Best estimates of long-term geometric rates are summarized in the following table:

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

Discount rate

The discount rate used to measure the total 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.

(in thousands)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the RHBT's proportionate share of the net OPEB liability. The RHBT's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage-point higher (8.15%) than the current discount rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	$ 462	$ 393	$ 336

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

The following presents RHBT's proportionate share of the net OPEB liability of the Plan, as well as what the RHBT'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	$ 325	$ 393	$ 476

7. Pension Plan

Plan description

All full-time RHBT 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, of at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with 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 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. 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 10.0%, 11.0% and 12.0% for the years ended June 30, 2019, 2018 and 2017, respectively. For all employees hired on or after July 1, 2015 the employee contribution is 6.0%. The RHBT's contributions to the Plan were $78, $71 and $103 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively.

(in thousands)

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

At June 30, 2019 and 2018, the RHBT reported a liability of $131 and $219 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 July 1, 2017, rolled forward to the measurement date of June 30, 2018. The RHBT's proportion of the net pension liability was based on the RHBT'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 RHBT's proportionate share was 0.0508%, which was an increase of 0.0001% for its proportionate share measured as of June 30, 2018.

For the years ended June 30, 2019 and 2018, the RHBT recognized pension expense of $12 and $64. At June 30, 2019 and 2018, the RHBT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019		June 30, 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	$ -	$ 77	$ -	$ 53
Difference between expected and actual experience	7	-	19	1
Difference in assumptions	-	-	-	11
Changes in proportion and differences between the RHBT's contributions and proportionate share of contributions	94	94	179	174
RHBT's contributions made subsequent to the measurement date	78	-	71	-
Total	$ 179	$ 171	$ 269	$ 239

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 of 3.92 years, 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	$ 10
2021	$ (11)
2022	$ (57)
2023	$ (12)

(in thousands)

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	**3.0-6.0%, avg., including inflation**	3.0-6.0%, avg., including inflation
Investment rate of return	**7.5%, net of pension plan investment expense**	7.5%, net of pension plan investment expense

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of long-term geometric rates of return for each major asset class included in the system's target asset allocation as of June 30, 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% for both valuations. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current system members. Therefore, the long-term expected rate of return on system investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the system's fiduciary net position, a municipal bond rate of 2.71% at June 30, 2018 and 3.13% at June 30, 2017 is to be used to discount the benefit payments not covered by the system's fiduciary net position. The municipal bond rate equals the S&P Municipal Bond 20 Year High Grade Index at the measurement date.

The following presents the proportionate share of the net pension liability of the RHBT, calculated using the discount rate of 7.5%, as well as what the RHBT'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%
$ 528	$ 131	$ (205)

8. Litigation

RHBT 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 RHBT believes that it has adequately provided for probable costs of current litigation, as these legal actions are resolved. However, RHBT could realize a positive and/or negative impact to financial performance in the period in which these legal actions are ultimately decided.

Required Supplementary Information OPEB
(in thousands)

West Virginia Retiree Health Benefit Trust Fund
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years
(in thousands)

	2019	2018	2017	2016	2015	(1) 2014	(1) 2013	(1) 2012	(1) 2011	(1) 2010
Total OPEB liability:										
Service cost	**$ 51,870**	$ 60,108	$ 66,068	$ 76,802	$ 73,848	*	$ 91,310	*	$ 93,419	*
Interest	**219,339**	232,001	223,113	224,736	217,224	*	6,118	*	5,699	*
Changes of benefit terms	**-**	-	-	-	-	*	(12,120)	*	(2,682,585)	*
Differences between expected and actual experience	**(161,103)**	(51,625)	(10,451)	(140,495)	(118,656)	*	(254,822)	*	(185,666)	*
Changes of assumptions	**(296,678)**	-	-	(220,992)	-	*	(377,754)	*	(1,235,813)	*
(Gain) loss due to expected versus actual benefit payments	**(52,833)**	-	-	-	-	-	-	-	-	*
Demographic experience	**19,544**	-	-	-	-	-	-	-	-	*
Benefit payments and administrative expenses	**(135,061)**	(137,700)	(164,823)	(187,678)	(181,996)	(225,957)	(198,079)	(201,639)	(202,111)	(192,952)
Net change in total OPEB liability	**(354,922)**	102,784	113,907	(247,627)	(9,580)	*	(745,347)	*	(4,207,057)	*
Total OPEB liability - beginning	**3,385,684**	3,282,900	3,168,993	3,416,620	3,426,200	3,262,553	4,007,900	3,841,243	8,048,300	7,410,241
Total OPEB liability - ending (a)	**$ 3,030,762**	$ 3,385,684	$ 3,282,900	$ 3,168,993	$ 3,416,620	$ 3,426,200	$ 3,262,553	$ 4,007,900	$ 3,841,243	$ 8,048,300
Plan fiduciary net position:										
Contributions - employer	**$ 115,345**	$ 121,974	$ 115,510	$ 116,258	$ 119,004	$ 160,054	$ 165,989	$ 153,699	$ 148,297	$ 131,079
Contributions - plan member	**-**	-	-	-	-	83,424	81,352	74,517	70,608	63,450
State appropriations - School Aid	**55,683**	47,261	54,805	54,694	55,306	-	-	-	-	-
State appropriations - OPEB	**30,000**	30,000	30,000	-	-	-	-	-	-	-
State appropriations - Premium	**5,000**	5,000	5,000	-	-	-	-	-	-	-
Net investment income	**59,498**	74,048	99,447	157	23,142	88,477	52,893	5,761	49,238	29,260
Benefit payments and administrative expenses	**(135,061)**	(137,700)	(164,823)	(187,678)	(181,996)	(225,957)	(198,079)	(201,639)	(202,111)	(192,952)
Other expense, net	**(1,919)**	(1,483)	(1,696)	(2,355)	(2,013)	(4,669)	(4,704)	(11,637)	(10,488)	(11,717)
Net change in plan fiduciary net position	**128,546**	139,100	138,243	(18,924)	13,443	101,329	97,451	20,701	55,544	19,120
Plan fiduciary net position - beginning	**963,115**	824,015 ****	685,668	704,592	691,149 ***	590,230	492,779	472,078	416,534	397,414
Plan fiduciary net position - ending (b)	**$ 1,091,661**	$ 963,115	$ 823,911	$ 685,668	$ 704,592	$ 691,559	$ 590,230	$ 492,779	$ 472,078	$ 416,534
Net OPEB liability - ending (a) - (b)	**$ 1,939,101**	$ 2,422,569	$ 2,458,989	$ 2,483,325	$ 2,712,028	$ 2,734,641	$ 2,672,323	$ 3,515,121	$ 3,369,165	$ 7,631,766
Plan fiduciary net position as a percentage of the total OPEB liability	**36.02%**	28.45%	25.10%	21.64%	20.62%	20.18%	18.09%	12.30%	12.29%	5.18%
Covered-employee payroll	**$ 1,892,941**	$ 2,286,999	$ 2,199,037	$ 2,114,459	$ 2,096,000	$ 4,093,778	$ 3,921,147	$ 3,755,797	$ 3,649,954	$ 3,502,347
Net OPEB liability as a percentage of covered-employee payroll	**102.44%**	105.93%	111.82%	117.44%	129.39%	66.80%	68.15%	93.59%	92.31%	217.90%

(1) For years 2014 and prior the information in the schedule does not reflect certain reclassifications made to the 2017, 2016 and 2015 information as such reclassification information is not readily available.

* Data not available for years that the OPEB valuation was not performed.

*** Represents Plan fiduciary net position - beginning, as adjusted by $410. Adjustment relates to implementation of GASB 68.

**** Represents Plan fiduciary net position - beginning, as adjusted by $104. Adjustment relates to implementation of GASB 75.

See notes to required supplementary information - OPEB.

West Virginia Retiree Health Benefit Trust Fund
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years
(in thousands)

	2019	2018	2017	2016	2015	(1) 2014	(1) 2013	(1) 2012	(1) 2011	(1) 2010
Actuarially determined contribution	**$ 200,444**	$ 224,009	$ 224,710	$ 236,031	$ 261,896	$ 253,220	$ 289,725	$ 272,773	$ 816,274	$ 795,199
Contributions in relation to the actuarially determined contribution	**206,028**	204,235	205,315	170,952	174,310	165,054	171,221	156,476	150,513	152,799
Contribution deficiency (excess)	**$ (5,584)**	$ 19,774	$ 19,395	$ 65,079	$ 87,586	$ 88,166	$ 118,504	$ 116,297	$ 665,761	$ 642,400
Covered-employee payroll	**$ 1,892,941**	$ 2,286,999	$ 2,199,037	$ 2,114,459	$ 2,096,000	$ 4,093,778	$ 3,921,147	$ 3,755,797	$ 3,649,954	$ 3,502,347
Contributions as a percentage of covered-employee payroll	**10.88%**	8.93%	9.34%	8.08%	8.32%	4.03%	4.37%	4.17%	4.12%	4.36%

(1) For years 2014 and prior the information in the schedule does not reflect certain reclassifications made to the 2017, 2016 and 2015 information as such reclassification information is not readily available.

See notes to required supplementary information - OPEB.

West Virginia Retiree Health Benefit Trust Fund
Required Supplementary Information
Schedule of Investment Returns
Last 10 Fiscal Years
(in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	**6.2%**	9.30%	15.90%	0.00%	3.90%	17.80%	11.90%	1.30%	11.80%	14.40%

(in thousands)

Notes to Required Supplementary Information - OPEB

1. Valuation Date

Methods and assumptions used to determine contribution rates:

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 3.0% to 6.5%, including inflation
Retirement age	Experienced-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 generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with Scale MP-2016 for Troopers 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.
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Trend rates for fiscal years 2019 and 2020 were updated based on emerging experience. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita 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.

2. Changes in Assumptions

Below are changes in the assumptions and other matters between the 2017 and 2016 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

The assumption and other changes that most significantly impacted the Net OPEB Liability are as follows: The inclusion of waived annuitant increased the liability by approximately $17.4 million; a 15.0% reduction in the retirement rate assumption decreased the liability by approximately $67.6 million; a change in certain healthcare-related assumptions decreased the liability by approximately $232.4 million; an update to the mortality tables increased the liability by approximately $25.3 million; and healthcare trend adjustments due to emerging experience decreased the liability by $161.1 million. The preceding changes in liability were adjusted with service costs, interest costs and benefits from the actuarial valuation date to the measurement date. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

3. Benefits changes

In 2017, benefit terms were modified for Non-Medicare Retiree and their enrolled dependents benefit changes by:

- Urgent Care copay increased to $50 for PEIA PPB Plans A, B and D.
- For Comprehensive Care Partnership (CCP) Program members, ANY non-CCP office visit now requires the $40 specialist office visit copay.
- The Face-2-Face Diabetes Program will be limited to two years. Current F2F members will be permitted two more years of services starting July 1, 2016, as long as they continue to meet the other requirements of the plan.
- Out-of-state, non-network services are no longer covered in any of the PEIA PPB Plans. Patients will be responsible for 100% of billed charges from non-network providers outside West Virginia, except in a medical emergency or when approved in advance by HealthSmart. PEIA PPB Plan members who reside more than one county outside of West Virginia may use in-network providers where they live without prior approval from HealthSmart, as long as PEIA has been notified of your residential address.
- Facility- fee limits for select facility-based services. If the member chooses an out-of-state facility that charges more than the PEIA facility fee limit, the member will be responsible for the difference between PEIA's payment and the facility's charge.
- Additional emergency room copay of $500 for high-risk behaviors, such as
  - Accidents while driving motorcycle or UTV/ATV without a helmet
  - DUI/DWI or drug -related accidents
  - Failure to wear seatbelt(s)
- Opioid pain medications will have quantity limits (QL) for all medications in the opioid class. Additional quantities require Prior Authorization.

In 2017, there were no benefit terms modified for Medicare retirees in the Humana Plan or the Special Medicare Plan.

West Virginia Retiree Health Benefit Trust Fund
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability of PERS
Years Ended June 30, 2019 through 2016
(in thousands except percentages)

	2019	2018	2017	2016	2015
RHBT's proportionate (percentage) of the net pension liability	**0.0508%**	0.0506%	0.0557%	0.0539%	0.0569%
RHBT's proportionate share of the net pension liability	**$ 131**	$ 219	$ 512	$ 301	$ 210
RHBT's covered payroll	**$ 647**	$ 864	$ 644	$ 745	$ 761
RHBT's proportionate share of the net pension's liability as a percentage of its covered payroll	**20.25%**	25.35%	79.50%	40.40%	27.60%
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 Retiree Health Benefit Trust Fund
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	**$ 78**	$ 71	$ 103	$ 87	$ 104	$ 110	$ 107
Contributions in relation to the statutorily required contribution	**(78)**	(71)	(103)	(87)	(104)	(110)	(107)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
RHBT's covered payroll	**$ 725**	$ 647	$ 864	$ 644	$ 745	$ 761	$ 764
Contributions as a percentage of covered payroll	**10.8%**	11.0%	11.9%	13.5%	14.0%	14.5%	14.0%

Required Supplementary Information
(in thousands)

(in thousands)

Notes to Required Supplementary Information – PERS

1. Trend Information Presented

The accompanying schedules of the RHBT'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 Non-Annuitant, Scale AA	Healthy males -110% of RP-2000 Non-Annuitant, Scale AA
	Healthy femailes-101% or 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 males - 96% of RP-2000 Disabled annuitant, Scale AA
	Disabled females - 107% of RP-2000 Disabled annuitant, Scale AA	Disabled females - 107% of RP-2000 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%

	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 Retiree Health Benefit Trust Fund
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability in RHBT
Years Ended June 30, 2019 and 2018
(in thousands except percentages)

	2019	2018
RHBT's proportionate (percentage) of the net OPEB liability	**0.0183%**	0.0165%
RHBT's proportionate share of the net OPEB liability	**$ 393**	$ 406
State's proportionate share of the net OPEB liability associated with the RHBT	**81**	83
Total	**$ 474**	$ 489
RHBT's covered-employee payroll	**$ 370**	$ 353
RHBT's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	**106.22%**	115.01%
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 RHBT'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 Retiree Health Benefit Trust Fund
Required Supplementary Information
Schedule of Contributions to RHBT
Last Four Fiscal Years
(in thousands except percentages)

	2019	2018	2017	2016
Statutorily required contribution	**$ 34**	$ 34	$ 34	$ 34
Contributions in relation to the statutorily required contribution	**(34)**	(34)	(34)	(34)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	**$ 373**	$ 370	$ 353	$ 348
Contributions as a percentage of covered-employee payroll	**9.12%**	9.19%	9.63%	9.77%

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

Other Supplementary Information
(in thousands)

West Virginia Retiree Health Benefit Trust Fund
Form 7, Deposits Disclosure
June 30, 2019
(in thousands)

	Carrying Amount
Cash with Treasurer	$ 3,805
Total carrying amount of deposits	$ 3,805 [1]

[1] Agrees to audited statement of fiduciary net position

West Virginia Retiree Health Benefit Trust Fund
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):				
West Virginia Money Market Pool	$ 107,183 [3]	$ -	$ 107,183	$ 107,183 [1][4]
Total equity position in investment pool with BTI	$ 107,183	$ -	$ 107,183	$ 107,183
West Virginia Investment Management Board (WVIMB) Investment Pool:				
Core Fixed Income	$ -	$ 38,465	$ 38,465	$ 38,465 [3]
International Non-Qualified	-	83,843	83,843	83,843 [3]
Hedge Fund	-	114,290	114,290	114,290 [3]
Total Return Fixed Income	-	88,937	88,937	88,937 [3]
Private Markets	-	253,848	253,848	253,848 [3]
Domestic Equity	-	248,998	248,998	248,998 [3]
International Equity	-	173,189	173,189	173,189 [3]
Total equity position in investment pool with WVIMB	$ -	$ 1,001,570	$ 1,001,570	$ 1,001,570 [1]

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

Equity position in investment pools:	
BTI	$ 107,183
WVIMB	1,001,570
Equity position in investment pools	$ 1,108,753 [2]

[2] Agrees to audited statement of fiduciary net position

[3] Agrees to footnote 5, Deposit and Investment Risk Disclosures

[4] Amortized cost approximates fair value.

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	$ 3,805 [1][2]
Equity position in investment pools as reported	$ 1,108,753 [1][3]

[1] Agrees to audited statement of fiduciary net position

[2] Agrees to Form 7

[3] Agrees to Form 8

West Virginia Retiree Health Benefit Trust Fund
Form 9, Accounts Receivable
June 30, 2019
(in thousands)

External accounts receivable:			
Premium contributions	$	1,681	
Less allowance for doubtful accounts		468	
Net receivable	$	1,213	(1)
Other receivables:			
Retiree drug subsidy	$	273	
Prescription rebates		5,496	
Other:			
Other		2,424	
Total other receivable	$	8,193	(1)
Form 9 – Net Receivable	$	1,213	(1)
Form 10 – Due (To) From Primary Government		(443)	(3)
Form 11 – Component Unit - A/R Balances		1,826	(4)
Total	$	2,596	(2)

(1) Agrees to audited statement of fiduciary net position

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

Contributions receivable, net	$	1,213	(1)
Due from the State		1,383	(1)
	$	2,596	

(3) Agrees to Form 10

(4) Agrees to Form 11

(in thousands)

Agency	Total
Workforce WV/Payroll-05303	$ 10
WV Public Employees Retirement Board	(311)
WV Public Employees Retirement Board	(113)
WV Teachers Retirement Board	(461)
Deputy Sheriffs Retirement	28
Public Safety/Con.Pub.Emp.Ret.Bd.	(19)
ABC Commission	3
Human Services, Dept of	50
Department of Education	6
EMSRS Emergency Medical Services Retirement System	(8)
Homeland Security – Emergency Management	(2)
House of Delegates	(17)
Bureau for Senior Services	(1)
Administration, Dept of	(1)
Secretary of State	(3)
Senate	(9)
Supreme Court/Judicial	15
Tax Department	19
Tax Department – Budget Office	(6)
Tax Department – Office of Appeals	(2)
Treasurer of State’s Office	1
Adjutant General	1
Department of Corrections	(2)
Department of Education and Arts	(1)
Division of Forestry	3
Department of Highways	347
Aeronautics Commission	(1)
Huttonsville Correctional Center	3
Joint Comm on Govt and Finance	1
Library Commission	(1)
Pruntytown Correctional Center	2
Corrections/Salem Corr, Dept of	(3)
Corrections/St. Marys Corr, Dept of	9
Department of Labor	2
Agriculture	5
Division of Protective Services	(2)
Division of Rehabilitation Services	12
Division of Tourism	2
Health Department	9
Hopemont State Hospital	7
Human Rights Commission	(17)

West Virginia Retiree Health Benefit Trust Fund
Form 10, Due (To) From Primary Government
June 30, 2019
(in thousands)

(Continued)

Agency		Total
Insurance Commission	$	3
Jackie Withrow Hospital		2
John Manchin Sr. Health Care		2
Lakin State Hospital		2
Martinsburg Correctional Center		(1)
Mildred Mitchell-Bateman Hospital		5
Miners Health Safety & Training		(8)
Motor Vehicles		6
Mt Olive Correctional Facility		1
Natural Resources		4
Office of Miners Health, Safety and Training		3
Public Safety		7
Public Service Commission		3
Veterans Affairs		(22)
Welch Emergency Hospital		5
William R Sharpe Jr Hospital		9
WV Barbers and Beauticians Commission		(7)
WV Board of Social Worker Examiners		1
WV Center for Nursing		(1)
WV Division of Juvenile Services		(1)
WV Massage Therapy Licensure Board		(1)
WV Military Authority		1
WV Real Estate Appraiser/Lic Cert Bd		(6)
WV School for the Deaf and Blind		(5)
Total due to/from		(443)
Total primary government	$	(443)
Total component units Form 11		1,826
Due from the State, net	$	1,383 (1)

(1) Agrees to audited statement of fiduciary net position

West Virginia Retiree Health Benefit Trust Fund
Form 11, Component Unit - A/R Balances
June 30, 2019
(in thousands)

Unit		Amount
Higher Education	$	1,793
Parkways, EDA, and Tourism		11
Regional Jail and Correction Facility Authority		(2)
Public Defender Corporation		14
Educational Broadcasting		10
Total component units	$	1,826

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

Finance Board and Management
West Virginia Retiree Health Benefit Trust Fund
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 Retiree Health Benefit Trust Fund (RHBT), which comprise the statements of fiduciary net position as of June 30, 2019 and the related statements of changes in fiduciary net position, 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 of the financial statements, we considered the RHBT'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 RHBT's internal control. Accordingly, we do not express an opinion on the effectiveness of the RHBT'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the following paragraph, that we consider to be a significant deficiency.

Actuarial Valuation Data

Criteria: Current and accurate source data is vital for actuaries to be able to reliably estimate the net Other Postemployment Benefit (OPEB) obligation. Accordingly, internal control policies and procedures related to the compilation and validity of the census data, as well as other key data sources, is important in helping to prevent and detect errors that could have a significant impact on the net OPEB liability. Additionally, data sources for key assumptions should be updated in a timely manner to enhance the refinement of the net OPEB liability estimate.

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Condition: RHBT's consulting actuaries utilize data from various sources to determine eligibility for plan benefits, classifications, etc. and estimate the net OPEB liability. RHBT has significantly improved the data accumulation process related to census data to enhance the refinement of the estimate of the net OPEB liability. Certain assumptions utilized in the estimation process based on aged experience studies, pension plan retirement factors, or actuarial judgmental reduces the refinement and enhances potential volatility in the estimation process.

Cause: RHBT is dependent on certain data sources from other State agencies, which is not provided in a timely manner. Additionally, since the adoption of the OPEB reporting standards is relatively new, certain OPEB data is still being compiled to provide a reliable and sufficient period of plan specific information to update the utilized assumptions.

Effect: The valuation with an actuarial valuation date of June 30, 2017 and a measurement date of June 30, 2018 utilized for the GASB 75 allocation to plan participating employers reflected a $296,677,844 reduction in the total OPEB liability for changes in assumptions and methods. This valuation is in comparison to the actuarial date as of June 30, 2016 with a similar measurement date of June 30, 2018.

Recommendation: We recommend that management continue to work with the other State agencies and its actuaries to compile timely accurate information to enhance the refinement and reduce the volatility in the OPEB liability estimation process. In particular, consideration should be given to updating assumptions for participation experience of waived annuitants and lapse experience of current retirees. Certain other assumptions were based on experience study for the five-year period ending June 30, 2015, which should be updated to a more current coverage period to reflect recent trends. Further, we recommend that a retirement and participation study be performed based on the OPEB Plan experience to replace the current assumption based on pension plan experience. Additionally, we recommend challenging the mortality assumptions to consider using the most current public sector specific mortality tables, adjusted to reflect RHBT experience.

Management's Response

RHBT concurs with this recommendation. RHBT management is currently reviewing the estimation process and will work with the other State Agencies and our actuaries to continue updating our assumptions and methods to enhance the refinement of the estimated net OPEB liability.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RHBT'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*.

RHBT's Response to Finding

The RHBT's response to the finding identified in our audit is described above. The RHBT's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

DIXON HUGHES GOODMAN LLP

Purpose of this Report

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

Dixon Hughes Goodman LLP

Charleston, West Virginia
October 15, 2019

DHG