

**TITLE 113**  
**LEGISLATIVE RULES**  
**WEST VIRGINIA STATE BOARD OF INVESTMENTS**  
**SERIES 2**  
**RULES FOR THE ADMINISTRATION OF THE CONSOLIDATED PENSION**  
**FUND BY THE WEST VIRGINIA STATE BOARD OF INVESTMENTS**

**§113-2-1. General.**

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

1.2. Authority. -- W. Va. Code §12-6

1.3. 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 Pension Fund to be administered by the Board, for the purpose of enabling the participating pension funds to maximize the return on their investments.

1.4. Filing Date. -- June 5, 1981

1.5. Effective Date. -- July 8, 1981

**§113-2-2. Definitions.**

2.1. Definitions. -- For the 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 Pension Fund" means the investment fund managed by the Board and established pursuant to subsection (a), section eight, article six, chapter twelve of the Code;

"Pension Funds" means and includes the Workers' 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;

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

**§113-2-3. Commencement of operation.**

3.1. Commencement date. -- The Consolidated Pension Fund shall commence operation as an investment pool of a date designated by the Board. As of that date the assets of the various pension funds which had theretofore been made available to the Board for investment shall be transferred to the Consolidated Pension Fund. After the commencement of operation of the Consolidated Pension 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.

3.2. Valuation of assets transferred to the Consolidated Pension Fund. -- The Board recognizes that the various 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 commencement date. More typically, the assets transferred on that date into the Consolidated Pension Fund will consist of securities and any accrued interest or other 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 Pension Fund on commencement date, shall be valued at its market value as of the close of the last business day immediately preced-

ing commencement date. The market value of each class of security and for accrued interest shall be determined as follows:

(a) United States government obligations, United States Government Agency obligations and obligations of the Federal National Mortgage Association, shall be valued at the closing bid price quoted in The Wall Street Journal for the previous business day plus accrued interest;

(b) Corporate bonds and notes, all other government guaranteed securities and general obligations bonds of states and political subdivisions shall be valued at that percentage of par value, plus accrued interest, which is the average of the bid prices quoted by three (3) dealers in such securities who are nationally recognized as market makers in the same or similar securities;

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

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

(e) Mortgages shall be valued as follows: The Board shall retain two (2) mortgage brokers who shall each appraise the market value of the mortgage investments transferred into the Consolidated Pension Fund. The average of the two (2) appraisements shall constitute the market value to be fixed for each such investment; and

(f) Accrued interest on securities shall be computed as of commencement date, 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.

3.3. Book value of transferred assets. -- All assets transferred to the Consolidated Pension Fund shall be placed on its books at the market value plus accrued interest as established by use of the procedures described in Section 3.2 of these rules.

#### **§113-2-4. Mechanics of participation in the Consolidated Pension Fund.**

4.1. Participation by pension funds. -- Pension funds may participate in the Consolidated Pension Fund by making written request to the Treasurer. Written requests for deposits or withdrawals shall

state the amount which the pension fund 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 (24) hours advance notice for withdrawals of one million dollars (\$1,000,000) or more.

#### **§113-2-5. Accounting.**

5.1. Nature of ownership. -- Each participant shall own an undivided interest in the portfolio of the Consolidated Pension Fund based on the participant's pro rata contribution of assets at any time. Ownership shall be expressed in terms of units. Each participant, by participating in the Consolidated Pension 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.

5.2. 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 Pension 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.

5.3. Trading gains and losses. -- The Board may amortize trading gains and losses over the life of all securities sold, using the "Scientific" method of amortization; or, it may recognize any gains or losses during the period in which they occurred. The Board may also authorize the Treasurer to amortize all gains and losses over a period of time commensurate with the average life of the entire portfolio.

5.4. Distribution of earnings; monthly statement. -- 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.

**§113-2-6. Miscellaneous.**

6.1. Minimum amount of investment. -- The minimum amount for investment in the Consolidated Pension Fund is one thousand dollars (\$1,000). There is no minimum time for which deposits will be retained

6.2. Payment of expenses from earnings. -- The Treasurer shall deduct expenses incurred in the administration of the Consolidated Pension Fund from the gross earnings of the fund monthly.