



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
 CPR08028

PAGE
 1

ADDRESS CORRESPONDENCE TO ATTENTION OF
 KRISTA FERRELL
 304-558-2596

RFQ COPY
 TYPE NAME/ADDRESS HERE

VENDOR

SHIP TO

CONSOLIDATED PUBLIC RETIREMENT BOARD
 BUILDING 5, ROOM 1000
 1900 KANAWHA BOULEVARD, EAST
 CHARLESTON, WV
 25305-0720 558-3570

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B	FREIGHT TERMS
06/19/2007				
BID OPENING DATE: 06/28/2007		BID OPENING TIME 01:30PM		

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
				ADDENDUM NO. 1		
				THIS ADDENDUM IS ISSUED TO ANSWER QUESTIONS RAISED AT THE MANDATORY PRE-BID CONFERENCE AND THOSE QUESTIONS SUBMITTED PRIOR TO THE 06/14/2007 DEADLINE.		
				BID OPENING DATE REMAINS: 06/28/2007 BID OPENING TIME REMAINS: 1:30 PM		
				***** ** END ADDENDUM NO. 1 *****		
0001	1	LS		946-20		
				AUDITING SERVICES		
				***** THIS IS THE END OF RFQ CPR08028 ***** TOTAL:		

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

**GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)**

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. All quotations are governed by the *West Virginia Code* and the *Legislative Rules* of the Purchasing Division.
4. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125.00 registration fee.
5. All services performed or goods delivered under State Purchase Orders/Contracts are to be continued for the term of the Purchase Order/Contract, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods, this Purchase Order/Contract becomes void and of no effect after June 30.
6. Payment may only be made after the delivery and acceptance of goods or services.
7. Interest may be paid for late payment in accordance with the *West Virginia Code*.
8. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
9. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
10. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
11. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern all rights and duties under the Contract, including without limitation the validity of this Purchase Order/Contract.
12. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
13. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, this contract is automatically null and void, and is terminated without further order.
14. **HIPAA Business Associate Addendum** - The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, and available online at the Purchasing Division's web site (<http://www.state.wv.us/admin/purchase/vrc/hipaa.htm>) is hereby made part of the agreement. Provided that, the Agency meets the definition of a Covered Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division.
2. **SPECIFICATIONS:** Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Complete all sections of the quotation form.
4. Unit prices shall prevail in cases of discrepancy.
5. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
6. **BID SUBMISSION:** All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications.

SIGNED BID TO:

Department of Administration
Purchasing Division
2019 Washington Street East
Post Office Box 50130
Charleston, WV 25305-0130

RFQ #: CPR08028
Addendum No. 1
Questions & Answers

1. Question: Part 1 Section 1.2 refers to a possible expansion of scope in 2008 for the new Emergency Medical Services Requirement (EMSR) system. Furthermore Attachment A requests an estimate of price for the EMSR plan audit for the second year. Could the agency personnel please provide some estimated information such as the total planned number of participants, estimated financial activity, and other information that may be available to assist us in scoping the services to be provided. **Answer: Significant uncertainties exist as to whether the EMRS plan will be implemented and the levels of participation. CPRB estimates that the plan could have 370 to 375 participants. Some of these participants are currently participants of the PERS plan and if they transfer to the EMRS plan their PERS contributions would transfer with them. Because of the many uncertainties as to whether the plan will be implemented and the level of participation we cannot estimate the level of financial activity that will occur. Additional information about the plan and a copy of the bill creating the plan are available at <http://www.wvretirement.com/EMSRS%20Plan%20Description.html>.**
2. Question: Part 3 Section 3.2.1 indicates, "The successful vendor will need to cooperate with FARS and perform procedures related to the State's net pension obligation. This additional work will be billed separately to FARS as it is a part of the required reporting for the State's audit and is not part of the CPRB audit. Given the State Purchasing Rules, will a separate purchase order be executed at the time of this award for the amounts to be billed directly to FARS? If not, how will these services be billed in accordance with the State Purchasing rules and how should we consider in the pricing of the CPRB engagement. **Answer: Please revise this language to read: "The successful vendor must receive a written approval from CPRB before any services are performed at the request of FARS. Additional services which are requested by FARS under this agreement will be billed to CPRB using the contractual rates for additional accounting and auditing consulting services.**

CPRB will be responsible for the payment of these invoices and seeking reimbursement from FARS.

3. Question: Part 3 Section 3.2.6 references section 3.4.15 and 3.4.12 regarding liquidated damages; however, no such sections exist. Could you please provide an update to these references in the new addendum? **Answer: The correct reference for the liquidated damages section of the RFP is 1.19.15.**
4. Question: Attachment B, Timetable for Completion of Audit requires an entrance conference before June 15, 2007 and a client assistance package before June 22, 2007; however, the proposals are not due until June 28, 2007. How will these dates be modified given that the proposals are not due until June 28, 2007 and under the State's purchasing regulations work cannot be started until we have received the signed final purchase order for services. **Answer: The revised dates for the entrance conference and client assistance package will be negotiated and mutual agreed up between the successful vendor and CPRB once the contract is awarded.**
5. Question: Could we obtain a copy of the management comment letter and any required communication letters issued by the prior auditor? **Answer: A copy of the 2006 management letter is attached.**
6. Question: Have there been any significant changes to the current retirement plans from a legal or financial reporting perspective that could affect the 2007 financial statement audit? **Answer: Although there are routinely minor changes to the retirement plans that occur in each State Legislative Session, CPRB does not believe that any of the bills enacted from the 2007 session will have a significant impact to the current retirement plans from a legal and financial perspective. Copies of all completed legislation are available on the West Virginia Legislature website at <http://www.legis.state.wv.us/>.**
7. Question: Could you provide a brief update on the status of the planned Teacher Retirement System merger and what effect, if any, it may have on the 2007 and 2008 audit? **Answer: CPRB has appealed the decision on the TDC/TRS merger to the WV Supreme Court. The Court has not yet determined whether they will hear the matter. Copies of the related legal documents are available on our website at <http://www.wvretirement.com/TDC%20News.html>.**



gandkcpas.com

October 25, 2005

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

In planning and performing our audit of the basic financial statements of the West Virginia Consolidated Public Retirement Board (the Board) as of June 30, 2005, and for the year then ended, we considered the Board's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. A separate report dated October 25, 2005, contains our report on the Board's internal control. This letter does not affect our report dated October 25, 2005, on the basic financial statements of the Board.

COMPENSATED ABSENCES

We noted several instances in which information related to the use of compensated absences by employees of the Board was either provided inaccurately to the Board's accounting function or errors were made in the data entry of the information into the Board's computerized leave system. We recommend that management establish procedures to ensure that accurate leave usage information is provided to the individual responsible for leave accounting. Additionally, we recommend that management ensure that the compensated absences liability be reconciled to the underlying detailed accounting records on a monthly basis.

RECONCILIATION OF DEPOSITORY ACCOUNT

The Teachers' Defined Contribution Retirement System (TDCRS) utilizes a depository account with a financial institution as a pass-through account to facilitate the transfer of member and employer contributions from the West Virginia State Treasury to the TDCRS' third party administrator. We noted that the amount recorded on the plan's accounting records for this

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West Virginia Consolidated Public
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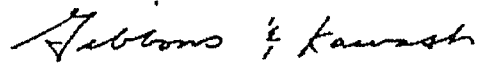
depository account is not reconciled monthly to the statements provided by the financial institution. We recommend that the Board establish procedures to ensure that this account is reconciled on a monthly basis.

CAPITALIZATION POLICY

We noted that the Board has established a threshold of \$25,000 for the capitalization of long-lived assets purchased by the internal service - expense fund. The use of this threshold has resulted in the Board not reporting any capital assets as of June 30, 2005. We recommend that management evaluate its established capitalization threshold and consider lowering it to an amount that would result in all significant long-lived assets being capitalized and depreciated over their useful lives.

We have already discussed these comments and suggestions with members of management, and we will be pleased to discuss them in further detail at your convenience, or to assist you in planning the implementation of these recommendations.

Sincerely,





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gandkepas.com

October 13, 2006

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

We have audited the financial statements of the West Virginia Consolidated Public Retirement Board (the Board) for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, dated April 7, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Board's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year

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To the Board of Directors
Page 2
October 13, 2006

2006. We noted no transactions entered into by the Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no estimates in the Board's financial statements which we consider particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Board's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Board, either individually or in the aggregate, indicate matters that could have a significant effect on the Board's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
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Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We appreciate the courtesy and cooperation shown by all Board personnel with whom we came in contact.

This information is intended solely for the use of the Audit Committee, Legislature, and management of the Board, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Gibbons & Kawash

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To the Board of Directors
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 October 13, 2006

West Virginia Consolidated Public Retirement Board
 Schedule of Uncorrected Misstatements - Internal Service Fund
 Year Ended June 30, 2005
 (In Thousands)

Description	Dr. (Cr.)			Change in Net Assets
	Asset	Liability	Net Assets	
To record accounts payable identified in the legal representation letter	-	(20)	-	20
PAJE Totals By Classification	-	(20)	-	20
Total Financial Statement Categories	2,329	(975)	(885)	(469)



October 13, 2006

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

In planning and performing our audit of the basic financial statements of the West Virginia Consolidated Public Retirement Board (the Board) as of June 30, 2006, and for the year then ended, we considered the Board's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. A separate report dated October 13, 2006, contains our report on the Board's internal control. This letter does not affect our report dated October 13, 2006, on the basic financial statements of the Board.

BENEFIT PAYMENT CONTROLS

We noted that the individuals responsible for benefit payments (payroll clerks) can make changes in the computer system to the benefit payment amount for a member receiving benefits. The Board has a policy that requires all benefit changes be approved by the Benefits Manager. However, the computer system does not prevent a payroll clerk from making unauthorized changes.

To mitigate the risk that a payroll clerk may adjust the benefit amount of a member receiving benefits, we recommend that the Board establish procedures in which a computer report of all changes to benefit payment amounts made during the period is generated. A sample of the transactions on this report should then be agreed to proper supervisory authorization in accordance with Board policy.

West Virginia Consolidated Public
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COMPUTER SYSTEM PROGRAMMING CHANGES

We noted that requests for programming changes are forwarded to the EDP section by email and do not require formal approval by supervisory personnel. In addition, programs can be moved from test to production by any of the programmers. To assist in controlling changes to computer programs used to maintain retirement system information, we recommend that an appropriate level of supervisory review be established and that formal pre-approval procedures be documented. In addition, we suggest that procedures be adopted whereby at least two programmers are involved in moving test programs into production.

We have already discussed these comments and suggestions with members of management, and we will be pleased to discuss them in further detail at your convenience, or to assist you in planning the implementation of these recommendations.

Sincerely,

Tabbons & Kawash

Audited Financial Statements

West Virginia Consolidated Public Retirement Board

Years Ended June 30, 2006 and 2005

Gibbons
& Kawash
Certified Public Accountants

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

Audited Financial Statements

Years Ended June 30, 2006 and 2005

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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, 2006 and 2005, 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 years 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 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 *Government 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 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 audits provide 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, 2006 and 2005, 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 years 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 October 13, 2006, 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 Board has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to supplement, although not required to be part of, the basic financial statements.

The required supplementary information on pages 36 through 40 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.

Hobson & Kawash

October 13, 2006

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2006
(In Thousands)

<u>ASSETS</u>	<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>
Cash	\$ 16	\$ -	\$ 2	\$ -
Investments at fair value	3,696,027	2,079,390	452,366	30,744
Contributions receivable	4,293	85,460	438	-
Participant loans receivable	-	9,077	-	-
Miscellaneous revenue receivable	-	614	-	3
Total assets	<u>3,700,336</u>	<u>2,174,541</u>	<u>452,806</u>	<u>30,747</u>
 <u>LIABILITIES AND PLAN NET ASSETS</u>				
Liabilities:				
Accrued expenses and other payables	<u>150</u>	<u>77</u>	<u>12</u>	<u>-</u>
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	<u>\$ 3,700,186</u>	<u>\$ 2,174,464</u>	<u>\$ 452,794</u>	<u>\$ 30,747</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>
\$ -	\$ -	\$ 4,431	\$ 4,449
77,075	85,932	736,012	7,157,546
510	-	8,238	98,939
241	-	-	9,318
<u>78</u>	<u>-</u>	<u>-</u>	<u>695</u>
<u>77,904</u>	<u>85,932</u>	<u>748,681</u>	<u>7,270,947</u>
<u>5</u>	<u>-</u>	<u>385</u>	<u>629</u>
<u>\$ 77,899</u>	<u>\$ 85,932</u>	<u>\$ 748,296</u>	<u>\$ 7,270,318</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2005
(In Thousands)

<u>ASSETS</u>	<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>
Cash	\$ 195	\$ 1	\$ -	\$ -
Investments at fair value	3,400,387	1,598,238	361,209	25,297
Contributions receivable	4,337	16,701	-	-
Participant loans receivable	-	11,913	-	-
Appropriations receivable	-	-	187	-
Miscellaneous revenue receivable	-	639	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>3,404,919</u>	<u>1,627,492</u>	<u>361,396</u>	<u>25,297</u>
 <u>LIABILITIES AND PLAN NET ASSETS</u>				
Liabilities:				
Accrued expenses and other payables	<u>268</u>	<u>137</u>	<u>6</u>	<u>-</u>
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	<u>\$ 3,404,651</u>	<u>\$ 1,627,355</u>	<u>\$ 361,390</u>	<u>\$ 25,297</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>
\$ -	\$ -	\$ 5,819	\$ 6,015
68,212	74,757	629,889	6,157,989
459	-	10,390	31,887
189	-	-	12,102
-	-	-	187
52	-	-	691
<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
<u>68,914</u>	<u>74,757</u>	<u>646,098</u>	<u>6,208,873</u>
<u>-</u>	<u>-</u>	<u>371</u>	<u>782</u>
<u>\$ 68,914</u>	<u>\$ 74,757</u>	<u>\$ 645,727</u>	<u>\$ 6,208,091</u>

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

Year ended June 30, 2006
(In Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability and Retirement System	State Police Retirement System
Additions:				
Contributions:				
Member contributions	\$ 52,248	\$ 48,201	\$ 989	\$ 1,874
Employer contributions	<u>133,594</u>	<u>658,644</u>	<u>77,630</u>	<u>1,821</u>
Total contributions	<u>185,842</u>	<u>706,845</u>	<u>78,619</u>	<u>3,695</u>
Investment income:				
Net increase in fair value of investments	291,030	130,649	32,420	2,159
Interest	<u>29,661</u>	<u>16,524</u>	<u>3,479</u>	<u>249</u>
Net investment income	320,691	147,173	35,899	2,408
Appropriation from WV Lottery	-	69,042	-	-
Other income	<u>-</u>	<u>3,802</u>	<u>616</u>	<u>-</u>
Total additions	<u>506,533</u>	<u>926,862</u>	<u>115,134</u>	<u>6,103</u>
Deductions and transfers:				
Benefit expense	199,255	372,687	23,696	118
Refunds of contributions	9,142	3,994	(10)	514
Transfers to (from) plans	(578)	790	3	-
Administrative expenses	<u>3,179</u>	<u>2,282</u>	<u>41</u>	<u>21</u>
Total deductions and transfers	<u>210,998</u>	<u>379,753</u>	<u>23,730</u>	<u>653</u>
Net increase in plan net assets	295,535	547,109	91,404	5,450
Net assets held in trust for pension benefits:				
Beginning of year	<u>3,404,651</u>	<u>1,627,355</u>	<u>361,390</u>	<u>25,297</u>
End of year	<u>\$ 3,700,186</u>	<u>\$ 2,174,464</u>	<u>\$ 452,794</u>	<u>\$ 30,747</u>

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

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<u>Deputy Sheriff Retirement System</u>	<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Total</u>
\$ 2,674	\$ 865	\$ 28,459	\$ 135,310
<u>3,212</u>	<u>6,758</u>	<u>46,331</u>	<u>927,990</u>
<u>5,886</u>	<u>7,623</u>	<u>74,790</u>	<u>1,063,300</u>
5,814	6,384	46,288	514,744
<u>652</u>	<u>704</u>	<u>-</u>	<u>51,269</u>
6,466	7,088	46,288	566,013
-	-	-	69,042
<u>550</u>	<u>-</u>	<u>-</u>	<u>4,968</u>
<u>12,902</u>	<u>14,711</u>	<u>121,078</u>	<u>1,703,323</u>
3,449	3,737	-	602,942
415	-	17,002	31,057
-	(207)	(8)	-
<u>53</u>	<u>6</u>	<u>1,515</u>	<u>7,097</u>
<u>3,917</u>	<u>3,536</u>	<u>18,509</u>	<u>641,096</u>
8,985	11,175	102,569	1,062,227
<u>68,914</u>	<u>74,757</u>	<u>645,727</u>	<u>6,208,091</u>
<u>\$ 77,899</u>	<u>\$ 85,932</u>	<u>\$ 748,296</u>	<u>\$ 7,270,318</u>

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

Year ended June 30, 2005
(In Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability and Retirement System	State Police Retirement System
Additions:				
Contributions:				
Member contributions	\$ 52,984	\$ 49,287	\$ 1,053	\$ 1,702
Employer contributions	<u>118,740</u>	<u>339,724</u>	<u>252,367</u>	<u>1,702</u>
Total contributions	<u>171,724</u>	<u>389,011</u>	<u>253,420</u>	<u>3,404</u>
Investment income:				
Net increase in fair value of investments	330,072	146,399	11,667	2,271
Interest	<u>-</u>	<u>1,392</u>	<u>-</u>	<u>-</u>
Net investment income	330,072	147,791	11,667	2,271
Other income	<u>-</u>	<u>14,419</u>	<u>579</u>	<u>-</u>
Total additions	<u>501,796</u>	<u>551,221</u>	<u>265,666</u>	<u>5,675</u>
Deductions and transfers:				
Benefit expense	183,292	344,841	22,278	112
Refunds of contributions	7,903	4,098	48	133
Transfers to (from) plans	(679)	686	-	-
Administrative expenses	<u>2,289</u>	<u>1,716</u>	<u>30</u>	<u>15</u>
Total deductions and transfers	<u>192,805</u>	<u>351,341</u>	<u>22,356</u>	<u>260</u>
Net increase in plan net assets	308,991	199,880	243,310	5,415
Net assets held in trust for pension benefits:				
Beginning of year	<u>3,095,660</u>	<u>1,427,475</u>	<u>118,080</u>	<u>19,882</u>
End of year	<u>\$ 3,404,651</u>	<u>\$ 1,627,355</u>	<u>\$ 361,390</u>	<u>\$ 25,297</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>
\$ 2,482	\$ 479	\$ 26,602	\$ 134,589
<u>3,098</u>	<u>6,758</u>	<u>45,175</u>	<u>767,564</u>
<u>5,580</u>	<u>7,237</u>	<u>71,777</u>	<u>902,153</u>
6,453	6,990	40,952	544,804
<u>19</u>	<u>-</u>	<u>-</u>	<u>1,411</u>
6,472	6,990	40,952	546,215
<u>470</u>	<u>-</u>	<u>-</u>	<u>15,468</u>
<u>12,522</u>	<u>14,227</u>	<u>112,729</u>	<u>1,463,836</u>
3,029	3,025	-	556,577
257	-	10,280	22,719
-	-	(7)	-
<u>37</u>	<u>4</u>	<u>1,441</u>	<u>5,532</u>
<u>3,323</u>	<u>3,029</u>	<u>11,714</u>	<u>584,828</u>
9,199	11,198	101,015	879,008
<u>59,715</u>	<u>63,559</u>	<u>544,712</u>	<u>5,329,083</u>
<u>\$ 68,914</u>	<u>\$ 74,757</u>	<u>\$ 645,727</u>	<u>\$ 6,208,091</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF NET ASSETS – INTERNAL SERVICE FUND

June 30, 2006 and 2005
(In Thousands)

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Cash with the State Treasurer	\$ 1,944	\$ 1,082
Miscellaneous receivable	<u>385</u>	<u>371</u>
Total assets	<u>\$ 2,329</u>	<u>\$ 1,453</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued expenses and other payables	530	120
Compensated absences	<u>445</u>	<u>448</u>
Total liabilities	<u>975</u>	<u>568</u>
Net assets, unrestricted	<u>\$ 1,354</u>	<u>\$ 885</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, 2006 and 2005
(In Thousands)

	<u>2006</u>	<u>2005</u>
Revenues:		
Fees received for administrative services	\$ <u>7,097</u>	\$ <u>5,532</u>
Expenses:		
Administrative	<u>6,628</u>	<u>5,941</u>
Change in net assets	469	(409)
Net assets:		
Beginning of year	<u>885</u>	<u>1,294</u>
End of year	<u>\$ 1,354</u>	<u>\$ 885</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, 2006 and 2005
(In Thousands)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 7,083	\$ 5,532
Cash paid to employees	(2,319)	(2,446)
Cash paid to suppliers	<u>(3,902)</u>	<u>(3,846)</u>
Net cash provided by (used in) operating activities	<u>862</u>	<u>(760)</u>
Cash and cash equivalents, beginning of year	<u>1,082</u>	<u>1,842</u>
Cash and cash equivalents, end of year	<u>\$ 1,944</u>	<u>\$ 1,082</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 469	\$ (409)
Adjustments to reconcile operating income to net cash used in operating activities:		
Change in assets and liabilities:		
Increase in miscellaneous receivable	(14)	(371)
Increase in accrued expenses and other payables	410	26
Decrease in compensated absences	<u>(3)</u>	<u>(6)</u>
Net cash provided by (used in) operating activities	<u>\$ 862</u>	<u>\$ (760)</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 fees 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 Secretary 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.

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.

The TDCRS investments are held by an investment company as the third party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds.

The TDCRS investments are carried at fair value as determined by a third-party pricing service utilized by an 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. Investment income for the TDCRS is determined monthly and distributed to the individual participant accounts.

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, hired prior to July 1, 2005, up to the lesser of one-half of a member's accumulated contributions or \$8,000, at a fixed rate of interest over varying terms, with a maximum term of five years.

The DSRS also makes loans to its members, hired prior to July 1, 2005, up to the lesser of one-half of a member's accumulated 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.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

Capital 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 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.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**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, 2006 and 2005, are as follows:

	<u>2006</u>	<u>2005</u>
Cities and towns	123	104
Counties	55	55
Special districts	<u>346</u>	<u>365</u>
	<u>524</u>	<u>524</u>

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.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

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 the Higher Education Policy Commission. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission, hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991. However, effective July 1, 2005, all new employees hired for the first time will be required to participate in TRS.

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.

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:

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

The State contributes 15% of earnings of TRS members, hired prior to July 1, 1991, 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, hired prior to July 1, 1991, and 7.5% of earnings of their TDCRS covered employees. For TRS covered employees hired for the first time on or after July 1, 2005, the employer pays 7.5%, available through the State's SAF, if applicable. 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, hired prior to July 1, 1991, earnings and 7.5% of their TDCRS covered employees earnings.

Counties contribute 15% of TRS members', hired prior to July 1, 1991, salaries from county boards of education who are not covered under the State's School Aid Formula. Counties contribute 7.5% of TRS members, hired on or after July 1, 2005, salaries from county boards of education who are not covered under the State's SAF.

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 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.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Public Safety Death, Disability and Retirement System (Continued)

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 \$75.9 million and \$250.5 million have been made during the years ended June 30, 2006 and 2005, 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.

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.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

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.

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 10.5% (9.5% prior to July 1, 2004) 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

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

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.

Plan Membership - Membership in the above plans consisted of the following as of July 1, 2005 and 2004:

As of July 1, 2005:	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Retirees and beneficiaries						
currently receiving benefits	19,403	26,750	637	6	162	54
Terminated members entitled to						
benefits but not yet receiving them	3,166	3,518	7	1	35	3
Terminated nonvested members	8,307	43	2	39	82	-
Active members:						
Vested	23,685	17,653	213	73	478	20
Nonvested	12,439	72	-	328	357	39
Total	<u>67,000</u>	<u>48,036</u>	<u>859</u>	<u>447</u>	<u>1,114</u>	<u>116</u>
As of July 1, 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

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)3rd**2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)**Judges' Retirement System (Continued)

	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
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>

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 between July 1, 1991 and June 30, 2005. 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 22,343 and 22,950 members in the TDCRS plan at June 30, 2006 and 2005, respectively. TDCRS benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. TDCRS closed participation to new members effective June 30, 2005.

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, amended West Virginia (WV) Code §18-7B-7, allowing certain full-time employees who were members of the Teachers' Defined Contribution Retirement System 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.)

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

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 nonvested 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.

3 - INVESTMENTS

The Board has adopted investment guidelines that are consistent with those specified in the West Virginia Code. Those guidelines authorize the Board to invest in obligations of the United States and certain of its agencies, certificates of deposit, direct and general obligations of states, repurchase agreements relating to certain securities and guaranteed investment contracts. Investments are managed by a third party administrator as the trustee for the TDCRS.

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commission, and transfers funds to the West Virginia Investment Management Board (IMB) and the West Virginia Board of Treasury Investments (BTI) for investment in accordance with West Virginia Code, policies set by the IMB and BTI and by provisions of bond indentures and trust agreements when applicable. Certain of the individual plan's balances are invested by the IMB in the various IMB pools. Following is a summary of investments held by IMB and BTI for each plan as of June 30, 2006 and 2005.

As of June 30, 2006 (in thousands):	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Investments:						
Large cap equity	\$ 903,218	\$ 454,302	\$ 113,626	\$ 7,438	\$ 18,823	\$ 20,427
Non-large cap equity	510,331	272,909	65,572	4,424	11,240	12,286
International equity	738,509	367,702	84,470	5,937	15,290	16,747
Fixed Income	1,520,398	742,827	181,560	12,519	31,171	33,838
Short term fixed income	<u>23,571</u>	<u>241,650</u>	<u>7,138</u>	<u>426</u>	<u>551</u>	<u>2,634</u>
Total investments	<u>\$ 3,696,027</u>	<u>\$ 2,079,390</u>	<u>\$ 452,366</u>	<u>\$ 30,744</u>	<u>\$ 77,075</u>	<u>\$ 85,932</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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

As of June 30, 2005 (in thousands):	<u>PERS</u>	<u>TRS</u>	<u>PSDDRS</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
Investments:						
Large cap equity	\$ 861,722	\$ 404,839	\$ 28,669	\$ 6,376	\$ 17,197	\$ 19,018
Non-large cap equity	523,160	232,606	17,408	3,756	10,344	11,477
International equity	691,254	308,684	22,791	4,872	13,558	14,768
Fixed Income	1,302,812	575,648	41,558	9,793	26,499	29,123
Short term fixed income	<u>21,439</u>	<u>76,461</u>	<u>250,783</u>	<u>500</u>	<u>614</u>	<u>371</u>
Total investments	<u>\$ 3,400,387</u>	<u>\$ 1,598,238</u>	<u>\$ 361,209</u>	<u>\$ 25,297</u>	<u>\$ 68,212</u>	<u>\$ 74,757</u>

Large Cap Domestic

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2006, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes.

Non-Large Cap Domestic

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2006, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes.

International Equity

This pool is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2006, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts (in U.S. dollars) of the securities and cash denominated in foreign currencies are as follows:

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

International Equity (Continued)

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 28,417,291	\$ 503,062	\$ 28,920,353
Brazil Cruzeiros Real	27,320,423	-	27,320,423
British Pound	104,894,989	211,063	105,106,052
Canadian Dollar	41,912,340	238,194	42,150,534
Danish Krone	5,385,073	582,993	5,968,066
Euro	158,816,456	2,046,349	160,862,805
Hong Kong Dollar	53,458,323	105,793	53,564,116
Hungarian Forint	1,119,004	875	1,119,879
Indian Rupee	4,516,671	-	4,516,671
Indonesian Rupiah	3,111,767	-	3,111,767
Israeli Shekel	14,745,331	27	14,745,358
Japanese Yen	152,317,717	1,080,867	153,398,584
Malaysian Ringgit	5,204,528	51,887	5,256,415
Mexican New Peso	2,732,703	15,656	2,748,359
New Taiwan Dollar	40,139,064	1,205,781	41,344,845
New Zealand Dollar	4,972,328	32,024	5,004,352
Norwegian Krone	16,073,400	24,192	16,097,592
Philippine Peso	8,713,984	-	8,713,984
Singapore Dollar	23,907,881	80,420	23,988,301
South African Rand	4,810,546	1,467	4,812,013
South Korean Won	42,993,136	-	42,993,136
Swedish Krona	21,267,899	339,294	21,607,193
Swiss Franc	32,687,834	646,132	33,333,966
Thailand Baht	7,331,607	6,843	7,338,450
	<u>\$ 806,850,295</u>	<u>\$ 7,172,919</u>	<u>\$ 814,023,214</u>

This pool also has \$420,053,600 invested in an institutional mutual fund that invests in equities of foreign countries. The value of this investment, although denominated in U.S. dollars, is exposed to foreign currency risk.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - INVESTMENTS (Continued)****Short-Term Fixed Income****Credit risk**

The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in the United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Short-Term Fixed Income pool's investments.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
U.S. Treasury bills	Aaa	AAA	\$ 74,890,958	18.6%
Commercial paper	P1	A-1	63,853,052	15.8
Agency discount notes	P1	A-1	129,607,724	32.2
Agency bonds	Aaa	AAA	98,439,621	24.8
U.S. Treasury notes	Aaa	AAA	33,660,098	8.5
Money market funds	Aaa	AAA	<u>514,400</u>	<u>0.1</u>
Total rated investments			<u>\$ 400,965,853</u>	<u>100.0%</u>

Unrated securities include repurchase agreements of \$226,026,191. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

Concentration of credit risk

West Virginia statutes prohibit the Short-Term Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2006, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

Short-Term Fixed Income (Continued)**Custodial credit risk**

At June 30, 2006, the Short-Term Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities of the IMB is invested in the lending agent's money market fund.

Interest rate risk

The weighted average maturity of the investments of the Short-Term Fixed Income pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for various asset types in the Short-Term pool.

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Repurchase agreements	\$ 223,000,000	3
US Treasury bills	74,890,958	13
Commercial paper	63,853,052	17
Agency discount notes	32,706,881	64
Agency bonds	2,974,372	168
Money market funds	514,400	1
Total assets	<u>\$ 397,939,663</u>	<u>13</u>

Foreign currency risk

The Short-Term Fixed Income pool has no securities that are subject to foreign currency risk.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

Fixed Income**Credit risk**

The IMB limits the exposure to credit risk in the Fixed Income pool by requiring all corporate bonds to be rated B or higher at the time of purchase. Convertible bonds must be rated Baa or higher by Standard & Poor's or BBB or higher by Moody's. The following table provides the weighted average credit ratings of the asset types in the Fixed Income pool.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
U.S. Treasury bonds and notes	Aaa	AAA	\$ 324,878,457	15.1%
Corporate bonds and notes	Baa	BBB	363,865,256	16.9
Agency bonds	Aaa	AAA	23,241,525	1.1
Corporate asset backed securities	Aaa	AAA	90,536,055	4.2
Agency discount notes	P1	A-1	1,776,834	-
Money market funds	Aaa	AAA	829,720	-
U.S. Treasury bills	Aaa	AAA	<u>39,716,631</u>	<u>1.9</u>
Total rated investments			<u>\$ 844,844,478</u>	<u>39.2%</u>

Unrated securities include commingled investment pools of \$1,303,551,314, repurchase agreements of \$10,505,935, and a Canada Treasury bill valued at \$2,566,995.

Concentration of credit risk

West Virginia statutes prohibit the Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2006, the Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk

At June 30, 2006, the Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities of the IMB is invested in the lending agent's money market fund.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

Fixed Income (Continued)**Interest rate risk**

The IMB monitors interest rate risk of the Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted average modified duration for the various asset types in the Fixed Income pools.

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (years)</u>
Commingled investment pools	\$ 1,303,551,314	5.0
U.S. Treasury notes and bonds	324,878,457	8.3
Corporate notes and bonds	363,865,256	6.6
Repurchase agreements	10,300,000	0.0
Agency bonds	12,735,590	6.1
Corporate asset backed securities	90,536,055	8.3
Agency discount notes	1,776,834	0.2
Money market fund	829,720	0.0
U.S. Treasury bills	39,716,631	0.2
Canada Treasury bill	<u>2,566,995</u>	<u>0.2</u>
Total assets	<u>\$ 2,150,756,852</u>	<u>5.8</u>

The Fixed Income pool invests in commercial and residential mortgage-backed and asset-backed securities. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2006, the Fixed Income pool held \$90,536,055 of these securities. This represents approximately 4% of the value of the fixed income pools.

Foreign currency risk

The Fixed Income pool has no securities that are exposed to foreign currency risk.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - INVESTMENTS (Continued)****Fixed Income Qualified**

This pool holds positions in institutional mutual funds with a combined value of \$980,311,054 at June 30, 2006, that invest in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.5 years. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

Fixed Income Nonqualified

This pool holds positions in institutional mutual funds with a combined value of \$369,891,016 at June 30, 2006, that invest in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.5 years. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

Investments and Deposits - TDCRS**Credit Risk**

The TDCRS' investments are not rated as to credit risk.

Concentration of Credit Risk

As of June 30, 2006 and 2005, the TDCRS has investment balances with the following issuers which were greater than 5% of the total investment balance of the TDCRS (in thousands):

	2006	2005
Mutual Funds:		
American Funds Growth Fund A	\$ 117,538	\$ 93,506
American Funds Wash Mutual A	64,230	55,807
Federated Max Cap Institutional	57,664	50,550
Franklin Income Fund - A	78,432	70,163
American Funds Bond Fund A	48,027	43,676
Valic Fixed Annuity Option	244,816	241,681
Vanguard Money Market Prime Portfolio	45,422	38,721
Other (less than 5%)	79,883	35,785
	<u>\$ 736,012</u>	<u>\$ 629,889</u>

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - INVESTMENTS (Continued)****Investments and Deposits – TDCRS (Continued)****Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the TDCRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, the TDCRS held no securities that were subject to custodial credit risk.

Concentration of Credit Risk – Cash Deposits

The TDCRS' cash deposits with financial institutions were \$810,000 at June 30, 2006. These deposits, which had a bank balance of \$810,000, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agent.

Interest Rate Risk

As of June 30, 2006, the TDCRS had the following investments and maturities (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	<u>\$ 736,012</u>	<u>\$ 736,012</u>	<u>\$ -</u>	<u>\$ -</u>

Foreign Currency Risk

There are no securities held by TDCRS that are subject to foreign currency risk.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - COMPENSATED ABSENCES**

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

	<u>2006</u>	<u>2005</u>
Accrued GASB Statement No. 16 termination payments related to sick leave	\$ 315	\$ 310
Accrued vacation leave	<u>130</u>	<u>138</u>
	<u>\$ 445</u>	<u>\$ 448</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. Per the plan provisions, Board and employee contributions for the three years ended June 30, 2004, 2005 and 2006 are as follows, which equal their required contributions to the plan (in thousands):

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Board contributions	\$ 240	\$ 247	\$ 234
Employee contributions	<u>103</u>	<u>108</u>	<u>102</u>
Total contributions	<u>\$ 343</u>	<u>\$ 355</u>	<u>\$ 336</u>

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. As legal actions are resolved, the Board recognizes the liability in its financial statements in the period the loss can be estimated.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 – CONTINGENCIES (Continued)**

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.

On April 9, 2005, the West Virginia Legislature enacted House Bill 2984, which authorized the election for the potential merger and consolidation of the Teachers' Defined Contribution Retirement System (TDCRS) with the State Teachers' Retirement System (TRS). In order for the election to be valid, at least 50% of TDCRS members with a balance of \$1 or more were required to participate in the election. There were 12,747 valid ballots cast out of 22,707 eligible members, totaling 56.1%. For the merger to occur, the law required a majority of the eligible voting members of the TDCRS to vote in favor of the merger in an election held between March 1, 2006 and March 12, 2006. There were 7,821 valid ballots in favor of the merger, or 61.36%. The election results were certified by an independent accounting firm on April 4, 2006.

During May 2006, a lawsuit was filed in Kanawha County Circuit Court by TDCRS members opposed to the merger. Judge Paul Zakaib, Jr. issued a preliminary injunction, staying the merger. Oral arguments were heard on July 26, 2006 and proposed final orders have been submitted to the Court. The Consolidated Public Retirement Board is awaiting ruling from the Court.

The merger, if the courts permit, is not projected to have a significant effect on the unfunded liability of the TRS, and contributions to the TRS for former TDCRS members will be made in accordance with applicable statutory requirements for TRS members.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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NOTES TO FINANCIAL STATEMENTS
(Continued)**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 the purchase of a policy from Brickstreet Mutual Insurance Company. 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

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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, 2005	\$ 3,404,651	\$ 4,074,385	\$ 669,734	83.6%	\$ 1,162,098	57.6%
July 1, 2004	3,095,660	3,870,201	774,541	80.0	1,134,111	68.3
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
TRS						
July 1, 2005	\$ 1,627,355	\$ 6,617,708	\$ 4,990,353	24.6%	\$ 735,614	678.4%
July 1, 2004	1,427,475	6,440,738	5,013,263	22.2	784,415	639.1
July 1, 2003	1,191,238	6,243,834	5,052,596	19.1	832,919	606.6
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
PSDDRS						
July 1, 2005	\$ 361,390	\$ 485,429	\$ 124,039	74.4%	\$ 11,252	1,102.4%
July 1, 2004	118,080	462,119	344,039	25.6	12,273	2803.2
July 1, 2003	99,409	447,869	348,460	22.2	13,496	2581.9
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

(Continued)

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

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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, 2005	\$ 25,297	\$ 26,050	\$ 753	97.1%	\$ 14,311	5.3%
July 1, 2004	19,882	22,102	2,220	90.0	13,233	16.8
July 1, 2003	14,741	16,892	2,151	87.3	11,449	18.8
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, 2005	\$ 68,914	\$ 98,081	\$ 29,167	70.3%	\$ 29,837	97.8%
July 1, 2004	59,715	87,759	28,044	68.0	28,326	99.0
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, 2005	\$ 74,757	\$ 90,528	\$ 15,771	82.6%	\$ 8,145	193.6%
July 1, 2004	63,559	85,778	22,219	74.1	6,325	351.3
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

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. The June 30, 2003 TRS assets were changed to reflect the final audited financial statements which were unavailable at the issuance of the July 1, 2003 valuation report.

See accompanying note to required supplementary information.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND
OTHER CONTRIBUTING ENTITIES

53

(Dollars in Thousands)

<u>Year Ended June 30</u>	(1) <u>Budgeted Recommended Contribution</u>	(2) <u>Restated Recommended Contribution</u>	<u>Percent of Budget Contributed</u>	<u>Percent of Restated Contributed</u>
PERS				
2006	\$ 122,020	\$ 124,033	109.49%	107.71%
2005	119,082	119,164	99.71	99.64
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)				
2006	\$ 345,215	\$ 347,802	191.52%	190.10%
2005	342,800	334,533	102.98	105.52
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)				
2006	\$ 10,567	\$ 10,567	724.46%	724.46%
2005	27,953	27,953	904.90	904.90
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				
2006	\$ 1,719	\$ 1,717	105.93%	106.06%
2005	1,487	1,588	114.46	107.18
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

54

(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)				
2006	\$ 3,608	\$ 3,608	104.3%	104.3%
2005	3,449	2,912	103.48	122.56
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				
2006	\$ 4,713	\$ 4,104	143.39%	164.67%
2005	6,758	4,398	100.00	153.66
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>
Valuation Date	July 1, 2005	July 1, 2005	July 1, 2005
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value
Amortization method	Constant dollar	Constant percentage of payroll	Constant percentage of payroll
Amortization period	Through FY 2035*	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	4.5-6.0%	-	-
Nonstate	4.0-5.5%	-	-
TRS:			
Teachers	-	3.5-5.0%	-
Non Teachers	-	4.25-5.5%	-
Other plans	-	-	6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter
Inflation rate	3.0%	3.0%	3.0%

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

<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>
July 1, 2005	July 1, 2005	July 1, 2005
Entry age cost	Entry age cost	Entry age cost
Fair value	Fair value	Fair value
Constant dollar	Constant percentage of payroll	Constant dollar
Through FY 2030	Through FY 2029*	Through FY 2018
7.5%	7.5%	7.5%
-	-	-
-	-	-
-	-	-
6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter	6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter	4.5%
3.0%	3.0%	3.0%

**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, 2006, and have issued our report thereon dated October 13, 2006. 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.

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*.

We noted certain matters that we reported to management of the Board in a separate letter dated October 13, 2006.

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.

Gibbons & Kawash

October 13, 2006

PRE-BID CONFERENCE
SIGN IN SHEET

Request for Quotation Number: CPR08028

Date: 6/14/07 @ 2:00 pm

PLEASE PRINT LEGIBLY. THIS INFORMATION IS ESSENTIAL TO CONTACT THE ATTENDEES IN A TIMELY MANNER. FAILURE TO DO SO MAY RESULT IN DELAYS IN YOUR COMPANY GETTING IMPORTANT BID INFORMATION.

CPRB

Firm Name:	<u>Suttle & Staliner PLLC</u>
Firm Address:	<u>1411 Virginia St East Suite 100 Charleston WV 25320</u>
Representative Attending:	<u>Chris Dewese</u>
Phone Number:	<u>(304) 342-4126</u>
Fax Number:	<u>(304) 343-9208</u>
Email Address:	<u>Cdewese@SuttleSpas.com</u>

Firm Name:	<u>Gothic Valley Bank</u>
Firm Address:	<u>P.O. Box 463 Pt Pleasant, Md. 21150</u>
Representative Attending:	<u>Charles C. Hutchins</u>
Phone Number:	<u>(304) 625-8060</u>
Fax Number:	<u>(304) 625-7405</u>
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Firm Name:	<u>Trainer, Wright & Daterino</u>
Firm Address:	<u>218 13th Street P.O. Box 2608 Huntington WV 25701</u>
Representative Attending:	<u>Misty Gregg</u>
Phone Number:	<u>304-697-7083</u>
Fax Number:	<u>304-697-7087</u>
Email Address:	<u>mgregg@trainerwright.com</u>

Firm Name:	<u>CPRB</u>
Firm Address:	
Representative Attending:	<u>J. Jeaneen Legato</u>
Phone Number:	<u>(304) 558-3670 ext. 409</u>
Fax Number:	
Email Address:	<u>jlegato@wvadmin.gov</u>

Firm Name:	<u>CPRB</u>
Firm Address:	
Representative Attending:	<u>LTC S.C. Tucker</u>
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Fax Number:	<u>746-2246</u>
Email Address:	<u>Stucker@wvsp.state.wv.us</u>

Firm Name:	<u>Galen B Garner III</u>
Firm Address:	<u>WV State Arch. for</u>
Representative Attending:	
Phone Number:	<u>558-2251</u>
Fax Number:	<u>914.9211111 @ wvsa.gov</u>
Email Address:	

PRE-BID CONFERENCE
SIGN IN SHEET

Request for Quotation Number: CPR08028

Date: 6/11/07 @ 2:00pm

PLEASE PRINT LEGIBLY. THIS INFORMATION IS ESSENTIAL TO CONTACT THE ATTENDEES IN A TIMELY MANNER. FAILURE TO DO SO MAY RESULT IN DELAYS IN YOUR COMPANY GETTING IMPORTANT BID INFORMATION.

Firm Name:	CPRB
Firm Address:	
Representative Attending:	CYNTHIA CUNNINGHAM
Phone Number:	558-3570 EXT 453
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Firm Name:	CPRB
Firm Address:	
Representative Attending:	Terose Miller
Phone Number:	558-3570 ext 405
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Firm Name:	CPRB
Firm Address:	
Representative Attending:	Wesley S. Miller
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Fax Number:	
Email Address:	wsmiller@wvaadmin.gov

Firm Name:	
Firm Address:	
Representative Attending:	
Phone Number:	
Fax Number:	
Email Address:	

Firm Name:	CPRB
Firm Address:	
Representative Attending:	Lori Cothrell
Phone Number:	558-3570 x114
Fax Number:	558-6155
Email Address:	lcothrell@wvaadmin.gov

Firm Name:	
Firm Address:	
Representative Attending:	
Phone Number:	
Fax Number:	
Email Address:	

SIGN IN SHEET

Request for Quotation Number: CPR08028

Date: 6/17/07 @ 2:00pm

PLEASE PRINT LEGIBLY. THIS INFORMATION IS ESSENTIAL TO CONTACT THE ATTENDEES IN A TIMELY MANNER. FAILURE TO DO SO MAY RESULT IN DELAYS IN YOUR COMPANY GETTING IMPORTANT BID INFORMATION.

Firm Name:	<u>Tim Loper</u>
Firm Address:	
Representative Attending:	<u>BALISTRAS, HARR + SCHERER</u>
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Fax Number:	
Email Address:	<u>loper@BALSCPAS.com</u>

Firm Name:	
Firm Address:	
Representative Attending:	
Phone Number:	
Fax Number:	
Email Address:	

Firm Name:	
Firm Address:	
Representative Attending:	
Phone Number:	
Fax Number:	
Email Address:	

Firm Name:	
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Firm Name:	
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Representative Attending:	
Phone Number:	
Fax Number:	
Email Address:	