

WEST VIRGINIA LEGISLATURE
Legislative Rule-Making Review Committee

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May 9, 1979

Hon. A. James Manchin
Secretary of State
W-151 State Capitol
Charleston, West Virginia 25305

Dear Mr. Manchin:

This is notification of approval of rules and regulations in accordance with Section 11, Article 3, Chapter 29A of the West Virginia Code.

On May 7, 1979, the Legislative Rule-Making Review Committee approved regulations submitted by the Medical Licensing Board on physicians assistants and on mobile intensive care paramedics; by the ~~Board of Investments on administration of the consolidated fund; by the State Board of Examiners of Land Surveyors; by the Department of Employment Security on secrecy of tax information; by the Department of Agriculture on equine infectious anemia and restricted use pesticides; and by the Water Development Authority on amended requirements governing disbursement of loans and grants to governmental agencies for the acquisition or construction of water development projects.~~

Two sets of regulations were withdrawn by the submitting agencies. These regulations were the Department of Mines' regulations concerning standards for coal mine underground electricians and the Board of Investments' regulations concerning selection of state depositories for demand deposits through competitive bidding.

A copy of the approved regulations and the withdrawn regulations is attached.

Very truly yours,

Robert M. Steptoe

Robert M. Steptoe

William E. Shingleton

William E. Shingleton

FILED IN THE OFFICE OF
SECRETARY OF STATE OF
WEST VIRGINIA

THIS DATE 5-9-79



FILED IN THE OFFICE OF
SECRETARY OF STATE OF
WEST VIRGINIA

STATE OF WEST VIRGINIA
OFFICE OF THE TREASURER

CHARLESTON 25305

October 13, 1978

LARRIE BAILEY
TREASURER

~~XXXXXXXXXXXX~~
James E. McMillon
~~XXXXXXXXXXXX~~
ASSISTANT TREASURER

The Honorable A. James Manchin
Secretary of State
State Capitol
Charleston, West Virginia 25305

Dear Mr. Manchin:

Enclosed herewith are three copies of proposed rules of the West Virginia State Board of Investments designated Series I of Chapter 12-6, for filing in accordance with the Administrative Procedures Act. Also enclosed for filing is a notice of public hearing on the proposed rules. Pursuant to West Virginia Code 29A-3-14, the Board has found that an emergency exists and that the proposed rules should be put into effect immediately as temporary rules. Therefore, in accordance with said Code 29A-3-14, we are also enclosing a statement of the facts and circumstances constituting the emergency.

Very truly yours,

FILED IN THE OFFICE OF
SECRETARY OF STATE OF
WEST VIRGINIA

THIS DATE 5/9/79

Larrie Bailey
State Treasurer
Executive Secretary
West Virginia State Board
of Investments

LB:LF

Enclosures

cc: The Honorable John D. Rockefeller IV
Governor, w/ attachments

The Honorable Glen B. Gainer, Jr.
Auditor, w/ attachments

FILED IN THE OFFICE OF
SECRETARY OF STATE OF
WEST VIRGINIA

WEST VIRGINIA STATE BOARD OF INVESTMENTS

NOTICE OF FILING OF TEMPORARY RULES AND
STATEMENT OF FACTS CONSTITUTING THE EMERGENCY

THIS DATE

October 13, 1978

Pursuant to the provisions of Chapter 29A, Article 3, Section 14 of the West Virginia Code of 1931, as amended, the West Virginia State Board of Investments hereby files the attached Administrative Rules designated as Chapter 12-6, Series I, 1978, and declares said rules effective immediately.

The facts and circumstances constituting the emergency are as follows: House Bill No. 1321, enacted at the 1978 Regular Session of the West Virginia Legislature, established a consolidated fund for the investment of state funds (as defined in the bill) and for the investment of local government funds made available to the Board. House Bill No. 1321 requires that said state and local government funds be deposited in the consolidated fund for investment. The Board has prepared the attached rules for the operation of the consolidated fund and is prepared to commence operation of the fund on October 16, 1978.

Because of the time periods which necessarily elapse in following the Administrative Procedures Act, said rules will not become permanently effective for as long as six months. The Board finds that to delay the operation of the consolidated fund for that length of time will deprive the state of large sums of money and the increased rate of return that may be achieved by consolidation of investment funds. The Board further believes

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THIS DATE 5/9/79

that the Legislature, in said bill, intended that the consolidated fund be implemented as soon as possible. Therefore, in order that the attached rules will be in effect for the immediate commencement of operation of the consolidated fund, it is necessary to place said rules into effect immediately under the provisions allowing the filing of temporary rules.

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THIS DATE 5/9/79

WEST VIRGINIA ADMINISTRATIVE RULES
West Virginia State Board of Investments

Chapter 12-6
Series I
(1978)

FILED IN THE OFFICE OF
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WEST VIRGINIA

THIS DATE [REDACTED]

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

Section 1. General

1.01. Scope - These 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 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.

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, county board of education, and other political subdivision of the state;

"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 workmen'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; and other retirement or pension funds and systems established on behalf of public employees of the state or of its political subdivisions 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 valuation 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 procedures 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 within the Local Government Account of the Consolidated Fund. Local governments which require more than one account may request the establishment of 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 notifications 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 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.

(d) Withdrawals by local governments from the Local Government Account shall be made by wire transfer of immediately available funds by the treasurer to the local government's designated bank. Upon such transfer, 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. Minimum Amount of Investment - The minimum amount for investment in the Consolidated Fund is One Thousand Dollars (\$1,000.00). There is no minimum time for which deposits will be retained.

6.02. 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.

6.03. 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.

WEST VIRGINIA ADMINISTRATIVE RULES
West Virginia State Board of Investments

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