

Audited Financial Statements

West Virginia Consolidated Public Retirement Board

Years Ended June 30, 2004 and 2003

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

Audited Financial Statements

Years Ended June 30, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

To the Members of the
West Virginia Consolidated Public
Retirement Board
Charleston, West Virginia

We have audited the accompanying statement of plan net assets for the pension funds and statement of net assets of the internal service fund of the West Virginia Consolidated Public Retirement Board (the Board), a component unit of the State of West Virginia, as of June 30, 2004, and the related statement of changes in plan net assets of the pension funds, and statements of revenues, expenses, and changes in fund net assets, and cash flows of the internal service fund for the year then ended, which collectively comprise the Board's basic financial statements. These financial statements are the responsibility of the management of the Board. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the Board as of and for the year ended June 30, 2003, were audited by other auditors whose report dated November 24, 2003, expressed an unqualified opinion on those statements.

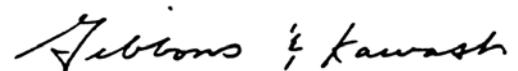
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the pension funds and the internal service fund of the Board as of June 30, 2004, and the changes in net assets of the pension funds, and the changes in financial position and cash flows of the internal service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004, on our consideration of the Board's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in assessing the results of our audit.

The required supplementary information on pages 3 through 9 and on pages 34 through 38 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and express no opinion on it.

A handwritten signature in cursive script that reads "Gibbons & Kawash".

November 12, 2004

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2004

OVERVIEW OF THE FINANCIAL ACTIVITIES

Management of the West Virginia Consolidated Public Retirement Board (CPRB) provides this Management Discussion and Analysis for the readers of the CPRB financial statements. This narrative overview of the financial activities of CPRB is for the fiscal year ended June 30, 2004. CPRB's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities and retirement plans where applicable. The primary purpose of CPRB is to oversee the collection of employer/employee retirement contributions, ensure the prompt payment of retirement annuities when applicable, regularly monitor the actuarial soundness of six (6) defined benefit retirement plans and administer one (1) defined contribution retirement plan and a 457(b) Deferred Compensation Plan. Financial statements are presented on the accrual basis of accounting. The basic financial statements presented are as follows:

- Statement of Plan Net Assets – This statement presents information reflecting CPRB's assets, liabilities and net assets. The Statement of Plan Net Assets is a point-of-time financial statement presenting to the reader of the financial statements a fiscal snapshot of CPRB. The Statement of Plan Net Assets presents end-of-year data concerning assets, liabilities, and net assets. Net assets represent net assets held in trust for pension benefits.
- Statement of Changes in Plan Net Assets - These statements reflect the additions and deductions affecting the plans for the operating year. Major sources of additions are employer/employee retirement contributions with major deductions for benefits paid and refunds of contributions.
- Internal Services Fund – Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Fund Net Assets – The Statement of Net Assets present CPRB's assets, liabilities, and net assets used for administration of the various plans. The Statement of Revenues, Expenses, and Changes in Fund Net Assets reflects the operating and non-operating revenues and expenses for the operating year. The sole source of operating revenues is from administrative fees charged to the six (6) defined benefit plans and the members' accounts in the defined contribution plan. Major sources of operating expenses are personnel services and information systems improvement and maintenance.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2004

(Continued)

CONDENSED COMPARATIVE DATA**Summary Statements of Net Assets and Changes in Net Assets**

These statements present the summarized assets, liabilities, and net assets of the CPRB retirement plans and internal service fund as of the end of the fiscal year, and the changes in the retirement plans' net assets and the internal service fund's net assets during the year.

Summary Statement of Net Assets - All Pension Funds (In Thousands):

	<u>2004</u>	<u>2003</u>
<u>ASSETS:</u>		
Cash	\$ 8,327	\$ 6,472
Investments	5,271,774	4,497,066
Accounts receivable	<u>49,488</u>	<u>47,314</u>
Total assets	<u>5,329,589</u>	<u>4,550,852</u>
<u>LIABILITIES AND FUND BALANCE:</u>		
Liabilities:		
Accounts payable	<u>506</u>	<u>944</u>
Net assets	<u>\$ 5,329,083</u>	<u>\$ 4,549,908</u>

Summary Statement of Changes in Plan Net Assets - All Pension Funds (In Thousands):

	<u>2004</u>	<u>2003</u>
<u>Additions:</u>		
Retirement contributions	\$ 640,484	\$ 576,135
Investment earnings	661,410	208,604
Other income	<u>14,773</u>	<u>15,433</u>
Total additions	<u>1,316,667</u>	<u>800,172</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2004

(Continued)

Summary of Changes in Plan Net Assets - All Pension Funds (In Thousands)(Continued):

	<u>2004</u>	<u>2003</u>
<u>Deductions:</u>		
Retirement benefits and refunds	532,264	498,536
Administrative expense	<u>5,228</u>	<u>5,142</u>
Total deductions	<u>537,492</u>	<u>503,678</u>
Net increase	779,175	296,494
Beginning net assets	<u>4,549,908</u>	<u>4,253,414</u>
Ending net assets	<u>\$ 5,329,083</u>	<u>\$ 4,549,908</u>

- Net assets held in trust for pension benefits total \$5,329,083,000 for fiscal 2004 as compared to \$4,549,908,000 for fiscal 2003. Direct employer/employee contributions for retirement plans in fiscal 2004 were \$640,484,000 as compared to \$576,135,000 in fiscal 2003, an increase of \$64,349,000 or 11.16%. Contributions within the plans increased due to an increase in the number of contributing participants within the plans and an increase in the employer percentage from 9.5% to 10.5% for employers participating in the Public Employees Retirement System.
- Net investment gains for the combined plans in fiscal 2004 were \$661,410,000 as compared to \$208,604,000 in fiscal 2003, an increase of \$452,806,000 in net investment gains due primarily to improved market conditions.
- Due to an increase in the number of retirees, deductions during fiscal 2004 increased to \$537,492,000 as compared to \$503,678,000 during fiscal 2003. Deductions result from the payment of retirement benefits, refunds on contributions and administration fee charges. Benefits and refunds in fiscal 2004 totaled \$532,264,000 as compared to \$498,536,000 in fiscal 2003, an increase of \$33,728,000 or 6.77%.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2004

(Continued)

Summary Statement of Plan Net Assets - Internal Service Fund (In Thousands):

	<u>2004</u>	<u>2003</u>
<u>ASSETS:</u>		
Cash	\$ <u>1,842</u>	\$ <u>1,516</u>
 <u>LIABILITIES AND NET ASSETS:</u>		
Liabilities:		
Accounts payable	94	96
Compensated absences	<u>454</u>	<u>440</u>
Net assets	<u>\$ 1,294</u>	<u>\$ 980</u>

Summary of Changes in Fund Net Assets - Internal Service Fund (In Thousands):

	<u>2004</u>	<u>2003</u>
Revenue:		
Administrative fees	\$ 5,228	\$ 5,142
Other Income	<u>-</u>	<u>1</u>
Total revenues	<u>5,228</u>	<u>5,143</u>
Expenses:		
Administrative Expense	<u>4,914</u>	<u>4,867</u>
Net increase	314	276
Beginning net assets	<u>980</u>	<u>704</u>
Ending net assets	<u>\$ 1,294</u>	<u>\$ 980</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2004

(Continued)

- Total revenue for the Internal Service Fund increased from \$5,143,000 in fiscal 2003 to \$5,228,000 in fiscal 2004 due to an increase in the number of participant accounts within the plans.

OVERALL ANALYSIS AND ECONOMIC FACTORS

Compared to fiscal 2003, the overall condition of the West Virginia Consolidated Public Retirement Board Plans has improved slightly primarily due to higher investment returns of the various retirement plans during fiscal 2004. The net assets of the Public Employee's Retirement System (PERS) have increased by \$395,720,000 resulting in a slight decrease of the unfunded liability for that Plan. The condition of the Teacher's Retirement System (TRS) has also improved slightly due to the equities market upturn. The funded positions of all plans have improved due to the investment returns in 2004 exceeding the assumed actuarial rate of return.

With a careful review of all operational expenditures, the Internal Service Fund has completed fiscal 2004 with net assets in excess of beginning of year projections. Based upon recent reviews, management believes the current administrative charge of \$35 per member account is sufficient to meet the current administrative operational needs of CPRB.

Plans' Unfunded Liabilities

As a component unit of the State of West Virginia, the financial statements of CPRB are included within the State of West Virginia's Comprehensive Annual Financial Report (CAFR). Disclosed within the CAFR is the unfunded liability of the six (6) defined benefit retirement plans. The actuarial valuations for the six retirement plans for fiscal 2004 will not be available until approximately December 2004, however, even with the gain in investment income, the total unfunded liability of all plans is still expected to exceed the \$6.4 billion reported for fiscal 2003.

Presently, the Teacher's Retirement System (TRS) and the Judicial Retirement System (JRS) are funded on an actuarial basis. The amortization schedule for TRS is through June 30, 2034 and for JRS through June 30, 2018. PERS, Trooper B, and the Deputy Sheriff's Retirement System are funded as a percent of payroll that may be adjusted by legislative action should the present contributions be found to be inadequate. The Trooper A Plan has a separate funding mechanism that allows for sufficient contributions by employer and employee to ensure actuarial soundness and adjustment if determined to be necessary.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2004

(Continued)

The CPRB management and its actuary maintain a continuous and detailed monitoring of all the retirement plans and are working in concert with the West Virginia Legislature and the Department of Administration to improve the financial condition of the Plans. As previously noted, many of the defined benefit retirement plans have in place an amortization schedule to address the existing unfunded liabilities. Further review of the investment losses and other matters have prompted management to consider possible future actions to address potential funding problems. For instance, as of July 1, 2003, the Board increased the employer contribution share in PERS to 10.5% to offset investment losses. The employer contribution share in DSRS was increased to 10.5% as of July 1, 2004.

Other Matters

- Two administrative petitions are pending before the CPRB styled: "In the Matter of the Following Petitions: Trooper Mike Lynch and Members of the 42nd and 43rd Classes of the West Virginia State Police Similarly Situated and In Re: Dawn C. Bland and Allison Nicole Bland, an infant, wife and daughter of Trooper Douglas Wayne Bland and All Members of the 43rd, 44th and 45th Classes of the West Virginia State Police Similarly Situated." These petitions have been brought by and on behalf of the members of the 42nd through the 45th Cadet Classes of the West Virginia State Police, each of whom are seeking to be moved from the West Virginia State Police Retirement System ("Plan B"), to the more financially advantageous West Virginia State Police Death, Disability and Retirement Fund ("Plan A"). The financial impact of an administrative or judicial ruling conferring some or all of the relief sought by the Petitioners, has been estimated to increase the liabilities in the WV Public Safety Death, Disability and Retirement Fund by approximately \$75 million.
- A lawsuit has been filed against the CPRB in a matter styled "Warren Carter and Gerald Trembush v. West Virginia Consolidated Public Retirement Board," Civil Action No. 02-P-190. In this matter, PERS plan participants seek to have lump sum payments which they received for unused leave included within their PERS final average salary calculations. The CPRB denied the requested relief, and the participants appealed to the Circuit Court of Wood County. By Order of October 8, 2004, the CPRB's administrative decision in this matter was reversed by the Circuit Court of Wood County, West Virginia. The CPRB will be filing a petition for review of the Circuit Court's ruling with the West Virginia Supreme Court of Appeals on or before February 8, 2005. The Supreme Court has granted the Board's motion to stay execution of the Circuit Court's ruling pending resolution of the anticipated appeal. The financial impact of a judicial ruling in favor of

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2004

(Continued)

the petitioners will have to be actuarially determined, inasmuch as the relief sought is an increase in the petitioners' and other similarly situated PERS' members' monthly annuity benefits resulting from the inclusion of additional compensation in their final average salary and benefit annuity calculations.

- A civil action was filed in the Circuit Court of Kanawha County, West Virginia on March 31, 2004 by Wachovia Securities, LLC FKA Prudential Securities, Inc., against the West Virginia Consolidated Public Retirement Board, Joseph J. Jankowski, Jr., in his official capacity as Executive Director of the West Virginia Consolidated Public Retirement Board, and Great West Life & Annuity Insurance Company DBA Great West Retirement Services, a foreign corporation. The plaintiff alleged that it was the successful bidder for a blanket purchase order for brokerage services to the West Virginia Teachers Defined Contribution Plan. At the present time, the Board's legal counsel is trying to attempt to work towards a resolution without the necessity of further litigation. Wachovia is seeking an unstated amount of money as compensatory damages and attorney fees in this civil action and a Writ of Mandamus to prevent the Board from canceling the contract. Any financial impact of this action would affect the Internal Service Fund.

BUDGETARY OVERSIGHT

The CPRB does not have a legally adopted budget, however, pursuant to the West Virginia State Code, CPRB submits a detailed budgetary schedule of administrative expense to the Secretary of the Department of Administration prior to the beginning of the fiscal year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

CPRB does not record any capital assets and has no long-term debt. The administrative buildings occupied by CPRB are leased and the furniture and other holdings are substantially depreciated and therefore have no material impact on the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide our customers, governing officials, legislators, citizens, taxpayers, and our employees with a general overview of the West Virginia Consolidated Public Retirement Board accountability for the money it receives. If you have any questions about this report or need additional information, contact the Office of the Executive Director at (304) 558-3570.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2004
(In Thousands)

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability and Retirement System</u>	<u>State Police Retirement System</u>
<u>ASSETS:</u>				
Cash with the State Treasurer	\$ 4,695	\$ 465	\$ 134	\$ 132
Investments at fair value	3,086,754	1,391,895	117,950	19,750
Contributions receivable	4,343	18,751	-	-
Participant loans receivable	-	15,871	-	-
Miscellaneous revenue receivable	-	599	-	-
Prepaid expenses	-	-	-	-
	<u>3,095,792</u>	<u>1,427,581</u>	<u>118,084</u>	<u>19,882</u>
<u>LIABILITIES AND PLAN NET ASSETS:</u>				
Liabilities:				
Accrued expenses and other payables	<u>132</u>	<u>106</u>	<u>4</u>	<u>-</u>
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	<u>\$ 3,095,660</u>	<u>\$ 1,427,475</u>	<u>\$ 118,080</u>	<u>\$ 19,882</u>

The accompanying notes are an integral part of these financial statements.

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ -	\$ 20	\$ 2,881	\$ 8,327
59,029	63,539	532,857	5,271,774
422	-	9,238	32,754
208	-	-	16,079
52	-	-	651
<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>
<u>59,715</u>	<u>63,559</u>	<u>544,976</u>	<u>5,329,589</u>
<u>-</u>	<u>-</u>	<u>264</u>	<u>506</u>
<u>\$ 59,715</u>	<u>\$ 63,559</u>	<u>\$ 544,712</u>	<u>\$ 5,329,083</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2003
(In Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability and Retirement System	State Police Retirement System
<u>ASSETS:</u>				
Cash with the State Treasurer	\$ -	\$ -	\$ 4	\$ -
Investments at fair value	2,695,890	1,158,296	97,397	14,753
Contributions receivable	4,210	15,025	2,010	-
Participant loans receivable	-	17,911	-	-
Miscellaneous revenue receivable	-	603	-	-
Prepaid expenses	-	-	12	-
	<u>2,700,100</u>	<u>1,191,835</u>	<u>99,423</u>	<u>14,753</u>
<u>LIABILITIES AND NET ASSETS:</u>				
Liabilities:				
Accrued expenses and other payables	<u>160</u>	<u>598</u>	<u>14</u>	<u>12</u>
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	<u>\$ 2,699,940</u>	<u>\$ 1,191,237</u>	<u>\$ 99,409</u>	<u>\$ 14,741</u>

The accompanying notes are an integral part of these financial statements

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ -	\$ -	\$ 6,468	\$ 6,472
48,766	52,779	429,185	4,497,066
405	-	6,873	28,523
181	-	-	18,092
57	-	-	660
<u>27</u>	<u>-</u>	<u>-</u>	<u>39</u>
<u>49,436</u>	<u>52,779</u>	<u>442,526</u>	<u>4,550,852</u>
<u>69</u>	<u>-</u>	<u>91</u>	<u>944</u>
<u>\$ 49,367</u>	<u>\$ 52,779</u>	<u>\$ 442,435</u>	<u>\$ 4,549,908</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS

Year ended June 30, 2004
(In Thousands)

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability and Retirement System</u>	<u>State Police Retirement System</u>
Additions:				
Contributions:				
Member contributions	\$ 51,676	\$ 50,671	\$ 1,129	\$ 1,492
Employer contributions	<u>115,634</u>	<u>316,121</u>	<u>23,932</u>	<u>1,520</u>
Total contributions	<u>167,310</u>	<u>366,792</u>	<u>25,061</u>	<u>3,012</u>
Investment income:				
Net increase in fair value of investments	407,826	175,488	14,572	2,330
Interest	<u>-</u>	<u>3,183</u>	<u>-</u>	<u>-</u>
Net investment income	407,826	178,671	14,572	2,330
Other income	<u>-</u>	<u>13,567</u>	<u>527</u>	<u>-</u>
Total additions	<u>575,136</u>	<u>559,030</u>	<u>40,160</u>	<u>5,342</u>
Deductions and transfers:				
Benefit expense	170,596	316,941	21,386	84
Refunds of contributions	6,756	3,417	73	104
Transfers to (from) plans	(257)	346	-	-
Administrative expenses	<u>2,321</u>	<u>2,088</u>	<u>30</u>	<u>13</u>
Total deductions and transfers	<u>179,416</u>	<u>322,792</u>	<u>21,489</u>	<u>201</u>
Net increase in plan net assets	395,720	236,238	18,671	5,141
Net assets held in trust for pension benefits:				
Beginning of year	<u>2,699,940</u>	<u>1,191,237</u>	<u>99,409</u>	<u>14,741</u>
End of year	<u>\$ 3,095,660</u>	<u>\$ 1,427,475</u>	<u>\$ 118,080</u>	<u>\$ 19,882</u>

The accompanying notes are an integral part of these financial statements.

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ 2,339	\$ 470	\$ 24,749	\$ 132,526
<u>2,552</u>	<u>5,329</u>	<u>42,870</u>	<u>507,958</u>
<u>4,891</u>	<u>5,799</u>	<u>67,619</u>	<u>640,484</u>
7,606	8,177	42,190	658,189
<u>38</u>	<u>-</u>	<u>-</u>	<u>3,221</u>
7,644	8,177	42,190	661,410
<u>679</u>	<u>-</u>	<u>-</u>	<u>14,773</u>
<u>13,214</u>	<u>13,976</u>	<u>109,809</u>	<u>1,316,667</u>
2,523	3,282	-	514,812
308	-	6,794	17,452
-	(89)	-	-
<u>35</u>	<u>3</u>	<u>738</u>	<u>5,228</u>
<u>2,866</u>	<u>3,196</u>	<u>7,532</u>	<u>537,492</u>
10,348	10,780	102,277	779,175
<u>49,367</u>	<u>52,779</u>	<u>442,435</u>	<u>4,549,908</u>
<u>\$ 59,715</u>	<u>\$ 63,559</u>	<u>\$ 544,712</u>	<u>\$ 5,329,083</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS

Year Ended June 30, 2003
(In Thousands)

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability and Retirement System</u>	<u>State Police Retirement System</u>
Additions:				
Contributions:				
Member contributions	\$ 50,874	\$ 52,188	\$ 1,135	\$ 1,293
Employer contributions	<u>103,239</u>	<u>274,201</u>	<u>21,937</u>	<u>1,293</u>
Total contributions	<u>154,113</u>	<u>326,389</u>	<u>23,072</u>	<u>2,586</u>
Investment income:				
Net increase in fair value of investments	125,139	51,543	3,913	758
Interest	<u>-</u>	<u>2,419</u>	<u>-</u>	<u>-</u>
Net investment income	<u>125,139</u>	<u>53,962</u>	<u>3,913</u>	<u>758</u>
Other income	<u>-</u>	<u>14,357</u>	<u>579</u>	<u>-</u>
Total additions	<u>279,252</u>	<u>394,708</u>	<u>27,564</u>	<u>3,344</u>
Deductions and transfers				
Benefit expense	159,806	294,705	19,161	58
Distributions/refunds of contributions	6,549	4,432	58	178
Transfers to (from) plans	(475)	665	-	-
Administrative expenses	<u>2,209</u>	<u>2,110</u>	<u>31</u>	<u>11</u>
Total deductions and transfers	<u>168,089</u>	<u>301,912</u>	<u>19,250</u>	<u>247</u>
Net increase in plan net assets	111,163	92,796	8,314	3,097
Net assets held in trust for pension benefits:				
Beginning of year	<u>2,588,777</u>	<u>1,098,441</u>	<u>91,095</u>	<u>11,644</u>
End of year	<u>\$ 2,699,940</u>	<u>\$ 1,191,237</u>	<u>\$ 99,409</u>	<u>\$ 14,741</u>

The accompanying notes are an integral part of these financial statements

<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ 2,165	\$ 488	\$ 22,407	\$ 130,550
<u>2,412</u>	<u>5,500</u>	<u>37,003</u>	<u>445,585</u>
<u>4,577</u>	<u>5,988</u>	<u>59,410</u>	<u>576,135</u>
2,369	2,613	19,833	206,168
<u>17</u>	<u>-</u>	<u>-</u>	<u>2,436</u>
<u>2,386</u>	<u>2,613</u>	<u>19,833</u>	<u>208,604</u>
<u>497</u>	<u>-</u>	<u>-</u>	<u>15,433</u>
<u>7,460</u>	<u>8,601</u>	<u>79,243</u>	<u>800,172</u>
2,169	3,497	-	479,396
264	-	7,659	19,140
(1)	(59)	(130)	-
<u>32</u>	<u>4</u>	<u>745</u>	<u>5,142</u>
<u>2,464</u>	<u>3,442</u>	<u>8,274</u>	<u>503,678</u>
4,996	5,159	70,969	296,494
<u>44,371</u>	<u>47,620</u>	<u>371,466</u>	<u>4,253,414</u>
<u>\$ 49,367</u>	<u>\$ 52,779</u>	<u>\$ 442,435</u>	<u>\$ 4,549,908</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF NET ASSETS – INTERNAL SERVICE FUND

June 30, 2004 and 2003

(In Thousands)

	<u>2004</u>	<u>2003</u>
<u>ASSETS:</u>		
Cash with the State Treasurer	\$ 1,842	\$ 1,516
<u>LIABILITIES AND NET ASSETS:</u>		
Liabilities:		
Accrued expenses and other payables	94	96
Compensated absences	<u>454</u>	<u>440</u>
Total liabilities	<u>548</u>	<u>536</u>
Net assets, unrestricted	<u>\$ 1,294</u>	<u>\$ 980</u>

The accompanying notes are an integral part of these financial statements

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS – INTERNAL SERVICE FUNDYears Ended June 30, 2004 and 2003
(In Thousands)

	<u>2004</u>	<u>2003</u>
Revenues:		
Fees received for administrative services	\$ 5,228	\$ 5,142
Miscellaneous revenues	<u>-</u>	<u>1</u>
Total revenues	<u>5,228</u>	<u>5,143</u>
Expenses:		
Administrative	<u>4,914</u>	<u>4,867</u>
Change in net assets	314	276
Net assets:		
Beginning of year	<u>980</u>	<u>704</u>
End of year	<u>\$ 1,294</u>	<u>\$ 980</u>

The accompanying notes are an integral part of these financial statements

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND

Years Ended June 30, 2004 and 2003

(In Thousands)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 5,228	\$ 5,143
Cash paid to employees	(2,313)	(2,196)
Cash paid to suppliers	(2,589)	(2,658)
Net cash provided by operating activities	<u>326</u>	<u>289</u>
Cash and cash equivalents, beginning of year	<u>1,516</u>	<u>1,227</u>
Cash and cash equivalents, end of year	<u>\$ 1,842</u>	<u>\$ 1,516</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 314	\$ 276
Adjustments to reconcile operating income to net cash used in operating activities:		
Change in assets and liabilities:		
Decrease in accrued expenses and other payables	(2)	(21)
Increase in compensated absences	<u>14</u>	<u>34</u>
Net cash provided by operating activities	<u>\$ 326</u>	<u>\$ 289</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF PLANReporting Entity

During fiscal year 1991, the West Virginia State Legislature created the Consolidated Public Retirement Board (the Board). The Board administers the State of West Virginia's eight retirement plans. The seven retirement plans included within these financial statements are the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the Public Safety Death, Disability and Retirement System (PSDDRS), the State Police Retirement System (SPRS), the Deputy Sheriff Retirement System (DSRS), the Judges' Retirement System (JRS), and the Teachers' Defined Contribution Retirement System (TDCRS). The Total Pension Funds column included in the statements of net assets and statements of changes in net assets is for informational purposes only. The net assets of each plan are only available to satisfy the obligations of that plan. The Board is a component unit of the State of West Virginia (the State). The Governmental Employees Deferred Compensation Plan has been excluded from these financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The Internal Service Fund (the Fund) is used for the administration of all plans. The Fund receives a service fee from each plan based upon the number of participants included in the plan. These funds are legally restricted for the purpose of administering the plans and are not available for any other purpose.

The Board is managed by a Board of Trustees, which consists of, by virtue of their position, the Governor, State Auditor, State Treasurer, and Commissioner of the Employee and Insurance Services Division of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in PERS and one participant each from TRS, PSDDRS, DSRS and TDCRS.

Pursuant to the West Virginia Code, the Board submits a detailed budgetary schedule of administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The fundamental purpose of budgetary control is to plan for the expected level of operations and to provide management with a tool to control deviation from such plan.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - DESCRIPTION OF PLAN (Continued)Basis of Accounting

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles for governmental units. The accompanying pension fund financial statements have been prepared on the accrual basis of accounting. Plan member contributions are recognized in the period when contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Internal Service Fund financial statements have also been prepared on the accrual basis of accounting. The Board has prepared its financial statements primarily from accounts maintained by the State Treasurer, the West Virginia Investment Management Board (the IMB) and the third-party administrator of its defined contribution plan.

Cash

Cash balances on deposit with the West Virginia State Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment by the IMB. These funds are transferred to the IMB and the IMB invests these funds in specific investment pools. Investment income on these investment pools is allocated by the State Treasurer to the various participants in the investment pools based on the balances of the various participants and their deposits with the State Treasurer in the month in which the income was earned. The amounts on deposit with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements. Cash on deposit with the State Treasurer is a noncategorized deposit in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Investments

All defined benefit plan funds not required to meet disbursement needs are invested in accordance with the West Virginia Code, as well as policies set by the IMB. The IMB has established various investment pools to provide for the investment of the defined benefit plan investments. These investment pools are structured as multiparticipant variable net asset funds and, accordingly, are noncategorized investments in accordance with GASB Statement No. 3.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - DESCRIPTION OF PLAN (Continued)Investments (Continued)

The underlying investments of the four fixed income pools administered by the IMB include obligations of the U.S. Treasury and U.S. Government agencies, authorized state and municipal bonds, corporate bonds rated AAA, AA, or A, repurchase agreements, commercial paper rated A1/P1 or A2/P2, and certificates of deposit with West Virginia banks. The underlying investments of the four equity pools administered by the IMB consist primarily of domestic and international pools. The underlying investments in the international pools administered by the IMB include international equities, foreign currencies, foreign exchange forward contracts, and investments in Silchester International Investors' Value Equity Group Trust and Capital International Inc.'s Emerging Markets Growth Fund. Securities owned by the investment pools are valued at fair value, as determined by a third-party pricing service utilized by the IMB's custodian bank. Investments in foreign currencies are translated into U.S. dollars at exchange rates reported by Mellon Financial Corporation.

A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The IMB's International Equity Pools' investment managers enter into such contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month-end and the amount to be received or paid at the expiration date. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires.

A futures contract is an agreement between a buyer or a seller and the clearing house of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. The IMB invests in financial futures contracts in the Fixed Income Pool and the Russell 2000 index futures in the Non-Large Cap Domestic Equity Pool. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. Government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker each day for the daily fluctuations of the underlying securities or index. The market risk associated with holding interest rate and stock index futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Hedging risk associated with these futures contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**1 - DESCRIPTION OF PLAN (Continued)**Investments (Continued)

The IMB limits its exposure to these risks by establishing and monitoring limits on the type and the total value of futures contracts that may be held.

Interest rate swaps represent an agreement between counterparties to exchange cash flows based on the difference between two interest rates, applied to a notional principal amount for a specified period. Interest rate swaps do not involve the exchange of principal between the parties. Interest is paid or received periodically.

The IMB also invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value. The IMB invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment and market value of the underlying assets.

The TDCRS investments are carried at fair value as determined by a third-party pricing service utilized by the investment management company.

Investment transactions are accounted for on a trade date basis. Changes in the fair value of investments, including purchases and sales, are reported as the net increase or decrease in fair value of investments. Investment income is determined monthly and distributed to each of the defined benefit plans participating in the investment pools on the last day of the month in the form of reinvested shares.

Contributions Receivable

Contributions receivable represent funds owed to the Board from other government employer entities participating in the various retirement plans.

Participant Loans Receivable

The TRS makes loans to its members of up to the lesser of one-half of member accumulated contributions or \$8,000 at a fixed rate of interest over varying terms, with a maximum term of five years.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**1 - DESCRIPTION OF PLAN (Continued)**Participant Loans Receivable (Continued)

The DSRS also makes loans to its members of the lesser of up to one-half of member contributions or \$8,000 at an interest rate indexed to the interest rate used by the Board for determining actuarial contributions levels. DSRS loans require repayment over varying terms, with a maximum term of five years.

Accrued Expenses and Other Payables

Accrued expenses and other payables primarily represent retirement annuity amounts due to new retirees.

Compensated Absences

Liability for compensated absences (annual and sick leave) is accounted for in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* and, accordingly, a liability for employees' rights to receive compensation for future absences has been recorded. When an employee is separated from employment with the Board for reasons other than retirement, all sick leave credited to that employee is considered ended and no reimbursement to the employee is provided. Accrued sick leave, if any, existing for employees upon their retirement may be used either to extend benefits provided by the West Virginia Public Employees Insurance Agency or to increase retirement benefits. In accordance with GASB Statement No. 16, the accrual for compensated absences includes a provision for accrued sick leave that is likely to be paid in extended health or life insurance benefits for employees whose retirement from the State is probable.

Fixed Assets

The Board does not record any capital assets. The administrative buildings occupied by CPRB are leased under operating leases and the furniture and other holdings are substantially depreciated. Therefore, this treatment does not have a material impact on the financial statements.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, actuarial accrued

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**1 - DESCRIPTION OF PLAN (Continued)**Accounting Estimates (Continued)

liabilities and disclosure of contingent assets and liabilities as of the financial statement date, and the reported amounts of additions and deductions for the reporting period. Actual amounts could differ from those estimates. The various retirement plans utilize various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

Funding policies for all plans have been established by and changed from time-to-time by action of the State Legislature. While contribution rates are legislatively determined, actuarial valuations are performed to assist the State Legislature in determining contribution rates. The following information is provided for general information purposes only. Plan participants should refer to the respective West Virginia State Code Section for more complete information.

Defined Benefit PlansPublic Employees' Retirement System

Plan Description - PERS is a multiple employer defined benefit cost sharing public employee retirement system covering substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another state or municipal retirement system. The number of participating local government employers as of June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Cities and towns	108	106
Counties	55	55
Special districts	<u>358</u>	<u>346</u>
	<u>521</u>	<u>507</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)Public Employees' Retirement System (Continued)

PERS provides retirement benefits as well as death and disability benefits. 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. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last ten years of earnings. Terminated members with at least five years of credited service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62 or a reduced early retirement benefit commencing as early as age 55.

Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature. In certain circumstances, this Article also permits members of TRS to transfer accumulated service credit and member contributions into PERS.

Contributions - Per Chapter 5, Article 10, members contribute 4.5% of annual earnings. Funding by State and non-State governmental employers is based on 10.5% (9.5% prior to July 1, 2003) of covered employees' annual earnings. Contributions as a percentage of payroll for members and employers are established by statutes, subject to legislative limitations and are not actuarially determined.

Teachers' Retirement System

Plan Description - TRS is a multiple employer defined benefit cost sharing public employee retirement system covering all full-time employees of the 55 county public school systems in the State and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and Boards of Higher Education. Employees of the State-supported institutions of higher education and Boards of Higher Education, hired after June 30, 1991, are required to participate in the Higher Education Retirement System.

TRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest years of earnings during the last 15 years of earnings.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Teachers' Retirement System (Continued)

Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

Contributions - A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

TRS funding policy provides for member contributions based on 6% of members' annual earnings. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined. Employers make the following contributions:

The State contributes 15% of earnings of TRS members employed by the State while the county boards of education, utilizing funds made available through the State's School Aid Formula, contribute 15% of the earnings of their TRS covered employees and 7.5% of earnings of their TDCRS covered employees. In addition, the State contributes a certain percentage of fire insurance premiums paid by State residents and an amount determined by the State actuary as being needed to extinguish the TRS unfunded liability within 40 years of June 30, 1994. Other employers contribute 15% of their TRS covered employees earnings and 7.5% of their TDCRS covered employees earnings.

Counties contribute 15% of TRS members' salaries from county boards of education who are not covered under the State's School Aid Formula.

Public Safety Death, Disability and Retirement System

Plan Description - PSDDRS is a single employer defined benefit public employee retirement system covering all West Virginia State Police (State Police) hired on or before March 11, 1994. This plan is closed to new entrants.

PSDDRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 50 after 20 years of contributory service, or at any age upon completion of 25 years of service. There is no vesting in the State's contributions prior to ten years of service. Benefits payable to members retiring prior to age 50 are deferred until the normal retirement date. The annual retirement benefit is 5.5% of the members' aggregate salary, but not less than \$6,000 per year. Total service related disability

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)Public Safety Death, Disability and Retirement System (Continued)

benefits are equal to the member's annual salary, but not less than \$15,000 per year. Aggregate salary is the total salary paid to a member during his or her period of service, which may include up to five years of active military service credited at the average departmental salary. Aggregate salary for purposes of determining disability benefits may include salary that would have been earned had the participant served at least 25 years notwithstanding the disability. An annual cost-of-living adjustment of 3.75% is granted to retirees and beneficiaries. For service-connected total disability retirees, the adjustment begins at age 65. A member who terminates employment is entitled to a refund of his or her contributions plus interest.

Contributions - PSDDRS funding policy provides for member contributions based on 9% of their annual earnings. The State makes contributions based on 15% of the annual payroll of State Police, as well as contributing all revenue generated by the sale of traffic accident reports, criminal investigation reports and other fees. In addition, certain additional contributions of approximately \$22 million and \$20 million have been made during the years ended June 30, 2004 and 2003, respectively, representing extra appropriations to pay off the unfunded liability. Contributions, as a percentage of payroll for members and the employer, are established by State law and are not actuarially determined.

State Police Retirement System

Plan Description – SPRS is a single employer defined benefit public employee retirement system that was established for all State Police hired on or after March 12, 1994. SPRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 55 with 20 years of service and for a reduced benefit with 20 years of service and retiring before age 55. The annual regular retirement benefit, paid monthly, is equal to 2.75% of the final average salary multiplied by the years of service. Final average salary is the average of the five highest years of earnings during the last ten years of earnings. Annual retirement annuity adjustments are 10% for regular retirement and are payable on July 1 of each year after the member reaches 63 years of age.

Contributions - Employees contribute 12% of annual base salary and the employer contributes 12% of gross salary.

Chapter 15, Article 2 of the West Virginia State Code assigns the authority to establish and amend the provisions of the PSDDRS and SPRS plans to the State Legislature.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)Deputy Sheriff Retirement System

Plan Description - DSRS, a multiple employer defined benefit cost sharing public employee retirement system, was established for all deputy sheriffs hired on or after July 1, 1998. The DSRS was also made available to any deputy sheriff employed in covered employment participating in PERS on the effective date so long as he/she made notification in writing before January 31, 1999, to both the County Commission in the county in which he/she was employed and the Board of his/her desire to transfer to the DSRS. Approximately 600 deputy sheriffs elected such transfer and as a result, approximately \$28,638,000 of accumulated member and employer contributions and interest were transferred from PERS to DSRS in fiscal year 1999, in accordance with Chapter 7, Article 14 of the West Virginia State Code.

DSRS provides retirement as well as death and disability benefits. A member is eligible for normal retirement under the following circumstances:

1. Attainment of the age of 50 years and completion of 20 or more years of service
2. Member is in covered employment, has attained the age of 60 years, and has completed five or more years of service
3. Attainment of the age of 62 years and has completed five or more years of service

The annual regular retirement benefit is equal to 2.25% of a member's final average salary multiplied by the member's years of credited service. Final average salary refers to the average of the highest annual compensation received for covered employment by the member during any five consecutive plan years within the member's last ten years of service. A member may elect to receive retirement income payments equal to his/her accrued benefit in the normal form or in a variety of annuity options. The normal form signifies a monthly annuity which is 1/12 of the amount of a members accrued benefit which is payable for the member's life.

Benefit payments did not begin prior to January 1, 2000, except benefit payments resulting from disability.

Chapter 7, Article 14 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Deputy Sheriff Retirement System (Continued)

Contributions - Members contribute 8.5% of monthly base salary, and the County Commission of the County in which the member is employed contributes an additional 9.5% of the members monthly salary. In addition, the County Commissions contribute certain fees charged for reports and other services provided by the sheriff's offices.

Judges' Retirement System

Plan Description - JRS is a single employer defined benefit public employee retirement system covering State judges who elect to participate. JRS provides retirement as well as death and disability benefits. A member is eligible for normal retirement upon the attainment of 24 years of service, 16 years of service at age 65 or 8 years of service after age 65. The annual benefit is 75% of the current annual salary of the office from which the participant retires, with surviving beneficiaries adjusted in proportion to salary increases given to current judges. A participant is eligible for a deferred benefit upon termination of service prior to normal retirement provided the participant completes 16 years of service, including 12 years of service as a sitting judge of any court of record.

Chapter 51, Article 9 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

Contributions - JRS funding policy provides for member contributions based on 9% of their annual earnings. This policy also provides for periodic employer contributions at varying amounts appropriated annually by the State Legislature. However, annual appropriations are determined in consideration of the most recent actuarial valuation. Any participant who terminates before becoming eligible for benefits may elect to withdraw his or her contributions without interest.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**

Plan Membership - Membership in the above plans consists of the following as of June 30, 2004 and 2003:

As of June 30, 2004:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Retirees and beneficiaries						
currently receiving benefits	18,928	26,050	622	6	145	58
Terminated members entitled to						
benefits but not yet receiving them	3,022	3,697	5	-	33	3
Terminated nonvested members	7,576	47	3	32	72	-
Active members:						
Vested	23,575	19,189	237	10	442	16
Nonvested	<u>12,293</u>	<u>56</u>	<u>-</u>	<u>370</u>	<u>369</u>	<u>42</u>
Total	<u>65,394</u>	<u>49,039</u>	<u>867</u>	<u>418</u>	<u>1,061</u>	<u>119</u>

As of June 30, 2003:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Retirees and beneficiaries						
currently receiving benefits	18,589	25,441	606	4	127	59
Terminated members entitled to						
benefits but not yet receiving them	3,012	3,748	6	-	62	2
Terminated nonvested members	7,478	9,581	2	26	31	1
Active members:						
Vested	22,971	20,849	219	5	419	9
Nonvested	<u>12,532</u>	<u>70</u>	<u>44</u>	<u>334</u>	<u>370</u>	<u>48</u>
Total	<u>64,582</u>	<u>59,689</u>	<u>877</u>	<u>369</u>	<u>1,009</u>	<u>119</u>

Defined Contribution PlanTeachers' Defined Contribution Retirement System

Plan Description - TDCRS is a multiple employer defined contribution retirement system covering primarily full-time employees of the State's 55 county public school systems, the State Department of Education, and the School for the Deaf and Blind who are hired after June 30, 1991. TDCRS members also include former TRS plan members, including higher education employees, who have elected to transfer into or participate in TDCRS. There were approximately 21,200 and 22,700 members in the TDCRS plan at June 30, 2004 and 2003, respectively. TDCRS benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Teachers' Defined Contribution Retirement System (Continued)

The TDCRS provides members with their choice of ten separate investment options which include government securities mutual funds, common stock mutual funds, guaranteed insurance contract mutual funds and individually allocated annuities, or three lifestyle funds.

In 2001, Senate Bill 711, TDCRS amended West Virginia (WV) Code §18-7B-7, was passed enabling certain full-time employees who were members of the Teachers' Defined Contribution Retirement System which the option to re-enter the defined benefit Teachers' Retirement System (TRS). Eligibility requirements were: 1) left TRS employment prior to July 1, 1991; 2) re-employed after July 1, 1991, and placed in TDCRS; 3) pay 1.5% of annual gross compensation earned while a TDCRS member to TRS; and 4) election must be made no later than June 30, 2002. (Note: This option was not available to TDCRS members who voluntarily elected to cease participation in TRS and transfer to TDCRS. (TDCRS assets were transferred to TRS on behalf of 203 eligible members and the additional 1.5% of annual gross compensation was paid to TRS.)

Contributions - State legislation requires employees to contribute 4.5% of their gross compensation and the employers to contribute 7.5% of covered members' gross compensation from amounts allocated to the employers through the State's School Aid Formula. Employer contributions for each employee (and interest allocated to the employee's account) become partially vested after six years and fully vested after 12 years of completed service. If a terminated employee does not return to active participant status within five years, the employer contributions and earnings thereon are forfeited to reduce the employer's current period contribution requirement. Any such forfeitures arising from contributions, plus earnings thereon, will be used to reduce future employer contributions.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - INVESTMENTS

Following is a summary of investment holdings by plan. Substantially all of the following investment pools are in excess of 5% of total investments for all plans as of June 30, 2004 and 2003 (in thousands):

As of June 30, 2004:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Large cap equity	\$ 735,349	\$ 323,577	\$ 23,157	\$ 4,747	\$ 14,284	\$ 15,483
Non-large cap equity	521,447	223,905	16,698	3,219	9,911	10,577
International equity	625,694	270,017	20,198	3,630	11,594	13,146
Fixed Income	1,184,467	491,541	34,850	7,819	22,595	23,946
Short term fixed income	<u>19,797</u>	<u>82,855</u>	<u>23,047</u>	<u>335</u>	<u>645</u>	<u>387</u>
Total	<u>\$ 3,086,754</u>	<u>\$ 1,391,895</u>	<u>\$ 117,950</u>	<u>\$ 19,750</u>	<u>\$ 59,029</u>	<u>\$ 63,539</u>

As of June 30, 2003:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Large cap equity	\$ 647,067	\$ 275,155	\$ 19,375	\$ 3,585	\$ 11,770	\$ 12,940
Non-large cap equity	507,391	204,827	16,050	2,589	8,991	9,805
International equity	497,187	204,733	15,119	2,590	8,881	9,701
Fixed Income	1,021,762	395,124	27,085	5,476	18,468	19,935
Short term fixed income	<u>22,483</u>	<u>78,457</u>	<u>19,768</u>	<u>513</u>	<u>656</u>	<u>398</u>
Total	<u>\$ 2,695,890</u>	<u>\$ 1,158,296</u>	<u>\$ 97,397</u>	<u>\$ 14,753</u>	<u>\$ 48,766</u>	<u>\$ 52,779</u>

The following investment managers have investments at fair value in excess of 5% of the net assets of the TDCRS as of June 30, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Vanguard Money Market	\$ 33,320	\$ 30,405
Prudential Bond Fund	-	49,187
Franklin Income Fund	57,098	41,421
Fidelity Growth Opportunity Fund	-	58,751
Washington Mutual Investors	48,090	34,815
Federated Max Cap S&P 500	44,700	32,953
VALIC	199,329	181,653
American Funds Bond Fund	37,822	-
American Fund Growth Fund A	79,090	-
Other (less than 5%)	<u>33,408</u>	<u>-</u>
	<u>\$ 532,857</u>	<u>\$ 429,185</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - INVESTMENTS (Continued)**

The investments of the TDCRS are secured by pledged collateral held by the Board's agent in the Board's name and, accordingly, are classified as to the level of credit risk as Category 1.

4 - COMPENSATED ABSENCES

The liability for compensated absences consists of the following at June 30 (in thousands):

	<u>2004</u>	<u>2003</u>
Accrued GASB Statement No. 16 termination payments related to sick leave	\$ 309	\$ 301
Accrued vacation leave	<u>145</u>	<u>139</u>
	<u>\$ 454</u>	<u>\$ 440</u>

5 - EMPLOYEE BENEFIT PLANS

The Board's employees are eligible to participate in PERS. The key provisions of the PERS plan are described in Note 2. As noted below, the Board contributed the required amounts. Per the plan provisions, Board and employee contributions for the three years ended June 30, 2002, 2003 and 2004 are as follows, which equal their required contributions to the plan (in thousands):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Board contributions	\$ 234	\$ 200	\$ 189
Employee contributions	<u>102</u>	<u>97</u>	<u>91</u>
Total contributions	<u>\$ 336</u>	<u>\$ 297</u>	<u>\$ 280</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

6 - CONTINGENCIES

The Board is engaged in various legal actions that it deems to be in the ordinary course of business. Some of these cases involve potential significant amounts for which legal counsel is unable to render an opinion on the outcome. Further, the financial impact of some cases is dependent upon judicial rulings in favor of petitioners and would have to be actuarially determined, inasmuch as the relief sought is an increase in the petitioners' annuity benefit. Accordingly, the financial statement impact of such cases cannot be determined at the present time. The Board believes that it has adequately provided for cases involving probable losses of current litigation. As legal actions are resolved, the Board recognizes the liability in its financial statements in the period the loss can be estimated.

A lawsuit has been filed against the CPRB in which PERS plan participants seek to have lump sum payments received for unused leave included within their PERS final average salary calculations. The CPRB denied the requested relief, and the participants appealed to the Circuit Court of Wood County. By Order of October 8, 2004, the CPRB's administrative decision in this matter was reversed by the Circuit Court of Wood County, West Virginia. The CPRB will be filing a petition for review of the Circuit Court's ruling with the West Virginia Supreme Court of Appeals on or before February 8, 2005. The Supreme Court has granted the Board's motion to stay execution of the Circuit Court's ruling pending resolution of the anticipated appeal. The financial impact of a judicial ruling in favor of the petitioners will have to be actuarially determined, inasmuch as the relief sought is an increase in the petitioners' and other similarly situated PERS members' monthly annuity benefits resulting from the inclusion of additional compensation in their final average salary and benefit annuity calculations.

Two administrative petitions are pending before the CPRB by and on behalf of the members of the 42nd through the 45th Cadet Classes of the West Virginia State Police, each of whom are seeking to be moved from the West Virginia State Police Retirement System ("Plan B"), to the more financially advantageous West Virginia State Police Death, Disability and Retirement Fund ("Plan A"). The financial impact of an administrative or judicial ruling conferring some or all of the relief sought by the petitioners has been estimated to increase the liabilities in the WV Public Safety Death, Disability and Retirement Fund by approximately \$75 million. Moreover, transfers of participants from Plan B into Plan A in a manner contrary to plan provisions could raise plan qualification issues with the Internal Revenue Service. Plan disqualification could potentially result in substantial tax consequences such as the plan's trust income being subject to tax, taxable employer contributions, taxable benefit distributions to participants and other negative ramifications.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

6 - CONTINGENCIES (Continued)

A civil action was filed in the Circuit Court of Kanawha County, West Virginia on March 31, 2004, by Wachovia Securities, LLC FKA Prudential Securities, Inc., alleging that it was the successful bidder for a blanket purchase order for brokerage services to the West Virginia Teachers Defined Contribution Plan. At the present time, the Board's legal counsel is trying to attempt to work towards a resolution without the necessity of further litigation. Wachovia is seeking an unstated amount of money as compensatory damages and attorney fees in this civil action and a Writ of Mandamus to prevent the Board from canceling the contract. Any financial impact of this action could affect the Internal Service Fund.

7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to, and illnesses of, employees; medical liabilities; and natural disasters.

Health insurance coverage for the Board's employees is obtained through its participation in the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. Additionally, the Board has obtained coverage for job-related injuries through its participation in the West Virginia Workers' Compensation Fund, a public entity risk pool. Furthermore, the Board is a participant in the self-insured public entity risk pool administered by the Board of Risk and Insurance Management. Coverage is in the amount of \$1,000,000 per occurrence for general liability and property damage.

There have been no significant reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS						
July 1, 2003	\$ 2,699,941	\$ 3,691,001	\$ 991,060	73.1%	\$ 1,109,272	89.3%
July 1, 2002	2,588,777	3,432,467	843,690	75.4	1,040,269	81.1
July 1, 2001	2,681,395	3,178,037	496,642	84.4	972,711	51.1
July 1, 2000	2,700,356	2,932,484	232,128	92.1	930,331	25.0
July 1, 1999	2,504,002	2,681,756	177,754	93.4	854,833	20.8
July 1, 1998	2,371,359	2,524,214	152,855	93.9	836,541	18.3
July 1, 1997	2,152,300	2,371,752	219,452	90.7	809,315	27.1
July 1, 1996	1,988,588	2,382,004	393,416	83.5	783,162	50.2
July 1, 1995 (Revised)	1,922,545	2,199,225	276,680	87.4	750,422	36.9
July 1, 1994	1,695,205	1,970,996	275,791	86.0	682,201	40.4
TRS						
July 1, 2003	\$ 1,190,882	\$ 6,243,834	\$ 5,052,952	19.1%	\$ 832,919	606.7%
July 1, 2002	1,098,441	5,709,001	4,610,560	19.2	841,627	547.8
July 1, 2001	1,090,663	5,188,826	4,098,163	21.0	867,018	472.7
July 1, 2000	1,046,840	4,883,064	3,836,224	21.4	874,166	438.8
July 1, 1999	932,501	4,629,276	3,696,775	20.1	891,165	414.8
July 1, 1998	839,597	4,262,797	3,423,200	19.7	878,364	389.7
July 1, 1997	683,807	4,161,039	3,477,232	16.4	924,529	376.1
July 1, 1996	608,919	4,125,593	3,516,674	14.8	923,394	380.8
July 1, 1995	527,108	3,715,774	3,188,666	14.2	928,818	343.3
July 1, 1994	426,153	3,673,064	3,246,911	11.6	1,012,029	320.8
PSDDRS						
July 1, 2003	\$ 99,407	\$ 447,869	\$ 348,462	22.2%	\$ 13,496	2582.0%
July 1, 2002	91,095	416,938	325,843	21.9	14,314	2276.4
July 1, 2001	89,229	388,909	299,680	22.9	15,611	1919.7
July 1, 2000	84,922	361,026	276,104	23.5	16,319	1691.9
July 1, 1999	74,230	343,289	269,059	21.6	16,478	1632.8
July 1, 1998	67,568	297,832	230,264	22.7	16,560	1390.5
July 1, 1996	54,489	280,588	226,099	19.4	16,879	1339.5
July 1, 1995	56,456	254,210	197,754	22.2	15,531	1273.3
July 1, 1994	55,187	221,855	166,668	24.9	15,089	1104.6

(Continued)

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FUNDING PROGRESS
(Continued)

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SPRS						
July 1, 2003	\$ 14,753	\$ 16,892	\$ 2,139	87.3%	\$ 11,449	18.7%
July 1, 2002	11,644	13,708	2,064	84.9	10,134	20.4
July 1, 2001	9,825	10,819	994	91.0	10,175	9.8
July 1, 2000	7,514	8,585	1,071	87.5	9,799	10.9
July 1, 1999	5,081	4,921	(160)	103.3	6,961	(2.3)
July 1, 1998	3,414	2,944	(470)	116.0	5,077	(9.3)
July 1, 1996	1,009	605	(404)	166.8	3,433	(11.8)
July 1, 1995	331	169	(162)	195.9	2,395	(6.8)
DSRS						
July 1, 2003	\$ 49,364	\$ 78,871	\$ 29,507	62.6%	\$ 26,094	113.1%
July 1, 2002	44,371	72,702	28,311	61.0	24,291	116.6
July 1, 2001	42,919	64,869	21,950	66.2	22,590	97.2
July 1, 2000	39,679	57,481	17,802	69.0	21,056	84.5
July 1, 1999	32,801	49,237	16,436	66.6	19,581	83.9
JRS						
July 1, 2003	\$ 52,779	\$ 96,709	\$ 43,930	54.6%	\$ 6,325	694.5%
July 1, 2002	47,620	92,215	44,595	51.6	6,325	705.1
July 1, 2001	46,635	84,791	38,156	55.0	6,325	603.3
July 1, 2000	43,779	83,982	40,203	52.1	6,055	664.0
July 1, 1999	37,359	78,598	41,239	47.5	5,965	691.3
July 1, 1998	32,593	73,900	41,307	44.1	5,363	770.2
July 1, 1996	23,051	70,091	47,040	32.9	5,385	873.5
July 1, 1995	19,467	65,581	46,114	29.7	5,385	856.3
July 1, 1994	16,646	67,157	50,511	24.8	5,385	938.0

Note: Data is not available for any plans for years prior to July 1, 1993. Fiscal year 1995 was the first year of activity for SPRS which was created by the State Legislature in March 1994. Actuarial calculations for PSDDRS, SPRS, and JRS were not performed as of July 1, 1997.

See accompanying note to required supplementary information.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND
OTHER CONTRIBUTING ENTITIES

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>(1) Budgeted Recommended Contribution</u>	<u>(2) Restated Recommended Contribution</u>	<u>Percent of Budget Contributed</u>	<u>Percent of Restated Contributed</u>
PERS				
2004	\$ 116,474	\$ 116,474	99.28%	99.28%
2003	98,826	117,030	104.47	88.22
2002	92,408	92,408	104.63	104.63
2001	88,381	88,381	101.77	101.77
2000	81,214	81,214	104.73	104.73
1999	79,471	79,471	98.11	98.11
1998	76,885	76,885	100.03	100.03
TRS (3)				
2004	\$ 307,634	\$ 333,208	106.76%	98.57%
2003	271,808	290,428	105.38	98.63
2002	237,688	254,050	110.19	103.10
2001	227,881	229,926	107.64	106.68
2000	213,085	220,853	103.42	99.78
1999	199,019	211,804	107.20	100.73
1998	223,564	220,500	104.06	105.50
PSDDRS (4)				
2004	\$ 24,701	\$ 24,358	97.10%	98.47%
2003	22,473	23,866	100.19	94.34
2002	19,742	21,713	103.17	93.80
2001	18,546	19,074	100.35	97.58
2000	16,613	17,920	104.25	96.65
1999	14,600	12,983	105.76	118.93
1998	10,860	7,576	111.28	159.52
SPRS				
2004	\$ 1,357	\$ 1,343	109.95%	122.70%
2003	1,422	1,170	90.93	110.50
2002	1,329	1,039	91.79	117.44
2001	842	1,105	141.28	107.74
2000	759	561	135.94	184.04
1999	424	325	176.06	229.46
1998	412	50	136.18	1114.60

(Continued)

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND
OTHER CONTRIBUTING ENTITIES

(Continued)

(Dollars in Thousands)

<u>Year Ended June 30</u>	<u>(1) Budgeted Recommended Contribution</u>	<u>(2) Restated Recommended Contribution</u>	<u>Percent of Budget Contributed</u>	<u>Percent of Restated Contributed</u>
DSRS (5)				
2004	\$ 2,979	\$ 3,241	108.46%	99.69%
2003	2,758	2,993	105.48	97.21
2002	2,646	2,505	100.36	106.01
2001	2,537	2,094	103.18	125.05
2000	2,397	1,922	104.13	129.85
JRS				
2004	\$ 6,517	\$ 6,652	81.77%	80.11%
2003	5,413	6,418	101.60	85.70
2002	5,138	5,330	116.77	112.58
2001	5,165	5,066	125.16	127.62
2000	5,550	4,920	97.58	110.09
1999	5,705	5,324	94.94	101.72
1998	5,210	5,433	100.00	95.89

Notes

- (1) Budgeted recommended contribution represents the original budgeted recommended contribution per the actuarial reports as presented to the Legislature.
- (2) Restated recommended contribution represents the updated recommended contribution based upon the availability of more recent information, including changes in market performance, payroll, and other factors.
- (3) Contributions for the Teachers Retirement System include employer contributions and interest from out-of-state services and surcharges on fire and casualty insurance policies which are specifically identified to fund the plan per West Virginia State Code Section 33-3-14d and 33-33-33.
- (4) Contributions for Plan A include employer contributions and other payments designated by WV State Code Section 15-2-26 - Payments to members for court attendance and mileage; rewards for apprehending wanted persons; fees for traffic accident reports and photographs; fees for criminal investigation reports and photographs; fees for criminal history record checks; and fees for criminal history record reviews and challenges or from any other sources designated by the superintendent.
- (5) Contributions include employer contributions and various other fees designated for the fund from charges and fees per WV State Code Section 7-14E-2 and 17A-3-17 - Charges for obtaining reports (i.e., accident reports); fees for performing certain services (adult private employment finger printing for federal firearm permits, motor vehicle number identification, adult identification card, and photo-identification card); fees for nongovernmental background investigation reports; and fees for renewal of a Class A or G vehicle registration.

See accompanying note to required supplementary information.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was based on the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Valuation Date	July 1, 2003	July 1, 2003	July 1, 2003	July 1, 2003	July 1, 2003	July 2, 2003
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Amortization method	Constant dollar	Constant percentage of payroll	Constant percentage of payroll	N/A	Constant percentage of payroll	Constant dollar
Amortization period	Through FY 2029*	Through FY 2034	Through FY 2025	Through FY 2030	Through FY 2038*	Through FY 2018

* Contribution rates are not sufficient to meet original amortization funding target.

N/A - Information is not available.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the
West Virginia Consolidated Public
Retirement Board

We have audited the financial statements of the West Virginia Consolidated Public Retirement Board (the Board) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 12, 2004. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

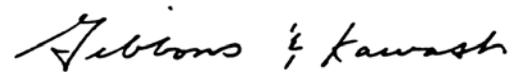
In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the Board in a separate letter dated November 12, 2004.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management and the West Virginia Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gibbons & Kawash".

November 12, 2004