

WEST VIRGINIA ADMINISTRATIVE REGULATIONS  
West Virginia State Board of Investments

Chapter 12-6  
Series I

Subject: Rules for the Administration of the Consolidated Fund  
by the West Virginia State Board of Investments.

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Title 113

Legislative rules

~~WEST VIRGINIA ADMINISTRATIVE REGULATIONS~~  
West Virginia State Board of Investments

~~Chapter 12-6~~  
Series ~~1~~ 1

Subject: Rules for the Administration of the Consolidated Fund  
by the West Virginia State Board of Investments.

Section 1. General

1.01. Scope - These legislative rules implement the provisions of article six, chapter twelve of the Code of West Virginia, 1931, as amended, relating to the Consolidated Fund established by subsection (b), section eight of said article.

1.02. Authority - These rules are issued under the authority of said article six, chapter twelve, particularly section five, which authorizes the board to promulgate rules and regulations for the management and conduct of its affairs, and section eight, which authorizes the board to establish rules and regulations for the administration of the various funds and accounts established by said section eight.

1.03. Purpose - The general purpose of these rules is to aid in the implementation of the legislative findings and purpose set forth in section one, article one, chapter twelve of the Code, wherein the board and the Treasurer are authorized to develop and maintain modern systems, consistent with sound financial practices, for the collection, disbursement, management and investment

1.4 *Filing D<sub>3</sub> Le - March 10, 1984*

of public moneys. The rules in this series implement such legislative intent by prescribing procedures governing participation in, and administration of, the Consolidated Fund to be administered by the board, for the purpose of enabling state agencies (other than pension funds) and local governments to maximize the return on their investments.

<sup>5</sup>  
1.04 Effective Date - ~~These regulations were promulgated on the 5th day of June, 1981, became effective the 8th day of July, 1981, incorporated code updating, were legislatively authorized and became effective on the 10th day of March, 1984.~~ *March 10, 1984*

Section 2. Definitions

2.01. Definitions - For purposes of these rules, unless a different meaning clearly appears from the context:

"Board" means the West Virginia state board of investments;

"Code" means the West Virginia Code of 1931, as amended;

"Consolidated Fund" means the investment fund managed by the board and established pursuant to subsection (b), section eight, article six, chapter twelve of the Code;

"Local Government" means and includes a county, municipality, or any agency, authority, board, commission or instrumentality of a county or municipality, and regional councils created pursuant to the provisions of section five, article twenty-five, chapter eight of the Code and policemen's pension and relief funds, firemen's pension and relief funds, and volunteer fire depart-

ments;

"Local government account" means the special account for the common investment of local government funds within the Consolidated Fund established pursuant to subsection (b), section eight, article six, chapter twelve of the Code;

"Pension funds" means and includes the worker's compensation fund; the state teachers retirement system funds; the death disability and retirement fund for members of the department of public safety; the public employees retirement system funds; the judges retirement fund; policemen's pension and relief funds; firemen's pension and relief funds and such other retirement or pension funds and systems established on behalf of public employees of the State or of its political subdivision and administered by the State;

"Securities" means all bonds, notes, debentures or other evidences of indebtedness; and

"Treasurer" means the Treasurer of the State of West Virginia.

### Section 3. Commencement of Operation

3.01. Commencement Date - The Consolidated Fund shall commence operation as an investment pool on October 16, 1978. As of that date, the assets of the various state agencies (other than pension funds) which had theretofore been made available to the board for investment shall be transferred to the Consolidated

Fund. The Consolidated Fund shall also thereafter be open for participation by local governments. After the commencement of operation of the Consolidated Fund as an investment pool, deposits into and withdrawals therefrom shall be governed by article six, chapter twelve of the Code and by these rules.

3.02. Valuation of Assets Transferred to the Consolidated Fund - The board recognizes that the various state agencies (other than pension funds) whose moneys heretofore have been invested by the board may not desire or be able to reduce all of their invested assets to cash as of October 16, 1978. More typically, the assets transferred on that date into the Consolidated Fund will consist of securities and any accrued interest or other accrued income associated with said securities. The board further recognizes that market value, i.e., the actual dollars being contributed to the pool on the commencement date, is the only fair method of calculation of such assets. Accordingly, each asset transferred into the Consolidated Fund on October 16, 1978, shall be valued at its market value as of the close of the last business day immediately preceding October 16, 1978. The market value of each class of security and for accrued interest shall be determined as follows:

(1) U. S. Government obligations, U. S. Government agency obligations and obligations of the Federal National Mortgage Association, shall be valued at the closing offered price quoted in

The Wall Street Journal for the previous business day;

(2) Corporate bonds and notes, and general obligation bonds of states and political subdivisions shall be valued at that percentage of par value, plus accrued interest, which is the average of the offered prices quoted by three dealers in such securities who are nationally recognized as market makers in the same or similar securities;

(3) Certificates of deposit shall be valued at book value plus accrued interest;

(4) Repurchase agreements shall be valued at book value plus accrued interest;

(5) Mortgages shall be valued as follows: The board shall retain two mortgage brokers who shall each appraise the market value of the mortgage investments transferred into the Consolidated Fund. The average of the two appraisements shall constitute the market value to be fixed for each such investment; and

(6) Accrued interest on securities shall be computed as of October 16, 1978, by using the method which is most widely used in computing accrued interest for each such security by the financial community within the United States.

3.03. Book Value of Transferred Assets - All assets transferred to the Consolidated Fund shall be placed on its books at the market value plus accrued interest as established by use of the procedure described in Section 3.02 of these rules.

Section 4. Mechanics of Participation in the Consolidated Fund

4.01. Participation by State Agencies - State agencies may participate in the Consolidated Fund by making written requests to the Treasurer. If a written request for deposit or withdrawal is made after 10:00 a.m. of the business day, the Treasurer is not required to execute such requests until the next business day. Written requests for deposits or withdrawals shall state the amount which the agency wishes to make available for investment, or the amount which it wishes to withdraw, as the case may be. Such requests shall also contain other information which the Treasurer deems necessary. The Treasurer may require twenty-four hours advance notice for withdrawals of one million dollars (\$1,000,000.00) or more.

4.02. Participation by Local Governments

(a) Local governments may commence participation in the Consolidated Fund by completing and returning to the Treasurer an account request form. Such form shall be prescribed by the Treasurer, shall require such information as he deems necessary, and shall be made available to any local government upon request. The Treasurer may require any local government to submit copies of resolutions, orders or other proof of authorization or election to participate in the Consolidated Fund. Upon receipt of the account request form and other required information, the Treasurer shall assign an account number with the Local Government Account of the

Consolidated Fund. Local governments which require more than one account may request the establishment of an additional accounts as needed.

(b) All notifications of deposit of funds by local governments into the Local Government Account, and all requests for withdrawals therefrom, shall be made by a telephone call to the Treasurer's Office no later than 10:00 a.m. of the business day on which the transaction is to be made. If a telephone notification of deposit or withdrawal is made after 10:00 a.m, the Treasurer is not required to execute such request until the next business day. All telephone notification of deposit or withdrawal shall be confirmed by mail on the same day the notification is made. The Treasurer shall prescribe the forms which local governments shall use for the confirmation of such deposits or withdrawals by mail.

(c) All deposits by local governments into the Local Government Account shall be made by one of the following methods: (1) By wire transfer from the local government's bank to a bank designated by the Treasurer. All funds transferred by local governments shall be collected balances available for wire transfer and immediate credit at the Federal Reserve Bank. (2) By transfer from the state agency's account to the political subdivision's investment account.

(d) Withdrawals by local governments from the Local Government Account shall be made by one of the following methods: (1) By wire transfer of immediately available funds by the Treasurer to the local government's designated bank. (2) By issuance of a state warrant. Upon such transfer or issuance, the Treasurer shall debit the local government's account in the Consolidated Fund. The treasurer may require twenty-four hours advance notice for withdrawals of one million dollars (\$1,000,000.00) or more.

(e) The Treasurer may collect a fee of up to one percent of the earnings of the Local Government Account as a charge for the investment services being provided to local governments.

#### Section 5. Accounting

5.01. Nature of ownership - Each participant shall own an undivided interest in the portfolio of the Consolidated Fund based on the participant's pro rata contribution of assets at any time. Ownership shall be expressed in terms of units. One dollar shall equal one unit of ownership. Each participant, by participating in the Consolidated Fund, is deemed to have consented to the methods of sharing gains and losses and all other accounting methods required or adopted by the board.

5.02. Accounting System - The Treasurer shall implement an accounting system based on a daily accrual method for earnings, deposits and withdrawals for each participant in the Consolidated Fund. In conjunction with such accounting system, the Treasurer

shall adopt procedures which accurately reflect yields on investments through amortization of premium and accretion of discount over the life of the investment as determined by investment practices of the investment community. That is to say, for investments customarily having yields to the average life of the investment such as GNMA mortgage pools, the premium or discount shall be amortized to the average life. Premium or discount for all other investments shall be amortized over the life of the investment.

5.03. Trading Gains and Losses - The board recognizes that it is impractical to amortize trading gains and losses over the life of all securities sold. Therefore, the board may authorize the Treasurer to amortize all gains and losses over a period of time commensurate with the average life of the entire portfolio. Since the average life of short-term portfolios can vary greatly from day to day, the board may authorize the Treasurer to amortize all gains and losses from the sale of securities over the month in which they are realized and the subsequent eleven months.

5.04. Distribution of Earnings; Monthly Statement - The board shall distribute interest monthly either by credit to the principal account of the participant or by check. The choice of method of such distribution shall be at the board's discretion. The treasurer shall furnish to each participant a monthly statement of earnings, deposits and withdrawals for each account. Monthly statements shall also include an accurate statement of the

yield for the preceding month for the Consolidated Fund to aid local government treasurers in meeting their responsibility to determine that the Consolidated Fund yield will be greater than any yield offered them by their local financial institutions.

Section 6. Miscellaneous

6.01. Reserve for Losses - The board may create a reserve for losses in the Consolidated Fund if the board determines that the one-year amortization of gains and losses is inappropriate or inadequate for unusual losses.

6.02. Payment of Expenses From Earnings - The Treasurer shall deduct expenses incurred in the administration of the Consolidated Fund from the gross earnings of the Fund prior to distribution of the earnings each month.

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