

Ensuring Compliance with West Virginia Code Section 8-22-22

2013 WV Municipal Policemen's & Firemen's Pension and Relief Funds



West Virginia

Municipal Pensions Oversight Board



Today's Agenda

- *Review of West Virginia Code Section 8-22-22 & 8-22-22a*
- *Key Concepts of Asset Allocation and Rebalancing*
- *The Mandatory Investment Policy Statement*
- *Due Diligence and Reports Required by West Virginia Code Section 8-22-22 & 8-22-22a*



Review of West Virginia Code Section 8-22-22 & 8-22-22a

A 30,000 FOOT VIEW OF THE CODE AND WHAT IT MEANS TO YOU



Role of Board of Trustees

- *Legal responsibility for the investment of pension assets*
- *Ensure investments are compliant with West Virginia Code Section 8-22-22 & 8-22-22a*
- *Board of Trustees Fiduciary Duty- legal requirement to act in the best interest of the participants of the pension plan*



West Virginia Code Section 8-22-22

- *Invest in accordance with Uniform Prudent Investor Act in West Virginia Code Chapter 44 Article 6C*
 - *Investment Diversification within the portfolio*
 - *Focus on total portfolio risk and return characteristics*
- *Authorized to invest with the West Virginia Investment Management Board*
- *Authorized to delegate investment authority to professional investment advisors*
- *Provide a copy of the Investment Policy to the State Treasurer and/or Oversight Board*



WV Code Section 8-22-22a

- *Maximum of 75% of the assets in nonreal estate equity investments*
- *Maximum of 25% of the assets in real estate equity investments*
- *Maximum of 30% of the assets in international securities*
- *Maximum of 5% of the assets in any single security (or limited by the weighting in the S&P 500 Index)*
- *Investments must be on Board of Trustee's approved list (reviewed annually)*
- *Rebalance annually*
- *Prohibited from alternative investments (i.e. private equity, commodities, hedge fund)*
- *Independent performance evaluation at least annually*
- *Investment Manager must fully disclose all fees to the Oversight Board on a quarterly basis*

Asset Allocation and Rebalancing

**HOW TO FIND THE STRATEGY THAT FITS YOUR PLAN AND COMPLIES WITH WEST VIRGINIA
CODE SECTION 8-22-22 & 8-22-22A**



Finding Your Strategy within the Code

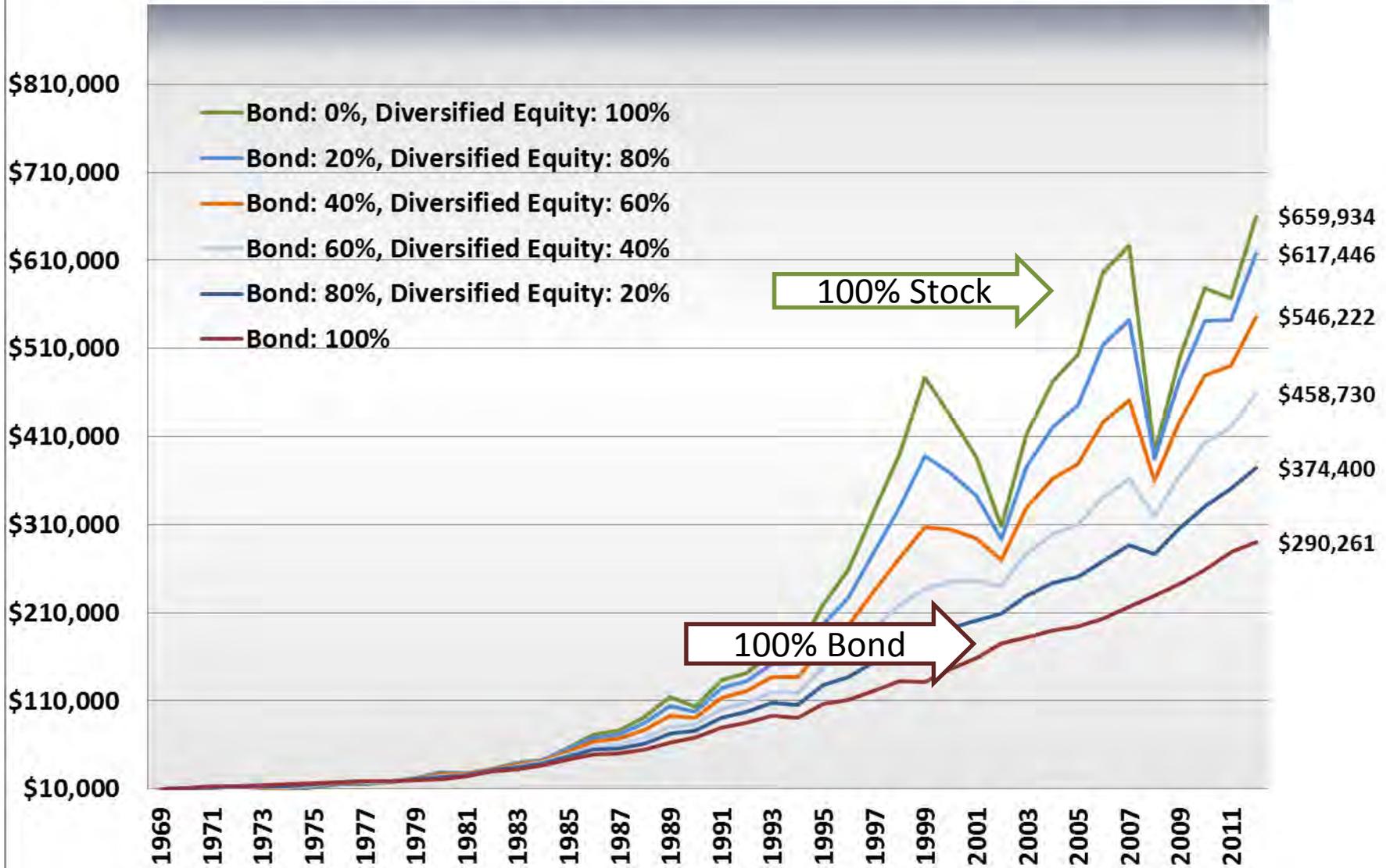
Stocks: Equities for growth potential-great risk of fluctuations in share price. Equity investments can be classified as small, mid or large-cap. They can also be classified as either value or growth.

Bonds: Fixed-income investments to pursue income-potential changes in interest rates may impact principal

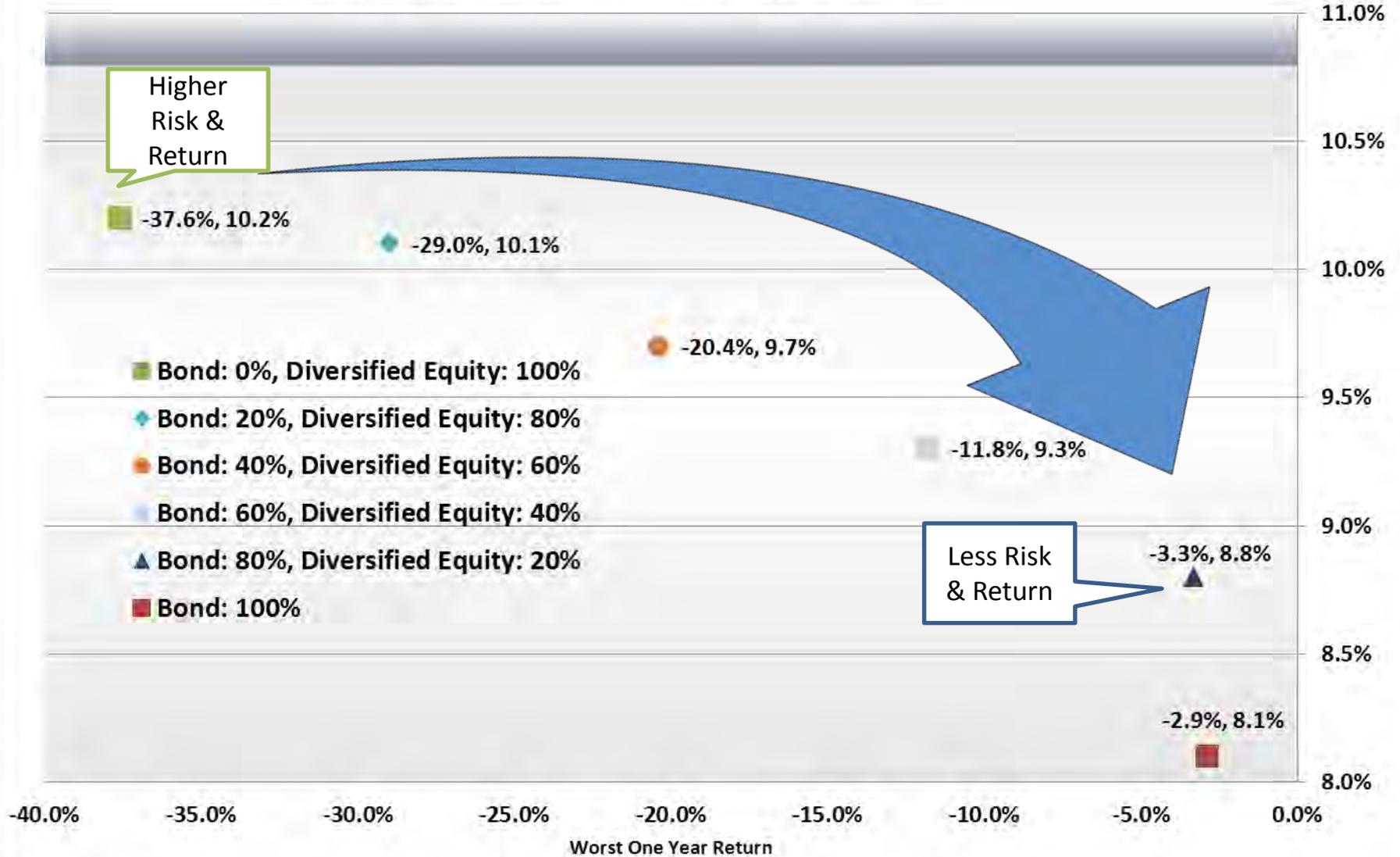
Money Markets/Capital Preservation Investment: Available cash to fund payouts



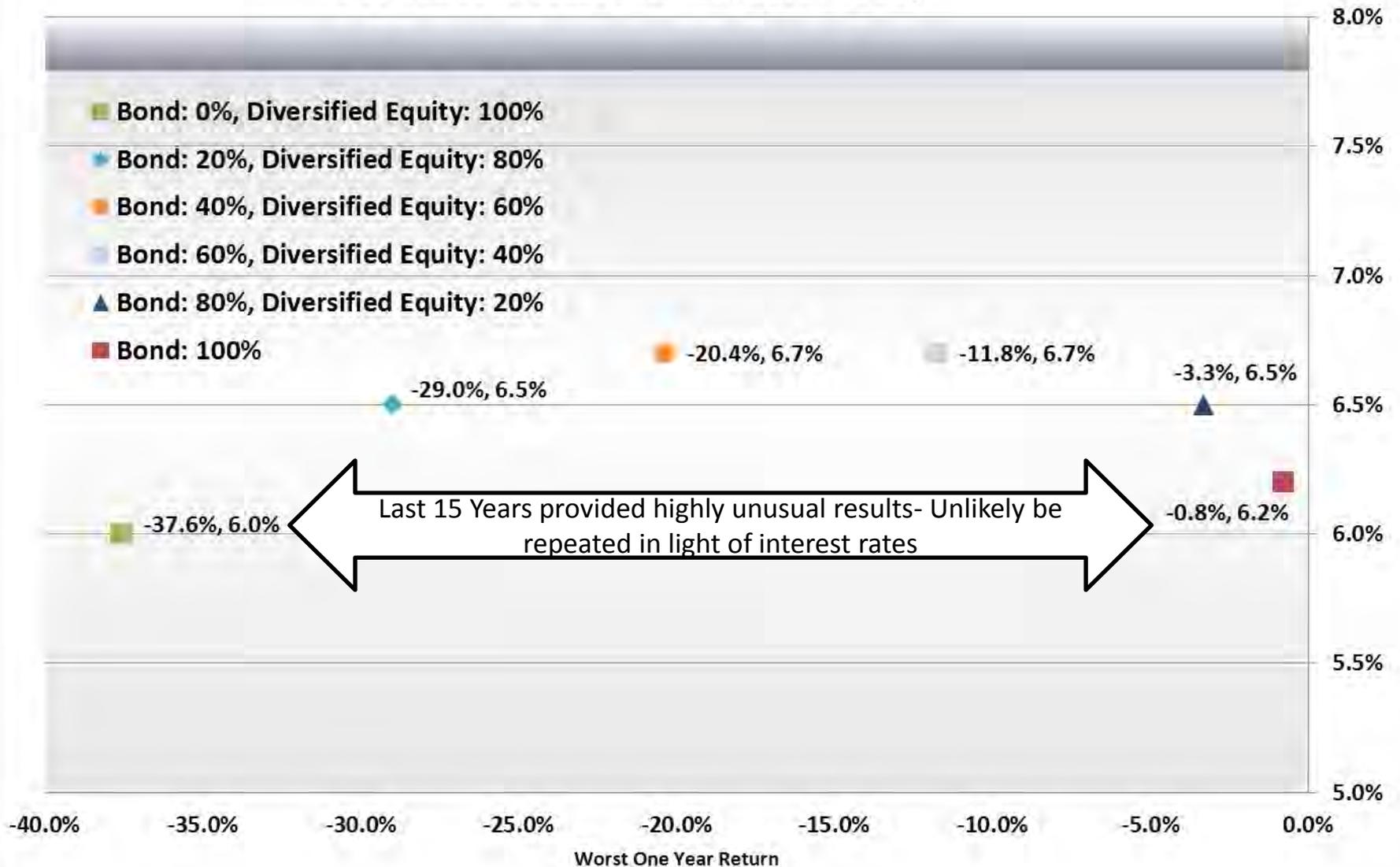
1970-2012 Analysis of Different Investment Options



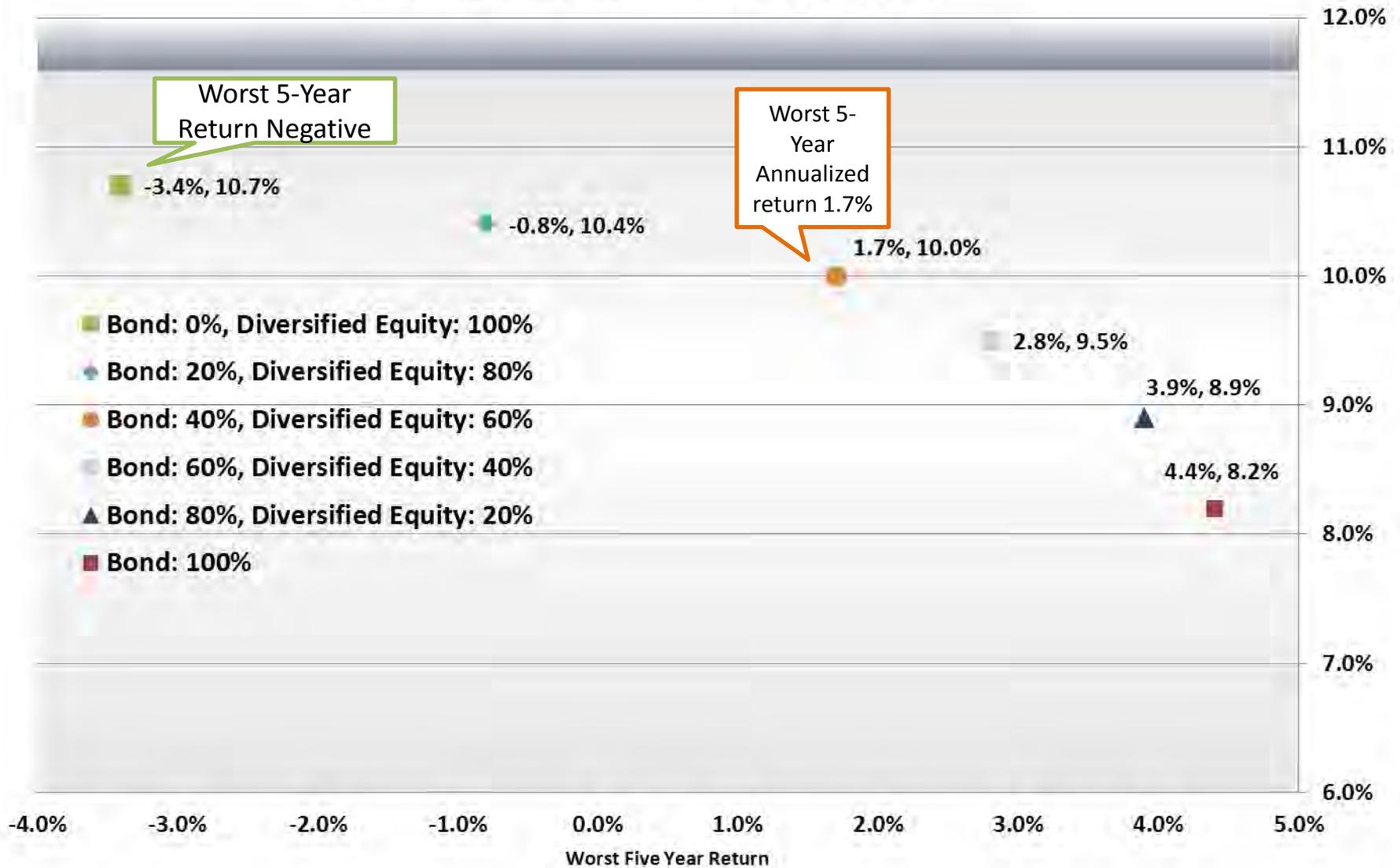
Worst One-Year Returns and Annualized Returns For Different Allocations (1970-2012)



Worst One-Year Returns and Annualized Returns For Different Allocations (1997-2012)



Worst Five-Year Returns and Avg. Five-Year Returns For Different Allocations (1970-2012)



Investment Policy Statement

THE BLUEPRINT FOR THE INVESTMENT PORTFOLIO



Investment Policy Statement

- *Document that outlines the general rules for the portfolio*
- *Establishes duties and responsibilities for Board of Trustees, Custodian, Investment Manager*
- *Stated Investment Objective*
- *Time Horizon & Anticipated Liquidity Needs*
- *Asset Allocation Guidelines & Permissible Investments*
- *Benchmarks listed for relevant portfolio performance reviews*

Due Diligence Reports

DOTTING YOUR I'S AND CROSSING YOUR T'S



Quarter End Values of Diversified Holdings					Expense Ratio	Quarterly Underlying Expenses of Diversified Holdings				
	9/30/2012	12/31/2012	3/31/2013	6/30/2013		9/30/2012	12/31/2012	3/31/2013	6/30/2013	
ETF 1	\$ 37,842	\$ 39,158	\$ 38,136	\$ 30,702.00	0.59%	\$ 56	\$ 58	\$ 56	\$ 45	
ETF 2	\$ 45,584	\$ 45,440	\$ 45,616	\$ 41,840.00	0.52%	\$ 59	\$ 59	\$ 59	\$ 54	
ETF 3	\$ 44,262	\$ 48,240	\$ 52,848	\$ 51,570.00	0.52%	\$ 58	\$ 63	\$ 69	\$ 67	
ETF 4	\$ 40,626	\$ 44,460	\$ 44,046	\$ 44,460.00	0.51%	\$ 52	\$ 57	\$ 56	\$ 57	
ETF 5	\$ -	\$ -	\$ -	\$ -	0.38%	\$ -	\$ -	\$ -	\$ -	
ETF 6	\$ 132,500	\$ 142,150	\$ 147,450	\$ 143,250.00	0.34%	\$ 113	\$ 121	\$ 125	\$ 122	
ETF 7	\$ 128,880	\$ 137,250	\$ 139,080	\$ 132,660.00	0.18%	\$ 58	\$ 62	\$ 63	\$ 60	
ETF 8	\$ -	\$ -	\$ 30,027	\$ 27,156.50	0.18%	\$ -	\$ -	\$ 14	\$ 12	
ETF 9	\$ 375,480	\$ 379,431	\$ 424,935	\$ 436,500.00	0.23%	\$ 216	\$ 218	\$ 244	\$ 251	
ETF 10	\$ 132,360	\$ 133,545	\$ 149,880	\$ 154,410.00	0.10%	\$ 33	\$ 33	\$ 37	\$ 39	
ETF 11	\$ -	\$ -	\$ 44,323	\$ 86,768.00	0.12%	\$ -	\$ -	\$ 13	\$ 26	
Mutual Fund 1	\$ 398,512	\$ 401,522	\$ 408,513	\$ 404,299.00	0.46%	\$ 458	\$ 462	\$ 470	\$ 465	
Mutual Fund 2	\$ 201,176	\$ 205,189	\$ 208,992	\$ 224,689.00	0.45%	\$ 226	\$ 231	\$ 235	\$ 253	
			Underlying Expenses (by quarter)			\$ 1,329	\$ 1,363	\$ 1,442	\$ 1,450	
			Portfolio Ending Value (by quarter)			\$ 5,100,000	\$ 5,200,000	\$ 5,600,000	\$ 5,500,000	
Date	Management Fee				Commissions/Trade Service					
9/25/12	\$ 5,104.13				3rd Quarter 2012					
12/28/12	\$ 5,259.42				4th Quarter 2012					
3/26/13	\$ 5,403.98				1st Quarter 2013					
6/25/2013	\$ 5,398.64				2nd Quarter 2013					
	\$ 21,166.17				Total					
					INVESTMENT PERFORMANCE					
					MANAGEMENT FEE					
					TRADING FEES					
					UNDERLYING EXPENSES					
					TOTAL FEE					
					FEE AS % OF AVG. MKT. VALUE					

PENSION & RELIEF FUND INVESTMENT POLICY COMPLIANCE REPORT

WV Code Section 8-22-22, 8-22-22a

	In Compliance	Current Value
6/30/2013		
*Equity Allocation 40%-60%	Yes	56.15%
*Mutual Funds registered by SEC with assets in excess of \$300 million	Yes	\$0.45B
*Maximum of 60% of the portfolio invested in equity mutual funds	Yes	12.14%
Maximum of 75% of the portfolio in equity investments	Yes	56.15%
Maximum of 30% of the portfolio in international securities	Yes	8.42%
Maximum 5% of the portfolio in equity security of any single company unless S&P 500 weighting is higher	Yes	1.26%
*Large-Cap 30%-50%	Yes	37.18%
*Small-Cap 5%-20%	Yes	10.55%
*International 5%-20%	Yes	8.42%
*Fixed Income Allocation 40%-60%	Yes	43.25%
*Direct Obligation of United States	N/A	N/A
*Debt issued by United States government agency	Yes	1.34%
*Debt issued by the federal national mortgage association	Yes	1.30%
*Debt secured by first lien deed of trust or mortgage of WV property	N/A	N/A
*Debt issued by the state of West Virginia	Yes	1.39%
*Undivided interests in trusts (mortgages) within the state of WV, rated in top 3	N/A	N/A
*Debt issued by private corporations rated in top 3 or if due in 1 year rated in top 2	Yes	22.17%
*Bank CDs due in less than 1 year	N/A	N/A
*Interest earning deposits with state depository	N/A	N/A
*Mutual Funds registered by SEC with assets in excess of \$300 million	Yes	13.13%
*Maximum of 75% of the portfolio in debt issued by private corporations	Yes	22.17%
*Maximum of 20% of the portfolio in debt issued by private corporations due 1 year	Yes	1.37%
*Maximum of 9% of the portfolio in a single debt issue of private corporation	Yes	2.47%
Other Restrictions		
Maximum cash of 90 days	N/A	N/A
Maximum 25% of the assets in real estate equity investments	Yes	0.63%
Security purchases limited to security types as listed and approved by Board with annual reviews	Yes	N/A
Rebalance at least annually	Yes	3/23/2013
Reaffirm policy annually with consideration given to: Pres. Of Capital, Diversification, Risk Tolerance, Rate of Return, Stability, Turnover, Liquidity, Reasonable cost of fees	Yes	N/A
No alternative investments	Yes	N/A
Independent Performance Evaluation at least annually, compare to other funds	Yes	3/31/2013
Full disclosure of fees on quarterly basis to Trustees and to oversight board	Yes	0.55%
*Investment Policy Additions that comply with but are not part of WV Code		

Conclusion

QUESTIONS?



Disclosures

- Indices used to construct past risk and return profile: Barclays Capital Agg. Bond, S&P 500, Russell 2000, MSCI EAFE
- Past performance is no guarantee of future returns
- The information in this report is believed to be reliable but is not guaranteed
- Investments are not FDIC Insured
- Investments may lose value
- Investments provide no bank guarantee
- Investments are not deposit products