WEST VIRGINIA CODE: §8-22-22A

§8-22-22a. Restrictions on investments; diversification of investments; disclosure of fees and costs.

(a) Moneys invested as permitted by section twenty-two of this article and not invested with the West Virginia Investment Management Board or the Board of Treasury Investments are subject to the following restrictions and conditions contained in this section:

(1) The board of trustees of each fund shall diversify fund investment so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so.

(2) The board shall hold in equity investments no more than seventy-five percent of the total pension assets managed by the board.

(3) The board shall hold in international securities no more than thirty percent of the total pension assets managed by the board.

(4) The board may not at the time of purchase hold more than five percent of the assets managed by the board in the equity securities of any single company or association.

(5) The board may purchase any security trading on the New York Stock Exchange, the American Stock Exchange and the NASDAQ over-the-counter market for its pension portfolio unless it is otherwise restricted by this section. No more than twenty-five percent of the board's total retirement plan assets may be invested in any one industry.

(6) The board shall annually review, establish and modify, if necessary, the board's investment objectives and investment policy so as to provide for the financial security of the trust funds giving consideration to the following:

(A) Preservation of capital;

(B) Diversification;

(C) Risk tolerance;

(D) Rate of return;

(E) Stability;

(F) Turnover;

(G) Liquidity; and

(H) Reasonable cost of fees.

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(7) The board is expressly prohibited from investing in any class, style or strategy of alternative investments, including a real estate investment trust, private equity fund such as a venture capital, private real estate or buy-out fund; commodities fund; distressed debt fund; mezzanine debt fund; hedge fund; or fund consisting of any combination of private equity, distressed or mezzanine debt, hedge funds, private real estate, commodities and other types and categories of investment permitted under this article unless the investments satisfy all of the following:

(A) A professional third-party fiduciary investment adviser registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940, as amended, recommends the investment;

(B) The board or a committee designated by the board approves the investment;

(C) The total maximum alternative investment exposure of all strategies in this subdivision may not be more than twenty-five percent of the total pension portfolio at any time;

(D) The total maximum alternative investment exposure of a single fund strategy in this subdivision may not be more than ten percent of the total pension portfolio at any time; and

(E) The board requires that all of the plan assets be invested in liquid securities that are defined as securities that can be transacted quickly and efficiently for the plan, priced daily and settled within five business days.

(8) Notwithstanding the investment limitations set forth in this section, it is recognized that the assets managed by the board may temporarily exceed the investment limitations in this section due to market appreciation, depreciation and rebalancing limitations. Accordingly, the limitations on investments set forth in this section shall not be considered to have been violated if the board rebalances the assets it manages to comply with the limitations set forth in this section at least once every twelve months based on the latest available market information and any other reliable market data that the board considers advisable to take into consideration.

(9) The board shall hold in fixed income and cash equivalent investments no less than twenty-five percent and no more than seventy-five percent of total pension assets. No more than five percent may be held in one issuer or twenty-five percent in one industry: Provided, That the board may exceed this limitation if the investments are held in United States securities.

(10) Fixed income securities shall be of generally high quality and have a quality rating of "B-" or better by Moody's, Standard & Poor's, or other recognized agency, unless held by a registered investment advisor and governed by prospectus. The total fixed income portfolio shall have an average Standard & Poor's quality rating of at least "A-". For registered mutual funds, the prospectus of the fund will govern the investment policies of the fund investments.

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(11) The maximum maturity for any fixed income securities is thirty years. The weighted average portfolio maturity of all fixed income securities may not exceed ten years.

(12) The board is authorized in its sole discretion to invest and reinvest any funds received by it in the following fixed income securities:

(A) Obligations issued by the U. S. government, its agencies and instrumentalities;

(B) Obligations of foreign governments and their subdivisions, agencies and government-sponsored enterprises;

(C) Obligations of international agencies or supranational entities;

(D) Mortgage-related and other asset-backed securities;

(E) Corporate debt securities, including convertible securities and corporate commercial paper;

(F) Inflation-index bonds issued by corporations;

(G) Bank certificates of deposit, fixed time deposits and bankers acceptances; and

(H) Debt securities, issued by states or local governments and their agencies, authorities and other instrumentalities.

(13) The board is authorized in its sole discretion to invest and reinvest any funds received by it in the following cash and cash equivalents:

(A) Treasury bills;

(B) Money market funds;

(C) Short-term investment funds;

(D) Commercial paper;

(E) Bankers' acceptances;

(F) Repurchase agreements; and

(G) Certificates of deposit.

(14) Investments in cash equivalents shall be of the highest quality and , if rated, shall be ranked at least A2/P2 or higher.

(b) The board of trustees of each fund shall obtain an independent performance evaluation of the funds at least annually and the evaluation shall consist of comparisons with other funds

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having similar investment objectives for performance results with appropriate market indices; and

(c) Each entity conducting business for each pension fund shall fully disclose all fees and costs of investing conducted on a quarterly basis to the trustees of the fund and to the oversight board in the manner directed by the oversight board. Entities conducting business in mutual funds for and on behalf of each pension fund shall timely file revised prospectus and normal quarterly and annual Securities and Exchange Commission reporting documents with the board of trustees of each pension fund.

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