

WEST VIRGINIA
SECRETARY OF STATE
KEN HECHLER
ADMINISTRATIVE LAW DIVISION

Form #1

FILED
JUN 18 3 47 PM '93

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

NOTICE OF PUBLIC HEARING ON A PROPOSED RULE

AGENCY: BOARD OF INVESTMENTS TITLE NUMBER: 113

RULE TYPE: LEGISLATIVE; CITE AUTHORITY WV CODE 12-6-5 ET SEQ

AMENDMENT TO AN EXISTING RULE: YES NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: I

TITLE OF RULE BEING AMENDED: ADMINISTRATION OF THE CONSOLIDATED
FUND BY THE WV STATE BOARD OF INVESTMENTS.

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: _____

TITLE OF RULE BEING PROPOSED: _____

DATE OF PUBLIC HEARING: JULY 22, 1993 TIME: 1:00 PM

LOCATION OF PUBLIC HEARING: STATE CAPITOL COMPLEX
CONFERENCE CENTER
CONFERENCE CENTER
BUILDING 7 - ROOM B
CHARLESTON, WEST VIRGINIA

COMMENTS LIMITED TO: ORAL , WRITTEN , BOTH

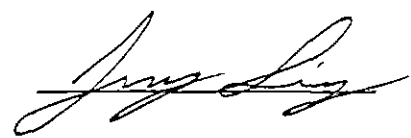
COMMENTS MAY ALSO BE MAILED TO THE FOLLOWING ADDRESS: BOARD OF INVESTMENTS

The Department requests that persons wishing to make
comments at the hearing make an effort to submit written
comments in order to facilitate the review of these comments.

STATE CAPITOL COMPLEX-SUITE E122
CHARLESTON, WV 25305
ATTN: JERRY SIMPSON

The issues to be heard shall be limited to the proposed rule.

ATTACH A **BRIEF** SUMMARY OF YOUR PROPOSAL



7.20

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 is authorized to develop and maintain modern systems, consistent with sound financial practices, for the collection, disbursement, management and investment of public moneys. The rules of this series implement such legislative intent by prescribing procedures for the administration of the Consolidated Fund by the Board and participation in the Consolidated Fund by State agencies (other than pension funds) and local governments.

FISCAL NOTE FOR PROPOSED RULES

Rule Title: ADMINISTRATION OF THE CONSOLIDATED FUND BY THE WV STATE BOARD OF INVESTMENTS.

Type of Rule: X Legislative Interpretive Procedural

Agency: BOARD OF INVESTMENTS Address STATE CAPITOL COMPLEX - SUITE E-122
CHARLESTON, WV 25305

N/A

1. Effect of Proposed Rule:	ANNUAL		FISCAL YEAR		
	Increase	Decrease	Current	New	Thereafter
Estimated Total Cost	\$	\$	\$	\$	\$
Personal Services					
Current Expense					
Repairs and Alterations					
Equipment					
Other					

2. Explanation of above estimates:

THESE PROPOSED RULES ARE AN AMENDMENT TO THE ORIGINAL RULES EFFECTIVE APRIL 14, 1992. IT IS NOT ANTICIPATED THAT THESE AMENDED RULES WILL REQUIRE THE EXPENDITURE OF ANY ADDITIONAL FUNDS.

3. Objectives of these rules:

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 IS AUTHORIZED TO DEVELOP AND MAINTAIN MODERN SYSTEMS, CONSISTENT WITH SOUND FINANCIAL PRACTICES, FOR THE COLLECTION, DISBURSEMENT, MANAGEMENT AND INVESTMENT OF PUBLIC MONEYS. THE RULES OF THIS SERIES IMPLEMENT SUCH LEGISLATIVE INTENT BY PRESCRIBING PROCEDURES FOR THE ADMINISTRATION OF THE CONSOLIDATED FUND BY THE BOARD AND PARTICIPATION IN THE CONSOLIDATED FUND BY STATE AGENCIES (OTHER THAN PENSION FUNDS) AND LOCAL GOVERNMENTS.

4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic Impact on State Government.

THESE PROPOSED RULES WILL CONTINUE TO ALLOW THE FUNDS OF THE STATE TO BE FULLY INVESTED AND ACCOUNTED FOR ON A MORE ACCURATE BASIS.

B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of citizens.

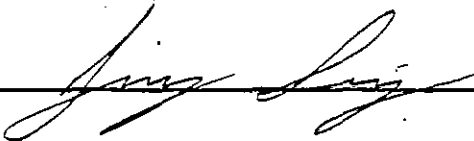
THESE PROPOSED RULES WILL CONTINUE TO ALLOW LOCAL GOVERNMENT FUNDS TO BE INVESTED BY THE BOARD.

C. Economic Impact on Citizens/Public at Large.

SEE 4A.

Date: 6/18/93

Signature of Agency Head or Authorized Representative



WEST VIRGINIA ADMINISTRATIVE REGULATIONS
West Virginia State Board of Investments

Chapter 12-6
Series I
(1990)

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

TABLE OF CONTENTS

- Section 1. General
- 1.01. Scope
 - 1.02. Authority
 - 1.03. Purpose
 - 1.04. Filing Date
 - 1.05. Effective Date
 - 1.06. Repeal of Former Rule
- Section 2. Definitions
- Section 3. Participation in the Consolidated Fund
- 3.01. Participation by State Agencies
 - 3.02. Participation by Local Governments
- Section 4. Accounting
- 4.01. Nature of Ownership
 - 4.02. Accounting System
 - ~~4.03. Trading Gains and Losses~~
 - 4.03. ~~4.04.~~ Distribution of Earnings; Monthly Statement
- Section 5. Investment of Consolidated Fund
- 5.01. General Investment Policy, Objectives and Restrictions
 - 5.02. Investment Pools
- Section 6. Miscellaneous
- 6.01. Payment of Expenses from Earnings
 - 6.02. Reserve for Losses
 - 6.03. Board Reports
 - 6.04. Authorized Financial Institutions and Brokers

WEST VIRGINIA ADMINISTRATIVE REGULATIONS
West Virginia State Board of Investments

Chapter 12-6
Series I
(1990)

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 West Virginia Code §12-6-1 et seq. relating to the Consolidated Fund established by §12-6-8(b).

1.02. Authority - West Virginia Code §12-6-5 and §12-6-8.

1.03. Purpose - The general purpose of these rules is to aid in the implementation of the legislative findings and purpose set forth in the West Virginia Code §12-1-1, wherein the West Virginia State Board of Investments 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. These rules and regulations implement such legislative intent by prescribing procedures for the administration of the Consolidated Fund by the Board and participation in the Consolidated Fund by State agencies (other than pension funds) and local governments.

1.04. Filing Date -

1.05. Effective Date -

1.06. Repeal of Former Rule - This legislative rule repeals and replaces West Virginia 113 CSR1 "Rules For the Administration of the Consolidated Fund by the West Virginia Board of Investments" filed ~~April-13, 1990~~ May 17, 1991 and effective ~~April-13, 1990~~ May 17, 1991.

Section 2. 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 the West Virginia Code §12-6-8;

"Local Government" means and includes a county, municipality, or any agency, authority, board, commission or instrumentality of a county or municipality, police officers' pensions and relief funds, fire fighters' pension and relief funds, and regional councils created pursuant to the provisions of West Virginia Code §8-25-1 et. seq.;

"Local Government Account" means the special account for the common investment of local government funds within the Consolidated Fund established pursuant to West Virginia Code §12-6-8(b);

"Participant" means all State agencies, local governments and other entities or individuals investing moneys or assets with the Consolidated Fund;

"Securities" has the same meaning set forth in West Virginia Code §12-6-2;

"Select U. S. Government Agency Obligation" means any evidence of indebtedness issued by any of the following: the Government National Mortgage Association (GNMA), and Resolution Trust Corporation Securities (RTC);

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

"U. S. Government Agency Obligation" means and includes any obligation of any United State government agency guaranteed as to the payment of both principal and interest, directly or indirectly, by the United States of America, including but not limited to the following: the Government National Mortgage Association (GNMA); the Federal Farm Credit Bank (FFCB); Federal Land Banks (FLB); the Federal Home Loan Mortgage Corporation (FHLMC); the Federal National Mortgage Association (FNMA); Federal Home Loan Banks (FHLB); Federal Intermediate Credit Banks; Banks For Cooperatives; Tennessee Valley Authority (TVA); United States Postal Service; Farmers Home Administration (FHA); Export-Import Bank; Federal Financing Bank; Student Loan Marketing Association (SLMA); Resolution Trust Corporation Securities (RTC); and Veterans Administration (VA); and

"U. S. Government Obligations" means and includes any direct obligation of, or obligation guaranteed as to payment of both principal and interest by, the United States of America.

Section 3. Participation in the Consolidated Fund

3.01. Participation by State Agencies - The Board of Investments may allow State agencies to participate in the Consolidated Fund upon written request by such State agencies. The Board of Investments is not required to execute a written or electronic request for deposit or withdrawals 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 such other information the Board of Investments considers necessary. The Board of Investments may require advance notice as determined by the Board for withdrawals of one million (\$1,000,000.00) or more.

3.02. Participation by Local Governments

(a) Local governments may commence participation in the Consolidated Fund by completing and returning to the Board of Investments an "account request form". The form of the "account request form" shall be prescribed by the Board of Investments, shall require such information as it considers necessary, and shall be made available to any local government upon request. The Board of

Investments shall require each 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 Board of Investments shall review and approve the account request form and if approved, the Board of Investments shall assign an account number to the local government 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, subject to the discretion of the Board of Investments.

(b) All notifications of deposit of funds by local governments into the Local Government Account, shall be made ~~by a telephone call to~~ in a manner prescribed by the Board of Investments. The Board of Investments ~~is not required to~~ shall execute such request ~~until the next~~ in a timely manner not to exceed 3 business days. All ~~telephone~~ notifications of deposits shall be confirmed in writing by the local government and sent by mail on the same day the notification is made. The Board of Investments shall prescribe the forms which local governments shall use for the confirmation of such deposits by mail. All notifications of withdrawals of funds by the local governments from the Local Government Account shall be made by written or electronic request.

The Board of Investments shall prescribe the forms to be used for withdrawals. The Board of Investments shall prescribe the time period for the deposit or withdrawal of funds. The Board of Investments may require advance notice as determined by the Board for withdrawals of one million (\$1,000,000.00) or more.

(c) All deposits by local governments into the Local Government Account shall be made by means approved by the Board. All wired funds transferred by local governments shall be collected balances available for wire transfer and immediate credit at the Federal Reserve Bank. All checks accepted by the Board, shall be credited to the Local Government Account within two business days, following receipt by the Board of Investments. All funds transferred to the Board through ACH shall be credited to the Local Government Account on the day received by the Board.

(d) All withdrawals by local governments from the Local Government Account shall be made by check, Automated Clearing House, wire transfer, or any other method approved by the Board, ~~of immediately available funds by the Board of Investments to the local government's account in the Consolidated Fund, including the local government's prorata share of the gains and losses incurred by the Fund.~~ The Board of Investments may require advance notice as determined by the Board for withdrawals of one million dollars (\$1,000,000.00) or

more. Withdrawals of less than one hundred dollars (\$100.00) shall be made by check or through the Automated Clearing House.

Section 4. Accounting

4.01. Nature of Ownership - Each Participant shall own an undivided interest in the portfolio of the Consolidated Fund based on the Participant's prorata contribution of assets at any time. Ownership shall be expressed in terms of units. Each Participant, by completing and returning an "Account Request Form" to the Board of Investments, has consented to the methods of sharing gains and losses and all other accounting methods required or adopted by the Board.

4.02. Accounting System - The Board of Investments shall implement an accounting system based on generally-accepted accounting ~~principals~~ principles.

~~4.03. Trading--Gains--and--Losses-----The--Board--of Investments--shall--recognize--all--gains--and--losses--within--the month--in--which--they--occur.~~

~~4.03.4:04:~~ Distribution of Earnings; Monthly Statement - The Board shall make a distribution from the pools undistributed earnings ~~distribute-net-earnings/losses-monthly~~ either by credit or debit to the principal account of the Participant or by means determined by the Board. The method of such distribution shall be at the Board's discretion. The Board of Investments shall furnish to each Participant a monthly statement of distributed earnings, deposits, and withdrawals

and changes in market value, if applicable, for each account.
Monthly Participants will be periodically provided statements
~~shall also include~~ reflecting an accurate statement of the
yield for the preceding month period for the investment pool
in which the Participant is investing.

Section 5. Investment of Consolidated Fund

5.01. General Investment Policies, Objectives and
Restrictions - All investment pools in the
Consolidated Fund shall be individually subject to the
policies, objectives and restrictions set forth herein.

(a) Purpose - The Board's purpose is to invest and
protect the assets of the Consolidated Fund for the
benefit of the citizens of the State of West Virginia.

(b) Standard of Care - All investments are to be made
with the exercise of that degree of judgment and care,
under circumstances then prevailing, which people of
experience, prudence, discretion, and intelligence
exercise in the management of their own affairs, not for
speculation, but for investment, considering the probable
safety of their capital as well as the probable income to
be derived.

(c) Permissible Investments - The Consolidated Fund
shall comply with West Virginia Code §12-6-9 and these
rules and regulations, with regard to permissible
investments.

(d) Social Responsibility - To the extent that

investments are consistent with all other standards established by the Board, selection of investments should consider the best interests of the people of the State of West Virginia.

(e) Custody - The Board shall designate and maintain custodial arrangements in its sole discretion. However, no investment advisor shall maintain custody of the securities of the Consolidated Fund.

(f) Investment Advisors - The Board may select and maintain investment advisors who shall act in accordance with the terms and conditions specified by the Board and the applicable requirements of State and Federal Law.

(g) Investment Objectives - All pools within the Consolidated Fund, except the single-purpose pools described in Subsection 5.02(e), are subject to the investment objectives listed below in descending order of priority:

(1) Preservation of Capital - To preserve the capital investment in the Consolidated Fund.

(2) Liquidity - To maintain sufficient liquidity to provide for all anticipated withdrawals or transfers and to invest in securities with sufficient marketability to provide for unexpected withdrawals.

(3) Diversification - To diversify the investment of the assets of the Consolidated Fund so as to minimize the risk of large losses.

(4) Turnover - To minimize transaction costs.

(5) Stability - To maintain a high level of security in the Consolidated Fund by minimizing risk and volatility insofar as possible.

(6) Rate of Return - To achieve a rate of return consistent with the rate of return objectives set by the Board.

(h) Investment Restrictions

(1) The Consolidated Fund shall abide by the investment restrictions of West Virginia Code §12-6-10 and as further set forth by the Board.

(2) Not more than 20% of the portfolio of the Consolidated Fund may be invested in any single industry sector. (The utility sector shall be subdivided for the purpose of this restriction between telephone, electric, gas distribution, and similar utility industry segments.)

(3) The Consolidated Fund shall maintain a reasonable balance between the various classes of fixed income securities, without over concentration.

(4) The Consolidated Fund shall abide by the quality restrictions of West Virginia Code §12-6-9.

(5) Investment in financial futures contracts, options and other similar investments is prohibited.

(5) Minimum Amount of Investment - The minimum amount for investment in the Consolidated Fund is One Hundred Dollars (\$100.00). There is no minimum time for which deposits will be retained.

5.02. Investment Pools - The Consolidated Fund is composed of various investment pools. It is the intent of the Board that there be separate portfolio guidelines for the administration of each investment pool in addition to the policies, objectives and restrictions set forth in Subsection 5.01. The Board of Investments shall administer each investment pool in the Consolidated Fund in accordance with the rules and regulations and such guidelines as may be further prescribed by the Board.

(a) Cash Liquidity Pool - This investment pool is composed of the operating funds of the State, funds held in trust by State agencies, and funds invested by local governments. ~~Its purpose is to provide for the investment of all surplus funds of the State and daily cash needs of the State.~~ This pool is limited to securities with remaining maturities of not greater than ~~one hundred eighty (180)~~ three hundred ninety-seven (397) days and the dollar weighted-average-maturity of the securities in the portfolio may not exceed ~~fifty-nine (59)~~ ninety (90) days. Also, the pool must meet all requirements outlined in Tables I and II of this Rule. ~~Due to the presently existing non-liquid investments contained in the portfolio of this pool on the effective~~

~~date--of--these--rules--and--regulations,--the--current investment portfolio may not be considered when applying the maximum maturity requirements of this subsection and the requirements outlined in Table I (items 3 and 5) and Table II of this Rule.~~

(b) Restricted-Pool Government Money Market Pool - This investment pool is composed of Participants whose funds may only be invested in U. S. Government Obligations, select U. S. Government Agency Obligations or repurchase agreements. This pool is limited to securities with remaining maturities of 5.0-years three hundred ninety-seven (397) days or less and the dollar weighted average maturity of the securities in the portfolio may not exceed 2.0-years ninety (90) days. Also, the pool must meet all requirements outlined in Table A of this Rule. ~~Due to the length of maturity of the securities currently contained in the portfolio of this pool on the effective date--of--these--rules--and--regulations,--the--current portfolio of the pool may not be considered when applying the maximum maturity requirements of this subsection.~~

(c) Municipal Bond Restricted Pool - This investment pool is for the Municipal Bond Commission whose funds shall only be invested in U. S. Government Obligations, select U. S. Government Agency Obligations or repurchase agreements. This pool is limited to securities with remaining maturities of 5.0 years or less and the dollar weighted average maturity of the securities may not

exceed 2.0 years. The pool must meet all requirements outlined in Table A of this Rule.

(d) -- State Agency Trust Pool -- This investment pool is composed of funds held in trust by State agencies. Investments in this pool are restricted to investments in U. S. Government Obligations, U. S. Government Agency Obligations or repurchase agreements. This pool is limited to securities with maturities of not greater than one hundred eighty (180) days. The dollar weighted average maturity of the portfolio may not exceed fifty-nine (59) days. Also, the pool must meet all requirements outlined in Tables I and II of this Rule. Due to the presently existing non-liquid investments contained in the portfolio of this pool on the effective date of these rules and regulations, the current investment portfolio may not be considered when applying the maximum maturity requirements of this subsection.

(e) -- Local Government Investment Pool -- This investment pool is composed of funds invested by local governments. This pool is limited to securities with maturities of not greater than one hundred eighty (180) days. The dollar weighted average maturity of the portfolio may not exceed fifty-nine (59) days. Also, the pool must meet all requirements outlined in Tables I and II of this Rule. Due to the presently existing non-liquid investments contained in the portfolio of this pool on the effective date of these rules and regulations, the current

~~investment portfolio may not be considered when applying the maximum maturity requirements of this subsection.~~

(d) Enhanced Yield Pool - This investment pool is composed of the operating funds of the State which the Board's staff have determined are not immediately needed to fund the State's liquidity requirements. This pool is limited to securities with remaining maturities of not greater than (3.0) three years and the dollar weighted-average maturity of the securities in the portfolio may not exceed (1.0) one year. The pool must meet all requirements outlined in Tables I and II of this Rule.

(e) Single Purpose Pools - These investment pools are designed to meet the needs of individual State agencies. The Board of Investments shall invest only in the type of securities identified by the State agency controlling the pool, as recommended by the State agency and as necessary to meet the needs of each individual pool as to type of security and length of maturity, provided that such investments consist solely of those permitted by these rules.

(f) Other Investment Pools - The Board is further authorized to establish additional investment pools as the need may arise, provided that within eighteen months after their establishment these rules and regulations are amended to reflect their existence and appropriate investment guidelines are established for each pool. This provision does not apply to any new single purpose

pursuant to Subsection 5.02(c) of this

for Use of Tables - The percentage in
column are the minimum percentages which
maintain in each type of investment
example, the 15% figure in Table I, Line
Board of Investments must at all times
15% of the investment pool invested in
Obligations. If the minimum percentage
Table I, Line 2, the Board of Investments
to invest any moneys of the pool in
that type of investment.

percentages in the "Maximum" column are the
percentages of the pool which may be maintained
in investment instrument. For example, in
the 100% figure in the "Maximum" column
Board of Investments may keep the entire
U. S. Government obligations.

Minimum percentage is "10", as in Table I,
means that the Board of Investments is
permitted to invest in instruments of that type up to a
certain percentage of the pool.

The "Code Reference" column refers to
the West Virginia Code which authorized
the instrument described under the "Instrument"

CLASSIFICATION

RATE DEBT INSTRUMENTS

TABLE I

	<u>Minimum</u>	<u>Maximum</u>
"AAA"	0%	100%
"AA"	0%	50%
"A"	0%	30%
Investment	0%	20%

Investment that is downgraded
and downgraded at the Board of
Investments puts the debt
instrument in Table II.

TABLE A
GUIDELINES FOR DIVERSIFICATION
ACCORDING TO KIND OF INVESTMENT INSTRUMENT

<u>Instrument</u>	<u>Code Reference</u>	<u>Minimum</u>	<u>Maximum</u>
1. U. S. Government Obligation	\$12-6-9(a)	15%	100%
2. Select U. S. Government Agency Obligation	\$12-6-9(b)	0%	100%
3. Repurchase agreements	\$12-6-5(9)	0%	75%
4. Reverse repurchase agreements	\$12-6-5(10)	0%	15%

Miscellaneous

the Board's staff

Payment of Expenses from Earnings - The Board of
shall deduct expenses incurred in the
on of the Consolidated Fund from the gross
the fund prior to distribution of the earnings.
Such fees shall be established by the Board on a
basis.

~~the approved list.~~

Reserve for Losses - The Board is authorized to
by appropriate accounting method, a reserve for
. No interest shall be included in earnings
on any loans that are delinquent by sixty days or
which the Board's staff determine collection to

Board Reports - The Board of Investments staff
provide Board members a monthly financial statements
accordance with Generally Accepted Accounting
and financial schedules report reflecting all
and sales, and trades for each investment pool.
~~by of the portfolio for each investment pool,~~
~~the market value for each investment, shall be~~
~~the Board.~~

Authorized Financial Institutions and Brokers -
of Investments may not do business with any
institution or brokerage firm that has not been
the Board. At the first Board meeting of each
year, the Board's staff shall provide for the Board's
approval a complete list of all financial

WEST VIRGINIA ADMINISTRATIVE REGULATIONS
West Virginia State Board of Investments

Chapter 12-6
Series I
(1990)

INDEX

References are to section numbers.

Accounting System, 4
Authority for Rules, 1.02
Authorized Financial Institutions and Brokers, 6.04
Board Reports, 6.03
Definitions, 2
Distributions of Earnings, 4.03
Effective Date, 1.05
Filing Date, 1.04
Investment of Consolidated Fund, 5
Participation in Consolidated Fund, 3
 By Local Governments, 3.02
 By State Agencies, 3.01
Payment of Expenses from Earnings, 6.01
Purpose, 1.03
Repeal of Former Rule, 1.06
Reserve for Losses, 6.02
Scope, 1.01