

Agenda
March 30, 2006
William Green Building, Level 2, Room 3
11:00 A.M.

- Approval of previous meeting minutes William Sopko
- Chairman's Comments William Sopko
- Administrator's Comments Bill Mabe
- CFO Financial Statement Review Tracy Valentino
- Audit Committee Update Denise Farkas
- Investment Committee Update Mike Koettters
 - 1. Portfolio Performance Review..... Mike Koettters/Mark Brubaker
 - 2. Private Equity Asset Recommendation, first consideration, possible vote..... Mike Koettters/Mark Brubaker
 - 3. DRAFT Investment Policy, first consideration, possible vote..... Mike Koettters/Mark Brubaker
 - 4. DRAFT Investment Committee Charter – first consideration, possible vote..... Mike Koettters/Mark Brubaker

Rules

- 1. Self Insured Guaranty Fund Assessment Rule Revision, first consideration David Boyd
- 2. Self Insured 5 year rule review, first consideration .. David Boyd
- 3. Policy Initiation (4123-17-13 OAC), first consideration Mary Yorde and Todd Spence
- 4. Successorship Liability (4123-17-02 OAC), first consideration Mary Yorde and Todd Spence
- 5. Minimum and Maximum Reportable Payroll for Corporate Offices and Elective Coverage (4123-17-07 and 4123-17-30 OAC), first consideration Mary Yorde and Todd Spence
- 6. Minimum annual administrative charge (4123-17-26 OAC), first consideration Mary Yorde and Todd Spence

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Continued

Private Employer Rate Indication, first consideration, possible vote
..... Tracy Valentino/Liz Bravender

Public Employer State Agency (PES) Rate Indication, first consideration,
possible vote..... Tracy Valentino/Liz Bravender

Old Business

Agenda 06 Update Bill Mabe

New Business

Legislative Update Sen. Eric Fingerhut

Adjourn William Sopko



Ohio Bureau of Workers' Compensation

Executive Summary of Investment Performance

December 31, 2005

Table of Contents

I. Performance by Fund

II. Performance by Asset Class

III. Investment Manager Performance by Type

IV. Alternative Investment Performance

Fund Performance

	Mkt. Value (\$000)	% Comp	1 Month	1 Quarter	2 Quarters
State Insurance Fund	14,772,849	91.7%	1.3 %	2.0 %	4.9 %
<i>Custom Policy</i>			<i>1.1</i>	<i>1.4</i>	<i>3.3</i>
Coal Workers Pneumoconiosis	223,491	1.4%	0.8	1.2	1.9
Disabled Workers Relief Fund	1,067,337	6.6%	0.7	0.5	1.0
Marine Industry Fund	14,458	0.1%	0.7	2.5	2.3
Public Workers Relief Fund	20,016	0.1%	1.0	0.8	1.5
Self Insured Funds	19,274	0.1%	0.4	1.0	1.8
<i>Lehman Intermediate Gov't/Credit</i>			<i>1.0</i>	<i>0.6</i>	<i>-0.4</i>
Ohio Bureau of Workers' Comp.	16,117,425	100.0%	1.3	1.9	4.6

*All performance returns are calculated net of manager fees and expenses

Custom Policy Weights:

Standard & Poor's 500 Index	29.0%
MSCI EAFE Index	11.0%
Lehman Aggregate Bond Index	57.0%
91-Day T-Bill	3.0%



Asset Class Performance – State Insurance Fund

	Mkt. Value (\$000)	% Comp	1 Month	1 Quarter	2 Quarters
Domestic Equity Composite <i>DJ Wilshire 5000 Index</i>	4,709,224	31.9%	0.3 % <i>0.1</i>	1.7 % <i>2.2</i>	6.2 % <i>6.3</i>
International Equity Composite <i>MSCI EAFE (N)</i>	2,315,756	15.7%	4.9 <i>4.7</i>	4.4 <i>4.1</i>	15.9 <i>14.9</i>
Domestic Fixed Income Composite <i>Lehman Aggregate Bond Index</i>	7,282,668	49.3%	0.9 <i>1.0</i>	0.6 <i>0.6</i>	0.3 <i>-0.1</i>
Short Term Investment Fund <i>91 Day T-Bill</i>	33,250	0.2%	0.4 <i>0.3</i>	1.0 <i>0.9</i>	1.9 <i>1.8</i>
Alternative Investment Composite	431,950	2.9%	Please see p. 20 for alternative investment internal rate of return performance		
State Insurance Fund Composite <i>Custom Policy</i>	14,772,849	100.0%	1.3 <i>1.1</i>	2.0 <i>1.4</i>	4.9 <i>3.3</i>

*All performance returns are calculated net of manager fees and expenses

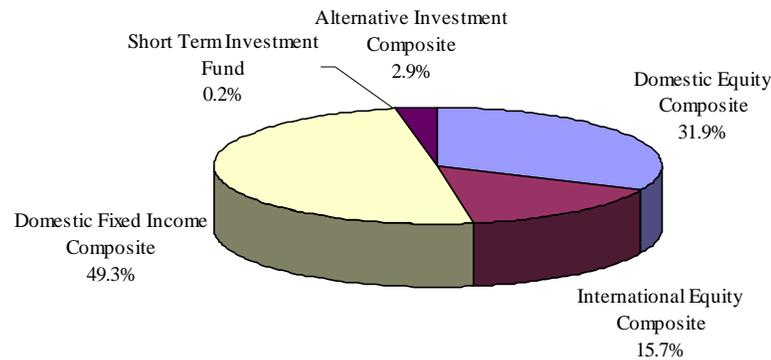
Custom Policy Weights:

Standard & Poor's 500 Index	29.0%
MSCI EAFE Index	11.0%
Lehman Aggregate Bond Index	57.0%
91-Day T-Bill	3.0%

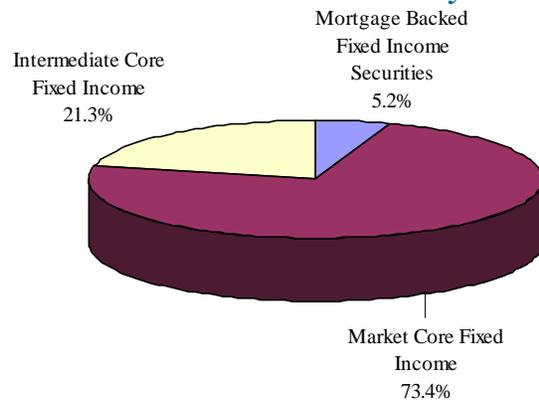


Asset Class / Style Distribution – State Insurance Fund

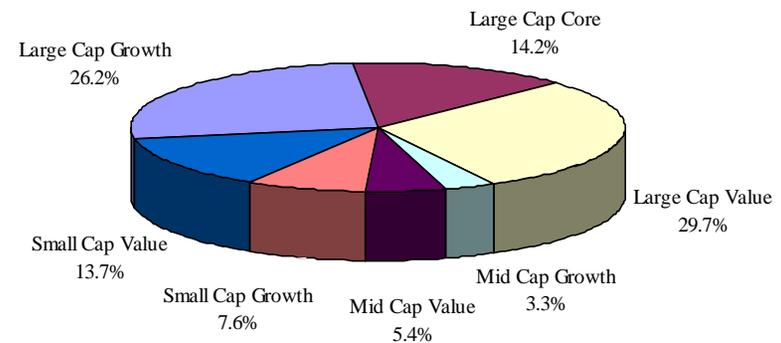
Asset Class



Fixed Income Style



Domestic Equity Style



Market Core Fixed Income

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Piedmont Investment Advisors, LLC*	11,092	0.8 %	0.3 %	-0.3 %
 Advent Capital Management	16,017	1.0	2.6	5.4
 Alliance Capital	375,772	0.9	0.5	-0.5
 Blaylock Abacus Financial Group, Inc.	14,704	0.9	0.3	-0.3
 John Hancock Advisers, LLC.	1,379,654	1.1	0.7	0.0
 LM Capital Group, LLC	149,740	0.8	0.3	-0.4
 Morgan Stanley Investments LP	791,749	1.0	0.7	0.8
 Prima Capital Advisors	511,840	0.4	0.7	1.4
 Reams Capital Management, LLC	215,549	0.6	0.0	1.5
 Wasmer, Schroeder and Company, LLC	11,092	0.8	0.3	-0.5
 Western Asset Management	1,558,964	1.0	0.4	-0.1
 SSgA Passive Bond MRT CTF	304,757	1.0	--	--
 BWC - Index Fund 1010	7,484	0.4	1.0	4.5
 <i>Lehman Aggregate Bond Index</i>	--	1.0	0.6	-0.1

*All performance returns are calculated net of manager fees and expenses

*Piedmont is the only fixed income manager assigned to tranche #2 due to its early resignation.

 Tranche #1	 Tranche #3	 Tranche #5
 Tranche #2	 Tranche #4	 Tranche #6
 Other/Outside Transition	 Indices	



Intermediate Core Fixed Income

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Banc One Managed 1030	1,038,728	0.7 %	0.7 %	0.4 %
 Fairport Asset Management, LLC	20,711	0.6	0.3	-0.4
 Holland Capital Management	60,092	0.6	0.4	-0.3
 Hughes Capital Management	183,031	0.6	0.6	0.0
 Taplin, Canida & Habacht	251,366	0.8	0.8	0.9
 <i>Lehman Intermediate Aggregate Index</i>	--	0.8	0.6	0.2

*All performance returns are calculated net of manager fees and expenses

 Tranche #1	 Tranche #3	 Tranche #5
 Tranche #2	 Tranche #4	 Tranche #6
 Other/Outside Transition	 Indices	



Mortgage Backed Fixed Income Securities

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Blackrock	229,616	0.8 %	0.7 %	-0.5 %
 Pugh Capital Management	30,836	0.9	0.5	0.2
 Smith Graham Management	119,873	0.7	0.3	-1.3
 <i>Lehman Mortgage Index</i>	--	1.0	0.6	0.5

*All performance returns are calculated net of manager fees and expenses

 Tranche #1	 Tranche #3	 Tranche #5
 Tranche #2	 Tranche #4	 Tranche #6
 Other/Outside Transition	 Indices	



Large Cap Growth/Core Equity

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Apex Capital Management, Inc.	6,381	-0.3 %	2.0 %	5.4 %
 Bahl & Gaynor Investment Counsel	13,011	-0.9	0.7	3.0
 Delancey Capital Group	23,230	-0.7	2.4	5.5
 Gratry & Company	35,193	4.2	4.8	18.9
 Gries Financial LLC	16,529	-0.2	3.2	6.8
 ING Investment Management - Aeltus	916,138	0.4	3.3	8.9
 Lakepoint Investment Partners	12,304	0.6	2.6	3.7
 Lazard Asset Management	19,191	0.2	4.2	9.4
 Lynmark Capital Group, Inc	13,210	0.4	1.6	12.1
 New Amsterdam Partners, LLC.	77,120	0.1	1.1	4.4
 Rutland Dickson Asset Management	25,476	-0.6	2.3	3.9
 Swarthmore Group	76,169	1.0	3.4	11.1
 <i>DJ Wilshire Large Growth Index</i>	--	-0.1	3.1	8.3
 SSgA S&P 500 Index CTF	670,105	-3.0	--	--
 <i>Standard & Poor's 500 Index</i>	--	0.0	2.1	5.8

*All performance returns are calculated net of manager fees and expenses

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 Other/Outside Transition	 Indices	



Large Cap Value Equity

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Charter Financial Group	31,554	-0.2 %	3.9 %	8.7 %
 CIC Asset Management	41,425	0.0	2.1	7.1
 Dana Investment Advisors, Inc.	14,731	0.8	2.1	9.0
 Edgar Lomax Company	280,539	0.7	2.3	4.1
 Nottinghill Investment Advisers, Ltd.	6,225	-0.3	3.1	6.2
 Paradigm Asset Management	257,094	1.1	2.3	8.0
 Putnam Advisory Company, Inc	359,093	0.8	1.7	5.2
 Sturdivant & Company, Inc.	62,841	0.8	2.4	5.6
 Union Heritage Capital Management	35,575	1.3	2.6	1.9
 Victory Capital Management Inc.	308,219	1.0	4.0	9.1
 <i>DJ Wilshire Large Value Index</i>	--	0.3	1.6	4.4

*All performance returns are calculated net of manager fees and expenses

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 Tranche #2	 Tranche #4	 Tranche #6
 Other/Outside Transition	 Indices	



Mid Cap Growth/Value Equity

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 JPMorgan Investment Management, Inc.	76,869	0.6 %	3.8 %	7.4 %
 Putnam Advisory Company, Inc.	76,457	0.9	2.0	11.1
 <i>DJ Wilshire Mid Growth Index</i>	--	1.1	4.1	11.8

*All performance returns are calculated net of manager fees and expenses

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Eubel Brady & Suttman Asset Management	188,805	1.4 %	-2.1 %	-1.2 %
 James Investment Research, Inc.	64,082	1.0	0.1	11.9
 <i>DJ Wilshire Mid Value Index</i>	--	0.7	1.0	5.4

*All performance returns are calculated net of manager fees and expenses

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 Tranche #2	 Tranche #4	 Tranche #6
 Other/Outside Transition	 Indices	



Small Cap Growth Equity

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Cordillera Asset Management	25,573	0.4 %	3.5 %	4.7 %
 Fortaleza Asset Management, Inc.	6,606	-0.3	0.7	7.2
 Great Northern Asset Management, Inc.	38,159	-2.0	5.7	12.6
 GW Capital, Inc.	61,158	-1.0	-2.4	8.0
 Quantum Legacy Capital Management, LLC	6,828	-0.1	-8.7	0.9
 Renaissance Investment Management	14,846	-0.6	0.2	-1.9
 Riverbridge Partners LLC	6,929	-0.3	3.4	10.9
 UBS Global Asset Management, Inc	100,599	0.4	1.0	6.2
 Veredus Asset Management	97,826	-1.4	1.6	5.1
 <i>DJ Wilshire Small Growth Index</i>	--	0.5	2.5	8.7

*All performance returns are calculated net of manager fees and expenses

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Small Cap Value Equity

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 Ariel Capital Management	257,417	-2.5 %	-2.5 %	-0.7 %
 Buckhead Capital	16,070	0.8	1.4	4.1
 Daruma Asset Management, Inc.	74,798	-1.3	-0.2	6.5
 Ironwood Capital Management, LLC	15,805	1.3	2.0	8.0
 Loomis Sayles & Co., L.P.	141,953	0.0	1.8	7.5
 Opus Capital Management, Inc.	33,468	0.0	0.8	4.4
 Penn Capital Management Co., Inc.	19,058	-0.4	1.7	6.3
 R. Meeder & Associates	70,210	1.4	0.8	5.1
 Tamro Capital Partners LLC	14,356	-1.0	-0.1	5.0
 <i>DJ Wilshire Small Value Index</i>	--	-0.3	0.9	5.4

*All performance returns are calculated net of manager fees and expenses

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International Equity

	Mkt. Value (\$000)	1 Month	1 Quarter	2 Quarters
 ING Investment Management	127,805	5.4 %	5.4 %	18.1 %
 Capital Gaurdian	298,623	6.3	7.7	20.5
 Clay Findlay	254,146	5.9	6.8	18.3
 Invesco Global	415,668	3.8	3.3	12.4
 Perigee (aka Legg Mason)	166,527	3.9	0.5	16.6
 Simms Capital Asset Management	29	--	--	--
 Lombard Odier	8,630	-2.7	-4.2	6.4
 Montgomery Int'l	18	0.2	-0.8	-0.8
 Oeschle	1,054	-12.2	-28.2	22.0
 Putnam Institutional	1,878	-4.2	-3.3	7.4
 Societe General Investment Management	286,461	5.1	4.3	17.2
 State Street Global	754,915	4.8	4.3	--
 <i>MSCI EAFE (n)</i>	--	4.7	4.1	14.9

*All performance returns are calculated net of manager fees and expenses

 Tranche #1	 Tranche #3	 Tranche #5
 Tranche #2	 Tranche #4	 Tranche #6
 Other/Outside Transition	 Indices	



Alternative Investment Performance

September 30, 2005



Composite Level Totals

Fund Type	BWC Commitment	BWC Contributions to Date ¹	Market Value as of 9/30/05	Internal Rate of Return
Buyout Fund Total	\$285,000,000	\$157,864,125	\$134,762,319	11.20%
Fund-of-Funds Total	\$100,000,000	\$61,872,292	\$48,999,810	0.88%
Mezzanine Total	\$60,000,000	\$55,739,877	\$50,139,436	15.48%
Venture Capital Total	\$368,450,000	\$186,748,628	\$134,105,381	-7.33%
Total	\$813,450,000	\$462,224,922	\$368,006,946	5.98%

¹BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.



Buyout Funds

Fund Type	Fund Name	Type	Vintage Year	BWC Commitment	BWC Contributions to Date ¹	Market Value as of 9/30/05	Internal Rate of Return
Buyout Fund Total				\$285,000,000	\$157,864,125	\$134,762,319	11.20%
Brantley Partners	Brantley Partners IV, LP	Buyout	1999	\$15,000,000	\$12,684,411	\$14,245,586	8.80%
ABS Capital Partners	ABS Capital Partners IV, LP	Buyout	2000	\$15,000,000	\$12,322,215	\$12,278,314	15.45%
Behrman Capital	Behrman Capital III, LP	Buyout	2000	\$20,000,000	\$14,559,175	\$11,510,642	-1.91%
Blue Point Capital Partners	Blue Point Capital Partners, LP	Buyout	2000	\$10,000,000	\$7,505,514	\$6,020,709	8.90%
Carlyle Group	Carlyle Partners III, LP ²	Buyout	2000	\$15,000,000	\$15,740,763	\$14,944,710	20.09%
Fremont Partners	Fremont Partners III, LP ²	Buyout	2000	\$15,000,000	\$6,139,262	\$1,885,676	18.17%
Halpern, Denney & Co.	Halpern Denny Fund III, LP	Buyout	2000	\$20,000,000	\$17,600,000	\$10,346,739	3.41%
Rosemont Investment Partners	Rosemont Partners I, LP	Buyout	2000	\$5,000,000	\$4,533,354	\$3,092,441	-0.68%
Quad C Advisors	Quad-C Partners VI, LP	Buyout	2001	\$15,000,000	\$8,478,395	\$14,229,572	45.20%
Castle Harlan Inc.	Castle Harlan Partners IV, LP	Buyout	2002	\$15,000,000	\$8,481,169	\$5,693,377	-0.13%
Wind Point Partners	Wind Point Partners V, LP	Buyout	2002	\$10,000,000	\$6,713,765	\$5,784,512	5.28%
Freeman Spogli & Co.	FS Equity Partners V, LP	Buyout	2003	\$15,000,000	\$5,590,951	\$4,287,071	3.54%
Kirtland Capital Corporation	Kirtland Capital Partners IV, LP	Buyout	2003	\$5,000,000	\$2,422,450	\$1,676,343	-20.26%
Levine Leichtman Capital Partners	Levine Leichtman Capital Partners III LP	Buyout	2003	\$15,000,000	\$9,601,402	\$3,186,063	2.68%
Sterling Partners	Sterling Capital Partners, LP ²	Buyout	2003	\$15,000,000	\$5,430,934	\$8,161,577	12.55%
Thayer Capital Partners	Thayer Equity Investors V, L.P.	Buyout	2003	\$15,000,000	\$14,409,038	\$13,066,784	29.92%
Carlyle Group	Carlyle Partners IV, LP ²	Buyout	2004	\$20,000,000	\$1,605,357	\$637,631	0.00%
MCM Capital Partners	MCM Capital Partners II, LP	Buyout	2004	\$5,000,000	\$468,934	\$324,884	-77.81%
Rosemont Investment Partners	Rosemont Partners II, LP	Buyout	2004	\$10,000,000	\$1,827,036	\$1,473,125	-65.74%
ABS Capital Partners	ABS Capital Partners V, LP	Buyout	2005	\$20,000,000	\$0	NA	NA
Harbourvest Partners	HarbourVest Partners VII - Buyout Partnership	Buyout	2003-2005	\$10,000,000	\$1,750,000	\$1,916,563	18.66%

¹ BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

² Values for Carlyle Partners III, Fremont Partners, Sterling Capital, and Carlyle Partners IV calculated in whole or in part using data from BWC's QED system due to a lack of complete data provided directly by the general partner.



Fund-of-Funds and Mezzanine Funds

Firm Name	Fund Name	Type	Vintage Year	BWC Commitment	BWC Contributions to Date ¹	Market Value as of 9/30/05	Internal Rate of Return
Fund-of Funds Total				\$100,000,000	\$61,872,292	\$48,999,810	0.88%
INVESCO Private Capital	Chancellor V, LP	Fund of Funds	2000	\$20,000,000	\$16,938,542	\$8,539,031	-12.15%
Lexington Partners	Lexington Capital Partners V, LP	Fund of Funds	2002	\$20,000,000	\$14,726,630	\$13,033,287	26.16%
Peppertree Partners	The Peppertree Fund, LP	Fund of Funds	2000-2001	\$10,000,000	\$6,913,674	\$5,162,707	3.52%
Fort Washington Capital Partners	Fort Washington Private Equity Investors III ²	Fund of Funds	2000-2003	\$15,000,000	\$10,161,729	\$10,172,647	0.65%
INVESCO Private Capital	INVESCO Venture Partnership Fund III, LP	Fund of Funds	2000-2004	\$12,000,000	\$6,722,606	\$5,168,393	-6.70%
INVESCO Private Capital	INVESCO US Buyout & Expansion Capital Fund III	Fund of Funds	2001-2003	\$8,000,000	\$3,108,597	\$3,426,120	13.43%
Fort Washington Capital Partners	Fort Washington Private Equity Investors IV	Fund of Funds	2003-2005	\$15,000,000	\$3,300,515	\$3,497,625	25.26%
Mezzanine Total				\$60,000,000	\$55,739,877	\$50,139,436	15.48%
Smith Whiley & Company	SW Pelham Fund II, L.P. ²	Mezzanine	1998	\$10,000,000	\$9,216,584	\$8,430,804	16.00%
ABRY Partners	ABRY Mezzanine Partners, LP	Mezzanine	2001	\$5,000,000	\$5,302,595	\$3,060,957	9.99%
TCW/Crescent Mezzanine	TCW/Crescent Mezzanine Partners III, LP ²	Mezzanine	2001	\$15,000,000	\$10,772,896	\$6,054,943	34.85%
Babson Capital Management, LLC	Tower Square Capital Partners, LP	Mezzanine	2002	\$10,000,000	\$9,414,145	\$7,170,077	9.24%
Smith Whiley & Company	SW Pelham Fund, L.P.	Mezzanine	2003	\$20,000,000	\$21,033,657	\$25,422,656	11.61%

¹ BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

² Values for Ft. Washington III, SW Pelham II, and TCW/Crescent calculated in whole or in part using data from BWC's QED system due to a lack of complete data provided directly by the general partner.



Venture Capital Funds

Firm Name	Fund Name	Type	Vintage Year	BWC Commitment	BWC Contributions to Date ¹	Market Value as of 9/30/05	Internal Rate of Return
Venture Capital Total				\$368,450,000	\$186,748,628	\$134,105,381	-7.33%
Athenian Venture Partners	Athenian Venture Partners II, LP	Venture	2000	\$17,500,000	\$15,541,278	\$6,046,360	-11.17%
Blue Chip Venture Company	Blue Chip IV, LP	Venture	2000	\$20,000,000	\$14,400,000	\$9,788,348	-16.08%
Meritech Capital Partners	Meritech Capital Partners II, LP	Venture	2000	\$11,250,000	\$8,025,000	\$6,311,391	-6.58%
Perseus-Soros Management Company	Perseus-Soros Biopharmaceutical Fund, LP	Venture	2000	\$5,000,000	\$3,836,867	\$3,193,080	8.88%
Pharos Capital Group	Pharos Capital Partners, LP	Venture	2000	\$5,000,000	\$4,700,000	\$4,426,951	2.32%
Primus Venture Partners	Primus Capital Fund V, LP	Venture	2000	\$20,000,000	\$12,830,000	\$9,241,934	-2.74%
Technology Venture Partners	Technology Venture Partners, L.P.	Venture	2000	\$16,000,000	\$5,975,000	\$4,020,027	-55.48%
Ascend Venture Group	Ascend Ventures, LP	Venture	2001	\$5,000,000	\$4,844,408	\$3,246,238	-5.57%
Axxon Capital Advisors	Axxon Capital, LP ²	Venture	2001	\$3,000,000	\$2,501,350	\$1	-29.65%
Carlyle Group	Carlyle Venture Partners II, LP ²	Venture	2001	\$25,000,000	\$23,288,721	\$14,158,070	1.53%
Edgewater Funds	Edgewater Growth Capital Partners, LP	Venture	2001	\$10,000,000	\$9,000,000	\$8,855,411	19.74%
Meritage Private Equity Funds	Meritage Private Equity II, LP	Venture	2001	\$15,000,000	\$8,255,322	\$5,795,488	-10.79%
Adena Ventures	Adena Ventures, LP	Venture	2002	\$500,000	\$275,000	\$102,589	-41.92%
Apex Venture Partners	Apex Investment Fund V, LP	Venture	2002	\$10,000,000	\$7,044,158	\$7,206,885	1.54%
Early Stage Partners	Early Stage Partners, LP	Venture	2002	\$9,000,000	\$6,259,560	\$4,973,380	-13.57%
Edison Venture Fund	Edison Venture Fund V, LP	Venture	2002	\$15,000,000	\$10,200,000	\$7,525,915	-19.59%
Buerk, Dale & Victor	Northwest Opportunity Fund, LP	Venture	2002	\$20,000,000	\$10,000,000	\$7,858,336	-15.78%
Prospector Equity Capital	Prospector Equity Capital, LP	Venture	2002	\$15,000,000	\$7,664,529	\$6,703,044	-9.53%
River Cities Capital Funds	River Cities Capital Fund III, LP	Venture	2002	\$5,000,000	\$2,681,526	\$1,609,423	-8.13%
Adams Street Partners	Adams Street V, LP ²	Venture	2003	\$8,000,000	\$3,360,000	\$2,864,268	-12.44%
Athenian Venture Partners	AVP Ohio Technology I, LP	Venture	2003	\$10,000,000	\$4,390,581	\$3,667,026	-21.55%
Athenian Venture Partners	AVP Technology II, LP	Venture	2003	\$2,200,000	\$2,200,000	\$716,297	-40.42%
MK Capital Management	MK Capital, LP	Venture	2003	\$10,000,000	\$2,500,000	\$2,066,543	-14.17%
MWV Pinnacle Management Co.	MWV Pinnacle Capital Fund, LP	Venture	2003	\$2,000,000	\$723,004	\$700,000	-3.42%
Reservoir Venture Partners	Reservoir Venture Partners, LP	Venture	2003	\$5,000,000	\$1,755,613	\$1,337,721	-13.38%
Ascend Venture Group	Ascend Ventures II, LP	Venture	2004	\$7,500,000	\$1,387,798	\$1,175,146	-28.00%
Athenian Venture Partners	Athenian Venture Partners III, LP	Venture	2004	\$25,000,000	\$308,526	\$308,526	0.00%
Charter Life Sciences	Charter Life Sciences, LP	Venture	2004	\$5,000,000	\$827,955	\$606,764	-44.15%
Draper Triangle Ventures	Draper Triangle Ventures II, LP	Venture	2004	\$5,000,000	\$481,029	\$366,594	-36.24%
EDF Ventures	EDF Ventures III, LP	Venture	2004	\$10,000,000	\$1,495,486	\$991,703	-18.44%
Seneca Partners	Seneca Health Partners, LP I	Venture	2004	\$1,500,000	\$555,000	\$555,000	0.00%
Triathlon Medical Ventures	Triathlon Medical Ventures Fund, LP	Venture	2004	\$5,000,000	\$1,461,188	\$929,468	-45.25%
Edgewater Funds	Edgewater Growth Capital Partners II, LP	Venture	2005	\$25,000,000	\$0	NA	NA
Harbourvest Partners	HarbourVest Partners VII - Venture	Venture	2003-2005	\$15,000,000	\$2,475,000	\$2,566,565	3.73%
Sema4 Inc.	Midwest Economic Opportunity Fund, LP ²	Venture	N/A	\$5,000,000	\$5,504,730	\$4,190,890	-4.31%

Page 19 ¹ BWC contributions to date reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

² Values for Axxon, Carlyle VP II, Adams St, and Midwest Opportunity calculated in whole or in part using data from BWC's QED system due to a lack of complete data provided directly by the general partner.



Transition Update- As of 3/17/06

Tranche*	Description	# of Accounts	Estimated Market Value	Completion Status	Transition Commencement Date ¹	Transition Completion Date
1	Domestic Equity	19	\$1.2 B	100%	1/9/2006	3/3/2006
2	Domestic Equity	25	\$2.7 B	100%	1/12/2006	3/3/2006
3	Intl. Equity	6	\$1.5 B	100%	1/18/2006	3/3/2006
4	Commingled Index Funds (S&P and EAFE)	2	\$1.1 B	100%	1/31/2006	3/3/2006
5	Fixed Income	19	\$6.9 B	88.99%	2/10/2006	3/31/2006 ²
6	Fixed Income (Ancillary accounts)	4	\$1.3 B	54.50%	2/21/2006	3/31/2006 ²
7	Security Distributions from LP's	1	\$1.5 M	0%	3/3/2006	3/31/2006 ²

¹Dates reflect the initiation of trading in the respective transition account.

²Estimated completion date is subject to change based on liquidity within the market.

* Investment manager performance utilizes this color code to identify accounts according to their transition tranche.



Notes to Performance Report

- All information presented is based on the records of JP Morgan Chase, the custodian bank to Ohio Bureau of Workers' Compensation.
- All rate of return information provided is net of investment management fees and expenses. Returns for periods less than one year represent unannualized figures.
- Investment manager and composite-level returns are supplied by JP Morgan Chase. Returns for the following fund components were recalculated and verified by Wilshire Associates by dollar-weighting individual account performance to arrive at composite-level performance.

Composites	Alternative Investments	Investment Funds
Domestic Fixed Income	Hedge Funds	State Insurance Fund
Domestic Equity	Coin Funds	Coal Workers Pneumoconiosis
International Equity	Mezzanine Funds	Disabled Workers Relief Fund
Short Term Inv. Fund	Buyout Funds	Marine Industry Fund
Alternative Investments	Venture Capital Funds	Public Workers Relief Fund
	Private Equity Fund of Funds	Self Insured Funds



Notes to Performance Report

- Market Values as of September 30, 2005 are based on data taken from the general partners of each fund
- Internal rates of return (IRR) presented are net of investment management fees and expenses
- IRR calculations are based on cash flow data submitted by each general partner, if available. In a few instances where general partners would not submit data or submitted incomplete data, information from Ohio Bureau of Workers' Compensation QED accounting system was utilized





To: The Ohio Bureau of Workers' Compensation Investment Committee

From: Mark E. Brubaker, CFA

Date: March 16, 2006

Re: Private Equity Declaratory Judgment

The purpose of this memo is to express Wilshire's assessment of the potential impact on the investments of the Ohio Bureau of Worker' Compensation (OBWC) resulting from the disclosure of the confidential information contained in Tabs 4 and 5 of the Ennis Knupp Private Equity Valuation Report dated December 28, 2005. The information in these sections consists of the following:

Tab 4: Meeting notes detailing telephone interviews that were conducted by Ennis Knupp + Associates with each general partnership entity with whom the OBWC is invested. These interviews took place between September 26, 2005 and November 9, 2005. The interview questions focused on each partnership's valuation methodology and guidelines, projected capital calls and any allocations to unorthodox investments such as coins, artwork, collectibles, etc.

Tab 5: Detailed statements of each partnership's individual portfolio companies that include date of investment, type of security, cost and market values and the rationale for the current market value.

The Attorney General of the State of Ohio filed for a Declaratory Judgment on behalf of the OBWC that supports the release of this information under the Freedom of Information Act (FOIA) on the basis that it does not represent "trade secrets". This disclosure, however, would pose a conflict with the OBWC and the Oversight Commission's fiduciary duty to protect the value of the assets of the OBWC.

With respect to the OBWC's private equity investments, Wilshire believes that disclosure of this confidential information, which may be considered to be "trade secrets", would likely have a detrimental impact on their value, regardless of whether the OBWC continues to hold or elects to sell these investments. If the OBWC continues to hold its existing private equity partnerships, the primary concern is that the detailed information contained in Tab 4 and 5 could be used by the portfolio companies' competitors against them in the marketplace. Its release would also have a negative impact on each company's ability to raise additional capital – a crucial element for their financial health and ultimate survival.

If the OBWC elects to sell its private equity partnerships, potential buyers would likely fear the possibility of the court agreeing with the Attorney General and reduce their offer price to reflect the potential for what they would view to be a negative outcome.

Wilshire encourages the Oversight Commission, in consideration of its fiduciary obligation to protect the value of the assets of the OBWC, to support the position of maintaining confidentiality with respect to the information contained in Tab 4 and 5 of the Ennis Knupp Private Equity Valuation Report.

The Ohio Bureau of Workers' Compensation



Statement of Investment Policy and Guidelines

DRAFT

March 30, 2006

**The Ohio Bureau of Workers' Compensation
Statement of Investment Policy and Guidelines**

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The Ohio Bureau of Workers' Compensation Statement of Investment Policy and Guidelines

I. INVESTMENT OBJECTIVES

The primary investment objective is to manage the reserve to preserve the ability of Funds to pay all disability benefits and expense obligations when due. Meeting this objective necessitates prudent risk-taking with the Funds' investments. An additional objective is to earn sufficient returns to grow the surplus over time and to keep premium payments as reasonable and predictable as possible for the benefit of the injured workers and employers of Ohio.

II. BACKGROUND

A. Purpose

This document establishes the investment policy (the "Investment Policy") for the Ohio Bureau of Workers' Compensation ("OBWC") State Insurance Fund and Ancillary Funds ("the Funds"). The Oversight Commission ("WCOC") adopts this policy in order to assist the Administrator, the Chief Financial Officer, the Chief Investment Officer and the OBWC staff in meeting investment objectives and monitoring the performance of the investment of the surplus and reserves of the Funds.

The WCOC is required to establish objectives, policies, and criteria for the administration of the investment program that include asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines, and monitor the administrator's progress in implementing the objectives, policies, and criteria on a quarterly basis. (O.R.C. 4121.12(G))

B. Fiduciary Standard

Under Ohio Revised Code Section 4123.44, the voting members of the WCOC, the Administrator of OBWC, and the Chief Investment Officer of the OBWC are trustees of the state insurance fund and fiduciaries of the Funds, which are held for the benefit of the injured workers and employers of Ohio.

All fiduciaries shall discharge their duties with respect to the Funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. (O.R.C. 4123.44)

All investment activities undertaken by, or on behalf of, the OBWC, including any investment activities performed by outside Investment Managers and General Partners, will strictly adhere to the terms of this Investment Policy, the restrictions of the Ohio Revised Code Section 4123.44 and any other applicable statutory or administrative rules. A copy of the Ohio Revised Code Section 4123.44, as amended, is attached to this Investment Policy and all aspects of this Investment Policy shall be construed and interpreted in a manner consistent with Section 4123.44.

The Ohio Bureau of Workers' Compensation Statement of Investment Policy and Guidelines

III. ROLES AND RESPONSIBILITIES

A. WCOC Responsibilities

The WCOC is the primary body charged with overseeing investment activities relating to the Funds. Its oversight functions include the duties specified below:

- i. Approve the strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving facts or situations relevant to the appropriate character of that policy.
- ii. Permit the Administrator to invest in an investment class only after the WCOC, by majority vote, opens the class in question.
- iii. Close any class of investments when it deems prudent.
- iv. Monitor and review the investment performance of the Funds on a quarterly (February, May, August and November) basis to determine achievement of goals and compliance with this Investment Policy.
- v. Advise and consent to the Administrator's hiring of the CIO.
- vi. Advise and consent to the OBWC's employment of an internal auditor, who shall report directly to the WCOC on investment matters.
- vii. Approve the selection and termination of all Investment Consultants.
- viii. Approve the development of criteria and procedures for the selection of the Investment Managers and General Partners.
- ix. Approve the final selection and funding and termination of all Investment Managers and General Partners.
- x. Approve the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.
- xi. Prohibit on a prospective basis any specific investment that the WCOC finds to be contrary to the Investment Objectives of the Funds. In the event that the WCOC determines that any activity undertaken or proposed to be undertaken pursuant to this Investment Policy is contrary to the Investment Objectives, the WCOC shall direct the Administrator to take the appropriate corrective action.
- xii. Submit a report annually on the performance and the value of each investment class to the governor, the president and minority leader of the senate, and the speaker and the minority leader of the house of representatives.

The WCOC may appoint members to an Investment Committee for the express purpose of assisting the WCOC to carry out any of the responsibilities enumerated here.

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B. OBWC Staff Responsibilities

The Chief Investment Officer shall be employed by the Administrator, with the advice and consent of the WCOC, and shall be a senior member of the OBWC staff with the primary responsibility for implementing the Investment Policy. Subject to the supervision and control of the Administrator, the Chief Investment Officer shall:

- i. Consult with and receive approval from the WCOC regarding the appropriate strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving relevant facts or situations.
- ii. Recommend permissible asset classes for investment to the WCOC.
- iii. Monitor and review the investment performance of the Funds on a monthly basis to determine achievement of goals and compliance with Investment Policy
- iv. Consult with and receive approval from the WCOC on the selection and termination of all Investment Consultants.
- v. Consult with and receive approval from the WCOC on the selection and termination of all Investment Managers and General Partners.
- vi. Consult with and receive approval from the WCOC on the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.
- vii. Implement the directives of the WCOC.
- viii. Supervise the management of each Fund's assets in accordance with this Investment Policy and the objectives and guidelines set forth herein.
- ix. Consult with and receive approval from the WCOC regarding development of criteria and procedures to be utilized to select Investment Managers and General Partners
- x. Monitor all managed assets to insure compliance with the guidelines set forth in this Investment Policy.
- xi. Monitor manager trade execution.
- xii. Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds set forth herein. The CIO may retain a third party proxy voting service or direct investment managers to vote the proxies related to securities held in their respective portfolios.
- xiii. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory obligations related thereto.
- xiv. Report to the WCOC on at least a quarterly basis regarding the performance of the portfolio and brokerage information for various time periods.
- xv. Consult with the Funds' Investment Managers on at least a quarterly basis to discuss account performance and other material information.
- xvi. Collect and review the current Form ADV of each Investment Manager and Investment Consultant on an annual basis and provide a summary report to the WCOC.

**The Ohio Bureau of Workers' Compensation
Statement of Investment Policy and Guidelines**

C. Investments Managers' Responsibilities

Each Investment Manager shall:

- i. Be a bank, insurance company, investment management company, or investment advisor as defined by the Investment Advisors Act of 1940.
- ii. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.
- iii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Investment Management Agreement and the specific portfolio guidelines contained therein.
- iv. Subject to any exceptions expressly set forth herein, Investment Managers shall be directly responsible for executing trades related to the portfolios they manage for the Funds. Investment Managers shall be responsible for seeking the best execution of trades. Any Broker used by any Investment Manager must be properly licensed.
- v. Provide monthly performance evaluation reports that comply with the Global Performance Presentation Standards (GPPS) issued by the CFA Institute.
- vi. Provide the CIO with firm's Brokerage, Soft Dollar and Trade Execution Policy on an annual basis.
- vii. Provide the CIO with a report on at least monthly basis on the trading activities of the Funds, including, but not limited to, the volume of trades and related commissions executed by each Broker.
- viii. Provide the CIO with the firm's Ethics Policy and quarterly confirmation of its compliance with said policy.
- ix. Provide the CIO with the firm's most recent Form ADV on an annual basis.
- x. Comply with the Campaign Contribution Policy and submit the Political Contribution Disclosure Statement, attached as Appendix XIII, on a quarterly basis.
- xi. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.
- xii. If directed by the Administrator and/or the Chief Investment Officer, shall promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds. Each manager designated to vote shall provide OBWC with firm's proxy voting policy on an annual basis, keep detailed records of said voting of proxies and related action and comply with all regulatory obligations related thereto.
- xiii. Report to the CIO on at least a quarterly basis on the status of the portfolio and its performance for various time periods and meet with the staff at least semi-annually to report on the economic outlook and compliance with goals and objectives.
- xiv. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy.

The Ohio Bureau of Workers' Compensation Statement of Investment Policy and Guidelines

D. General Partners' Responsibilities

Each General Partner shall:

- i. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.
- ii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Partnership and/or Subscription Agreement and the specific portfolio guidelines contained therein.
- iii. Provide the CIO with quarterly financial statements and an audited annual financial statement for each partnership or fund to which the Ohio BWC has made a commitment.
- iv. Provide the CIO with an annual Valuation Certification attesting to the value of the Ohio BWC's holdings in each partnership or fund.
- v. Provide the CIO with the firm's Ethics Policy and annual confirmation of its compliance with said policy (for agreements entered into after January 1, 2006 only).
- vi. Promptly provide the CIO with a detailed report of all capital calls and/or distributions for each partnership or fund.
- vii. Comply with the Campaign Contribution Policy and submit the Political Contribution Disclosure Statement, attached as Appendix XIII, on an annual basis (for agreements entered into after January 1, 2006 only).
- viii. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.

E. Investment Consultants' Responsibilities

The Investment Consultant shall:

- i. Provide independent and unbiased information to the WCOC, the Administrator and the CIO.
- ii. Assist in the development and amendment of this Investment Policy.
- iii. Assist in the establishment of strategic asset allocation targets.
- iv. Assist in the development of performance measurement standards.
- v. Report the monthly investment results and quarterly risk characteristics of the Funds to the WCOC.
- vi. Monitor and evaluate Investment Manager performance on an ongoing basis.
- vii. Conduct due diligence on the Funds' current and prospective Investment Managers.
- viii. Establish a procedural due diligence search process.

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- ix. Assist in the development of criteria and procedures to be utilized for the selection of all Investment Managers.
- x. Provide the CIO with the firm's most recent Form ADV on an annual basis.
- xi. Provide any other advice or services that the WCOC or the Administrator and Chief Investment Officer determine from time to time is necessary, useful or appropriate to fulfill the objectives of this Investment Policy in accordance with the Investment Consulting Agreement.

IV. INVESTMENT POLICY GUIDELINES

A. Asset Allocation Guidelines

The Funds are part of the Ohio Workers' Compensation System, an exclusive state insurance fund system that is held for the sole benefit of the injured workers and employers of Ohio.

Asset allocation refers to the strategic deployment of assets among the major classes of investments such as fixed income, U.S. equity, non-U.S. equity, alternative investments and cash equivalents. The asset allocation decision reflects the Funds' return requirements as well as the Funds' tolerance for return variability (risk) within the context of the expected liabilities of the Funds. The liability considerations shall include, but not be limited to, current and expected future values of the benefits, premiums and total assets. These factors are important for identifying the investment horizon of the Funds and their cash flow requirements.

The WCOC has adopted a long-term asset allocation policy for each Fund that identifies the strategic target weights to each of the major asset classes. These policies are detailed in Appendix IX.

The Target Policy Weights in Appendix IX are effective January 1, 2006 and are based on an asset/liability analysis presented in September 2005. A formal asset/liability analysis for each Fund will be conducted annually, or more frequently if conditions warrant.

B. Rebalancing Policy

The asset allocation targets represent a long-term strategy. Short-term market activity will cause the asset mix to drift from the specific allocation targets. A **Rebalancing Policy** is designed to provide a disciplined approach to control the risk exposure of each Fund to the investment categories that have deviated from the established target policy weights. The WCOC has adopted a policy of range rebalancing. Under range rebalancing, asset rebalancing will be triggered only when actual weightings fall outside of the ranges specified above. The WCOC expects range rebalancing to produce a superior return/risk tradeoff as compared to time rebalancing because turnover occurs only when necessary.

The Funds' asset allocations are to be monitored quarterly, or more frequently if market conditions warrant. Should the actual asset allocations for a particular class of investments deviate from the indicated range for a particular asset class, the Administrator and Chief Investment Officer will make the necessary adjustments to satisfy the asset allocation guidelines established by this Investment Policy. In order to minimize turnover, Fund cash flows, such as premiums received or benefits paid, will be used to the fullest extent to achieve rebalancing objectives.

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C. General Guidelines

The following represent the general guidelines that will apply to the management of Fund assets. In addition, each Investment Manager will have specific guidelines that are part of their Investment Management Agreement that will document the Funds' performance expectations and the Investment Manager's role in the overall portfolio. The Funds use these guidelines to establish, guide and control the strategy for each Investment Manager.

i. The following guidelines serve to diversify the organizational risk of Investment Management firms or General Partners providing services to the Funds and to minimize the dependence by the Funds on any one investment firm. The diversification guidelines are as follows:

- No one investment organization or General Partner, utilizing active investment strategies, should manage more than 15% of the Funds' assets at the time it is hired.
- An investment organization, utilizing passive investment strategies, may manage up to 100% of the Funds' assets at the time it is hired. This guideline has been established to allow the BWC to take full advantage of the benefits of low fees resulting from the economies of scale that exist with passive management. The WCOC, Staff and the Consultant will closely monitor this organizational risk to ensure the security of Fund assets. The maximum allocation under this guideline will only be utilized in circumstances where the fee benefit is believed to outweigh the organizational risk to the Funds.
- The Funds' assets managed by any one firm, utilizing either active or passive investment strategies, or General Partner should not exceed 5% of the total assets managed by the firm or General Partner for all clients in that specific strategy, style or partnership, at the time it is hired, unless unique circumstances – such as the need to hire a manager in a capacity-constrained asset class such as high yield or small cap U.S. equity - warrant an exception.

ii. **Fixed Income Investments**

The investment goal of the fixed income investments is to protect the Funds against adverse changes in the value of the Funds' assets relative to their liabilities. The WCOC has adopted a policy to invest each Fund's fixed income portfolio in a manner that will approximate the duration and yield curve characteristics of its liabilities in order to preserve the reserve, provide for stable premiums and grow the surplus.

Average Weighted Credit Quality

The minimum average weighted quality of the total fixed income portfolio shall be A, as measured by the lower of the Moody's or Standard & Poors (S&P) rating.

Duration

The duration of the fixed income portfolio in aggregate shall be maintained within a range of +/- 5% of each Fund's fixed income benchmark.

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Diversification

The fixed income portfolio shall be diversified as specified below¹ to minimize the risk of losses:

By Sector:

<u>Sector Allocation</u>	<u>Max. % of Fund</u>
U.S. Governments:	100%
Treasuries	100%
Agencies	100%
Mortgages	40%
Agencies	40%
Non-Agency	10%
Collateralized Mortgage Obligations (CMOs) (must be rated AA or better)	10%
Commercial Mortgage Backed Securities (CMBS) and Project Loans	10%
Floating Rate Mortgages	10%
Investment Grade Credit	70%
Finance	35%
Industrial	35%
Transportation	35%
Utilities	35%
Yankees	10%
Asset Backed Securities (ABS) (must be rated AA or better)	10%
Foreign Governments	0%
Below Investment Grade Credit	5%

¹ Percentages represent a maximum allocation and will not sum to 100%

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By Credit Quality:

<u>Credit Quality</u>	<u>Max. % of Fund</u>	<u>Individual Security Max %</u>
Government	100%	N.A.
Aaa/AAA	50%	1.00%
Aa/AA	25%	1.00%
A/A	20%	0.75%
Baa/BBB	10%	0.50%
Ba/BB	5%	0.25%
B/B	2%	0.10%
CCC	1%	0.05%
Below CCC	0%	0.00%

Maximums refer to the allocation at the time of purchase. In the event that downgraded securities result in a violation of these constraints, the WCOC shall grant an exemption that would allow an Investment Manager to continue to hold the downgraded security or securities, at their discretion, for a period of up to three months. An Investment Manager shall immediately report any guideline violation resulting from a downgraded security in their portfolio to the WCOC. The Investment Manager shall also provide an action plan to bring the portfolio back in compliance with the guidelines in their next quarterly report to the WCOC.

The Funds may invest in Rule 144A and private placement securities subject to the sector and credit constraints specified above.

iii. U.S. Equity

The investment goal of the domestic equity investments is to offer the Funds a broad exposure to the return opportunities and investment characteristics associated with the U.S. domestic equity market.

Diversification

The U.S. Equity portfolio shall be diversified as specified below to minimize the risk of losses:

- Investments will be diversified by capitalization size and by style (growth and value) to approximate the overall market as measured by each Fund's U.S. Equity benchmark.
- No single holding shall account for more than 5% of each Fund's total U.S. equity portfolio at market.
- No single holding shall account for more than 5% of the outstanding equity securities of any one corporation

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v. **Non-U.S. Equity**

The investment goal of the non-U.S. equity investments is to offer the Funds a broad exposure to the return opportunities, diversification effects and investment characteristics associated with the non-U.S. equity market.

Diversification

The Non-U.S. Equity portfolio shall be diversified as specified below to minimize the risk of losses:

- Investments will be diversified by capitalization size and by style (growth and value) to approximate the overall market as measured by each Fund's Non-U.S. Equity benchmark.
- Investments will be diversified by geographic region and sector, so as to optimize the relationship of expected return to expected risk after taking into consideration the asset allocation of each Fund.
- No single holding shall account for more than 5% of each Fund's total Non-U.S. equity portfolio at market.
- No single holding shall account for more than 5% of the outstanding equity securities of any one corporation

vi. **Alternative Investments**

The SIF has allocated a portion of its investment portfolio to private equity securities, limited partnerships and funds of funds subject to all applicable legal requirements and limits set forth in this Investment Policy. The purpose of investing in private equity securities, partnerships or funds is to enhance the overall investment returns of the Funds.

Future investments in Alternative Investments are not presently anticipated.

vii. **Cash Equivalents**

Cash equivalents may be held to meet each Fund's short term cash flow needs.

viii. **Securities Lending**

Securities lending has been permitted in the past and is presently being utilized within the Funds in accordance with the commingled trust fund (CTF) agreement between the BWC and State Street Global Advisors.

(The WCOC will be reviewing the appropriateness of the Funds' securities lending activities and expects to make a final decision on its continued use by June 2006.)

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ix. **Derivatives**

A derivative is broadly defined as a contract whose value is based on the performance of an underlying financial asset, index or other investment. The most common forms of derivatives are futures, options, swaps and forwards.

The use of derivatives by the Funds or their Investment Managers is expressly prohibited, with the exception of collateralized mortgage obligations (CMOs) and asset backed securities (ABS) in accordance with the restrictions outlined below and in Section IV.C.iii above.

CMOs are mortgage-backed bonds that separate mortgage pools into different maturity classes. Issued by the Federal Home Loan Mortgage Corporation (Freddie Mac) and private issuers, CMOs are usually backed by government-guaranteed or other top-grade mortgages. To qualify for investment by the Funds, CMOs must be rated AA or better and not be levered. Interest-only (IOs) and principal-only (POs) instruments are prohibited.

ABS are bonds or notes backed by loan paper on accounts receivable originated by banks, credit card companies or other providers of credit and often “enhanced” by a bank letter of credit or by insurance coverage provided by an institution other than the issuer. To qualify for investment by the Funds, ABS must be rated AA or better.

x. **Commission Recapture / Directed Brokerage**

The Funds shall not engage in commission recapture or directed brokerage programs.

xi. **General Prohibitions**

The following activities or investments are expressly prohibited within the Funds:

- a. Short selling in any form.
- b. All forms of leverage, including, but not limited to, purchasing securities on margin, treasury rolls and reverse repurchase agreements.
- c. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.
- d. Direct or indirect investments in vehicles that target specified assets, which includes unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity and that lack readily determinable valuation.

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V. PERFORMANCE OBJECTIVES

A. Total Fund

The primary performance objective for each Fund is to achieve an aggregate rate of return that exceeds the return of each Fund's Performance Benchmark on a consistent basis. The Benchmark combines designated market and/or custom indexes for asset classes, weighted by asset-allocation targets. Currently, the indexes are:

<u>Asset Class</u>	<u>Benchmark</u>
Fixed Income:	Lehman Aggregate ²
U.S. Equity	Wilshire 5000
Non-U.S. Equity	MSCI All Country World Index (ex-U.S.)
Alternative Investments	Wilshire 5000 + 5%
Cash Equivalents	T-Bill

B. Asset Class Composites

Each asset class shall be measured relative to its designated market and/or custom index. It is expected that any active management of individual asset classes will provide an investment return in excess of the index, net of expenses, on a consistent basis.

C. Investment Managers

On a timely basis, but not less than four times a year, the Chief Investment Officer will meet with the Investment Consultants to:

- Evaluate the performance of each Investment Manager.
- Review each Investment Manager's adherence to this Investment Policy.
- Analyze any material changes in the Investment Manager's organization, investment strategies or personnel.
- Review each Investment Manager's performance relative to appropriate indices and peer groups.

Each Investment Manager's performance shall be evaluated relative to an appropriate benchmark index and a relative peer group of managers as indicated below. They are expected to (1) rank above median versus their respective peer groups and (2) earn investment returns, net of expenses, that equal or exceed their respective benchmark index.

The performance of each Investment Manager will be monitored on an ongoing basis and the Administrator and the Chief Investment Office shall take any appropriate corrective action,

² The WCOC anticipates that this benchmark will be modified in the future to a custom benchmark that reflects the duration and yield curve characteristics of each Fund's liabilities as described in Appendix IX.

The Ohio Bureau of Workers' Compensation Statement of Investment Policy and Guidelines

including, subject to approval by the WCOC, the termination and replacement of an Investment Manager. Factors that may lead to terminating a manager relationship include:

- Performance below median (50th percentile) of their peer group.
- Realization of investment returns, net of expenses, that lag their respective benchmark index.
- Failure to adhere to this Policy or the portfolio's Investment Guidelines.
- Failure to comply with the Ethics Policy of the firm or the WCOC.
- Violation of any law.
- Style drift.
- Organizational changes including:
 - Change in professional staff
 - Significant loss of clients
 - Significant growth of new business
 - Change in ownership

VI. COMMUNICATIONS

- Each Investment Manager will provide written reports at least monthly, including asset inventories, market commentary or anything else deemed significant at the time of reporting.
- Each Private Equity General Partner will provide written reports at least quarterly, including asset inventories, market commentary or anything else deemed significant at the time of reporting.
- Each Investment Manager will provide all reporting required under Section III. C. of this Policy.
- Each Investment Manager is expected to meet with the Administrator and/or the Chief Investment Officer at least annually at OBWC offices.
- Frequent and regular communication with the OBWC by all Investment Managers is encouraged.

VII. REVIEW PROCEDURES

The WCOC in conjunction with the Administrator, Chief Investment Officer and Investment Consultant will review this policy statement at least once a year, to determine if revisions are warranted and will publish the policy statement and any changes it adopts and make copies available to all interested parties.

It is not expected that this Investment Policy will change frequently; in particular short-term changes in the financial markets should generally not require an adjustment in this Investment Policy.

**The Ohio Bureau of Workers' Compensation
Statement of Investment Policy and Guidelines**

VIII. FAIR CONSIDERATION / PUBLIC INTEREST POLICY

The WCOC desires that Staff and the Investment Consultant identify, research and evaluate qualified Ohio managers, minority managers and women-owned managers and that Investment Managers give consideration to such managers and brokers in their efforts to fulfill the Funds' investment objectives, but only in compliance with their respective fiduciary duties to the Funds.

Qualified Ohio Managers - Criteria

As used in this Investment Policy, a qualified Ohio-qualified investment manager or broker is one that meets at least one of the following requirements:

- Has its corporate headquarters or principal place of business in Ohio
- Employs at least 500 individuals in Ohio
- Has a principal place of business in Ohio and employs at least 20 residents of the State

Minority Managers – Criteria

As used in this Investment Policy, a minority manager shall be defined as an investment manager or broker that is U.S. domiciled and is majority-owned by one, or any combination, of the following groups: African American, Native American, Hispanic American and Asian American.

Additionally, Investment Managers who are majority-owned by women are included in this Policy

In addition to the requirements above, any qualified Ohio manager, and any minority or women-owned Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940. Any Broker must be properly licensed.

It is the WCOC's intention to give such firms consideration in their efforts to fulfill the Funds' investment objective; however, the WCOC is not obligated to hire any qualified Ohio manager, minority or women-owned firm on behalf of the Funds if such hiring is inconsistent with its fiduciary duty to the Funds and their stakeholders.

Workers' Compensation Oversight Commission

Executive Summary

Private Employers Rate Indication

Employer Group: Private Employers

Policy Year: 7-1-2006 through 6-30-2007

Rate Method: Calculate and apply premium rates designed to provide premiums equal to the cost of all injuries or occupational diseases that have injury dates during the policy year. Attached is a table showing the rate changes over the past several years. Mercer Oliver Wyman, actuarial consultants have provided information to the Administrator from which to make a rate recommendation.

Rate Rule Process:

- Administrator of Ohio Bureau of Workers' Compensation recommends to the Workers' Compensation Oversight Commission an overall rate change at the March 2006 WCOC meeting
- Workers' Compensation Oversight Commission provides advice and consent to the overall rate change by resolution
- Administrator provides specific rules that are necessary to implement the approved rate change (Rules 4123-17-05 and 4123-17-06) at the June 2006 WCOC meeting
- Workers' Compensation Oversight Commission provides advice and consent to the rules by resolution
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2006 for an effective date of July 1, 2006

Mercer Oliver Wyman, actuarial consultants have provided the BWC with three rate level scenarios using a discount rate of 5%.

1. The baseline scenario is a statistical extrapolation of the historical pure premiums for accident year 2001 to 2005.
2. The reasonable expectation-optimistic scenario contemplates continuing improvements that may not be reflected in the payment trends.
3. The reasonable expectation-conservative scenario contemplates a projected loss rate that is 4.7% higher than the baseline loss rate This is based on data from accident years 1998 - 2005.

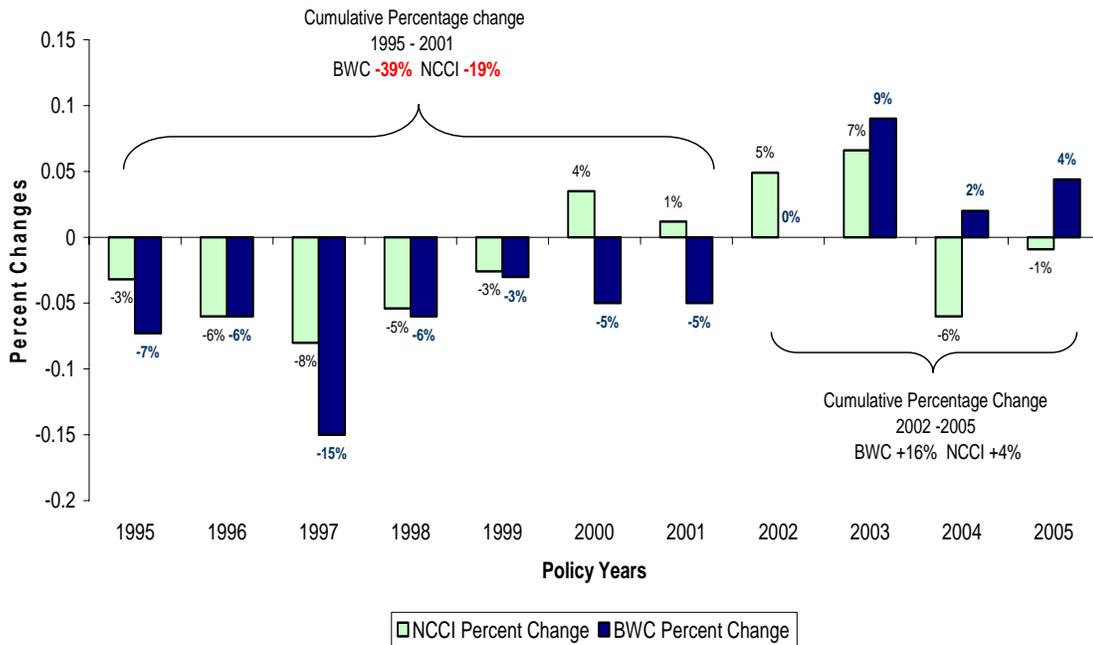
The Administrator is recommending a 3.9% overall premium rate increase for private employers. This rate increase will result in the collection of about \$1.5 billion in premiums. Employers will pay these premiums in February and August 2007. The premiums will be used to pay only claim related expenses for claims with injury dates during the policy year. This is an overall rate change recommendation. Some manual classifications will have higher rate increases and some will have lower rate changes, even rate decreases. Individual employer's rates will be calculated using the manual base rates and the employer's individual experience losses.

Subject to your consent, we will calculate the base rates for each of the 528 manual classifications and bring those to the June meeting for your advice and consent.

Historical Rate Recommendations and Selection

Policy Year	Mercer Oliver Wyman Recommendation Range (%)		Approved Rate Change
	Low	High	
7-1-2005	+4.4	+13.2	+4.4
7-1-2004	+1.9	+10.5	+2.0
7-1-2003	+6.9	+15.9	+9.0
7-1-2002	0.0	+8.1	No Change
7-1-2001	-7.4	-2.1	-5.0
7-1-2000	-9.5	-3.2	-5.0
7-1-1999	-4.1	-1.6	-3.0
7-1-1998	-10.0	-3.0	-6.0

History of BWC Private Employer Premium Rate Changes and NCCI Average Rate/Loss Cost Changes



- * NCCI Annual Issue Symposium 2005
- * NCCI rate change for 2005 is only for states approved through 4/15/2005
- * BWC data from the annual Private Employer rate filings

Public Employer State Agency Rates

Policy Year: 7-1-2006 through 6-30-2007

Rate Method: Employer rates are on a terminal funding basis which is similar to the self-insurance concept except that the Bureau of Workers' Compensation administers the claims. Attached is a table showing the average rate change over the past several years, the rule with the actual rate information that places the rates into effect July 1, 2006, and a written rate history document. The Administrator has been provided information from which to make a rate recommendation.

Rate Rule Process:

- Administrator of Ohio Bureau of Workers' Compensation recommends to the Workers' Compensation Oversight Commission an overall rate change
- Workers' Compensation Oversight Commission provides advice and consent to the overall rate change by resolution
- Administrator provides specific rules that are necessary to implement the approved rate change (Rule 4123-17-35) at the March 2006 WCOC meeting
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2006
- Rates become effective July 1, 2006

The Administrator is recommending a 0% overall change for public employer state agencies. This rate recommendation will result in the collection of about \$67.5 million in premiums. DAS Agencies will pay these premiums bi-weekly beginning in July 2006. University and University Hospitals will pay quarterly beginning in September 2006. The premiums will be used to pay only claim related expenses for claims payments during the policy year. This is an overall rate change recommendation. Some state agencies will have higher rate increases and some will have lower rate changes, even rate decreases.

Rate increase	96 agencies
Rate decrease	22 agencies
No rate change	8 agencies
Total agencies	126 agencies

Minimum rate is \$0.05 per \$100 of reported payroll

Average rate is \$1.03 per \$100 of reported payroll

STATE AGENCY RATES

History

State agencies including state universities and university hospitals are entities which derive their authority from and are directly responsible to state government. State agency rates are recommended by the Administrator for the advice and consent of the Workers' Compensation Oversight Commission. State agency rates must be filed with the Secretary of State and the Legislative Service Commission

Prior to July 1, 1977, all state agencies except Wildlife, Transportation, Highway Safety, Bureau of Employment Services, and state universities and state university hospitals were assessed the same rate. Federal grants required an individual rate for each of the agencies specifically aforementioned. Effective July 1, 1977, rates were computed for each agency (except state universities and state university hospitals) as prescribed by Section 4123.39 and 4123.40 based on its own loss record over the last five years. In the early 1970's state universities and state university hospitals were permitted by the Department of Finance to participate in a merit-rating plan for that group because the hazard connected with their operation was deemed less costly than the hazard involved in the operations of other state agencies. Effective July 1, 1980, state universities and state university hospitals were individually rated in the same manner as other state agencies.

State agencies including state universities and university hospitals pay premiums into the State Insurance Fund on a terminal funding basis which is similar to the self-insurance concept except the Bureau of Workers' Compensation administers the claims. Currently, all state agencies with the exception of small boards, commissions, and agencies are individually rated. The Actuarial Section determines a rate for each agency that will generate premium collections that are equal to the losses anticipated to be authorized in the upcoming year. No reserves are developed for rate-making purposes to cover the future liability of state agency claims. However, when permanent total disability or death benefits are awarded, a present value was included in the rate calculation prior to July 1, 2002. Beginning with the July 1, 2002 rating year, awards were replaced with payments, and present values were no longer used. Effective July 1, 1985, the minimum state agency rate was set at fifteen cents per one hundred dollars of payroll as recommended by the Bureau's actuarial consultant. The minimum rate was then set at five cents per one hundred dollars of payroll effective July 1, 1998.

Five years of claims costs, payroll and premium are used in the calculation of state agency rates. Prior to July 1, 1985, the claims losses were tabulated on a fiscal year basis starting September 1st and ending August 31st. Payroll and premium were on a fiscal year basis, which ran from July 1st through June 30th. Commencing with rates effective July 1, 1985 the data base was converted to a calendar year basis (e.g. January 1st through December 31st) for claims costs, payroll and premium. This conversion, which reduced programming requirements, placed all employer (public employer state agencies, public employer taxing districts and private employers) rate calculations on a calendar year basis and eliminated comparison of dissimilar period data.

The state agency rate-making system is designed to be a self-correcting system. With rates effective July 1, 1982 a procedure was built into the computation to adjust current rates for an overage or shortage of premium paid in prior years compared to losses generated for the same period of time.

After noticing a substantial negative trend in losses and with the positive changes occurring in claims management, an improvement in applying loss trends to individual agencies appeared to be appropriate. The Actuarial Section in conjunction with William M. Mercer (Actuarial Consultants) studied the impacts of using an individual loss trend for all the individually rated employers and using a weighted loss trend based on the amount of premium that an employer has. Effective July 1, 1998, the new trending method replaced a global loss trend factor used for all PES employers. The new method is based upon both the overall PES loss trend and the employer's individual loss trend. This method will provide more responsive changes to premium rates based upon the individual employer's losses and payroll.

In order to remove any perceived disincentive to settling claims, the Actuarial Section made another change effective July 1, 1998. For state universities and state university hospitals, lump sum settlements were removed from the rate calculation. The losses or payments made for lump sum settlements were left out of the rate calculation for determining the current rate necessary to charge the employer (second line of the rate calculation sheet), but the settlement losses were included in the overage/shortage part of the calculation (third line of the rate calculation sheet). Settlements made prior to July 1, 1998 will be included in the overage/shortage figure until they drop out of the five-year period of losses. In order to collect enough premiums to cover these settlement losses, employers will have a settlement billing in addition to the usual quarterly premium billing. Beginning with the July 1, 2004 rating year, two new programs allow the other individually rated agencies to have the option of entering this lump sum settlement program. The two programs added to rule 4123-17-35 is a one-time Lump Sum Settlement Exclusion program and a LSS Direct Reimbursement program.

A Governor's Commission incentive program was introduced for the 7-1-2003 rating year. This program was only for the governor's cabinet members. This incentive program is a three year program in which a 10% discount is given for certain incentives such as reducing claim frequency and severity, and establishing a safety program. The first year, all the members got the discount. The second and third year discounts are dependent upon the employers meeting the specifications.

Due to the changes above, it was agreed that for rates effective July 1, 1998, no employers' rate would be greater than their rate for July 1, 1997. For the rating year beginning July 1, 1999, there was no "capping" of rates. Employers' rates for the July 1, 2000, July 1, 2001, and July 1, 2002 rating years were capped at a maximum 25 percent increase over their rate for the previous rating year. For the rating year beginning July 1, 2003 and July 1, 2004, there was a maximum 150 percent increase allowed over the rate from the previous rating year. Rates for the July 1, 2005 period were uncapped, while rates beginning July 1, 2006 were capped at a maximum 100% increase over the July 1, 2005 rate.

In order to produce a larger, more reliable database and to minimize large rate fluctuations from year to year, small boards and commissions were combined for the calculation of one composite rate applicable to each of those entities. Prior to July 1, 1987, the small boards and commissions were placed into one of five schedules (schedules A through E). Effective July 1, 1987, the five schedules were combined to calculate one composite rate. The Bureau's actuarial consultant agreed that this change is in the best interest of the state agencies involved.

The Payroll Section of Administrative Services will apply the rates to the payroll of the various agencies whose payroll are generated through the Department of Administrative Services and will remit the premium to the Cash Control/Accounts Receivable Section of the Bureau of Workers' Compensation every two weeks. Attached to the check will be a list of payroll, premium, both DWRF assessments, and administrative cost for each agency. State universities and university hospitals and a few other state-operated entities (such as the Ohio Building Authority) are billed by the Bureau's Direct Billing/Accounts Receivable Section once each quarter and pay premium, DWRF, administrative cost, and the additional DWRF assessment directly to the Bureau. These entities are advised individually of their rates.

July 1, 2006 Statistics

Based upon the rates calculated, there are ninety-six (96) state agencies whose rate increased, eight (8) state agencies whose rate did not change, and twenty-two (22) state agencies whose rate decreased from the rate effective July 1, 2005. The overall average rate change is as follows:

<i>Average Rate</i>		<i><u>Difference</u></i>	<i><u>Percent of Change</u></i>
<i><u>Effective 7/1/2006</u></i>	<i><u>Effective 7/1/2005</u></i>		
1.0266	1.0267	-\$0.0001	0%

Historical Percent Change in
Public Employer State Agency Average Rates

Policy Year	Percent Change
7/1/2005	13.46% increase
7/1/2004	10.00% increase
7/1/2003	37.65% increase
7/1/2002	No change
7/1/2001	No change
7/1/2000	No change
7/1/1999	6.01% decrease
7/1/1998	27.67% decrease
7/1/1997	9.74% decrease
7/1/1996	6.05% decrease

4123-17-35 **Public employer state agency contribution to the state insurance fund.**

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.39, and 4123.40 of the Revised Code. The administrator hereby sets rates per one hundred dollar unit of payroll to be effective July 1, ~~2005~~ 2006, applicable to the payroll reporting period July 1, ~~2005~~ 2006, through June 30, ~~2006~~ 2007, for public employer state agencies, including state universities and university hospitals, as indicated in the attached appendix A.

~~Pursuant to the governor's initiative on safety for state agencies as described in the report of the governor's commission on workers' compensation in state agencies, a cabinet level state agency employer that submits a letter of intent to follow the guidelines for safety and loss reduction as provided in the commission's report will receive a ten per cent discount from the rate for that agency as promulgated in the attached appendix A. The discount shall apply for the period of time specified in the guidelines in the commission's report.~~

For policy years following the effective date of this rule, a public employer state (PES) agency that is not currently participating in a settlement payment program may ~~select from~~ enter into the following lump sum settlement (LSS) payment ~~options~~ option.

(A) A PES agency that is not currently participating in a settlement payment program may participate in the lump sum settlement (LSS) direct reimbursement rating and payment program. A PES agency participating in this program ~~may choose to exclude~~ will have the LSS payments excluded from the bureau's rate calculation process. ~~However, a PES agency that selects this program is not permitted to utilize the one time LSS payment option (one time exclusion program), described in paragraph (B) of this rule during the same policy year.~~

(1) Requirements.

(a) A PES agency shall make a three-year minimum commitment to the LSS direct reimbursement payment and rating program.

(b) The earliest beginning date of the LSS program is July 1, 2004.

(c) A PES agency shall notify the bureau of its desire to participate in the LSS direct reimbursement and payment program before the first day of January immediately preceding the policy year in which the agency wishes to participate in the program. The notification shall be made on the form

provided by the bureau and signed by the PES agency's designee.
~~Notification for the July 1, 2004 policy year must be made by June 1, 2004.~~

- (d) A PES agency currently participating in a settlement program is not eligible to participate in the LSS direct reimbursement payment and rating program.

(2) Lump sum settlement (LSS) rate calculation rules.

- (a) All LSS payments will be treated the same whether the result of a court-ordered settlement, an agency-negotiated settlement or any other type of settlement.
- (b) Once a PES agency begins participating in the LSS direct reimbursement and rating program, all LSS payments will be excluded from the five year losses used to calculate the "pure premium rate" for future policy year rate calculations. The pure premium rate is defined as the rate that is the actual five year losses divided by the five year reported payroll used to project the rate needed to be collected for the next policy year. The calculation of the "overage and shortage rate" will include the LSS payments paid by the bureau and not reimbursed by the PES agency. The calculation will exclude the LSS payments paid by the bureau and reimbursed by the PES agency. The overage and shortage rate is defined as the rate at which the agency must pay any past shortage in rates or the reduction in rate of any past overage in premium paid.
- (c) When an agency terminates a LSS direct reimbursement and rating program, the pure premium rate will include all LSS payments. The calculation of the overage and shortage rate will only include the LSS payments that were made by the bureau and not reimbursed by the PES agency.

(3) Lump sum settlement (LSS) reimbursement payments.

- (a) A lump sum settlement will be billed in the next quarter following the date the LSS warrant was cashed. The October billing will include any lump sum settlement where the warrant was cashed in July, August or September; the January billing where the warrant was cashed in October, November or December; the April billing where the warrant was cashed in January, February or March; and the July billing where the warrant was cashed in April, May or June.
- (b) The bureau will bill a structured settlement to the PES agency as the warrant is cashed.
- (c) The PES agency shall pay the LSS quarterly bill within thirty days of the billing date.
- (d) If the PES agency fails to pay a LSS quarterly bill within thirty days, the bureau will remove the PES agency from the LSS direct reimbursement

rating and payment program and the bureau will include the outstanding LSS payments in the rate calculation.

- (e) A PES agency may settle permanent total disability and death claims in which the present value was used in rate calculations for five years. The settlement amount will be included in the quarterly billings. In addition, there will be no substitution of the permanent total disability or death benefits paid to date for the present value.
- (f) Settlements on permanent total disability and death claims where the present value of the claim is currently in the five-year experience period will be processed by substituting the permanent total disability or death benefits paid to date (not including the LSS) for the present value. The substitution would occur in the calendar year in which the settlement was made. The settlement amount will also be included in the quarterly billings.
- (g) A PES agency shall file any dispute in writing, specifying the agency's objections to the billing, with the bureau's direct billing department. The filing of a dispute does not relieve or suspend the agency's obligation to pay the obligation. Questions concerning the rate calculations should be directed to the bureau's actuarial department.

(4) Change in status.

- (a) When a PES agency combines with another PES agency, the choice that the agency that is determined to be the succeeding agency made in respect to participating in this program controls.
- (b) A PES agency that is participating in a program and transfers a portion of its operations to another agency shall continue to participate in the program. The choice made in respect to participating in this program by the agency to which the operations were transferred will not be affected.
- (c) Where a PES agency participating in a LSS direct reimbursement rating and payment program becomes self-insured, the bureau will calculate a buyout and any obligations owed by the PES agency under the program will be included in the buyout.

(5) Terminating a program.

- (a) A PES agency may request, in writing, to terminate a program after the three year minimum commitment period has been completed. The agency's participation in the program will automatically be renewed for another three years unless the written request is submitted.
- (b) A PES agency shall submit a request to terminate a program before the first day of January of the year the three year commitment ends. For example, if the PES agency starts participating in the LSS program or its participation is

renewed for the policy year beginning July 1, 2004, the request must be submitted before January 1, 2007.

- (c) Once a PES agency terminates a LSS program, the agency is no longer eligible to participate in a program.

~~(B) A PES agency that is not currently participating in a settlement exclusion program will be permitted to utilize a one time LSS payment option (one time exclusion program) as described in this rule.~~

~~(1) Under the one time LSS exclusion program, a PES agency selects a claim or group of claims to settle. The claim or group of claims will be excluded from future rate calculations.~~

~~(a) For the claim or claims selected, the settlement will be paid by the bureau. The PES agency will reimburse the bureau for these payments.~~

~~(b) The one time exclusion program option may not be used after the PES agency has participated in the LSS direct reimbursement program.~~

~~(c) The PES agency must notify the bureau of its desire to participate in the one-time exclusion program option before July 1, 2004.~~

~~(d) The PES agency must submit to the bureau a comprehensive list of the claims selected to be settled. The list shall include the claim number, settlement date, and the settlement amount. Notification shall be made on a calendar quarterly basis, beginning with the effective date of the program. Notification shall be made within fifteen days of the end of the quarter.~~

~~(e) The deadline for using the one-time exclusion program is June 30, 2006. The payment of the settlement for any claims selected must be made before June 30, 2006. Any LSS payments made after June 30, 2006 will be used in rate calculations and will not be billed to the PES agency for reimbursement unless the agency is participating in the LSS direct reimbursement program.~~

~~(f) Permanent total disability and death claims in which the present value was used in rate calculations for five years may be settled. The settlement amount will be included in the quarterly billings. In addition, there will be no substitution of the permanent total disability or death benefits paid to date for the present value.~~

~~(g) Settlements on permanent total disability and death claims in which the present value is currently in the five-year experience period will be processed by substituting the permanent total disability or death benefits paid to date (not including the LSS) for the present value. The substitution would occur in the calendar year in which the settlement was made. The settlement amount will also be included in the quarterly billings.~~

~~(h) A lump sum settlement will be billed in the next quarter following the date the LSS warrant was cashed. The October billing will include any lump sum settlement where the warrant was cashed in July, August or September; the January billing where the warrant was cashed in October, November or December; the April billing where the warrant was cashed in January, February or March; and the July billing where the warrant was cashed in April, May or June.~~

~~The bureau will bill the full amount of a structured settlement in the quarter immediately following the date the first warrant issued in the settlement is cashed.~~

~~(i) The PES agency shall pay the LSS quarterly bill within thirty days of the billing date.~~

~~(j) If the PES agency fails to pay a LSS quarterly bill within thirty days, the bureau will remove the PES agency from the LSS direct reimbursement rating and payment program and the bureau will include the outstanding LSS payments in the rate calculation.~~

~~(k) A PES agency shall file any dispute in writing, specifying the agency's objections to the billing, with the bureau's direct billing department. The filing of a dispute does not relieve or suspend the agency's obligation to pay the obligation. Questions concerning the rate calculations should be directed to the bureau's actuarial department.~~

Table from Rule 4123-17-35 to be enacted

APPENDIX A

STATE AGENCY RATES EFFECTIVE JULY 1, 2006

MANUAL	AGENCY	RATE
3100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	.29
3101	Judiciary Supreme Court Judicial Conference	.05
3102	Ohio Senate (Sch.)	.29
3103	Ohio House of Representatives (Sch.)	.29
3105	Legislative Service Commission (Sch.)	.29
3106	Office of the Governor (Sch.)	.29
3109	Secretary of State	.12
3110	Attorney General	.38
3111	Department of Agriculture	1.10
3112	Department of Commerce	.79
3113	Department of Education	.42
3114	Department of Health	.20
3115	Industrial Commission of Ohio	.77
3117	Public Utilities Commission of Ohio	.52
3120	Department of Taxation	.65
3121	Bureau of Workers' Compensation	.91
3122	Auditor of State	.92
3123	Civil Defense (Volunteer) (Sch.)	.29
3124	Treasurer of Ohio	.53
3125	Department of Administrative Services	1.32
3127	Ohio Board of Regents (Sch.)	.29
3130	State Library Board	.36
3136	Ohio Veterans Home Agency	3.42
3137	Department of Youth Services	5.50
3139	Ohio Arts Council (Sch.)	.29
3150	Department of Mental Health	2.35
3152	Ohio Expositions Commission	4.43
3154	Department of Natural Resources	1.57
3156	Adjutant General	1.40
3160	Ohio National Guard	.05

MANUAL	AGENCY	RATE
3166	Department of Development	.07
3167	Department of Insurance	.32
3169	Racing Commission of Ohio (Sch.)	.29
3170	Ohio Civil Rights Commission	.05
3171	Board of Barber Examiners (Sch.)	.29
3172	State Board of Cosmetology (Sch.)	.29
3173	State Dental Board (Sch.)	.29
3174	State Board of Embalmers & Funeral Directors (Sch.)	.29
3175	State Medical Board (Sch.)	.29
3176	State Board of Nursing Education and Nurse Registration (Sch.)	.29
3177	State Board of Optometry (Sch.)	.29
3178	State Board of Pharmacy (Sch.)	.29
3179	State Veterinary Medical Board (Sch.)	.29
3180	State Board of Accountancy (Sch.)	.29
3181	State Board of Architects (Sch.)	.29
3183	State Board of Engineers & Surveyors (Sch.)	.29
3186	Ohio Water Development Authority (Sch.)	.29
3187	Rehabilitation Services Commission	.59
3188	Department of Rehabilitation and Correction	2.43
3190	Environmental Protection Agency	.14
3191	Office of Budget and Management	.05
3192	Department of Aging	.32
3193	Court of Claims (Sch.)	.29
3194	Ohio Legal Rights Service (Sch.)	.29
3200	Department of Transportation	1.97
3202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	.29
3203	Office of Inspector General (Sch.)	.29
3204	Capital Square Review and Advisory Board (Sch.)	.29
3206	Ohio Ambulance Licensing Board (Sch.)	.29
3207	Ohio Arts Facilities Commission (Sch.)	.29
3208	Joint Legislative Ethics Commission (Sch.)	.29
3209	Lake Erie Commission (Sch.)	.29
3210	Ohio Elections Commission (Sch.)	.29

MANUAL	AGENCY	RATE
3400	Department of Public Safety	.87
3501	Ohio Public Defender Commission (Sch.)	.29
3504	Office of the Consumers' Counsel (Sch.)	.29
3512	Commission on Spanish Speaking Affairs (Sch.)	.29
3516	Board of Speech Pathology and Audiology (Sch.)	.29
3518	Board of Dispensing Opticians (Sch.)	.29
3519	Department of Mental Retardation and Developmental Disabilities	6.21
3520	Board of Chiropractic Examiners (Sch.)	.29
3521	State Employee Relations Board (Sch.)	.29
3523	Ohio Ethics Commission (Sch.)	.29
3524	Ohio Air Quality Development Authority (Sch.)	.29
3525	Liquor Control Commission (Sch.)	.29
3527	Psychology Board (Sch.)	.29
3528	Occupational & Physical Therapy Board (Sch.)	.29
3529	Counselors and Social Workers Board (Sch.)	.29
3530	Sanitarian Registration Board (Sch.)	.29
3531	Athletic Commission (Sch.)	.29
3532	Commission on Minority Health (Sch.)	.29
3533	Board of Dietetics (Sch.)	.29
3535	Department of Alcohol and Drug Addiction	.91
3536	Commission on Dispute Resolution & Conflict Management (Sch.)	.29
3537	Ohio Respiratory Care Board (Sch.)	.29
3538	Public Works Commission (Sch.)	.29
3539	Ohio Tuition Trust Authority (Sch.)	.29
5600	Ohio Building Authority	.05
5900	Lottery Commission	1.86
5902	Ohio Community Service Council (Sch.)	.29
5903	Joint Commission on Agency Rule Review (Sch.)	.29
5904	Ohio School Facilities Commission (Sch.)	.29
5906	Board of Motor Vehicle Collision Repair (Sch.)	.29
5909	Commission of African American Males (Sch.)	.29
5910	Department of Job & Family Services	.42
5911	Board of Proprietary School Registration (Sch.)	.29
5912	Board of Tax Appeals (Sch.)	.29

MANUAL	AGENCY	RATE
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5914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	.29
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5924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	.29
5928	Chemical Dependency Professionals Board (Sch.)	.29
5930	Manufactured Homes Commission (Sch.)	.29
5931	Ohio Housing Finance Agency (Sch.)	.29
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STATE UNIVERSITIES

MANUAL	AGENCY	RATE
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3141	Bowling Green State University	.66
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3158	Wright State University	.15
3159	University of Akron	.18
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3526	Shawnee State University	1.02
5905	Northeastern Ohio Universities College of Medicine	.08
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STATE UNIVERSITY HOSPITALS

MANUAL	AGENCY	RATE
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OHIO BUREAU OF WORKERS' COMPENSATION OVERSIGHT COMMISSION

INVESTMENT COMMITTEE CHARTER

PURPOSE

The Investment Committee has been established by the Ohio Bureau of Workers' Compensation Oversight Commission ("WCOC") for the express purpose of assisting the WCOC to carry out its responsibilities in matters regarding the investment of the assets of the State Insurance Fund and each Ancillary Fund (collectively, the Funds) assets. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Board member capacity, and will strive to follow sound policies and procedures that enhance good, fair, and open decision making.

The Committee's core objective is to advise and assist the WCOC in maximizing investment returns within acceptable risk parameters, in accordance with the WCOC's overall objective of promoting the best interests for the Ohio Bureau of Workers' Compensation, its members, and beneficiaries.

The WCOC is required to establish objectives, policies, and criteria for the administration of the investment program that include asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines, and monitor the administrator's progress in implementing the objectives, policies, and criteria on a quarterly basis. (O.R.C. 4121.12(G))

AUTHORITY

The Investment Committee has the authority to consider and make recommendations to the WCOC on all matters relating to the Ohio Bureau of Workers' Compensation investment portfolios in accordance with the WCOC Investment Policy Statement and other applicable legal requirements. In executing its duties, the Committee will not consider any proposed investment that has not gone through the Funds' due diligence process and been reviewed by Ohio Bureau of Workers' Compensation staff.

COMPOSITION

The Committee shall be composed of a minimum of four (4) members, appointed by the Chairperson of the WCOC. At least two (2) members shall be "investment experts", as required by Ohio Revised Code, and at least two (2) members shall be voting members of the WCOC. The Committee shall select its Chairperson.

MEETINGS

The Committee will meet at least four times a year and otherwise on an as-needed basis as determined by the Committee Chair in consultation with the Chair of the WCOC.

RESPONSIBILITIES

The WCOC is the primary body charged with overseeing investment activities relating to the Funds. The WCOC may appoint members to the Investment Committee for the express purpose of assisting the WCOC to carry out its oversight functions, including the duties specified below:

- i. Approve the strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving facts or situations relevant to the appropriate character of that policy.
- ii. Permit the Administrator to invest in an investment class only after the WCOC, by majority vote, opens the class in question.
- iii. Close any class of investments when it deems prudent.
- iv. Monitor and review the investment performance of the Funds on a quarterly (February, May, August and November) basis to determine achievement of goals and compliance with this Investment Policy.
- v. Advise and consent to the Administrator's hiring of the CIO.
- vi. Advise and consent to the OBWC's employment of an internal auditor, who shall report directly to the WCOC on investment matters.
- vii. Approve the selection and termination of all Investment Consultants.
- viii. Approve the development of criteria and procedures for the selection of the Investment Managers and General Partners.
- ix. Approve the final selection and funding and termination of all Investment Managers and General Partners.
- x. Approve the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.
- xi. Prohibit on a prospective basis any specific investment that the WCOC finds to be contrary to the Investment Objectives of the Funds. In the event that the WCOC determines that any activity undertaken or proposed to be undertaken pursuant to this Investment Policy is contrary to the Investment Objectives, the WCOC shall direct the Administrator to take the appropriate corrective action.
- xii. Submit a report annually on the performance and the value of each investment class to the governor, the president and minority leader of the senate, and the speaker and the minority leader of the house of representatives.

EXECUTIVE SUMMARY
Self Insured Guaranty Fund Assessment Rule

Background

OAC 4123-19-15 mandates that BWC maintain adequate funds in the self insured employers' guaranty fund to ensure monies are available to pay for claim costs of employers that have defaulted on self insured workers' compensation liabilities. The rule mandates that the self insured employers' guaranty fund be maintained at a minimum balance of at least 1.25 times the payout from the fund as determined at the end of each calendar year.

Since 2001, Ohio has experienced a record number of defaults by self insured employers and as a result, increased costs to the guaranty fund and ultimately to the remaining active self insurers in Ohio. Prior to 2002, guaranty fund assessments to new SI employers provided the guaranty fund with sufficient monies to maintain the minimum balance as required. With the substantial increase in defaulting employers, assessments to new SI employers are no longer enough to support the funds balance and all self insured employers are contributing to maintain the guaranty funds' balance.

Accordingly, BWC is proposing a revised methodology to the calculation of new SI employers' guaranty fund assessments that potentially will help offset overall assessments to all self insured employers and help provide for more predictable rates while continuing to provide adequate funds to provide for these claim costs. This proposed rule change does not alter the ability of BWC to assess all employers guaranty fund costs if the guaranty fund's balance would fall below the minimum as required by OAC 4123-19-15.

Proposed Rule Change

4123-19-15 Assessment for self-insuring employers' guaranty fund

The proposed methodology would base new SI employers' guaranty fund assessments on paid losses as a state fund employer in the calendar year prior to the state's fiscal year. The assessment would be calculated as follows:

- 4 times death and permanent total disability payments
- 2 times all other compensation payments
- 1.5 times medical payments

The assessment figure as determined above would then be assessed in three equal annual installments.

4123-19-15 Assessment for self-insuring employers' guaranty fund.

(A) The bureau of workers' compensation shall require self-insuring employers to pay a contribution to the self-insuring employers' guaranty fund as provided in this rule. The contributions due from self-insuring employers shall be established at rates as low as possible but such as will ensure sufficient monies to guarantee the payment of any claims against the fund. All self-insuring employers who are paying compensation as defined by division (L) and (M) of section 4123.35 of the Revised Code, whether active or inactive as a self-insuring employer, are required to pay a contribution to the self-insuring employers' guaranty fund as provided in this rule.

(B) The bureau shall maintain a minimum balance of funds in the self-insuring employers' guaranty fund of one and a quarter times the prior year's payments from the fund as determined at the end of each calendar year to ensure sufficient monies to guarantee the payment of any claims against the fund. When the bureau determines that there are insufficient funds in the guaranty fund and an assessment is necessary to ensure the minimum balance in the fund, the bureau shall assess all self-insuring employers an annual contribution as determined by the administrator to maintain the minimum balance. Annual contributions will not be assessed to all self-insuring employers when the bureau determines that the fund exceeds the minimum amount necessary to guarantee the payment of any claims against the fund, except as provided in paragraph (C) of this rule.

(C) In addition to any contribution required of all self-insuring employers as provided in paragraph (B) of this rule, the contribution to the self-insuring employers' guaranty fund shall be as follows:

(1) ~~New self-insuring employers, for each of the first three years of self-insurance, shall be assessed six per cent of base rate premium as reported on the total of the last two full six month semi-annual payroll reports submitted as a subscriber to the state insurance fund~~ shall be assessed, based upon the payments made in claims for the employer's state fund policy prior to the employer becoming self-insured for the first full calendar year prior to the state's fiscal year in which the assessment is being calculated, the following assessments:

(a) four times death benefits and permanent total disability compensation benefits;

(b) two times all other paid compensation benefits; and,

(c) one and one-half times all paid medical benefits.

The employer shall pay the assessment to the bureau in three equal annual installments in the first three years of the employer's self-insurance.

(2) A self-insuring employer identified as a high risk employer by the bureau shall be assessed six per cent of the previous year's paid compensation as reported to the bureau.

The assessment for a new self insuring employer and for a self insuring employer identified as a high risk employer by the Bureau shall not be less than \$5,000 for any twelve-month period of coverage. All annual assessments ~~premiums~~ to the self-insuring employers' guaranty fund are due and shall be collected within thirty ~~forty-five~~ days from the receipt of the bureau's invoice. Self-insuring employers not making timely payments shall be subject to revocation of self-insuring employer status.

(D) As used in this rule, the bureau shall determine whether a self-insuring employer is a "high risk" employer based upon a review of the self-insuring employer's certified financial records submitted with the application for self-insuring employer renewal. The bureau's analysis and determination may include, but is not limited to, a review of the self-insuring employer's equity to debt ratio, return on equity, Z-score, and a Moody's rating, or other nationally recognized financial rating of the long term stability of a company.

Effective date:

119.032 Review date: 9/28/01; 3/1/06

Certification: _____

Date

Promulgated under: R.C. Ch. 119

Rule authorized by: R.C. Secs. 4121.12, 4121.121, 4121.30, 4123.05

Rule amplifies: R.C. Secs. 4123.35, 4123.351

Prior effective dates: 9/14/04, 12/17/01, 5/15/95

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February 28, 2006

EXECUTIVE SUMMARY
Five Year Rule Review: Self-Insured Rules

Background Law

Pursuant to H.B. 473, effective September 26, 1996, state agencies are required to review all agency rules every five years to determine whether to amend the rules, rescind the rules, or continue the rules without change. The legislation requires the agency to assign a rule review date for each of its rules so that approximately one-fifth of the rules are scheduled for review during each calendar year. This year, the rules scheduled for review include the rules of Chapter 4123-19, the Self-Insured employer rules. BWC last performed a five year rule review of these rules in 2001.

Self-Insured Rules

The rules of Chapter 4123-19 of the Administrative Code chiefly apply to and regulate self-insuring employers. The rule revisions clarify various aspects of the self-insured rules to provide a clear direction to employers and injured workers on BWC's expectations. BWC is recommending that some of the rules remain unchanged. The following is a summary of each of the rules.

- 4123-19-01 Definition: state risks, self-insuring risks.
- 4123-19-02 General procedures in the processing of applications for industrial coverage.
- 4123-19-05 Where an employer is a self-insuring risk and desires to become a state risk.
- 4123-19-07 Rules controlling the renewals of risks.
- 4123-19-12 Grounds for holding public hearings to evaluate the program for self-insuring employers.
- 4123-19-13 Self-insuring employers evaluation board.
- 4123-19-14 Self-insured review panel.
- 4123-19-16 Self-insured construction projects.

No changes are proposed for these rules.

- 4123-19-03 Where an employer desires to secure the privilege to pay compensation, etc., directly.

In 2001, paragraph (J) of this rule was amended to provide that any employer granted SI privilege on or after July 1, 2001, shall report its paid compensation electronically via the bureau's web site, and that effective January 1, 2002, all SI employers shall report paid compensation electronically via the bureau's web site. Because these dates have passed, the amendment removes these dates and reflects that all SI shall report paid compensation electronically.

Paragraph (L)(2) corrects a typographical error, changing "file" to "filed."

In paragraph (L)(3), the amendment indicates that instead of the administrator's executive order, BWC shall issue to an SI employer a "self-insured certificate."

4123-19-06 Procedures for revocation of self-insuring status.

This rule has been revised to clarify and make more specific the administrative and financial requirements a self-insured employer must maintain or be subject to revocation.

In paragraph (A)(1), the amendment refers to the SI employer's failure to file medical reports "requested by" BWC or the IC.

Paragraph (A)(6) clarifies response times for self-insured employers to respond to various requests to conform to language contained in rule 4123-19-03(K)(5); adds that if the employer contests these requests, the employer shall notify not only the employee but also the provider; provides for notice of contested matters upon request of the bureau or the industrial commission; adds that the employer shall state the specific reason for contesting requests.

Paragraph (E) corrects a typographical error, changing "nor" to "or."

4123-19-08 Renewal of self-insuring risks.

In paragraph (B), the rule strikes the requirement that "the employer shall include with the renewal application a recording of the number of lost time claims."

Paragraph (E) contains amendments clarifying the appeal process to the self-insured review panel.

4123-19-09 In regard to complaints filed by employees against self-insuring employers under the provisions of section 4123.35 of the Revised Code.

Paragraph (B) corrects a typographical error, changing "reasonable" to "reasonably."

4123-19-10 In regard to audits by the bureau of workers' compensation.

Paragraph (B) corrects a typographical error, changing a lower case "s" to an upper case "S."

Paragraph (C) adds that BWC shall report finding to both the self-insuring employers evaluation board and the self-insured review panel, where the panel or board has requested an audit.

4123-19-11 Fixing time limits beyond which the failure of a self-insuring employer to provide for the necessary medical examinations and evaluations may not delay a decision on a claim.

Executive Summary: Self Insured rules
Page 3

This rule contains minor rule cross-reference correction.

4123-19-15 Assessment for self-insuring employers' guaranty fund.

Note: This rule is addressed in a separate presentation.

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March 21, 2006

Five Year Rule Review
Self Insured Rules
Chapter 4123-19 of the Administrative Code

4123-19-01 Definition: state risks, self-insuring risks.

(A) “State risks” are hereby defined as those employers who pay their full premium into the state insurance fund.

(B) “Self-insuring risks” are hereby defined as those employers who are of sufficient financial ability to carry their own insurance; who do not desire to insure the payment thereof, except as provided in division (B) of section 4123.82 of the Revised Code; who secure authority from the administrator of workers’ compensation to pay compensation, etc., directly; who pay into the state insurance fund an assessment as established by a rule of the bureau of workers’ compensation adopted in accordance with section 111.15 of the Revised Code; who pay to the bureau a contribution to the self-insuring employers’ guaranty fund pursuant to section 4123.351 of the Revised Code; and who provide an additional security, where required by the bureau, in the amount or form that may be specified by the bureau.

(C) “Self-insurance” is a privilege granted or denied by the administrator of workers’ compensation. Once granted the privilege of self-insurance, the employer determines the first level of a claim and must have employees with a working knowledge of current Ohio workers’ compensation law and all rules and regulations of the bureau of workers’ compensation and the industrial commission. A self-insuring employer may, without any prior order from the commission or bureau, grant or refuse to grant any claim made under the Ohio Workers’ Compensation Act. In granting a claim or awarding payment of compensation or benefits, the employer may provide to its employees compensation or benefits which are greater than those required by law. The employer may not pay compensation or benefits less than that which is required by law.

HISTORY: Eff 1-2-78; 2-17-81; 5-9-90; 11-19-93
Rule promulgated under: RC Chapter 119.
Rule authorized by: RC 4121.12, 4121.30
Rule amplifies: RC 4123.01(B), 4123.30, 4123.35
119.032 Review Date: 9-28-01; 3-1-06

4123-19-02 General procedures in the processing of applications for industrial coverage.

(A) To secure the initial quotation of rate and premium, the employer shall complete and return to the Columbus central office of the bureau of workers’ compensation an application prepared by the bureau and entitled “Application for Classification of Industry and for Premium.” Blank forms of this application will be mailed to the employer upon request to the bureau and such form(s) must be used in making such application.

(B) Upon receipt of the completed application as indicated under paragraph (A) of this rule, the bureau shall forthwith issue a premium advice and pay-in-order on the same, setting forth the classification, rate and thirty per cent of the eight months' premium security deposit of the applicant, not to exceed one thousand dollars and not less than ten dollars.

(C) Two copies of the premium advice and pay-in-order shall be forwarded to the employer.

(D) In the event the applicant has one or more employees and intends to become a state risk, then such applicant, upon receipt of the pay-in-order, shall immediately forward such pay-in-order together with the amount of money specified therein to the treasurer of state or to the bureau of workers' compensation.

(E) The applicant's protection shall date from the time the payment of the premium security deposit is actually received by the treasurer, state of Ohio, or bureau, or the date the written binder of new coverage has been approved.

(F) Upon the receipt of the employer's premium security deposit, the accounting section shall issue forthwith to the employer a "Certificate of Premium" statement. Such statement shall certify to the employer that the employer has paid into the state insurance fund the premium due according to the law and the rules of the bureau, and that said applicant is entitled to the rights and benefits of said fund beginning from the date such insurance became effective, such date being inserted in this statement, for a period as indicated on the statement.

(G) Coverage that is extended to a person who in his household employs household worker(s) pursuant to section 4123.01 of the Revised Code does not include such person himself.

(H) Any employer who makes the semiannual premium payment at least one month prior to the last day on which such payment may be made without penalty shall be entitled to a discount at such rate as the bureau may from time to time declare.

HISTORY: Replaces rule 4121-9-02; Eff 6-30-74; 12-11-78; 11-26-79; 5-9-90

Rule promulgated under: RC Chapter 119.

Rule amplifies: R.C. SECS. 4121.35(G), 4123.32, 4123.01(A)(2) In conjunction with 4123.29, 4123.34 and 4123.36

119.032 Review Date: 9-28-01; 3-1-06

4123-19-03 Where an employer desires to secure the privilege to pay compensation, etc., directly.

(A) All employers granted the privilege to pay compensation directly shall demonstrate sufficient financial strength and administrative ability to assure that all obligations under section 4123.35 of the Revised Code will be met promptly. The administrator of workers' compensation shall deny the privilege to pay compensation, etc., directly, where the

employer is unable to demonstrate its ability to promptly meet all the obligations under the rules of the commission and bureau and section 4123.35 of the Revised Code. The administrator shall consider, but shall not be limited to the factors in divisions (B)(1) and (B)(2) of section 4123.35 of the Revised Code where they are applicable in determining the employer's ability to meet all obligations under section 4123.35 of the Revised Code.

The administrator shall review all financial records, documents, and data necessary to provide a full financial disclosure of the employer, certified by a certified public accountant, including but not limited to, the balance sheets and a profit and loss history for the current year and the previous four years. For purposes of this rule, certified financial statements shall be construed by the administrator as audited by a certified public accountant, in accordance with generally accepted accounting principles, and shall include the certified public accountant's audit opinion.

(1) In determining whether to grant a waiver of the requirement of division (B)(1)(e) of section 4123.35 of the Revised Code for certified financial records, the administrator shall consider the following criteria and conditions.

(a) The administrator shall require reviewed financial statements, including full footnote disclosure, to be prepared and submitted in accordance with generally accepted accounting principles. For the purposes of this rule, "reviewed financial statements" shall mean financial statements that have been subject to procedures performed by a certified public accountant in accordance with AICPA Professional Standards, specifically, Statements on Standards for Accounting and Review Services, Section 100, Paragraph .24 through .38, December 1978.

(b) The administrator may utilize the services of a commercial credit reporting bureau to assist in the evaluation of an applicant's ability to meet its workers' compensation obligations. The cost of this commercial reporting service shall be assumed by the applicant employer.

(c) Notwithstanding the above criteria, the administrator may deem it necessary for an applicant employer to provide additional security to ensure meeting its workers' compensation obligations. The amount of such additional security shall be in the form and amount as determined by the administrator and paid prior to the granting of self-insurance. Pursuant to paragraph (F) of this rule, in the event of the default of the self-insuring employer, the bureau shall first seek reimbursement from the additional security, which shall be first liable and exhausted, before payment is made from the self-insuring employers' guaranty fund under section 4123.351 of the Revised Code.

(2) The administrator shall not grant the status of self-insuring employer to the state, except that the administrator may grant the status of self-insuring employer to a state institution of higher education, excluding its hospitals.

(B) The employer shall secure from the bureau of workers' compensation proper application form(s) for completion. The completed application shall be filed with the

bureau at least ninety days prior to the effective date of the employer's requested status as a self-insurer. The administrator may require that the application be accompanied by an application fee as established by bureau resolution to cover the cost of processing the application in accordance with section 4123.35 of the Revised Code. The application shall not be deemed complete until all required information is attached thereto. Prior to presentation to the administrator, applicable items listed in divisions (B)(1) and (B)(2) of section 4123.35 of the Revised Code shall be made available to the bureau and shall be reviewed by the bureau of workers' compensation. The bureau shall only accept applications which contain the required information.

(C) The bureau shall recognize only such application forms which provide answers to all questions asked and furnish such information as may be required.

(D) Return of the completed forms required by this rule and any additional information required by the bureau to process the employer's application should be submitted at least ninety days prior to the effective date of the employer's requested status as a self-insurer.

(1) If the administrator determines to grant the privilege of self-insurance, the bureau shall issue a "Finding of Facts" statement which has been prepared by the bureau, signed by the administrator, subject to all conditions outlined in paragraph (L)(3) of this rule.

(2) If the administrator determines not to grant the privilege of self-insurance, the bureau shall so notify the employer, whereupon the employer shall be required to continue to pay its full premium into the state insurance fund.

(E) All employers that have secured the privilege to pay compensation, etc., directly, will be required to make contributions as determined by the administrator to the self-insuring employers' guaranty fund established under section 4123.351 of the Revised Code, and, if an additional security is required by the bureau, in the amount or form that may be specified by the bureau. If the additional security is in the form of a surety bond, the bond shall be from a company approved by the bureau and authorized to do business in the state of Ohio by the Ohio department of insurance. The surety bond shall be in the form prescribed by the bureau. The penal amount of such additional security is to be fixed by the administrator.

(F) The surety bond or additional security furnished by the employer shall be for an amount and period as established by the bureau and may be periodically reviewed and reevaluated by the bureau. The surety bond or additional security shall provide on its face that the surety shall be responsible for the payment of all claims where the cause of action, as determined by the date of injury or date of occupational disease, arose during the liability of the surety bond or additional security. The liability under the surety bond or additional security and the rights and obligations of the surety shall be limited to reimbursement for the amounts paid from the surplus accounts of the state insurance fund by reason of the default of the self-insuring employer in accordance with division (B) of section 4123.82 of the Revised Code; however, in the event of such self-insuring employer's default, the bureau shall first seek reimbursement from the surety bond or

additional security, which shall be first liable and exhausted, before payment is made from the self-insuring employers' guaranty fund established under section 4123.351 of the Revised Code. Upon default of the self-insuring employer, it shall be the responsibility of the administrator of the bureau of workers' compensation to represent the interests of the state insurance fund and the self-insuring employers' guaranty fund. The administrator, on behalf of the self-insuring employers' guaranty fund, has the rights of reimbursement and subrogation and shall collect from a defaulting self-insuring employer or other liable person all amounts the bureau has paid or reasonably expects to pay from the guaranty fund on account of the defaulting self-insuring employer.

(G) The security herein required to be given by the employer shall be given to the state of Ohio, for the benefit of the disabled or the dependents of killed employees of the employer filing the same, and shall be conditioned for the payment by the employer of such compensation to disabled employees or the dependents of killed employees of such employer, and the furnishing to them of medical, surgical, nursing and hospital attention and services, medicines and funeral expenses equal to or greater than is provided by the Ohio workers' compensation law and for the full compliance with the rules and regulations of the commission and bureau and rules of procedure.

(H) If another or parent corporation or entity owns more than fifty per cent of the stock of an employer, such employer must furnish a contract of guaranty executed by the ultimate domestic parent corporation or entity. If the employer establishes to the bureau that such contract of guaranty cannot be given by the ultimate domestic parent corporation, then the bureau may, in its discretion, waive the requirement of a contract of guaranty. The bureau may require an alternative form of security.

(I) From the effective date of this rule, employees having one or more years of experience as a workers' compensation administrator for a self-insuring employer in Ohio shall be deemed sufficiently competent and knowledgeable to administer a program of self-insurance. Those self-insuring employers that employ workers' compensation administrators who have less than one year of experience as a workers' compensation administrator in Ohio shall not have its status as a self-insuring employer affected pending notification by bureau of workers' compensation as to whether mandatory attendance of the administrator at a bureau of workers' compensation training program is required. If the bureau determines that the administrator is not able to administer a self-insuring program, the bureau may direct mandatory attendance of the administrator at a bureau of workers' compensation training program until such time as the bureau determines that the administrator is sufficiently competent and knowledgeable to run such a workers' compensation program. The cost of the bureau's training of the administrator(s) under this rule will be borne by the self-insuring employer or self-insuring employer applicant. By accepting the privilege of self-insurance, an employer acknowledges that the ultimate responsibility for the administration of workers' compensation claims in accordance with the law and rules of the bureau of workers' compensation and the commission rests with that employer. The self-insuring employer's records and compliance with the bureau of workers' compensation and commission rules shall be subject to periodic audit by the bureau of workers' compensation.

A self-insuring employer or applicant shall designate one of its Ohio employees who is knowledgeable and experienced with the requirements of the Ohio Workers' Compensation Act and rules and regulations therein, as administrator of its self-insuring program. The requirement for an Ohio administrator may be waived at the discretion of the bureau. The name and telephone number of the Ohio administrator, or non-Ohio administrator where the Ohio requisite has been waived, shall be posted by the employer in a prominent place at all the employer's locations. The administrator's duties shall include, but not be limited to:

- (1) Acting as liaison between the employer, the bureau of workers' compensation and the commission, and providing information to the agency upon request;
- (2) Providing assistance to claimants in the filing of claims and applications for benefits;
- (3) Providing information to claimants regarding the processing of claims and the benefits to which claimants may be entitled;
- (4) Providing the various forms to be used in seeking compensation or benefits;
- (5) Accepting or rejecting claims for benefits;
- (6) Approving the payment of compensation and benefits to, or on behalf of, claimants, pursuant to paragraph (K) of this rule.

This rule is not intended to prevent the hiring of an attorney or representative to assist the employer in the handling and processing of workers' compensation claims.

(J) Employers that are granted the privilege of paying compensation, etc., directly, in accordance with these rules and regulations shall file with the bureau a report of paid compensation annually, shall keep a record of all injuries and occupational diseases resulting in more than seven days of temporary total disability or death occurring to its employees and report the same to the bureau upon forms to be furnished by it, and shall observe all the rules and regulations of the commission and bureau and their rules of procedure with reference to determining the amount of compensation, etc., due to the disabled employee or the dependents of killed employees, and payment of the same. ~~Any employer granted the privilege of paying compensation, etc., directly on or after July 1, 2001, shall report its paid compensation electronically via the bureau's web site. Effective January 1, 2002, all employers that have been granted the privilege of paying compensation, etc., directly shall report paid compensation electronically via the bureau's web site.~~ **ALL EMPLOYERS GRANTED THE PRIVILEGE OF PAYING COMPENSATION, ETC., DIRECTLY SHALL ANNUALLY REPORT PAID COMPENSATION ELECTRONICALLY VIA THE BUREAU'S WEBSITE.**

If a self-insured employer fails to timely file its annual report of paid compensation, the bureau may estimate the amount of paid compensation and assess the employer based on

this estimate pursuant to rule 4123-17-32 of the Administrative Code. If the employer subsequently provides the bureau with actual paid compensation figures, the bureau shall adjust the paid compensation and any assessment accordingly. A self-insured employer that is no longer a self-insured employer in Ohio and has failed to timely file a report of paid compensation shall be subject to this rule.

(K) Minimal level of performance as a criterion for granting and maintaining the privilege to pay compensation directly.

(1) The employer must be able to furnish or make arrangements for reasonable medical services during all working hours. A written explanation of what arrangements have been made or will be made to provide medical treatment shall be supplied with the application for self-insurance.

For an employer desiring to be first granted the privilege of self-insured status on or after the effective date of this rule, the employer shall provide to the bureau for the bureau's approval the employer's plan for the following:

- (a) Criteria for the selective contracting of health care providers;
- (b) Plan structure and financial stability for the medical management of claims;
- (c) Procedures for the resolution of medical disputes between an employee and the employer, an employee and a provider, or the employer and a provider, prior to an appeal under section 4123.511 of the Revised Code;
- (d) Upon the request of the bureau, provide a timely and accurate method of reporting to the administrator necessary information regarding medical and health care service and supply costs, quality, and utilization; and,
- (e) Provide an employee the right to change health care providers.

(2) The employer shall promptly pay the fees of outside medical specialists to whom the commission or bureau shall refer claimants for examination or where the commission or bureau refers the claim file for review and opinion by such specialist except as provided by law in cases where the claim was subsequently disallowed. Such fees shall be paid within the time limits provided for payment of medical bills under paragraph (K)(5) of this rule.

(3) Every employer shall keep a record of all injuries and occupational diseases resulting in more than seven days of total disability or death as well as all contested or denied claims and shall report them to the bureau, and to the employee or the claimant's surviving dependents in accordance with rule 4123-3-03 of the Administrative Code.

(4) The employer shall provide to the claimant and upon request, shall file with the bureau or the commission, medical reports relating thereto and received by it from the

treating physician and physicians who have seen the claimant in consultation for the allowed injury or occupational disease, or any injury or occupational disease for which a claim has been filed. The claimant shall provide to the employer and, upon request, shall file with the bureau or the commission, medical reports relating thereto and received from the treating physician and physicians who have seen the claimant in consultation for the allowed injury or occupational disease or any injury or occupational disease for which a claim has been filed. The claimant shall honor the employer's request for appropriate written authorization to obtain medical reports to the extent that such reports pertain to the claim.

(5) Within thirty days after receipt of a hospital, medical, nursing or medication bill duly incurred by the claimant, the employer shall either pay such bill, or if the employer contests any of such matters, shall notify the provider, the employee, and, only upon request, the bureau or commission in writing. Such written notice shall specifically state the reason for nonpayment. The employer's notification to the employee shall indicate that the employee has the right to request a hearing before the industrial commission. If the matter is heard by the industrial commission, the employer shall pay compensation and benefits due and payable under an order as provided by section 4123.511 of the Revised Code. If the self-insuring employer allows a claim for benefits or compensation without a hearing, the employer shall pay such benefits or compensation no later than twenty-one days from acquiring knowledge of the claim or the claimant's filing of the C-84 form, whichever is later. The employer shall approve a written request for a change of physicians within seven days of receipt of such request that includes the name of the physician and proposed treatment. The employer shall approve or deny a written request for treatment within ten days of the receipt of the request. If the employer fails to respond to the request, the authorization for treatment shall be deemed granted and payment shall be made within thirty days of receipt of the bill.

(6) The employer shall make its records and facilities available to the employees of the bureau at all reasonable times during regular business hours. A public employer shall make the reports required by section 4123.353 of the Revised Code available for inspection by the administrator of workers' compensation and any other person at all reasonable times during regular business hours.

(7) The employer shall pay all compensation as required by the workers' compensation laws of the state of Ohio. By becoming self-insuring, the employer agrees to abide by the rules and regulations of the bureau and commission and further agrees to pay compensation and benefits subject to the provisions of these rules. The self-insuring employer shall proceed to make payment of compensation or medical benefits without any previous order from the bureau or commission and shall start such payments as required under the Workers' Compensation Act, unless it contests the claim.

(8) The employer may notify the medical section and the claimant at least sixty days prior to the completion of the payment of two hundred weeks of compensation for temporary total disability with the request that the claimant be scheduled for examination by the medical section. Payment of temporary total disability compensation after two hundred

weeks shall continue uninterrupted until further order of the commission up to the maximum required by law, unless the claimant has returned to work, or the treating physician has made a written statement that the claimant is capable of returning to his former position of employment or has reached maximum medical improvement or that the disability has become permanent, or, after hearing, an order is issued approving the termination of temporary total disability compensation.

(9) Upon written request by the claimant or claimant's representative, the employer shall make available for review all the employer's records pertaining to the claim. Such review is to be made at a reasonable time (not to exceed seventy-two hours) and place. The claimant, upon written request, shall provide the employer or its representative with an appropriate written authorization to obtain medical reports and records pertaining to the claim.

Except as provided for in this rule, an employer may not assess a fee or charge the claimant or the claimant's representative for the cost of providing a copy of the employer's records pertaining to the claim. Where the employer has previously provided a copy of the record or records pertaining to the claim to the claimant or the claimant's representative, the employer may charge a fee for the copies. The employer's fee shall be based upon the actual cost of furnishing such copies, not to exceed twenty-five cents per page.

(10) The employer shall inform a claimant, and the bureau of workers' compensation, in writing, within thirty days from the filing of the claim, as to what conditions it has recognized as related to the injury or occupational disease and what, if any, it has denied. The same timeframe shall apply when the employer rejects a medical only claim.

(11) The employer shall post notices of its self-insuring status indicating the location in the plant(s) for the filing of a claim and the job title and department of the employees designated by the employer to be the person or persons responsible for the processing of workers' compensation claims.

(12) A public employer, except for a board of county commissioners described in division (G) of section 4123.01 of the Revised Code, a board of a county hospital, or a publicly owned utility, who is granted the status of self-insuring employer pursuant to section 4123.35 of the Revised Code shall comply with the section 4123.353 of the Revised Code.

(L) If a state insurance fund employer or a succeeding employer, as described in rule 4123-17-02 of the Administrative Code, applies for the privilege of paying compensation, etc., directly, by transferring from state fund to self-insurance, the actuary of the bureau shall determine the amount of the liability of such employer to the bureau for its proportionate share of any deficit in the fund. To determine an employer's liability under this rule, the actuary of the bureau shall develop a set of factors to be applied to the pure premium paid by an employer on payroll for a seven year period, as described below. The factors shall be based on the full past experience of the commission and bureau as

reflected in the most recent calendar year end audited combined financial statement of the commission and bureau, and shall also accommodate any projected change in the financial condition of the fund for the current calendar year, or any additional period for which an audited combined financial statement is unavailable. The factors shall be revised annually effective July first based on the most recent calendar year audited combined financial statement and the projected change in the financial condition of the fund in the current calendar year or any additional period for which an audited combined financial statement is unavailable. The annually revised factors shall be adopted by rule 4123-17-40 of the Administrative Code, and filed with the secretary of state and the legislative service commission at least ten days prior to July first of each year. Factors effective July first of each year shall apply to all applications for self-insurance filed on or after July first of that year through June thirtieth of the following year. The revised factors shall be applied to the pure premium paid by the employer on payroll for the seven calendar accident years ending December thirty-first of the year preceding the year in which the factors are adopted under rule 4123-17-40 of the Administrative Code. In the event the audited combined financial statement of the commission and bureau reveals that no deficit exists, or in the event the application of the factors adopted by rule 4123-17-40 of the Administrative Code yields a negative number, the employer will incur no liability under this paragraph, but will not receive any refund for prior premiums paid except for those matters specifically addressed in paragraph (L)(2) of this rule. As used in this rule, "pure premium paid" means premiums actually paid under a base rating plan or an experience rating plan and minimum premium paid under a retrospective rating plan. It does not include premiums billed for actual claims costs, including reserves at the end of ten years, under a retrospective rating plan. Obligations under a retrospective rating plan remain the responsibility of the employer regardless of the employer's status. The same principles shall apply to cases of a merger by a self-insuring employer and a state fund employer under the self-insurer's status. In addition, the provisions listed below shall apply:

(1) Within thirty days of the receipt from the employer of the necessary forms and of a separate statement of assets and liabilities, the bureau will forward to the employer a letter stating the amount of liability (if any) due the state fund as outlined above and a copy of the computation of such liability (if any).

(2) Within thirty days of the date of mailing of the letter by the bureau as outlined in paragraph (L)(1) of this rule, the employer shall reply by a letter, signed in handwriting, acknowledging that the employer agrees with the amount of liability specified in the letter and that there are no protests or claims hearings pending which could affect the amount of the liability. If any such matters are pending and would affect the liability, they must be detailed and set forth in the letter from the employer. This letter must also acknowledge that any protest letters, applications for handicap reimbursement or other requests affecting the risk's state fund experience **FILED** file subsequent to the date of this letter shall be considered invalid for both rebate of premium on state fund experience and the calculation of liability cited above. This letter must also specify the suggested effective date of the transfer to self-insurance which the employer requests, subject to paragraph (B) of this rule which requires that the effective date must be at least ninety

days after the date the application forms are received by the bureau. Failure to comply with the requirements set forth herein shall terminate further consideration of the application.

(3) Subsequent to the approval of the employer's self-insurance status and the effective date thereof by the administrator, the bureau shall issue a settlement sheet statement containing the adjustment required above and billing for an advance deposit as required by other rules of the commission. The employer shall pay the amounts required by this paragraph, pay the contribution to the self-insuring employers' guaranty fund under section 4123.351 of the Revised Code, submit a performance surety bond or additional security, if required by the bureau, and estimated final payroll report as a state fund risk, all within thirty days of the date of the mailing of the administrator's **SELF-INSURED CERTIFICATE**, ~~executive order~~.

(4) The final adjustments of all premiums due the state fund for the final payroll reports and final bureau audit (if any), as well as the pending protests, etc., as specified in paragraph (L)(2) of this rule, shall all be settled and paid within six months from the date of transfer from state fund to self-insuring status. Employer's records must be made available promptly for final audit which must also be completed within six months from the date of the transfer from state risk to self-insurance.

(M) If there is any change involving additions, mergers, or deletions of entities or ownership changes of a self-insuring employer, which would materially affect the administration of the employer's self-insuring employer program or the number of employees included in such program, the employer shall notify the bureau self-insuring employer's section within thirty days after the change occurs. Based upon the information provided or additional information requested by the bureau, the bureau will determine the effect of the change on the employer's self-insuring employer status, the adequacy of the employer's contribution to the self-insuring employers' guaranty fund, and the need for additional security.

(N) Public employers granted the privilege of self-insurance shall include volunteers and probationers performing services for the political subdivision as employees to be covered under the self-insurance policy.

HISTORY: Eff 7-1-76; 1-2-78; 12-11-78; 11-26-79; 2-17-81; 9-3-85; 8-22-86 (Emer.); 11-17-86 (Emer.); 1-10-87; 7-16-90; 11-23-92 (Emer.); 2-22-93; 11-19-93; 12-17-01; 4-28-03; 11-14-03

Rule promulgated under: RC 119.03

Rule authorized by: RC 4121.121, 4121.30, 4123.05, 4121.12

Rule amplifies: RC 4123.35, 4123.58

R.C. 119.032 review dates: 03/01/2006

4123-19-05 Where an employer is a self-insuring risk and desires to become a state risk.

(A) Where an employer that is a self-insuring risk desires to become a state risk, the employer transferring from a self-insuring risk to a state risk shall be rated at the

appropriate experience modifier to the employer's basic premium rate. Such a rate shall be determined pursuant to section 4123.29 of the Revised Code.

(B) The adjustment of the self-insurance premium of such employer shall be computed on an earned premium basis as of the date of transfer from self-insurance to the state fund, which adjustment shall be controlled by the rules controlling the ordinary premium adjustment.

(C) A self-insuring employer that transfers to the state insurance fund shall continue to administer self-insured claims for dates of injury, disease, or death during the period of self-insurance, and the employer shall be responsible to continue to pay compensation and benefits directly. Further, the employer shall remain obligated to pay to the bureau the self-insuring employer assessment calculated on the basis of the paid compensation for such claims attributable to the individual self-insuring employer according the provisions of division (I) of section 4123.35 of the Revised Code and a rule of the bureau of workers' compensation adopted in accordance with section 111.15 of the Revised Code.

HISTORY: Eff 7-1-62; 8-22-86 (Emer.); 11-17-86 (Emer.); 1-10-87; 5-9-90; 12-17-01

Rule promulgated under: RC Chapter 119.

Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05

Rule amplifies: RC 4123.35

119.032 Review date: 9/28/01; 3/1/06

4123-19-06 Procedures for revocation of self-insuring status.

(A) The bureau may direct that a public hearing be held on the question of revocation of a self-insuring employer's privilege of self-insurance if the employer that has elected with the approval of the bureau to pay compensation, etc., directly thereafter fails in any one of the following:

(1) Continued failure to file medical reports **REQUESTED BY** with the bureau or industrial commission or to submit reports to the injured worker required under law or rule;

(2) Continued failure to pay compensation or benefits in accordance with any law or bureau or commission rules in a timely manner;

(3) Failure to provide reasonable medical facilities;

(4) Continued failure to pay all costs of administration including fees of medical specialists to whom the commission or bureau refers claimants for physical examinations or refers claim files for review and opinion, or failure to pay claimant's travel expenses within thirty days as required by law or rule;

(5) Continued failure to keep a record of all injuries and occupational diseases resulting in more than seven days of temporary total disability or death or involving seven days or

less of lost time where it appears that there will be permanent partial disability compensable under division (B) of section 4123.57 of the Revised Code, or where the employer denies the claim, and to report the same to the bureau and to furnish a copy of such report to the employee it concerns or to his surviving dependents;

(6) Continued failure to pay compensation within three weeks or benefits including failure to respond to a **WRITTEN** request for authorization to change physicians **WITHIN SEVEN DAYS, FAILURE TO APPROVE OR DENY A WRITTEN REQUEST FOR TREATMENT** approval of medical treatment **WITHIN TEN DAYS, FAILURE TO PAY HOSPITAL, MEDICAL, NURSING OR MEDICATION BILLS DULY INCURRED BY THE CLAIMANT** etc., within the period of thirty days after receipt of a **physician's fee bill** or request for any of the above mentioned benefits, unless the employer contests any of such matters, in which event the employer shall promptly notify the employee in writing, **AS WELL AS THE PROVIDER, FOR REQUESTS TO CHANGE PHYSICIANS OR FOR TREATMENT REQUESTS OR FOR FEE BILLS,** and, **ONLY UPON REQUEST**, the bureau **OR THE INDUSTRIAL COMMISSION**, of such contest, **SPECIFICALLY STATING THE REASON FOR CONTESTING SUCH MATTER, AND NOTIFYING** along with the employer's notification to the employee **that** the employee **OF has** the right to request a hearing before the industrial commission;

(7) Failure to make its records and facilities available to employees of the bureau

(8) Repeated failure to permit a claimant, his dependents or the representatives of either, to review all of the employer's medical records pertaining to the claim at all reasonable times and places within seventy-two hours of receiving a request;

(9) Repeated failure to inform a claimant or his dependents and the bureau of workers' compensation, in writing, as to what conditions it has recognized as related to his injury or occupational disease and what, if any, conditions it denies;

(10) Harassing, dismissing or disciplining employees who have made complaints to the bureau;

(11) Failure to pay contributions to the self-insuring employers' guaranty fund as set forth in section 4123.351 of the Revised Code; or,

(12) Repeated failure to comply strictly with any rule, regulation or order prescribed by the commission and bureau.

(B) Should the bureau have reason to believe that the self-insuring employer has failed to comply with any of the matters listed in paragraph (A) of this rule involving the employer's financial strength or administrative ability to meet its obligations as a self-insuring employer, the bureau shall refer the matter for a public hearing on the question of revocation of the employer's privilege of self-insurance. Such public hearing shall be conducted before the self-insured review panel in accordance with the provisions of rule 4123-19-14 of the Administrative Code for issues involving the financial strength or the

administrative ability of the employer to operate a self-insured workers' compensation program. The public hearing shall be conducted before the self-insuring employers evaluation board in accordance with the provisions of rule 4123-19-13 of the Administrative Code for issues involving unresolved complaints by injured workers or allegations of misconduct by the self-insuring employer.

(C) The employer and its representative shall be notified in writing that such a public hearing will be held and shall be furnished with copies of any complaint of an employee or report from the employees of the bureau. For matters to be heard before the self-insured review panel, the bureau shall mail a notice of hearing to the employer and its representatives by regular mail, setting forth the date, time, and place of the hearing not less than twenty one days before such hearing. For matters to be heard before the self insured employers evaluation board, the bureau shall mail a notice of the hearing to the claimant and the claimant's representative if the issue is a complaint. The notice shall be mailed not less than fourteen days before such hearing.

(D) At the hearing the testimony given shall be taken by a court reporter and copies of the transcript of such testimony shall be furnished to the self-insuring employer, the complaining claimant, their representatives, the administrator and the members of the self-insured review panel or the self-insuring employers evaluation board.

(1) Should the self-insured review panel find that the self-insuring employer has materially violated any parts of this rule or is incapable of operating a self-insuring program, or refuses to conform to the rules and regulations of the industrial commission and bureau, then the administrator will forthwith issue a revocation of authority to pay compensation, etc., directly,

(2) Should the self-insuring employers evaluation board recommend to the administrator that an employer's privilege of self-insurance be revoked, the administrator shall promptly and fully implement such recommendation without further hearing.

(3) An employer that has been revoked pursuant to paragraph (D)(1) or (D)(2) of this rule shall be required to pay forthwith its eight months' advance estimated premium into the state insurance fund.

(E) The bureau may, at its discretion and after proper hearing, revoke the self-insuring status of a unit of a parent company when the evidence presented at the hearing clearly shows that the unit is operating at a different location from the parent company, and its actions causing the revocation were not directed **nor** authorized by the parent company.

HISTORY: Eff 1-2-78; 1-10-87; 7-16-90; 11-19-93; 12-17-01
Rule promulgated under: RC Chapter 119.
Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05
Rule amplifies: RC 4123.35, 4123.352
119.032 Review date: 9/28/01; 3/1/06

4123-19-07 Rules controlling renewals of risks.

(A) One week prior to the date of expiration of insurance of each private risk the bureau shall mail to each such risk a "Payroll Report" form.

(B) The employer shall, within one month from the date of expiration of his last six months' insurance period, complete and return the payroll report to the bureau with premium remittance.

(C) If, within two months immediately after the expiration of the six months' period, an employer fails to file a report of the employer's actual payroll expenditures for the period, the premium found to be due from such employer for the period shall be increased in an amount equal to one per cent, the increase, however, not to be less than three dollars nor more than fifteen dollars.

(1) The premium determined by the bureau to be due from an employer shall be payable on or before the end of the coverage period established by the premium security deposit, or within the time specified by the bureau if the period for which the advance premium has been paid is less than eight months. If an employer fails to pay such premium when due, there shall be added to such premium an amount equal to three per cent of such premium. If the failure to pay continues for more than one month, the premium shall be further increased in an amount equal to two per cent of such premium for each additional month or part of a month, but the total of all such additional amounts shall not exceed twelve per cent of such premium. However, if the employer files an appropriate payroll report within the time provided by law or within the time specified by the bureau if the period for which he has paid an estimated premium is less than eight months, the employer shall not be in default and these provisions will not apply if the employer pays such premium within fifteen days after he has been first notified by the bureau of the amount due.

(2) Any deficiencies in amounts of premium security deposit paid by an employer for any period or periods shall be subject to an interest charge of six per cent per annum from the respective dates of the notice by the bureau to the employer of such deficiency in the premium security deposit. In determining the interest due on deficiencies in premium security deposit payments, a charge in each case shall be made against the employer in a sum equal to interest at the rate of six per cent per annum on the premium security deposit due but remaining unpaid sixty days after notice by the bureau.

(3) Any interest charges or penalties provided for in paragraphs (C)(1) and (C)(2) of this rule and paid, shall be credited to the employer's account for rating purposes in the same manner as premium.

(4) The amount of premium due from such employer may be certified to the attorney general for collection.

(D) The question of classification or rating shall not be permitted to operate so as to delay the making of premium payment.

(E) When the risk has paid its adjustments and renewal premium to the bureau, the bureau shall forthwith mail to such a risk a "Certificate of Premium Payment," which certificate shall set forth the renewal, effective and expiration dates of coverage for the risk.

(F) For counties and public employer taxing districts, payment of premium is due in accordance with the schedule established under division (B) of section 4123.41 of the Revised Code. Where such employer fails to pay at least forty-five per cent of the premium due by May fifteenth or the full premium due by September first, the bureau may impose an interest penalty for late payment for any amount due for each month or part of a month past due as scheduled at the interest rate established by the state tax commissioner pursuant to section 5703.47 of the Revised Code.

HISTORY: Eff 7-1-71; 8-19-77; 12-11-78; 11-26-79; 5-9-90; 12-14-92
Rule promulgated under: RC Chapter 119.
Rule amplifies: R.C. SEC. 4123.32 AS AMENDED BY H.B. 1017, 4123.41
119.032 Review Date: 9-28-01; 3-1-06

4123-19-08 Renewal of self-insuring risks.

(A) The privilege of an employer to pay compensation, etc., directly, must be renewed annually. Beginning with the effective date of this rule, prior to renewal of the employer's privilege of self-insurance, the bureau shall re-evaluate the employer's financial strength and administrative ability as described in rule 4123-19-03 of the Administrative Code. The bureau will consider past performance of the self-insuring employer as an additional factor in determining whether to renew the privilege of self-insurance. The five-hundred employee requirement in division (B)(1) of section 4123.35 of the Revised Code will not be considered mandatory in the case of an employer seeking to renew its privilege of self-insurance. Waivers granted for good cause by the administrator pursuant to paragraph (H) of rule 4123-19-03 of the Administrative Code will continue in effect indefinitely unless there is a significant change, in the opinion of the bureau of workers' compensation.

(B) Self-insuring risks desiring to continue paying compensation, etc., directly, shall secure from the bureau a copy of the appropriate form of application which shall be completed and returned to the bureau. ~~The employer shall include with the renewal application a recording of the number of lost time claims.~~ The employer may also be required to include a reporting of the amount of payments made and the amount of reserves established for the aforementioned claims as sufficient to cover future liabilities. The properly completed renewal forms shall be signed by the Ohio self-insuring program administrator who has been designated by the employer to the bureau or an officer of the company and filed ninety days prior to the renewal date.

(C) The application forms and the employer's financial statement shall be reviewed by the bureau. In order to renew its status as a self-insuring employer, the employer shall establish the following to the bureau's satisfaction: that the employer has fulfilled the

minimal level of performance standards that an employer is required to meet before being granted permission to pay compensation and benefits directly, as provided in paragraph (K) of rule 4123-19-03 of the Administrative Code; that the employer has substantially resolved all outstanding complaints filed with the bureau; and that the employer has achieved a satisfactory rating in its most recent audit report. Upon compliance with these requirements, the administrator may approve the renewal application. If the application is granted, the bureau will so notify the applicant within thirty days prior to the renewal date. In this notification, the bureau shall specify the contribution to the self-insuring employers' guaranty fund and the amount of the additional security, if required.

(D) If the aforesaid employer, upon receipt of such notification, promptly provides the bureau with the security in the amount and form specified by the bureau, the bureau thereafter will issue said employer a revised "Findings of Facts" statement and certificate which will be sent to the risk by the bureau.

(E) In the event the bureau finds that the minimum criteria set forth in the rules have not been met, the bureau shall give written notice to the applicant that the privilege to pay compensation, etc., directly, will not be renewed. Said notice shall give the employer two weeks to exercise the right to a public hearing before ~~the administrator, or~~ the self-insured review panel, in accordance with the provisions of rule 4123-19-14 of the Administrative Code. If no hearing is requested or if the ~~administrator or~~ the self-insured review panel **OR, ON APPEAL, THE ADMINISTRATOR** upholds the non-renewal, the applicant shall forthwith be required to pay its full premium **INTO THE STATE INSURANCE FUND** for the intervening period from the date of the expiration of the last renewal date to the date of the **ORDER OF NON-RENEWAL ISSUED BY THE SELF-INSURED REVIEW PANEL OR THE ADMINISTRATOR**, ~~administrator's or self-insured review panel's order of non-renewal~~ into the state insurance fund or to obtain a binder for state fund coverage as of the expiration date of its last renewal.

(F) If, for any reason, the self-insuring risk is not renewed and said risk does not pay its premium security deposit for the ensuing period into the state insurance fund or obtain a binder for state fund coverage as of the expiration date of its last renewal, said risk shall be deemed an amenable but noncomplying employer pursuant to sections 4123.01 to 4123.99 of the Revised Code.

(G) If, for any reason, it is not possible to finally pass on the employer's application for renewal prior to the expiration of its present authorization, an extension may be granted until such time as the final disposition of the application for renewal can be made.

HISTORY: Eff 7-1-62; 1-2-78; 11-26-79; 2-17-81; 9-3-85; 7-16-90; 11-19-93; 12-17-01

Rule promulgated under: RC Chapter 119.

Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05

Rule amplifies: RC 4123.32, 4123.35

119.032 Review date: 9/28/01; 3/1/06

4123-19-09 In regard to complaints filed by employees against self-insuring employers under the provisions of section 4123.35 of the Revised Code.

(A) The bureau shall receive all complaints concerning any employer engaged in paying compensation directly to its employees. The bureau shall transfer to the self-insuring employers evaluation board only those complaints which are not resolved. An employer shall respond in writing to a complaint within fourteen days of receipt thereof, and the employer's response shall be made a part of the complaint file.

(B) The administrator of the bureau of workers' compensation shall investigate and process all complaints against a self-insuring employer through the self-insuring employers section of the bureau. However, the bureau may dismiss a complaint based upon the employer's action or lack of action with respect to events that occurred more than two years prior to the filing of the complaint, unless the facts could not have been **REASONABLY** ~~reasonable~~ known to the claimant.

(C) The bureau shall maintain a file by employers of all complaints that relate to the employer, together with any information filed by the employer as to such complaints. A copy of all complaints shall become a part of the self-insuring employer's record file and shall be available at the time of renewal consideration. The bureau shall evaluate each complaint and take appropriate action as follows:

(1) If the bureau records for such employee does not contain full information as to the matter which is the subject of the complaint, the bureau may attempt to obtain such information by correspondence with the self-insuring employer, the claimant, and their authorized representatives, if any.

(2) The bureau may also audit the program of the employer in the manner provided in section 4123.35 of the Revised Code.

(D) Following receipt of all necessary information, including bureau records, correspondence from the employee and the employer, or an audit by the bureau of workers' compensation, the bureau may dismiss the complaint as invalid or find that the complaint has been resolved. Any unresolved complaint against a self-insuring employer shall be referred to the self-insuring employers evaluation board for further action in accordance with the provisions of rule 4123-19-13 of the Administrative Code. If the bureau determines that a complaint is invalid or resolved and decides not to present the complaint to the self-insuring employers evaluation board, the claimant may request that the complaint be presented to the administrator or the self insuring employers evaluation board for further consideration.

(E) Complaints referred to the bureau as provided above shall be retained in the employer's file for the period of four years from the date of resolution.

(F) No employer that elects to pay compensation directly shall harass, dismiss or otherwise discipline any employee for making a complaint. Upon receipt of this information that such harassment, dismissal or other disciplinary action has been taken, the bureau shall assign the matter for hearing pursuant to the provisions of rule 4123-19-

13 of the Administrative Code before the members of the self-insuring employers evaluation board. If the board finds that such employer is guilty of harassing, dismissing or otherwise disciplining the claimant for making the complaint, the board shall levy a reasonable financial penalty under the circumstances as the board deems appropriate, payable by the employer to the surplus fund.

(G) Repeated violations of this rule shall be grounds for revocation of the employer's privilege to pay compensation, etc., directly.

HISTORY: Eff 1-2-78; 8-22-86 (Emer.); 11-8-86; 5-9-90; 12-17-01 (Emer.); 8-8-03

Rule promulgated under: RC 119.03

Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05

Rule amplifies: RC 4123.35, 4123.352

R.C. 119.032 review dates: 03/01/2006

4123-19-10 In regard to audits by the bureau of workers' compensation.

(A) The bureau of workers' compensation shall audit the programs of employers who elect to pay compensation directly in the following situations:

(1) Audit shall be conducted by the bureau on a random basis.

(2) In addition, the bureau shall make such audits whenever the bureau has grounds for believing that an employer is not in full compliance with the rules of the commission or the provisions of Chapter 4123. of the Revised Code.

(3) Upon request from the self-insured review panel or the self-insuring employers evaluation board

(B) Such audits shall include the employer's methods of furnishing medical, surgical, nursing and hospital attention services, medicines and funeral expenses; the employer's payment of compensation or benefits to claimants and dependents and whether this is being done in a proper and timely manner; whether the employer has promptly filed all reports required under the rules of the commission and bureau and the provisions of Chapter 4123 of the Revised Code. Such audits may also be used to evaluate whether the employer is providing medical examinations and evaluations in a timely manner; and whether the employer has harassed, dismissed or otherwise disciplined employees who have filed complaints against such employer with the bureau of workers' compensation.

(C) The bureau shall report its findings on such audits to the employer, **THE SELF-INSURED REVIEW PANEL OR** and the self-insuring employers evaluation board, where the **PANEL OR** board had requested the audit, and shall evaluate such findings and take such action as is indicated.

HISTORY: Eff 1-2-78; 5-9-90; 12-17-01

Rule promulgated under: RC Chapter 119.

Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05

Rule amplifies: RC 4123.35

119.032 Review date: 9/28/01; 3/1/06

4123-19-11 Fixing time limits beyond which the failure of a self-insuring employer to provide for the necessary medical examinations and evaluations may not delay a decision on a claim.

(A) When a self-insuring employer has provided or arranged for a necessary medical examination or evaluation, in accordance with paragraph ~~(B)~~ (A) of rule 4121-03-09 of the Administrative Code it shall promptly notify the commission that it has done so.

(B) Failure of a self-insuring employer to provide for or arrange for the scheduling of such necessary medical examinations and evaluations within the period of fifteen days from the notification shall not delay a decision in claim.

HISTORY: Eff 1-2-78; 5-9-90; 12-17-01
Rule promulgated under: RC Chapter 119.
Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05
Rule amplifies: RC 4123.35
119.032 Review date: 9/28/01; 3/1/06

4123-19-12 Grounds for holding public hearings to evaluate the program for self-insuring employers.

The administrator of workers' compensation shall hold a public hearing to evaluate the program for self-insuring employers in the following situations:

(A) If there has been a substantial amendment of the statutes relating to self-insuring employers.

(B) If decisions are rendered by the supreme court of Ohio which materially change the interpretation of such statutes or invalidate material portions of the rules of the industrial commission or the bureau of workers' compensation.

(C) If there is substantial evidence that the self-insuring employers are not complying with the laws of the state of Ohio, the rules and procedures of the bureau of workers' compensation and the industrial commission.

HISTORY: Replaces rule 4121-9-12; Eff 1-2-78; 5-9-90
Rule promulgated under: RC Chapter 119.
Rule amplifies: R.C. SEC. 4123.35 IN CONJUNCTION WITH 4121.13
119.032 Review Date: 9-28-01; 3-1-06

4123-19-13 Self-insuring employers evaluation board.

(A) Section 4123.352 of the Revised Code establishes a self-insuring employers evaluation board. The board shall consist of three members:

- (1) The member of the industrial commission representing the public shall serve, ex officio, as chairman.
 - (2) A member of the "Ohio Self-Insurers Association" shall be appointed by the governor with the advice and consent of the senate.
 - (3) A member of labor shall be appointed by the governor with the advice and consent of the senate.
 - (4) Not more than two of the members shall be of the same party.
 - (5) For purposes of administration, the board shall be part of the bureau of workers' compensation. The bureau shall furnish the necessary office space, staff and supplies. The board shall meet as the board determines or as requested by the bureau.
- (B) All unresolved complaints or allegations of misconduct against a self-insuring employer shall be referred to the board by the bureau. At the claimant's request, the board may elect to hear a complaint that had been dismissed by the bureau.
- (1) The board shall investigate and may order the employer to take corrective action in accordance with such schedule as the board fixes.
 - (2) A board determination need not be made by formal hearing but must be issued in written form and contain the signatures of at least two members.
 - (3) If after a hearing pursuant to Chapter 119. of the Revised Code and rules of the commission and bureau, the board determines an employer has failed to correct deficiencies within the time fixed by the board, or is otherwise violating Chapter 4123. of the Revised Code or the rules of the industrial commission or the bureau of workers' compensation, the board shall recommend to the administrator:
 - (a) Revocation of employer's privilege of self-insurance;
 - (b) Probation;
 - (c) A civil penalty not to exceed ten thousand dollars for each violation of the law or rules, payable into the self-insuring employers' surety bond fund; or
 - (d) Any other appropriate penalty.
 - (4) A board recommendation to revoke an employer's privilege of self-insurance must be by unanimous vote.
 - (5) A penalty other than revocation shall be by majority vote of the board and will be the responsibility of the bureau to monitor for compliance.

(6) The bureau shall promptly and fully implement recommendations from the board for disciplining a self-insuring employer.

HISTORY: Eff 8-22-86 (Emer.); 11-17-86 (Emer.); 1-10-87; 5-9-90; 12-17-01

Rule promulgated under: RC Chapter 119.

Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05

Rule amplifies: RC 4123.352

119.032 Review date: 9/28/01; 3/1/06

4123-19-14 Self-insured review panel.

(A) The administrator of the bureau of workers' compensation may delegate the authority granted to the administrator under Chapters 4121. and 4123. of the Revised Code for determining self-insuring employer matters as may be authorized. For this purpose, the administrator may appoint a self-insured review panel to provide advice to the administrator and the bureau's self-insured department and provide employers with hearings on matters referred to the panel, or as requested by the employer. The bureau shall refer all unresolved issues involving the financial strength or the administrative ability of the employer to operate a self-inured workers' compensation program to the panel for a hearing.

(B) The self-insured review panel shall consist of three members appointed by the administrator. The members shall consist of persons who shall have expertise or experience in matters relating to self-insuring employers.

(C) The self-insured review panel shall hold meetings and hearings to determine matters referred to it by the administrator or the bureau's self-insured department for a review. The panel may issue decisions without formal hearing, and may advise the administrator or the self-insured department on issues referred to it. The panel shall afford an employer the opportunity for a formal hearing before the panel upon request.

(D) If an employer requests a hearing before the review panel or the panel determines that a hearing is in the best interests of the employer or the state insurance fund, the panel shall mail a notice of hearing to the employer and its representatives by regular mail, setting forth the date, time and place of the hearing. The notice shall be mailed not less than twenty one days before the date of such hearing. In justifiable cases, an emergency hearing may be arranged with the review panel.

(E) The panel shall keep a record of its dockets and proceedings. The panel's decisions shall be reduced to writing and mailed to all interested parties and shall state the evidence upon which the decision was based and the reasons for the panel's actions. The decision of the panel shall be the decision of the administrator. If the employer files a written appeal within fourteen days of the employer's receipt of the panel's decision, at the administrator's discretion, the administrator may reconsider the decision of the panel, and may conduct a formal hearing for such purpose.

(F) The administrator may authorize the review panel to consider the following matters:

- (1) Granting or denying an application for the privilege to pay compensation, etc., directly;
- (2) Non-renewals of self-insured status;
- (3) Revocation of self-insuring employer status;
- (4) Issues of a self-insuring employer's adequacy of contribution to the self-insuring employers' guaranty fund or need for additional security under section 4123.351 of the Revised Code;
- (5) Any other self-insuring employer matter as authorized and delegated by the administrator under Chapters 4121. and 4123. of the Revised Code.

HISTORY: Eff 5-9-90; 11-19-93; 12-17-01
Rule promulgated under: RC Chapter 119.
Rule authorized by: RC 4121.12, 4121.121, 4121.30, 4123.05
Rule amplifies: RC 4123.35, 4123.351, 4123.352
119.032 Review date: 9/28/01; 3/1/06

4123-19-15 Assessment for self-insuring employers' guaranty fund.

Note: This rule is addressed in a separate rule presentation.

4123-19-16 Self-insured construction projects.

(A) As used in this rule:

(1) "Responsible self-insured employer" or "responsible employer" means the self-insuring employer or the public school employer that enters into a construction contract and applies for permission to self-insure the construction contract. The responsible employer is the entity responsible for the cost of the construction project and generally will be the owner of the project. The responsible employer is the payor under the contract.

"Responsible self-insured employer" or "responsible employer" may include a self-insured general contractor or construction manager whose principal source of business is the execution of construction projects.

(2) "Public school employer" means an employer defined in division (R) of section 4123.35 of the Revised Code that enters into a construction contract exceeding twenty five million dollars and applies for permission to self-insure the construction contract, whether or not the employer is a self-insuring employer.

(3) “General contractor” means a self-insured employer that has entered into a contract with an owner to perform more than fifty per cent, by value, of the work on a construction project.

(4) “Construction manager” means a self-insured employer that has entered into a contract with an owner to provide substantially the same services described in division (A) of section 9.33 of the Revised Code in connection with a construction project. Regardless of any contrary terms of section 9.33 of the Revised Code, for purposes of this rule, the term “construction manager” is not limited to public projects and may apply even if the construction manager also performs construction work on the project.

(5) “Contracting employer” or “subcontracting employer” means any employer, whether state fund or self-insured, that has contracted either directly with a responsible self-insuring employer or with a contracting or subcontracting employer to perform construction services on the construction project. The contracting employer is the payee under the contract, except for where the contracting employer has subcontracted with another contracting employer.

(B) The purpose of this rule is to establish standards by which the administrator may permit a responsible self-insuring employer to self-insure a construction project entered into by the responsible self-insuring employer pursuant to division (O) of section 4123.35 of the Revised Code.

(C) The administrator’s authority to grant self-insured status for a construction project is permissive. The bureau of workers’ compensation may establish criteria for granting self-insured status to ensure the financial stability and claims continuity of the workers’ compensation program. The burden of proof is on the responsible self-insured employer to satisfy the requirements of divisions (O), (P), and (Q) of section 4123.35 of the Revised Code, including designation of a safety professional and employment of an ombudsperson for the construction project, and such other requirements as the administrator may establish by this rule or other policy for granting permission to self-insure a construction project.

(D) A responsible employer filing an application to self-insure a construction project shall be a self-insuring employer under the Ohio workers’ compensation statutes, except that a public school employer may be a state fund employer. A public school employer shall be self-insured for the construction project only and shall maintain state fund coverage for its employees.

(E) In order for a responsible employer to be considered for self-insurance under division (O) of section 4123.35 of the Revised Code, the responsible employer must submit an application including, but not limited to, the following information:

(1) Dates the construction project is scheduled to begin and end, including the site(s) of the construction project;

- (2) The estimated cost of the project;
- (3) The contracting and subcontracting employers whose employees are to be self-insured by the responsible employer, including estimated payroll (any changes to the list of contracting and subcontracting employers during the duration of the project shall be sent to the bureau within two business days);
- (4) The provisions of a safety program specifically designed for the project;
- (5) A statement as to whether a collective bargaining agreement governing the rights, duties, and obligations of each of the parties to the agreement with respect to the project exists between the self-insuring employer and a labor organization.
- (6) All applications must be submitted ninety days prior to the desired effective date.

The administrator may require other information as needed to aid in the decision-making process.

(F) If the administrator approves the application, the administrator shall mail to the responsible self-insured employer a certificate granting the privilege to self-insure the construction project. Upon approval, the responsible employer is responsible for the administration and payment for the life of the claim of all claims under Chapters 4121. and 4123. of the Revised Code for the employees of any contracting employers and subcontracting employers covered under the certificate who receive injuries or are killed in the course of and arising out of employment on the project, or who contract an occupational disease in the course of employment on the project.

(G) The responsible employer is entitled to all of the protections provided under Chapters 4121. and 4123. of the Revised Code with respect to the employees of the contracting and subcontracting employers covered under the certificate as if the employees were employees of the responsible employer.

(H) The contracting and subcontracting employers included under the certificate are entitled to the protections provided under Chapters 4121. and 4123. of the Revised Code with respect to the contracting and subcontracting employer's employees who are employed on the construction project which is the subject of the certificate.

(I) The contracting and subcontracting employers included under the certificate shall identify in their payroll records for audit and compliance purposes the employees who are considered the employees of the responsible employer listed in that certificate for purposes of Chapters 4121. and 4123. of the Revised Code, and the amount that those employees earned from employment on the project that is subject to the certificate. The contracting or subcontracting employer shall exclude the payroll for its employees under the construction project from its payroll report and the administrator shall not consider the payroll when determining those contracting or subcontracting employers' premiums or assessments required under Chapters 4121. and 4123. of the Revised Code.

(J) The responsible employer shall include in the amount of paid compensation it reports pursuant to division (L) of section 4123.35 of the Revised Code, the amount of paid compensation that the responsible employer paid pursuant to division (O) of section 4123.35 of the Revised Code.

(K) For a public school employer, the bureau may grant the privilege of participating as a self-insured employer for a construction project under this rule on a one year basis, and shall consider the project for renewal annually pursuant to rule 4123-19-08 of the Administrative Code.

(1) Surety bond or letter of credit.

(a) A public school employer shall be required to make contributions as determined by the administrator to the self-insuring employers' guaranty fund established under section 4123.351 of the Revised Code.

In addition, the employer shall provide additional security as required by the bureau in the amount or form that may be specified by the bureau. At a minimum, the additional security shall be one hundred and twenty-five per cent of the expected workers' compensation losses of the construction project as determined by the bureau. The security shall be in force on or before the administrator grants the privilege to self-insure the construction project. In the event the initial calculation of expected losses is shown to be less than the actual losses, additional security shall be provided as required by the bureau.

(b) The public school employer shall assign the additional security required by this rule to the bureau for the benefit of the disabled employees or the dependents of killed employees of the public school employer for the construction project. In addition, the security shall be applied to disabled workers' relief fund payments to employees of the construction project and administrative expenses of the bureau in the management of such claims of employees of the construction project.

(c) Notwithstanding the authority of the bureau to seek reimbursement from the self insuring employers' guaranty fund, or from surety, excess loss insurance, and any other sources provided by the employer, the legal obligation to pay the costs of injuries, occupational diseases, and deaths incurred under the construction project remains with the public school employer.

(2) Disabled workers relief fund.

A public school employer shall be required to pay the ultimate costs of disabled workers relief fund payments to employees of the construction project, no matter the status of the construction project at the time the disabled workers relief fund payments are made to the employees of the construction project.

(3) Excess loss insurance.

A public school employer may purchase excess loss insurance subject to the rules applying to self-insuring employers. In the event the excess loss insurance is purchased, all rights to recovery from that insurance must be assignable to the bureau in the event of bankruptcy of the public employer school facility employer.

(4) Reducing the costs of the construction project.

As a condition precedent to the bureau granting the privilege to self-insure the construction project, a public school employer shall certify to the bureau by a written document signed by the highest elected official(s) of the employer, the costs savings of self insuring the construction project. The certification shall include data as required by the bureau, including but not limited to a cost analysis showing the costs of insuring the project with the Ohio state insurance fund and the costs of self insuring the project.

(5) Safety plan.

A safety professional shall be assigned to each construction project. The safety professional shall be responsible for ensuring that activities are performed in accordance with the site-specific health and safety plan (“HASP”) and training of site personnel.

A site-specific “HASP” shall be created prior to the start of the project and shall, at a minimum, contain the following elements:

- (a) Identify all recognized site hazards associated with each phase of the project. Particular attention should be given to fall hazards, trenching operations, and electrical hazards.
- (b) Identify key personnel and alternates responsible for site safety and health and the appointment of a site safety and health officer. Roles and responsibilities must be defined.
- (c) Evaluate the risks associated with each operation and identify the appropriate control measures to be taken to minimize or eliminate those risks.
- (d) Address training requirements for both routine and non-routine activities.
- (e) Include contingencies in the “HASP.” Contingencies may include: communications (internal and external), first aid provisions and providers, identification of nearest medical facility, post emergency phone numbers, and site control (prevent access by unauthorized personnel).
- (f) Include employee involvement, such as involvement in inspections, incident investigations, and hazard analyses.

(g) Collect documentation of information, such as hazard inspections, audits of the “HASP,” injury/illness data, incident investigations, industrial hygiene surveys, maintenance records, and job hazard analyses.

(6) Organizational Plan Criteria.

The public school employer shall:

(a) Identify a self-insured program administrator to be knowledgeable in the rules and laws of Ohio self-insurance for workers’ compensation;

(b) Identify its plan to obtain timely payroll information for all contractors and subcontractors covered, to ensure timely calculation and distribution of injured worker benefits; its methodology for payment of compensation and medical fee bills; and its method of educating each contractor and its employers as to proper claim reporting and access to medical care procedures;

(c) Designate where claim files will be located;

(d) Provide to the bureau for the bureau’s approval the employer’s plan for medical management of claims as required by paragraph (K)(1) of rule 4123-19-03 of the Administrative Code;

(e) Plan to ensure accurate accounting of workers covered under the construction project;

(f) Identify the bank being used for the workers’ compensation account.

(7) Ombudsperson duties.

The public school employer shall employ an ombudsperson for the construction project. The ombudsperson shall:

(a) Have experience in workers’ compensation or the construction industry, or both.

(b) Communicate with and provide information to employees who are injured in the course of, and arising out of, employment on the construction project.

(c) Investigate the status of a claim upon the request of an employee.

(d) Provide information to claimants, third party administrators, employers, and other persons in protecting their rights under the workers’ compensation laws and rules.

HISTORY: Eff 12-15-98; 4-9-03 (Emer.); 7-14-03; 9-17-04

Rule promulgated under: RC 119.03

Rule authorized by: RC 4121.121, 4121.13, 4121.30

Rule amplifies: RC 4123.29, 4123.35

R.C. 119.032 review dates: 03/01/2006

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November 25, 2005

EXECUTIVE SUMMARY

Modification of 4123-17-13 of the Ohio Administrative Code Rule controlling the making of the initial application for rating

Policy Initiation Criteria

Overview of Issue

BWC is attempting to address problems that result when the same or similar owner(s) of a business operation apply for new coverage and the issuance of new coverage would result in the owner avoiding an outstanding liability (financial obligation and/or negative experience rating) under the prior coverage. Typically, there was no purchase of an existing business/policy, and the existing policy is cancelled or zero payroll is reported. Some employers may change entity type, corporate officers, location and business operation slightly as justification that they are a new operation/business but there is a problem if the result would be a negative impact to the state insurance fund and the evasion of an existing obligation.

The suggested change to 4123-17-13 OAC is to support corrective action if – after reviewing the information submitted with the application – the bureau determines that the employer is essentially the same employer for whom risk coverage previously had been provided. In such a situation, the bureau may choose to transfer the prior risk coverage to the employer applying for additional coverage and may require the employer to assume outstanding obligations “earned” under the prior risk coverage. The bureau may choose to reactivate previously cancelled risk coverage in order to complete this transfer.

BWC would look at the following indicators to determine if an application for coverage is NOT for a new operation/business or for a business that is operating under new ownership:

- Same or similar principals (owners) involved with both operations/businesses;
- Same or similar operation/business;
- Same or similar employees;
- Same or similar location.

At times, questions regarding issuance of new coverage are identified after a new policy has been finalized. In disputed cases, the bureau would request documentation of ownership, a purchase agreement, tax records and other relevant documents as needed to support the employer’s position that a new workers’ compensation policy is justified and should be issued.

Summary

This rule change would allow BWC to require the employer to report and pay premium under the original (old) policy while retaining accounts receivable balance due and negative experience rating/rating plan. It would address the issues of evasion of accounts receivable obligations and evasion of a negative experience rating.

4123-17-13 Rule controlling the making of the initial application for rating.

- (A) The amount of premium due from individual employers is ascertained by applying the basic rate for the occupation or employment in which the employer is engaged to the estimated expenditure of wages for the ensuing six months and also for an additional adjustment period of two months; that is, the advance estimate should be made for a period of eight months. Employers are required to file with the bureau of workers' compensation an application setting forth the name and address of the employer, the location of all places where employees are employed, a description of the work done or industry conducted at each such place, the estimated average number of employees in each kind of work, the estimated total payroll for the ensuing six months, and an estimated total payroll for an additional adjustment period of two months, and such other information as may be requested by the bureau. Upon receipt of the application, the applicant-employer's status will be classified as to the type of industry or nature of the enterprise with respect to the degree of hazard involved and the applicant shall be advised as to his classification, rate, and amount of first premium security deposit, calculated on a basis of an estimated expenditure or wages for eight months in advance, and at the same time the applicant will be furnished with an invoice on which to remit payment of such premium security deposit. This premium security deposit shall be retained as an adequate eight-month premium deposit subject to a periodic review by the bureau and any unearned portion of this deposit shall be returned to the employer upon cancellation of the coverage subject to audit.
- (B) New coverage shall be granted upon receipt of a written binder when deemed to be in the best interest of the risk and the bureau of workers' compensation. Such binder shall be granted by the administrator or his designee. The binder shall be effective for the period of thirty days from the date of issuance and cannot be renewed. The premium security deposit must be billed by the bureau and paid by the risk before the thirty days expire. Payroll reports and premium charges shall coincide with the effective date of said binder.
- (C) If the bureau determines, after reviewing the information submitted with the application provided for in paragraph (A) of this rule, that the employer is essentially the same employer regardless of entity type for which risk coverage previously had been provided, the bureau may transfer the prior risk coverage to the employer and the employer shall assume any outstanding obligations under the prior risk coverage. The bureau may reactivate a previously cancelled risk coverage in order to complete this transfer.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

SUCCESSORSHIP LIABILITY

Overview of Issue:

The basic purpose of this proposed rule change is to transfer a predecessor's account (any and all BWC liabilities such as an accounts receivable balance, an advance deposit, or experience) to a successor employer when the successor takes over the entire operation/business of the predecessor employer. The rule change would ensure BWC collects any and all debt associated with a predecessor operation.

Situation:

Many employers sell their businesses, leaving outstanding financial obligations due BWC. This can include employers that simply sell their businesses outright to a non-affiliated party as well as those that cease operations under one entity and move their operations to a newly formed entity. These unpaid obligations can be in the form of premium debts, non-compliance claims billings, and/or VSSR assessments. BWC must spread these unpaid obligations amongst the remaining employer population in order to remain revenue neutral.

Proposal:

It is BWC's recommendation that Ohio Administrative Code 4127-17-02, Basic or manual rate, that allows the bureau to transfer a predecessor's experience modification to a successor, be revised to include the transfer of financial liabilities. This change will make a successor liable for any unpaid obligations of the predecessor. Transferring this liability should be self-policing in many instances because prospective buyers will require sellers to resolve these outstanding liabilities prior to making the purchase or make them part of the purchase agreement.

This practice is currently in use by both the Ohio Department of Taxation and the Ohio Department of Jobs and Family Services as a tool to assist them in collecting all employers' fair share of the cost of operating their respective systems.

In addition, BWC is attempting to ensure that transfers of experience for transactions that occur on either January 1 or July 1 have effective dates on January 1 or July 1, respectively, rather than the beginning date of the next following payroll reporting period. This is a subject of contention under the current rule language, and the intent needs to be expressed more clearly.

4123-17-02 Basic or manual rate.

(A) The “basic or manual rate” is hereby expressed as the unit of premium per one hundred dollars of payroll for accident and disease coverage.

(B) Succeeding employers -- experience.

(1) Where one legal entity, not having coverage in the most recent experience period, wholly succeeds another legal entity in the operation of a business, his or its rate shall be based on the predecessor’s experience within the most recent experience period.

(2) Where a legal entity having an established coverage or having had experience in the most recent experience period wholly succeeds one or more legal entities having established coverage or having had experience in the most recent experience period and at least one of the entities involved has a merit rating experience, the experience of all the involved entities shall be combined to establish the rate of the successor.

(3) Where a legal entity succeeds in the operation of a portion of a business of one or more legal entities having an established coverage or having had experience in the most recent experience period, the successor’s rate shall be based on the predecessor’s experience within the most recent experience period, pertaining to the portion of the business acquired by the successor.

Pursuant to this rule, the bureau shall provide to the parties to the transfer of experience the necessary forms and instructions to complete the transfer of the appropriate payrolls and claims. Each party to the transfer of experience shall sign the completed forms. The bureau shall review the completed forms and if any questions arise, the bureau may conduct a premium audit on each party’s risk account.

(4) When any combination or transfer of experience is indicated under any of the provisions of this rule, the effective date of such combination or transfer shall be the beginning date of the next following payroll reporting period. In cases where an entity not having coverage wholly succeeds another entity or in cases where the date of succession is determined to be January 1 or July 1, the experience of the predecessor shall be transferred to the successor-employer effective as of the actual date of succession.

(5) For an out of state employer purchasing an existing Ohio operation, the bureau may use the out of state experience of the employer as a factor in determining the employer’s experience.

(C) Succeeding employers -- risk coverage transfer.

(1) Transfer of active risk coverage shall be effective only when an agreement between the predecessor and the successor to transfer is filed with the bureau. Whenever one employer succeeds another employer in the operation of a business in whole or in part, the successor shall notify the bureau of the succession. Where one employer wholly

succeeds another in the operation of a business, the bureau shall transfer the predecessor's rights and obligations under the workers' compensation law. The successor shall be credited with any existing credits of the predecessor, including the advance premium security deposit of the predecessor.

~~(2) When an active risk coverage is transferred, the successor shall assume the predecessor's obligations under the workers' compensation law and shall be credited with any existing premium credits including advance premium security deposit of the predecessor.~~

~~(3)~~ Transfer of an active risk coverage may be retroactive to the date of succession.

~~(4)~~(3) The successor to an active risk must preserve the predecessor's payroll records for at least the five years prior to preceding the date of ~~transfer~~ succession.

~~(5)~~(4) A legal entity may be assigned only one risk. Where a legal entity succeeds one or more risks, he or it shall be assigned a single risk designation.

EXECUTIVE SUMMARY

Minimum and maximum reportable payroll

Requested Modification of 4123-17-07 and 4123-17-30 of the Ohio Administrative Code (4123-17-07 OAC) Officers of corporations, partnerships and sole proprietorships, an individual incorporated as a corporation, family farm corporations, and ordained ministers; (4123-17-30 OAC) Payroll limitations for corporate officers, sole proprietors, an individual incorporated as a corporation, members of partnerships, and family farm corporations.

Overview of Issue

Currently, BWC rules do not apply a minimum reportable payroll to all individuals who could potentially have a compensable claim. The minimum of \$100 per week that was set approximately thirty years ago does not cover BWC's exposure, and the maximum of \$800 per week is inconsistent with the amount needed for maximum indemnity benefits. This change alleviates the unfair burden to the state insurance fund through subsidization by other employers.

The purpose is to bring minimum and maximum reportable payroll to a level that computes to the minimum and maximum compensation allowable based on the Statewide Average Weekly Wage (SAWW) calculated annually by ODJFS. The entities that are affected by the indexed minimums and maximums would be expanded to include minimums for officers of corporation (president, vice-president, secretary, treasurer, etc.) who are not currently subject to minimum reportable payroll requirements.

The affected entities are:

- Sole proprietors;
- Members of partnerships;
- An individual incorporated as a corporation with no employees;
- Members of family farm corporations; and
- Officers of corporations (for whom there currently is no reportable minimum payroll).

OAC 4123-17-07 needs to be modified to state that actual remuneration of an executive officer of a corporation (e.g., president, vice-president, secretary, treasurer) must be included in the payroll report of the corporation subject to a weekly minimum as well as a maximum. This adds a minimum for corporate officers which makes the corporate officer reporting the same as for the other entities who choose elective coverage.

OAC 4123-17-30 needs to be modified to specify total payroll limitations for all employers that choose elective coverage (sole proprietors, members of partnerships, an individual incorporated as a corporation and members of family farm corporations) as well as corporate officers. Currently, the maximum reportable payroll under 4123-17-30 is not to exceed an average of \$800 per week (\$20,800 semi-annually, \$41,600 annually) which is not in line with benefit levels that would be awarded if injured.

The proposed change would require reporting of the actual payroll received but not more than an average weekly wage equal to one hundred fifty per cent of the statewide average weekly wage which, for 2006, would be \$1,056 weekly, which is \$27,456 semiannually and \$54,912 annually.

Currently, the minimum reportable payroll under 4123-17-30 is the actual payroll received but not less than an average of \$100.00 per week which is \$2,600 semiannually and \$5,200 annually. The proposed change would require reporting the actual payroll received but not less than an average weekly wage equal to fifty per cent of the statewide average weekly wage, which, for 2006, would be \$352 weekly, which is \$9,152 semiannually and \$18,304 annually.

Indexing to the SAWW will not only result in less of a need to modify the rule to update a specified amount, it will ensure a reasonable computation based on BWC's exposure.

Two Minor Technical Changes

OAC 4123-17-07 is also being updated to reflect that an individual incorporated as a corporation may purchase elective coverage only if this involves a single/sole owner and no employees. OAC 4123-17-30 is also being updated to correct a typographical error where the word "employer" was used when the word "employee" was intended in the sentence "For sole proprietors, members of partnerships, an individual incorporated as a corporation, and officers of family farm corporations who elect to include themselves as employers..." This was a mistake that dates back to 7/1/1993. They elect to include themselves as employees, not employers. Ohio Revised Code 4123.01 excludes individuals incorporated as a corporation, single/sole owner with no employees, from the definition of employees.

4123-17-07 Officers of corporations, partnerships and sole proprietorships, an individual incorporated as a corporation with no employees, family farm corporations, and ordained ministers.

(A) Officers of corporations.

(1) The actual remuneration of an executive officer of a corporation, such as president, vice president, secretary, treasurer, and any other executive officer enumerated in and empowered by the corporate charter or any regularly adopted bylaws of the corporation and elected or appointed and empowered by the directors to perform duties for the corporation, shall be included in the payroll report of the corporation, ~~not to exceed an average~~ subject to a weekly minimum and maximum as shall be periodically established by the administrator of the bureau of workers' compensation as provided in rule 4123-17-30 of the Administrative Code. Such remuneration shall be assigned to the classification applicable to the duties performed.

(2) Paragraph (A)(1) of this rule shall not apply to family farm corporations as defined in division (E) of section 4123.01 of the Revised Code. The remuneration of the officers of such corporation shall not be reported as part of the payroll of such employer, unless such employer elects to include as an "employee," within Chapter 4123. of the Revised Code, any of the officers of the family farm corporation, in which case the procedure outlined in paragraph (B) of this rule shall be applicable.

(B) Partnerships, sole proprietorships, limited partnerships, an individual incorporated as a corporation with no employees, and family farm corporations.

(1) If the employer is a partnership, sole proprietorship, limited partnership, an individual incorporated as a corporation with no employees, or family farm corporation, the remuneration of the sole proprietor, member of the partnership, member of a limited partnership, individual incorporated as a corporation with no employees, or officer of the family farm corporation shall not be reported as part of the payroll of such employer, unless the sole proprietor, the partnership, the limited partnership, the individual incorporated as a corporation with no employees, or the family farm corporation elects to include any such person as an employee as provided in division (A)(2) of section 4123.01 of the Revised Code. In the event of such election, the employer shall serve written notice to the bureau of workers' compensation on the appropriate bureau form, which notice shall name the person or persons to be covered and whose remuneration shall be included in payroll reports for premium purposes. Upon the filing of such election, sole proprietors, members of a partnership, members of a limited partnership, the individual incorporated as a corporation with no employees, and officers of a family farm corporation who sustain injuries or contract occupational diseases in the course of and arising out of employment shall be entitled to receive compensation and benefits as provided in Chapter 4123. of the Revised Code; provided, however, that the coverage for such persons shall not be effective until such notice has been filed with the bureau of workers' compensation.

(2) Upon the filing of such election as provided in paragraph (B)(1) of this rule, the actual remuneration of a sole proprietor, member of a partnership, member of a limited partnership, an individual incorporated as a corporation with no employees, or officer of a family corporation shall be reported and included in the payroll report of the employer subject to a weekly minimum and maximum as shall be periodically established by the administrator of the bureau of workers' compensation as provided in rule 4123-17-30 of the Administrative Code. Such remuneration shall be assigned to the classification applicable to the duties performed.

(3) Upon receipt of the form requesting coverage for the sole proprietor, member of a partnership, members of a limited partnership, an individual incorporated as a corporation with no employees, or officer of a family farm corporation, the bureau shall refer the form to the risk processing section for processing. Coverage shall remain in effect, and the employer shall be responsible for the payment of premium thereon, until the bureau receives written notice from the sole proprietor, the partnership, the limited partnership, the individual incorporated as a corporation with no employees, or the family farm corporation requesting termination of coverage, or until terminated by the bureau pursuant to paragraph (B)(4) of this rule.

(4) In the case of a sole proprietorship, partnership, limited partnership, an individual incorporated as a corporation with no employees, or family farm corporation, failure to pay premiums timely shall terminate coverage. In the case of a sole proprietorship, partnership, limited partnership, an individual incorporated as a corporation with no employees, or family farm corporation which reports payroll for its employees only, the failure to report payroll and to pay premiums thereon for any person for whom coverage is elective shall terminate coverage for any such person only. In the event of termination of coverage for non-payment of premium, a sole proprietor, a partnership, a limited partnership, an individual incorporated as a corporation with no employees, or a family farm corporation may reinstate elective coverage only upon the filing of a subsequent application form. Reinstatement of coverage shall be effective only upon receipt of the executed form and payment of premium for such elective employees, and no retroactive coverage may be granted except as provided in rule 4123-14-03 of the Administrative Code.

(C) Duly ordained, commissioned, or licensed ministers and assistant or associate ministers.

(1) Division (A)(2)(a) of section 4123.01 of the Revised Code excludes from coverage duly ordained, commissioned, or licensed ministers or assistant or associate ministers of a church in the exercise of their ministry. The remuneration for such persons shall not be reported as part of the payroll of a church employer, unless the church elects to include as an employee such persons as provided in division (A)(2) of section 4123.01 of the Revised Code. In the event of such election, the employer shall serve written notice to the bureau of workers' compensation. Notice shall name the person or persons to be covered and whose remuneration shall be included in payroll reports for premium purposes. After proper election and notice, such persons shall be considered employees and entitled to

compensation and benefits as provided in Chapter 4123. of the Revised Code; provided however, that the coverage for such persons shall not be effective until such notice has been filed with the bureau.

(2) Upon receipt of written notice or the appropriate form requesting coverage for the minister or ministers, the bureau shall refer such written notice or form to the risk processing section for processing. Coverage shall remain in effect, and the employer shall be responsible for the payment of premium thereon, until the bureau receives written notice from the church employer requesting termination of coverage, or until terminated by the bureau pursuant to paragraph (C)(3) of this rule.

(3) In the case of a church employer, failure to pay premiums timely shall terminate coverage for such employer. In the case of a church employer which reports payroll for its employees only, the failure to report payroll and to pay premiums thereon for any minister for whom coverage is elective shall terminate coverage for any such minister only. In the event of termination of coverage for nonpayment of premium, a church employer may reinstate elective coverage only upon the filing of a subsequent application form. Reinstatement of coverage shall be effective only upon the receipt of the executed form and payment of premium for such elective employees, and no retroactive coverage may be granted except as provided in rule 4123-14-03 of the Administrative Code.

4123-17-30 Payroll limitations for corporate officers, sole proprietors, an individual incorporated as a corporation with no employees, members of partnerships, and family farm corporations.

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to establish the total payroll reportable by employers pursuant to sections 4121.12 and 4123.29 of the Revised Code. The administrator hereby sets the total payroll limitations for executive officers of corporations, sole proprietors, members of partnerships, an individual incorporated as a corporation with no employees, and officers of family farm corporations as provided in this rule.

(A) For executive officers of corporations, the payroll reportable shall be the actual payroll received by the executive officers of the corporation, but not less than an average weekly wage equal to fifty per cent of the statewide average weekly wage as defined in division (C) of section 4123.62 of the Revised Code, but shall not exceed an average of eight hundred dollars (\$800.00) per week, or twenty thousand, eight hundred dollars (\$20,800.00) semiannually, or an aggregate of forty one thousand, six hundred dollars (\$41,600.00) annually weekly wage equal to one hundred fifty per cent of the statewide average weekly wage as defined in division (C) of section 4123.62 of the Revised Code.

(B) For sole proprietors, members of partnerships, an individual incorporated as a corporation with no employees, and officers of family farm corporations who elect to include themselves as ~~employers~~ employees under the workers' compensation act and comply with rule 4123-17-07 of the Administrative Code, the payroll reportable shall be the actual payroll received by the sole proprietor, member of partnership, an individual incorporated as a corporation, and officer of a family farm corporation, but not less than an average of one hundred dollars (\$100.00) per week, or two thousand, six hundred dollars (\$2,600.00) semiannually weekly wage equal to fifty per cent of the statewide average weekly wage as defined in division (C) of section 4123.62 of the Revised Code, nor more than an average of eight hundred dollars (\$800.00) per week, or twenty thousand, eight hundred dollars (\$20,800.00) semiannually, or an aggregate of forty one thousand, six hundred dollars (\$41,600.00) annually weekly wage equal to one hundred fifty per cent of the statewide average weekly wage as defined in division (C) of section 4123.62 of the Revised Code.

(C) This rule shall be effective for all payroll reportable on or after ~~December 31, 2004~~ July 1, 2006.

**Rule Change Proposal
March 2006**

EXECUTIVE SUMMARY

**Modification of 4123-17-26 of the Ohio Administrative Code:
Minimum annual administrative charge**

Overview of Issue:

BWC is proposing a change to OAC 4123-17-26, minimum annual administrative charge, because the current administrative charge of \$10 semiannually (\$20 annually) for employers that either report zero payroll or that would have less than \$10 of premium due for a payroll reporting period is insufficient to cover the expense of maintaining these policies. The current charge has not been updated in almost a decade.

BWC is currently studying how to calculate the cost of policy maintenance and is seeking authority to remove the \$10 per half year reference to allow for the results of research to be utilized to set a proper administrative cost charge. Research to determine the appropriate minimum administrative cost has been completed. We are requesting an increase to \$50 semiannually or \$100 annually.

4123-17-26 Minimum annual administrative charge.

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to calculate contributions to the administrative cost fund by employers pursuant to sections 4121.121, 4123.341, and 4123.342 of the Revised Code. The administrator hereby establishes that in cases where an employer reports no payroll or calculates total premium due of less than ~~ten dollars~~ the minimum administrative charge for a payroll reporting period the employer shall pay a minimum annual administrative charge at a rate of ~~ten~~ fifty dollars each six months or - ~~twenty~~ one hundred dollars annually.

4123-17-26 Minimum annual administrative charge.

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to calculate contributions to the administrative cost fund by employers pursuant to sections 4121.121, 4123.341, and 4123.342 of the Revised Code. The administrator hereby establishes that in cases where an employer reports no payroll or calculates total premium due of less than ~~ten dollars~~ the minimum administrative charge for a payroll reporting period the employer shall pay a minimum annual administrative charge at a rate of ~~ten~~ fifty dollars each six months or - ~~twenty~~ one hundred dollars annually.



Private Equity – Decision Tree

March 30, 2006

Mark E. Brubaker, CFA
Managing Director

Marc E. Friedberg, CFA
Managing Director



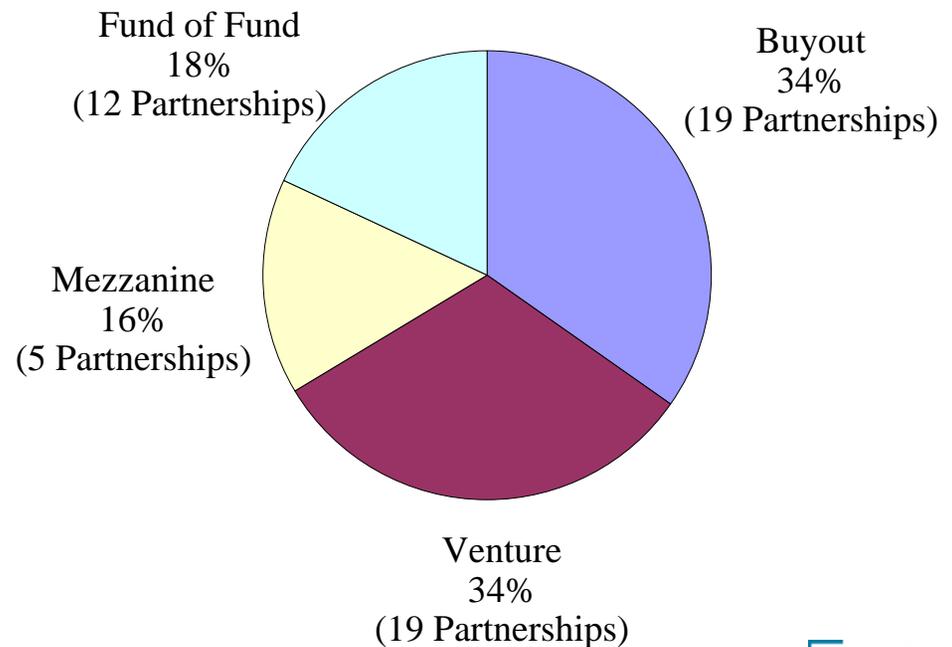
Overview

- **The Ohio Bureau of Workers' Compensation's Investment Committee requested that Wilshire prepare a decision tree to outline the key factors that should be considered in determining the appropriate course of action for the private equity portfolio.**

Portfolio Characteristics ¹

- Total Commitments: \$813,450,000
- Capital Called: \$409,389,469
- Unfunded Commitment: \$404,060,532
- Capital Returned: \$97,677,507
- Market Value: \$330,088,812
- # of Partnerships: 68
- % of Total Fund: < 3%

Allocation by Market Value ¹

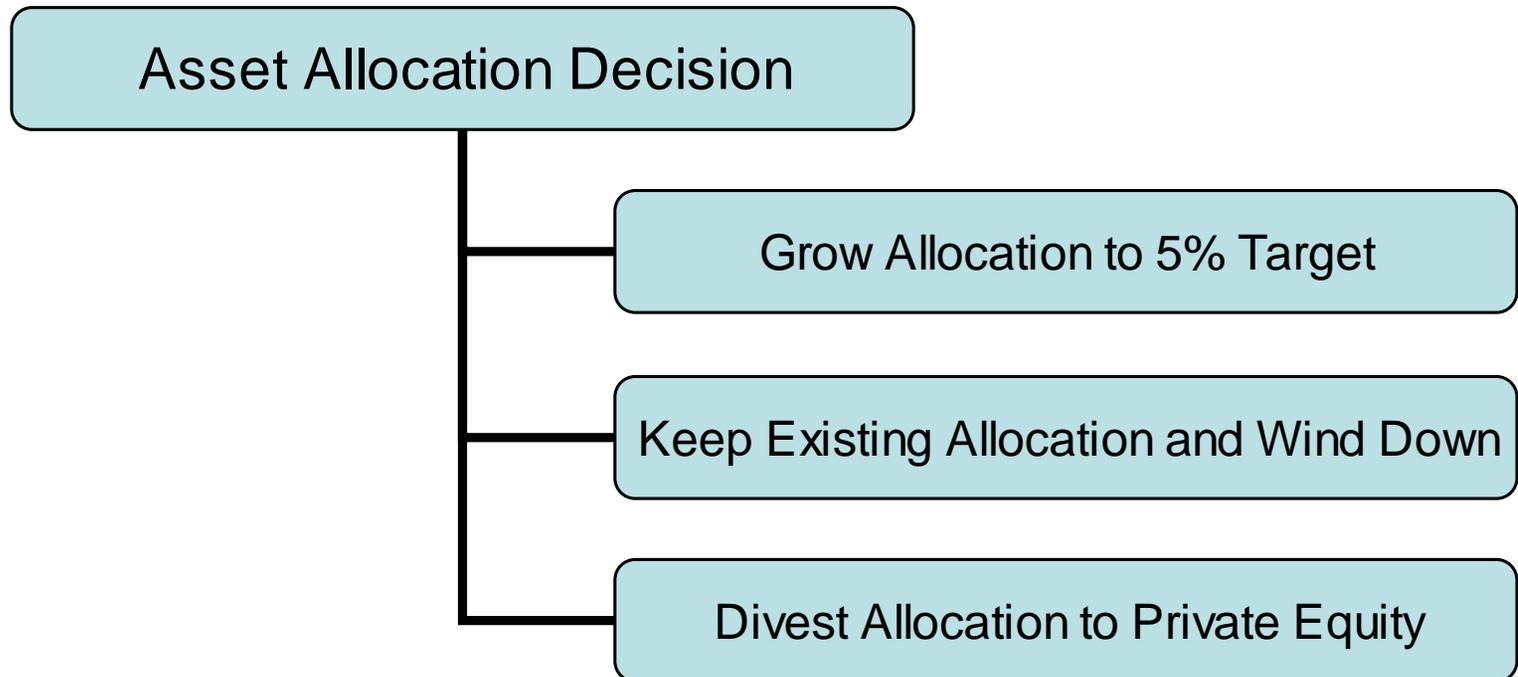


¹ Based on 3/31/05 valuation prepared by Ennis Knupp



Decision 1: Asset Allocation Decision

- **The Asset Allocation decision is the most important decision. It will have the largest impact on the overall expected return and risk of the Total Fund.**



Asset Allocation Decision: Grow Allocation to 5% target

- **Growing the allocation to 5% would involve an ongoing investment in private equity.**
- **Issues to Consider:**
 - ◆ What impact will this have on the Total Fund's risk and return expectations?
 - ◆ New commitments in excess of \$200 million a year would be required to get to a 5% target allocation within the next five to seven years.
 - ◆ This would involve either direct commitments to approximately 15 – 20 new partnerships a year or larger investments in fund-of-fund vehicles.
 - ◆ Access to top tier private equity partnerships is crucial to having a successful private equity program.
 - ◆ Given the current market environment, it will be more difficult for the Ohio Bureau of Workers' Compensation to access to top tier private equity firms.
 - ◆ Resources – a significant resource commitment dedicated to the process will be necessary (i.e. staff, legal, etc).
 - ◆ Maintenance and monitoring – In the current environment, it will likely be difficult to obtain underlying fund information for new investments.
 - ◆ Investing in private equity involves higher operational and “headline” risk to the fund



Asset Allocation Decision: Keep Existing Allocation and Wind Down

- **Keeping the existing allocation would involve the ongoing funding of the remaining \$400 million in private equity commitments to the existing partnerships in the portfolio. Without new commitments, the allocation will remain relatively stable over the next few years and will then gradually wind down to zero over the next twelve years as distributions are received.**

- **Issues to Consider:**
 - ◆ What impact will this have on the Total Fund's risk and return expectations?
 - ◆ With 68 partnerships potentially generating over 500 capital calls and distributions per year, maintaining a direct private equity portfolio is significantly more complex than maintaining public market portfolios.
 - ◆ Investing in private equity involves higher operational and “headline” risk to the fund.
 - ◆ Resources –a significant resource commitment dedicated to the process will be necessary (i.e. staff, legal, etc).
 - ◆ Maintenance and monitoring – In the current environment, it will likely be more difficult to obtain underlying fund information necessary to adequately evaluate fund investments.



Asset Allocation Decision: Divest Allocation to Private Equity

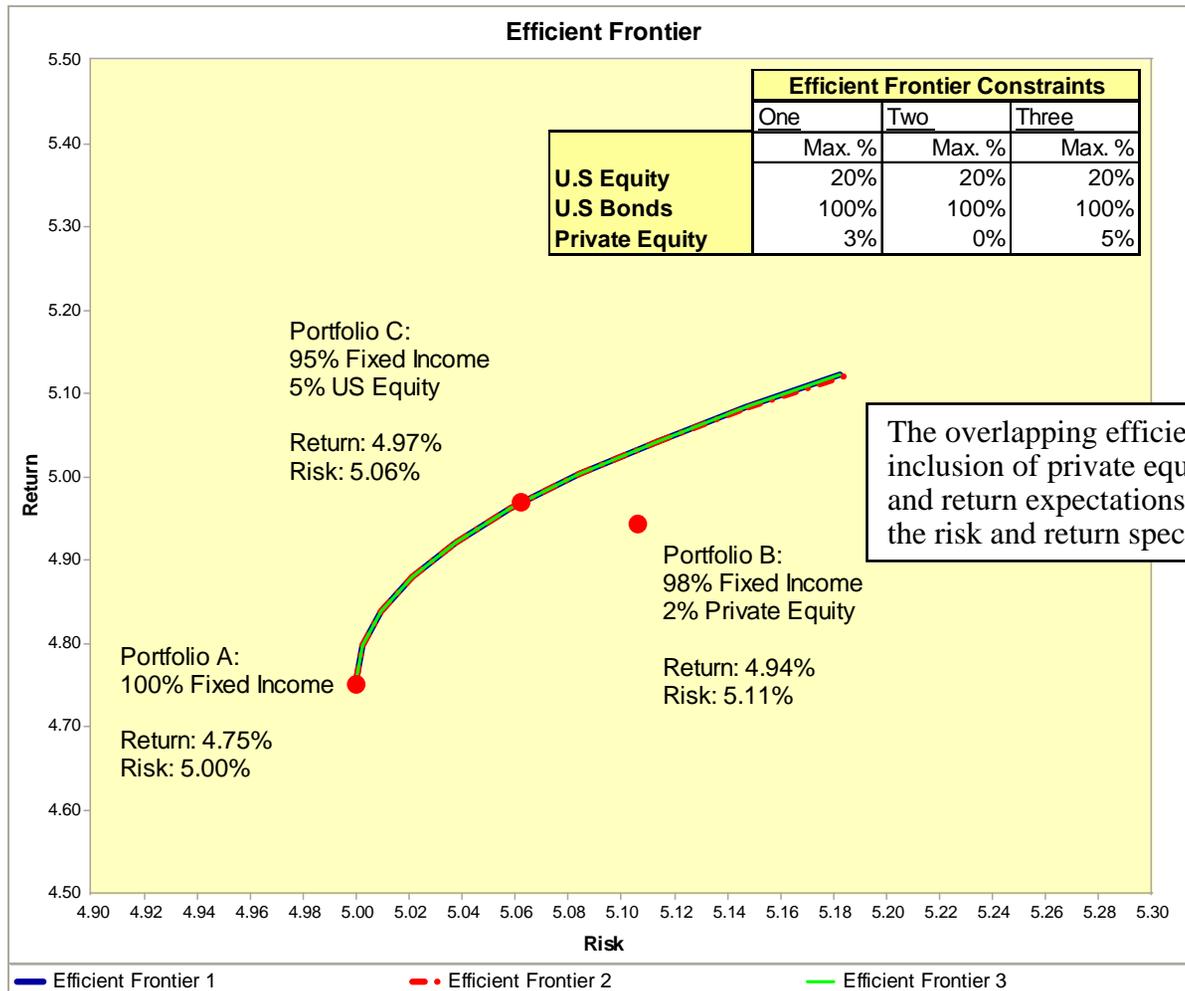
- **Divesting the private equity allocation would involve selling the portfolio on the secondary market. The buyer would receive ownership of the existing investments as well as responsibility for the remaining fund commitments.**

- **Issues to Consider:**
 - ◆ What impact will this have on the fund's risk and return expectations?
 - ◆ Is there an alternative means to obtain the desired risk and return profile without the operational complexity of a private equity portfolio?
 - ◆ Investing in private equity involves higher ongoing operational and “headline” risk to the fund. Divesting the private equity asset allocation may increase the short term operational and “headline” risk to the fund.
 - ◆ Market environment – There is currently a robust demand for private equity on the secondary market.
 - ◆ Implementation decision –The portfolio would likely be sold through an auction process or negotiated transaction which may involve the selection of a third party to manage the process (i.e. investment bank, placement agent).



Decision 1: Asset Allocation Decision

- **The Asset Allocation decision is the most important decision. It will have the largest impact on the overall expected return and risk of the fund. Wilshire believes that asset allocation decision should be made from a top down perspective.**



Decision One – Summary and Recommendations

Option One: Grow Allocation to 5% target

- **Increasing the allocation to 5% would involve the ongoing investment in private equity.**

Option Two: Keep Existing Allocation and Wind Down

- **Keeping the existing allocation would involve the ongoing funding of the remaining \$400 million in private equity commitments to the existing partnerships in the portfolio. Without new commitments, the allocation will remain relatively stable over the next few years and will then gradually wind down to zero over the next twelve years as distributions are received.**

Option Three: Divest Allocation to Private Equity

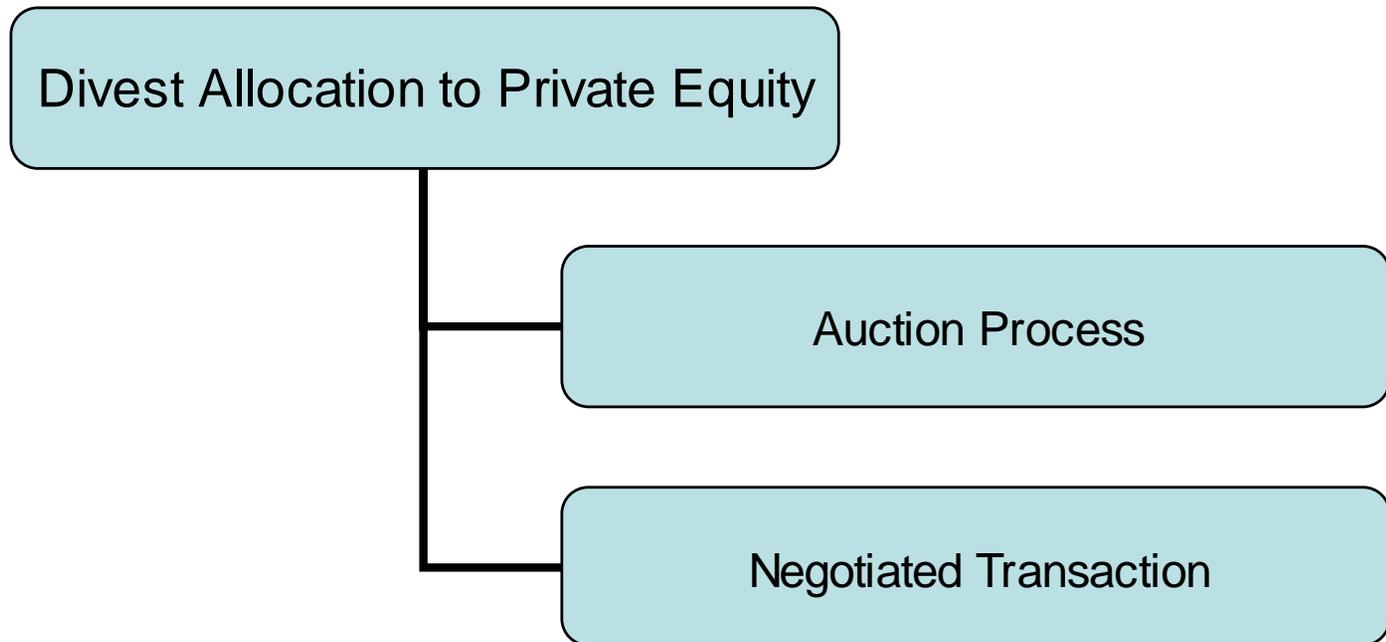
- **Divesting the private equity allocation would involve selling the portfolio on the secondary market. The buyer would receive ownership of the existing investments as well as responsibility for the remaining fund commitments.**

Recommendation:

- **At lower levels of the risk and return spectrum, the fund can achieve the same expected risk and return utilizing U.S. equity. U.S. equity is more liquid, less operationally complex, and less costly to administer than private equity.**
- **Wilshire recommends that the Ohio Bureau of Workers' Compensation divest the private equity allocation in its entirety.**

Decision 2: Implementation Decision

- **If Ohio Bureau of Workers' Compensation decides to divest the current private equity portfolio. The following decision tree illustrates the next stage of the process.**



Implementation decision – Auction Process

- **Wilshire believes that an auction would be the most appropriate and efficient method to liquidate the private equity portfolio for the Ohio Bureau of Workers' Compensation.**

Expected Time Frame: 4 – 6 months

Expected Cost:

- ♦ Fees: 0.5 – 2% of sale price (of funded commitments)
- ♦ Market Impact: 0-25% discount to net asset value

Step One – Retain firm that has specialized expertise in organizing and conducting private equity secondary auctions.

- ♦ Investment Banks – Credit Suisse First Boston, Morgan Stanley
- ♦ Specialty Placement Agents – Probitas Partners, Cogent Partners
- ♦ Services Provided:
 - Portfolio review
 - Obtain GP consent (confidentiality waivers, transfer of interests)
 - Facilitate RFP process (identify, attract and screen potential buyers)
 - Evaluate bids
 - Negotiations and closing

Step Two – Set objectives and expectations with retained firm

Step Three – Monitor sale process



Implementation decision – Negotiated Transaction

- **An alternative to the auction process would be the sale of the portfolio as a negotiated transaction directly with interested parties.**

Expected Time Frame: 2 – 4 months

Expected Cost:

- ♦ Expenses: Additional staff or administrative expenditures
- ♦ Market Impact: 10-35% discount to net asset value

Step One – Seek out potential buyers

- ♦ Private Equity Fund Managers – Pomona, Coller, Landmark, AXA, CSFB,
- ♦ Institutional Investors – Pension, Insurance, Endowment

Step Two – Obtain GP consent (confidentiality waivers, transfer of interests)

Step Three – Collect and distribute information to selected buyer

Step Four – Evaluate bids

Step Five – Negotiations and closing

➤ Auction Process

Characteristics

- Turnkey
- Higher number potential bidders
- Competitive environment
- Specialized expertise
- Flexibility in deal structure
- Higher deal risk
- Potentially lower discount to NAV

➤ Negotiated Transaction

Characteristics

- Lower Fee
- Lower deal risk
- Shorter process
- Confidential
- Operationally more complex
- Minimal price discovery

Implementation Plan - Auction

Action Items	Target Completion Dates						
	Feb	Mar	April	May	June	July	Aug
Implementation Step 1 - Placement Agent Search	X	X					
Collect Proposals	X						
Evaluate Proposals		X					
Interview and Selection		X					
Implementation Step 2 - Set Objectives and Initiate			X				
Implementation Step 3 - Monitor Sale Process			X	X	X	X	X
Identify Buyers			X				
Portfolio Review			X				
Contact GP's				X			
Facilitate RFP Process				X			
Invite Buyers				X			
Bid Analysis					X		
Negotiation of Sale					X	X	
Closing						X	X



The Ohio Bureau of Workers' Compensation Statement of Investment Policy and Guidelines

Appendix IX A: Target Asset Mixes and Ranges for the State Insurance Fund

The State Insurance Fund's ("the Fund's") liabilities consist of the following primary components:

- Indemnity cost: the compensation paid to injured workers for lost wages
- Medical cost: the cost of providing medical coverage to injured workers

These liabilities are long-term in nature, with an approximate duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of future claims. Future claims are estimated based on actuarial methods that measure the expected indemnity and medical costs. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities¹ as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment, the strategic target weights and the allowable ranges around the target weights:

<u>Asset Class</u>	<u>Min.</u>	<u>Policy Target</u>	<u>Max.</u>
Fixed Income:	94%	96%	100%
U.S. Equity	0	0	0
Non-U.S. Equity	0	0	0
Alternative Investments	0	3	3
Cash Equivalents	0	1	5

¹ Expected to be implemented by December 31, 2006

**The Ohio Bureau of Workers' Compensation
Statement of Investment Policy and Guidelines**

**Appendix IX B: Target Asset Mixes and Ranges for the
Coal Workers' Pneumoconiosis Fund**

The Coal Workers' Pneumoconiosis Fund ("CWPF") provides benefits for injured workers under the Federal Coal Mine Health and Safety Act of 1969. The CWPF provides voluntary coverage to employers who have employees who are exposed to coal dust, as required by federal law.

These liabilities are long-term in nature, with an approximate duration of 11 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOG has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities¹ as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

The WCOG has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment, the strategic target weights and the allowable ranges around the target weights:

<u>Asset Class</u>	<u>Min.</u>	<u>Policy Target</u>	<u>Max.</u>
Fixed Income:	94%	98%	100%
U.S. Equity	0	0	0
Non-U.S. Equity	0	0	0
Alternative Investments	0	0	0
Cash Equivalents	0	2	5

¹ Expected to be implemented by December 31, 2006

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Appendix IX C: Target Asset Mixes and Ranges for the Marine Industry Fund

The Marine Industry Fund (“MIF”) provides voluntary coverage to employers who have employees who work on or about navigable waters as required by the Federal Longshoremen and Harbor Workers’ Act.

These liabilities are intermediate-term in nature, with an approximate duration of 3-4 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund’s assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities¹ as measured by the Fund’s actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment, the strategic target weights and the allowable ranges around the target weights:

<u>Asset Class</u>	<u>Min.</u>	<u>Policy Target</u>	<u>Max.</u>
Fixed Income:	94%	98%	100%
U.S. Equity	0	0	0
Non-U.S. Equity	0	0	0
Alternative Investments	0	0	0
Cash Equivalents	0	2	5

¹ Expected to be implemented by December 31, 2006

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**Appendix IX D: Target Asset Mixes and Ranges for the
Disabled Workers' Relief Fund**

The Disabled Workers' Relief Fund ("DWRF") provides supplementary payments to workers whose combined Permanent and Total Disabled plus Social Security disability benefits are lower than the DWRF entitlement amount.

These liabilities are long-term in nature, with an approximate duration of 10 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities¹ as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment, the strategic target weights and the allowable ranges around the target weights:

<u>Asset Class</u>	<u>Min.</u>	<u>Policy Target</u>	<u>Max.</u>
Fixed Income:	94%	98%	100%
U.S. Equity	0	0	0
Non-U.S. Equity	0	0	0
Alternative Investments	0	0	0
Cash Equivalents	0	2	5

¹ Expected to be implemented by December 31, 2006

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**Appendix IX E: Target Asset Mixes and Ranges for the
Public Work-Relief Employees' Fund**

The Public Work-Relief Employees' Fund ("PWRE") provides benefits for "work-relief employees" who are engaged in any public relief employment and receiving "work-relief" in the form of public funds or goods in exchange for any service or labor rendered in connection with any public relief employment.

These liabilities are intermediate-term in nature, with an approximate duration of 3-4 years. Premiums are set each year at a level that is expected to cover the cost of future claims. These costs are discounted at a rate that is consistent with the guidelines as established by the GASB.

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the WCOC has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities¹ as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment, the strategic target weights and the allowable ranges around the target weights:

<u>Asset Class</u>	<u>Min.</u>	<u>Policy Target</u>	<u>Max.</u>
Fixed Income:	94%	98%	100%
U.S. Equity	0	0	0
Non-U.S. Equity	0	0	0
Alternative Investments	0	0	0
Cash Equivalents	0	2	5

¹ Expected to be implemented by December 31, 2006

**The Ohio Bureau of Workers' Compensation
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**Appendix IX F: Target Asset Mixes and Ranges for the
Self Insured Employers Guarantee Fund (“SIEGF”)/Surety Bond Fund (“SBF”)**

The Self Insured Employers Guarantee Fund (“SIEGF”)/Surety Bond Fund (“SBF”) provides for payment of compensation and benefits to injured workers of bankrupt self-insured employers.

The WCOC has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes.

The table below highlights the general asset classes approved for investment, the strategic target weights and the allowable ranges around the target weights:

<u>Asset Class</u>	<u>Min.</u>	<u>Policy Target</u>	<u>Max.</u>
Fixed Income:	94%	98%	100%
U.S. Equity	0	0	0
Non-U.S. Equity	0	0	0
Alternative Investments	0	0	0
Cash Equivalents	0	2	5

**The Ohio Bureau of Workers' Compensation
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Appendix XI: Ohio Revised Code Section 4123.44

R.C. § 4123.44

Baldwin's Ohio Revised Code Annotated [Currentness](#)

Title XLI. Labor and Industry

▣ [Chapter 4123](#). Workers' Compensation ([Refs & Annos](#))

▣ Funds and Premiums

▣ **4123.44 Investment powers of administrator**

The voting members of the workers' compensation oversight commission, the administrator of workers' compensation, and the bureau of workers' compensation chief investment officer are the trustees of the state insurance fund. The administrator of workers' compensation, in accordance with [sections 4121.126 and 4121.127 of the Revised Code](#) and the investment objectives, policies, and criteria established by the workers' compensation oversight commission pursuant to [section 4121.12 of the Revised Code](#), and in consultation with the bureau of workers' compensation chief investment officer, may invest any of the surplus or reserve belonging to the state insurance fund.

The administrator shall not invest in any type of investment specified in divisions (G)(6)(a) to (j) of [section 4121.12 of the Revised Code](#).

The administrator and other fiduciaries shall discharge their duties with respect to the funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

To facilitate investment of the funds, the administrator may establish a partnership, trust, limited liability company, corporation, including a corporation exempt from taxation under the Internal Revenue Code, 100 Stat. 2085, [26 U.S.C. 1](#), as amended, or any other legal entity authorized to transact business in this state.

When reporting on the performance of investments, the administrator shall comply with the performance presentation standards established by the association for investment management and research.

All investments shall be purchased at current market prices and the evidences of title to the investments shall be placed in the custody of the treasurer of state, who is hereby designated as custodian, or in the custody of the treasurer of state's authorized agent. Evidences of title of the investments so purchased may be deposited by the treasurer of state for safekeeping with an

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authorized agent selected by the treasurer of state who is a qualified trustee under [section 135.18 of the Revised Code](#). The treasurer of state or the agent shall collect the principal, dividends, distributions, and interest as they become due and payable and place them when collected into the state insurance fund.

The treasurer of state shall pay for investments purchased by the administrator on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the purchase, and pending receipt of the evidence of title of the investment by the treasurer of state or the treasurer of state's authorized agent. The administrator may sell investments held by the administrator, and the treasurer of state or the treasurer of state's authorized agent shall accept payment from the purchaser and deliver evidence of title of the investment to the purchaser, on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the sale, and pending receipt of the moneys for the investments. The amount received shall be placed in the state insurance fund. The administrator and the treasurer of state may enter into agreements to establish procedures for the purchase and sale of investments under this division and the custody of the investments.

No purchase or sale of any investment shall be made under this section, except as authorized by the administrator.

Any statement of financial position distributed by the administrator shall include the fair value, as of the statement date, of all investments held by the administrator under this section.

When in the judgment of the administrator it is necessary to provide available funds for the payment of compensation or benefits under this chapter, the administrator may borrow money from any available source and pledge as security a sufficient amount of bonds or other securities in which the state insurance fund is invested. The aggregate unpaid amount of loans existing at any one time for money so borrowed shall not exceed ten million dollars. The bonds or other securities so pledged as security for such loans to the administrator shall be the sole security for the payment of the principal and interest of any such loan. The administrator shall not be personally liable for the payment of the principal or the interest of any such loan. No such loan shall be made for a longer period of time than one year. Such loans may be renewed but no one renewal shall be for a period in excess of one year. Such loans shall bear such rate of interest as the administrator determines and in negotiating the loans, the administrator shall endeavor to secure as favorable interest rates and terms as circumstances will permit.

The treasurer of state may deliver to the person or governmental agency making such loan, the bonds or other securities which are to be pledged by the administrator as security for such loan, upon receipt by the treasurer of state of an order of the administrator authorizing such loan. Upon payment of any such loan by the administrator, the bonds or other securities pledged as security therefor shall be returned to the treasurer of state as custodian of such bonds.

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The administrator may pledge with the treasurer of state such amount of bonds or other securities in which the state insurance fund is invested as is reasonably necessary as security for any certificates issued, or paid out, by the treasurer of state upon any warrants drawn by the administrator.

The administrator may secure investment information services, consulting services, and other like services to facilitate investment of the surplus and reserve belonging to the state insurance fund. The administrator shall pay the expense of securing such services from the state insurance fund.

([2005 H 66, eff. 9-29-05](#); [1996 S 82, eff. 3-7-97](#); [1995 H 7, eff. 9-1-95](#); [1994 S 179, eff. 3-10-95](#); [1993 H 107, eff. 10-20-93](#); [1989 H 222](#); 1986 H 562; 1985 H 201; 1984 H 469; 1976 S 545; 1975 H 1; 1974 S 129; 1973 H 406; 1969 S 176; 131 v S 58; 129 v 582; 128 v 1206; 1953 H 1; GC 1465-58)

HISTORICAL AND STATUTORY NOTES

Pre-1953 H 1 Amendments: 118 v 324, § 1; 117 v 469, § 1; 115 v 79; 111 v 51, 218; 109 v 525; 103 v 76, § 11; 102 v 528

Amendment Note: 2005 H 66 added first sentence; inserted "[sections 4121.126 and 4121.127 of the Revised Code](#) and" and ", and in consultation with the bureau of workers' compensation chief investment officer" in the first paragraph; added the second paragraph; and inserted "of state" after the second occurrence of "treasurer" in the second sentence of the sixth paragraph.

Amendment Note: 1996 S 82 rewrote this section. See Baldwin's Ohio Legislative Service, 1996, p 12/L-4356, or the OH-LEGIS or OH-LEGIS-OLD database on WESTLAW, for prior version of this section.

Amendment Note: 1995 H 7 added ", in accordance with the investment policy established by the workers' compensation oversight commission pursuant to [section 4121.12 of the Revised Code](#)," to division (A).

Amendment Note: 1994 S 179 inserted "the international finance corporation or by" and "; however, the administrator may invest not more than the aggregate of fifteen per cent of the value of the funds described in division (A) of this section in such obligations" in division (A)(6).

Amendment Note: 1993 H 107 deleted ", with the approval of the workers' compensation board and the industrial commission," prior to "may invest" in the first paragraph of division (A); added division (A)(1)(d); substituted "four" for "three" and "fourth" for "third", respectively, in divisions (A)(2)(f)(iv), (A)(3)(a)(iv), and (A)(4)(a); substituted "A-2 or higher quality according to the Standard and Poor's rating service and P-2 or higher quality according to the Moody's rating service, or an equivalent rating according to" for "prime by" and inserted "other" prior to "standard rating services" in division (A)(4)(b); inserted "and [section 4123.441 of the Revised Code](#)" in, and deleted a reference to section 4123.442 from the last sentence of, division (B); and

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added division (G).

CROSS REFERENCES

Bureau of workers' compensation, duties of administrator, [4121.121](#)
Coal-workers pneumoconiosis fund established, investments, [4131.03](#)
Safety and hygiene fund, investment powers of administrator, [4121.37](#)
Self-insuring employers' surety bond fund, investments, [4123.351](#)
State administrative procedure, exceptions to application, [119.01](#)

LIBRARY REFERENCES

[Workers' Compensation](#)  [1049](#).
Westlaw Topic No. [413](#).
[C.J.S. Workmen's Compensation § 358](#).
Baldwin's Ohio Legislative Service, 1989 Laws of Ohio, H 222--LSC Analysis, p 5-832
Baldwin's Ohio Legislative Service, 1993 Laws of Ohio, H 107--LSC Analysis, p 5-941

RESEARCH REFERENCES

Encyclopedias

[OH Jur. 3d Administrative Law § 6](#), Ohio Administrative Procedure Act (Ohio Apa)--Agency and Rulemaking Agency Defined and Exempted by Ohio Apa.

[OH Jur. 3d Administrative Law § 67](#), Filing With Joint Committee on Agency Rule Review--Exceptions.

[OH Jur. 3d Workers' Compensation § 51](#), Rulemaking Powers; Rules Generally.

[OH Jur. 3d Workers' Compensation § 427](#), State Insurance Fund and Surplus; Successors in Interest.

Treatises and Practice Aids

[Ohio Personal Injury Practice App. B](#), Appendix B.

[Ohio Personal Injury Practice App. B](#), Appendix B.

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Fiduciary obligations [4](#)

[1.](#) Constitutional issues

The transfer of state insurance fund investment income to the disabled workers' relief fund, pursuant to [RC 4123.411](#), violates neither [O Const Art II §28](#) nor 35. [Thompson v. Industrial Com'n of Ohio \(Ohio 1982\) 1 Ohio St.3d 244, 438 N.E.2d 1167, 1 O.B.R. 265. Workers' Compensation ¶1049](#)

Unconstitutional in its attempt to require taxing districts before advertising a bond issue for sale to offer same to the industrial commission of Ohio at less than market value. [State ex rel. City of Cleveland Heights v. Frazine \(Ohio 1924\) 110 Ohio St. 523, 144 N.E. 289, 2 Ohio Law Abs. 407, 22 Ohio Law Rep. 177.](#)

Workmen's compensation fund can be raised only by contributions levied on employers. To divert the premium on bonds, which belongs to a taxing district, is to burden such district as compared with a district not issuing bonds or whose bonds are not accepted by the commission, and hence amounts to a tax without uniformity. [State ex rel. City of Cleveland Heights v. Frazine \(Ohio 1924\) 110 Ohio St. 523, 144 N.E. 289, 2 Ohio Law Abs. 407, 22 Ohio Law Rep. 177.](#)

[2.](#) In general

If the assessment levied against employers pursuant to [RC 4123.411](#) is insufficient to carry out the provisions of [RC 4123.412](#) to [4123.418](#) then the additional amount necessary must be provided from the income produced as a result of investments made pursuant to RC 4123.44. OAG 76-039.

Responsibility of the state treasurer for collection of installments of interest and principal of so-called FHA insured mortgages bought by state retirement boards or state industrial commission, begins when, under the terms of the accompanying contract for the servicing of said mortgages, the proceeds of these payments are remitted by the servicer or the servicing agent to the investors; the title to notes and the mortgage securing the same, representing the investment, vests in the retirement board of the industrial commission making the investment. 1940 OAG 1723.

[3.](#) Disbursements; investments

The formation of a partnership by the administrator of workers' compensation and a private corporation for the purpose of investing a portion of the surplus or reserve of the state insurance fund in a project to construct and operate a parking garage does not violate [O Const Art VIII §4](#), provided that no moneys belonging to the state will ever be obligated for the purpose of reimbursing the state insurance fund for any losses it incurs as a result of such investment. OAG 99-002.

Pursuant to RC 4123.44, the administrator of workers' compensation may form a partnership with a private corporation for the purpose of investing a portion of the surplus or reserve of the state insurance fund in a project to construct and operate a parking garage, provided such investment is in accordance with the investment objectives, policies, and criteria established by the workers'

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compensation oversight commission. However, in making such an investment, the administrator must discharge his investment duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. OAG 99- 002.

Neither the administrator of the bureau of workers' compensation nor the industrial commission has the authority to invest moneys of the safety and hygiene fund not needed for current operations. Such moneys may, however, be invested by the treasurer of state in accordance with RC Ch 135. OAG 79- 110.

The department of administrative services and industrial commission have no authority to create a rotary fund in the state insurance fund for payment of administrative costs of managing investments made pursuant to RC 4123.44, and disbursements from the state insurance fund for payment of such administrative costs are limited to those provided for in the appropriations act and [RC 4123.341](#) and [4123.342](#). OAG 74-067.

Neither the workmen's compensation fund nor the teachers' retirement fund can lawfully be used for the purpose of erecting a state building. 1927 OAG 110.

4. Fiduciary obligations

The industrial commission has a fiduciary responsibility to preserve and safeguard the financial integrity and solvency of the state insurance fund, including an obligation to adhere to certain standards of judgment and care when taking actions such as approving the sale of industrial rehabilitation centers for prices less than their construction and development costs, modifying or renegotiating the terms of the lease agreements for such centers, or agreeing to a reduction in the rent paid under such lease agreements. OAG 89-033.

5. Effective date

Any section of a law which changes the permanent law of the state is subject to referendum under the powers reserved to the people by [O Const Art II § 1](#), even though the law also contains a section providing for an appropriation for the current expenses of the state government and state institutions, which under [O Const Art II § 1d](#) becomes immediately effective; thus, the nonappropriation provisions of 1993 Am.Sub.H.B. 107 are stayed for ninety days, during which period relators may undertake to petition for a referendum on the provisions of such act that change the permanent law of the state. [State ex rel. Ohio AFL-CIO v. Voinovich \(Ohio, 04-08-1994\) 69 Ohio St.3d 225, 631 N.E.2d 582, 1994-Ohio-1](#), opinion clarified [69 Ohio St.3d 1208, 632 N.E.2d 907](#).

R.C. § 4123.44, OH ST § 4123.44

Current through 2005 File 63 and 2006 File 64 of the 126th GA (2005-2006) apv. by 1/30/06, and filed with the Secretary of State by 1/31/06.

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Appendix XII: Legal Requirements Summary

This section of the Statement of Investment Policy and Guidelines contains the Ohio Revised Code citations that form the legal basis for the duties and requirements of the Workers' Compensation Oversight Commission, the Administrator, and the Chief Investment Officer relating to Bureau of Workers' Compensation investments. The text of relevant statutory provisions that form the basis of the Statement of Investment Policy and Guidelines is included in this section for reference. This section does not include all Revised Code sections relating to the WCOC, Administrator, BWC, and Chief Investment Officer, but only those Revised Code sections that relate to the Investment Policy.

Am. Sub. H.B. 66, the General Revenue budget bill for the operation of state government, amended or enacted many of these statutes affecting BWC investments. The provisions of Sub. H.B. 66 were effective September 29, 2005.

I. General Investment Authority and Criteria

R.C. 4123.44 contains the chief authority for the investment of the State Insurance Fund. The statute establishes the "prudent person" standard for investment decisions. The statute cross references R.C. 4121.12(G)(6)(a) to (j) for prohibited investments, cited below in the section on "Workers' Compensation Oversight Commission duties."

4123.44: The voting members of the workers' compensation oversight commission, the administrator of workers' compensation, and the bureau of workers' compensation chief investment officer are the trustees of the state insurance fund. The administrator of workers' compensation, in accordance with sections 4121.126 and 4121.127 of the Revised Code and the investment objectives, policies, and criteria established by the workers' compensation oversight commission pursuant to section 4121.12 of the Revised Code, and in consultation with the bureau of workers' compensation chief investment officer, may invest any of the surplus or reserve belonging to the state insurance fund.

The administrator shall not invest in any type of investment specified in divisions (G)(6)(a) to (j) of section 4121.12 of the Revised Code.

The administrator and other fiduciaries shall discharge their duties with respect to the funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and by diversifying the investments of the assets of the funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

To facilitate investment of the funds, the administrator may establish a partnership, trust, limited liability company, corporation, including a corporation exempt from taxation under the Internal Revenue Code, 100 Stat. 2085, 26 U.S.C. 1, as amended, or any other legal entity authorized to transact business in this state.

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When reporting on the performance of investments, the administrator shall comply with the performance presentation standards established by the association for investment management and research.

All investments shall be purchased at current market prices and the evidences of title to the investments shall be placed in the custody of the treasurer of state, who is hereby designated as custodian, or in the custody of the treasurer of state's authorized agent. Evidences of title of the investments so purchased may be deposited by the treasurer of state for safekeeping with an authorized agent selected by the treasurer of state who is a qualified trustee under section 135.18 of the Revised Code. The treasurer of state or the agent shall collect the principal, dividends, distributions, and interest as they become due and payable and place them when collected into the state insurance fund.

The treasurer of state shall pay for investments purchased by the administrator on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the purchase, and pending receipt of the evidence of title of the investment by the treasurer of state or the treasurer of state's authorized agent. The administrator may sell investments held by the administrator, and the treasurer of state or the treasurer of state's authorized agent shall accept payment from the purchaser and deliver evidence of title of the investment to the purchaser, on receipt of written or electronic instructions from the administrator or the administrator's designated agent authorizing the sale, and pending receipt of the moneys for the investments. The amount received shall be placed in the state insurance fund. The administrator and the treasurer of state may enter into agreements to establish procedures for the purchase and sale of investments under this division and the custody of the investments.

No purchase or sale of any investment shall be made under this section, except as authorized by the administrator.

Any statement of financial position distributed by the administrator shall include the fair value, as of the statement date, of all investments held by the administrator under this section.

When in the judgment of the administrator it is necessary to provide available funds for the payment of compensation or benefits under this chapter, the administrator may borrow money from any available source and pledge as security a sufficient amount of bonds or other securities in which the state insurance fund is invested. The aggregate unpaid amount of loans existing at any one time for money so borrowed shall not exceed ten million dollars. The bonds or other securities so pledged as security for such loans to the administrator shall be the sole security for the payment of the principal and interest of any such loan. The administrator shall not be personally liable for the payment of the principal or the interest of any such loan. No such loan shall be made for a longer period of time than one year. Such loans may be renewed but no one renewal shall be for a period in excess of one year. Such loans shall bear such rate of interest as the administrator determines and in negotiating the loans, the administrator shall endeavor to secure as favorable interest rates and terms as circumstances will permit.

The treasurer of state may deliver to the person or governmental agency making such loan, the bonds or other securities which are to be pledged by the administrator as security for such loan, upon receipt by the treasurer of state of an order of the administrator authorizing such loan. Upon payment of any such loan by the administrator, the bonds or other securities pledged as security therefor shall be returned to the treasurer of state as custodian of such bonds.

The administrator may pledge with the treasurer of state such amount of bonds or other securities in which the state insurance fund is invested as is reasonably necessary as security for any certificates issued, or paid out, by the treasurer of state upon any warrants drawn by the administrator.

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The administrator may secure investment information services, consulting services, and other like services to facilitate investment of the surplus and reserve belonging to the state insurance fund. The administrator shall pay the expense of securing such services from the state insurance fund.

II. Workers' Compensation Oversight Commission Investment Duties

R.C. 4121.12(G)(6) requires the WCOC to establish an investment policy with certain criteria, and to monitor the Administrator's progress in investments. The WCOC shall review the investment policy annually. The WCOC shall prohibit BWC from investing in certain specified assets.

4121.12(G): The commission shall . . . (6) Establish objectives, policies, and criteria for the administration of the investment program that include asset allocation targets and ranges, risk factors, asset class benchmarks, time horizons, total return objectives, and performance evaluation guidelines, and monitor the administrator's progress in implementing the objectives, policies, and criteria on a quarterly basis. The commission shall review and publish the objectives, policies, and criteria no less than annually and shall make copies available to interested parties. The commission shall prohibit, on a prospective basis, any specific investment it finds to be contrary to its investment objectives, policies, and criteria.

The objectives, policies, and criteria adopted by the commission for the operation of the investment program shall prohibit investing assets of funds, directly or indirectly, in vehicles that target any of the following:

- (a) Coins;
- (b) Artwork;
- (c) Horses;
- (d) Jewelry or gems;
- (e) Stamps;
- (f) Antiques;
- (g) Artifacts;
- (h) Collectibles;
- (i) Memorabilia;
- (j) Similar unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity, and that lack readily determinable valuation.

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R.C. 4121.12(G)(7) requires the WCOC to specify in the investment policy that the Administrator is permitted to invest in an investment class only if the WCOC opens that class. The WCOC shall adopt rules establishing due diligence standards for BWC employees to follow when investing in that class. The WCOC shall establish policies and procedures to monitor and review the performance and value of each investment class. The WCOC shall report annually on the performance and value of each investment class.

4121.12(G): The commission shall . . . (7) Specify in the objectives, policies, and criteria for the investment program that the administrator is permitted to invest in an investment class only if the commission, by a majority vote, opens that class. After the commission opens a class but prior to the administrator investing in that class, the commission shall adopt rules establishing due diligence standards for employees' of the bureau to follow when investing in that class and shall establish policies and procedures to review and monitor the performance and value of each investment class. The commission shall submit a report annually on the performance and value of each investment class to the governor, the president and minority leader of the senate, and the speaker and minority leader of the house of representatives. The commission may vote to close any investment class.

III. Administrator's Investment Duties

R.C. 4121.121(B)(7) states the general power for the Administrator to invest, prohibits the Administrator from investing in prohibited investment classes, and requires the Administrator to make investments in consultation with the Chief Investment Officer.

R.C. 4121.121: (B) The administrator is responsible for the management of the bureau of workers' compensation and for the discharge of all administrative duties imposed upon the administrator in this chapter and Chapters 4123., 4127., 4131., and 4167. of the Revised Code, and in the discharge thereof shall do all of the following: . . .

(7) Exercise the investment powers vested in the administrator by section 4123.44 of the Revised Code in accordance with the investment objectives, policies, and criteria established by the oversight commission pursuant to section 4121.12 of the Revised Code and in consultation with the chief investment officer of the bureau of workers' compensation. The administrator shall not engage in any prohibited investment activity specified by the oversight commission pursuant to division (G)(6) of section 4121.12 of the Revised Code and shall not invest in any type of investment specified in division (G)(6)(a) to (j) of that section. All business shall be transacted, all funds invested, all warrants for money drawn and payments made, and all cash and securities and other property held, in the name of the bureau, or in the name of its nominee, provided that nominees are authorized by the administrator solely for the purpose of facilitating the transfer of securities, and restricted to the administrator and designated employees.

IV. Chief Investment Officer Duties

R.C. 4123.441 requires BWC, with the advice and consent of the WCOC, to employ a licensed BWC chief investment officer and who is a chartered financial analyst. The chief investment officer shall reasonably supervise BWC employees who handle

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investments to prevent specified securities and investment violations. The chief investment officer shall establish a policy to monitor and evaluate the effectiveness of BWC investments.

R.C. 4123.441: (A) The bureau of workers' compensation, with the advice and consent of the workers' compensation oversight commission shall employ a person or designate an employee of the bureau who is designated as a chartered financial analyst by the CFA institute and who is licensed by the division of securities in the department of commerce as a bureau of workers' compensation chief investment officer to be the chief investment officer for the bureau of workers' compensation. After ninety days after the effective date of this section, the bureau of workers' compensation may not employ a bureau of workers' compensation chief investment officer, as defined in section 1707.01 of the Revised Code, who does not hold a valid bureau of workers' compensation chief investment officer license issued by the division of securities in the department of commerce. The oversight commission shall notify the division of securities of the department of commerce in writing of its designation and of any change in its designation within ten calendar days after the designation or change.

(B) The bureau of workers' compensation chief investment officer shall reasonably supervise employees of the bureau who handle investment of assets of funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code with a view toward preventing violations of Chapter 1707. of the Revised Code, the "Commodity Exchange Act," 42 Stat. 998, 7 U.S.C. 1, the "Securities Act of 1933," 48 Stat. 74, 15 U.S.C. 77a, the "Securities Exchange Act of 1934," 48 Stat. 881, 15 U.S.C. 78a, and the rules and regulations adopted under those statutes. This duty of reasonable supervision shall include the adoption, implementation, and enforcement of written policies and procedures reasonably designed to prevent employees of the bureau who handle investment of assets of the funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code, from misusing material, nonpublic information in violation of those laws, rules, and regulations.

For purposes of this division, no bureau of workers' compensation chief investment officer shall be considered to have failed to satisfy the officer's duty of reasonable supervision if the officer has done all of the following:

- (1) Adopted and implemented written procedures, and a system for applying the procedures, that would reasonably be expected to prevent and detect, insofar as practicable, any violation by employees handling investments of assets of the funds specified in this chapter and Chapters 4121., 4127., and 4131. of the Revised Code;
- (2) Reasonably discharged the duties and obligations incumbent on the bureau of workers' compensation chief investment officer by reason of the established procedures and the system for applying the procedures when the officer had no reasonable cause to believe that there was a failure to comply with the procedures and systems;
- (3) Reviewed, at least annually, the adequacy of the policies and procedures established pursuant to this section and the effectiveness of their implementation.

(C) The bureau of workers' compensation chief investment officer shall establish and maintain a policy to monitor and evaluate the effectiveness of securities transactions executed on behalf of the bureau.

R.C. 1707.164 and R.C. 1707.165 provide that the BWC Chief Investment Officer shall be licensed by the Division of Securities in the Department of Commerce.

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R.C. 1707.164: (A) No person shall act as a bureau of workers' compensation chief investment officer unless the person is licensed as a bureau of workers' compensation chief investment officer by the division of securities.

(B) No bureau of workers' compensation chief investment officer shall act as a dealer, salesperson, investment advisor, or investment advisor representative.

R.C. 1707.165: (A) Application for a bureau of workers' compensation chief investment officer's license shall be made in accordance with this section by filing with the division of securities the information, materials, and forms specified in rules adopted by the division.

(B) The division may investigate any applicant for a license and may require any additional information as it considers necessary to determine the applicant's business repute and qualifications to act as a chief investment officer. If the application for a bureau of workers' compensation chief investment officer's license involves investigation outside of this state, the applicant may be required by the division to advance sufficient funds to pay any of the actual expenses of the investigation. The division shall furnish the applicant with an itemized statement of the expenses the applicant is required to pay.

(C) The division shall by rule require an applicant for a bureau of workers' compensation chief investment officer's license to pass an examination designated by the division or achieve a specified professional designation unless the applicant meets both of the following requirements:

(1) Acts as a bureau of workers' compensation chief investment officer on the effective date of this section;

(2) Has experience or education acceptable to the division.

(D) If the division finds that the applicant is of good business repute, appears to be qualified to act as a bureau of workers' compensation chief investment officer, and has complied with this chapter and rules adopted by the division under this chapter, the division, upon receipt of the fees prescribed by division (B) of section 1707.17 of the Revised Code, shall issue to the applicant a license authorizing the applicant to act as a bureau of workers' compensation chief investment officer.

V. Investment Manager Requirements

R.C. 4123.444 and R.C. 4123.445 require the Administrator, prior to awarding a contract to an investment manager, to have criminal background checks conducted on the investment manager's employees who will be investing BWC funds. The statutes prohibit BWC from entering into a contract with an investment manager if any employee of that manager who will be investing assets of BWC funds has been convicted of or pleaded guilty to a financial or investment crime.

R.C. 4123.444: (A) As used in this section and section 4123.445 of the Revised Code:

(1) "Bureau of workers' compensation funds" means any fund specified in Chapter 4121., 4123., 4127., or 4131. of the Revised Code that the administrator of workers' compensation has the authority

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to invest, in accordance with the administrator's investment authority under section 4123.44 of the Revised Code.

(2) "Investment manager" means any person with whom the administrator of workers' compensation contracts pursuant to section 4123.44 of the Revised Code to facilitate the investment of assets of bureau of workers' compensation funds.

(3) "Business entity" means any person with whom an investment manager contracts for the investment of assets of bureau of workers' compensation funds.

(4) "Financial or investment crime" means any criminal offense involving theft, receiving stolen property, embezzlement, forgery, fraud, passing bad checks, money laundering, drug trafficking, or any criminal offense involving money or securities, as set forth in Chapters 2909., 2911., 2913., 2915., 2921., 2923., and 2925. of the Revised Code or other law of this state, or the laws of any other state or the United States that are substantially equivalent to those offenses.

(B)(1) Before entering into a contract with an investment manager to invest bureau of workers' compensation funds, the administrator shall do both of the following:

(a) Request from any investment manager with whom the administrator wishes to contract for those investments a list of all employees who will be investing assets of bureau of workers' compensation funds. The list shall specify each employee's state of residence for the five years prior to the date of the administrator's request.

(b) Request that the superintendent of the bureau of criminal investigation and identification conduct a criminal records check in accordance with this section and section 109.579 of the Revised Code with respect to every employee the investment manager names in that list.

(2) After an investment manager enters into a contract with the administrator to invest bureau of workers' compensation funds and before an investment manager enters into a contract with a business entity to facilitate those investments, the investment manager shall request from any business entity with whom the investment manager wishes to contract to make those investments a list of all employees who will be investing assets of the bureau of workers' compensation funds. The list shall specify each employee's state of residence for the five years prior to the investment manager's request. The investment manager shall forward to the administrator the list received from the business entity. The administrator shall request the superintendent to conduct a criminal records check in accordance with this section and section 109.579 of the Revised Code with respect to every employee the business entity names in that list. Upon receipt of the results of the criminal records check, the administrator shall forward a copy of those results to the investment manager.

(3) If, after a contract has been entered into between the administrator and an investment manager or between an investment manager and a business entity for the investment of assets of bureau of workers' compensation funds, the investment manager or business entity wishes to have an employee who was not the subject of a criminal records check under division (B)(1) or (B)(2) of this section invest assets of the bureau of workers' compensation funds, that employee shall be the subject of a criminal records check pursuant to this section and section 109.579 of the Revised Code prior to handling the investment of assets of those funds. The investment manager shall submit to the administrator the name of that employee along with the employee's state of residence for the five years prior to the date in which the administrator requests the criminal records check. The administrator shall request that the superintendent conduct a criminal records check on that employee pursuant to this section and section 109.579 of the Revised Code.

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(C)(1) If an employee who is the subject of a criminal records check pursuant to division (B) of this section has not been a resident of this state for the five-year period immediately prior to the time the criminal records check is requested or does not provide evidence that within that five-year period the superintendent has requested information about the employee from the federal bureau of investigation in a criminal records check, the administrator shall request that the superintendent obtain information from the federal bureau of investigation as a part of the criminal records check for the employee. If the employee has been a resident of this state for at least that five-year period, the administrator may, but is not required to, request that the superintendent request and include in the criminal records check information about that employee from the federal bureau of investigation.

(2) The administrator shall provide to an investment manager a copy of the form prescribed pursuant to division (C)(1) of section 109.579 of the Revised Code and a standard impression sheet for each employee for whom a criminal records check must be performed, to obtain fingerprint impressions as prescribed pursuant to division (C)(2) of section 109.579 of the Revised Code. The investment manager shall obtain the completed form and impression sheet either directly from each employee or from a business entity and shall forward the completed form and sheet to the administrator, who shall forward these forms and sheets to the superintendent.

(3) Any employee who receives a copy of the form and the impression sheet pursuant to division (C)(2) of this section and who is requested to complete the form and provide a set of fingerprint impressions shall complete the form or provide all the information necessary to complete the form and shall complete the impression sheets in the manner prescribed in division (C)(2) of section 109.579 of the Revised Code.

(D) For each criminal records check the administrator requests under this section, at the time the administrator makes a request the administrator shall pay to the superintendent the fee the superintendent prescribes pursuant to division (E) of section 109.579 of the Revised Code.

R.C. 4123.445: (A) The administrator of workers' compensation shall not enter into a contract with an investment manager for the investment of assets of the bureau of workers' compensation funds if any employee of that investment manager who will be investing assets of bureau of workers' compensation funds has been convicted of or pleaded guilty to a financial or investment crime.

(B) An investment manager who has entered into a contract with the bureau of workers' compensation for the investment of assets of bureau of workers' compensation funds shall not contract with a business entity for the investment of those assets if any employee of that business manager who will be investing assets of bureau of workers' compensation funds has been convicted of or pleaded guilty to a financial or investment crime.

(C) The administrator shall not enter into a contract with an investment manager who refuses to submit the list of the investment manager's employees required under division (B) of section 4123.444 of the Revised Code. An investment manager shall not enter into a contract with a business entity that refuses to submit the list of the business entity's employees required under division (B) of section 4123.444 of the Revised Code.

(D) If, after a contract has been awarded to an investment manager or business entity for the investment of assets of bureau of workers' compensation funds, the investment manager or business entity discovers that an employee who is handling the investment of those assets has been convicted of or pleaded guilty to a financial or investment crime, the investment manager or business entity immediately shall notify the administrator.

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R.C. 3517.13(Y) and (Z) prohibits the BWC from conducting business with or awarding a contract, other than by competitive bidding, for goods or services costing more than \$500 entities who, within the two previous calendar years, have made contributions totaling more than \$1,000 to the campaign committees of the Governor or Lieutenant Governor or candidates for those offices.

R.C. 3517.13: (Y) The administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct any business with or award any contract, other than one awarded by competitive bidding, for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to any individual, partnership, association, including, without limitation, a professional association organized under Chapter 1785. of the Revised Code, estate, or trust, if the individual has made, or the individual's spouse has made, or any partner, shareholder, administrator, executor, or trustee, or the spouses of any of those individuals has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of one thousand dollars to the campaign committee of the governor or lieutenant governor or to the campaign committee of any candidate for the office of governor or lieutenant governor.

(Z) The administrator of workers' compensation and the employees of the bureau of workers' compensation shall not conduct business with or award any contract, other than one awarded by competitive bidding, for the purchase of goods costing more than five hundred dollars or services costing more than five hundred dollars to a corporation or business trust, except a professional association organized under Chapter 1785. of the Revised Code, if an owner of more than twenty per cent of the corporation or business trust, or the spouse of the owner, has made, as an individual, within the two previous calendar years, taking into consideration only owners for all of such period, one or more contributions totaling in excess of one thousand dollars to the campaign committee of the governor or lieutenant governor or to the campaign committee of any candidate for the office of governor or lieutenant governor.

VI. Fiduciary Requirements

R.C. 4121.126 prohibits BWC employees and WCOC members from having any interest in any investment made by the Administrator or receiving any pay for the employee's or member's services. The statute prohibits any member or person connected with the BWC from borrowing any of its funds or using the funds except to make necessary payments authorized by the Administrator. The Administrator shall not make investments or purchases from or do any business with an entity that is owned or controlled by a person who within the preceding three years was employed by BWC or was a WCOC member, or was employed by or was an officer holding a fiduciary position in which the person was involved in decisions affecting the investment policy of BWC.

R.C. 4121.126: Except as provided in this chapter, no member of the workers' compensation oversight commission or employee of the bureau of workers' compensation shall have any direct or indirect interest in the gains or profits of any investment made by the administrator of workers' compensation or shall receive directly or indirectly any pay or emolument for the member's or employee's services. No member or person connected with the bureau directly or indirectly, for self or as an agent or partner of others, shall borrow any of its funds or deposits or in any manner use the funds or deposits except to make current and necessary payments that are authorized by the administrator. No member of the

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oversight commission or employee of the bureau shall become an indorser or surety or become in any manner an obligor for moneys loaned by or borrowed from the bureau.

The administrator shall make no investments through or purchases from, or otherwise do any business with, any individual who is, or any partnership, association, or corporation that is owned or controlled by, a person who within the preceding three years was employed by the bureau, a board member of, or an officer of the oversight commission, or a person who within the preceding three years was employed by or was an officer holding a fiduciary, administrative, supervisory, or trust position, or any other position in which such person would be involved, on behalf of the person's employer, in decisions or recommendations affecting the investment policy of the bureau, and in which such person would benefit by any monetary gain.

R.C. 4121.127 prohibits a BWC fiduciary from engaging in a transaction if the fiduciary knows that the transaction constitutes a prohibited activity, prohibits a fiduciary from engaging in certain activities concerning the fiduciary acting with the fiduciary's own interest, and specifies circumstances in which a fiduciary will be liable to the BWC for a breach of fiduciary duty.

R.C. 4121.127: (A) Except as provided in division (B) of this section, a fiduciary shall not cause the bureau of workers' compensation to engage in a transaction, if the fiduciary knows or should know that such transaction constitutes any of the following, whether directly or indirectly:

- (1) The sale, exchange, or leasing of any property between the bureau and a party in interest;
- (2) Lending of money or other extension of credit between the bureau and a party in interest;
- (3) Furnishing of goods, services, or facilities between the bureau and a party in interest;
- (4) Transfer to, or use by or for the benefit of a party in interest, of any assets of the bureau;
- (5) Acquisition, on behalf of the bureau, of any employer security or employer real property.

(B) Nothing in this section shall prohibit any transaction between the bureau and any fiduciary or party in interest if both of the following occur:

- (1) All the terms and conditions of the transaction are comparable to the terms and conditions that might reasonably be expected in a similar transaction between similar parties who are not parties in interest.
- (2) The transaction is consistent with fiduciary duties under this chapter and Chapters 4123., 4127., and 4131. of the Revised Code.

(C) A fiduciary shall not do any of the following:

- (1) Deal with the assets of the bureau in the fiduciary's own interest or for the fiduciary's own account;

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(2) In the fiduciary's individual capacity or in any other capacity, act in any transaction involving the bureau on behalf of a party, or represent a party, whose interests are adverse to the interests of the bureau or to the injured employees served by the bureau;

(3) Receive any consideration for the fiduciary's own personal account from any party dealing with the bureau in connection with a transaction involving the assets of the bureau.

(D) In addition to any liability that a fiduciary may have under any other provision, a fiduciary, with respect to bureau, shall be liable for a breach of fiduciary responsibility in any the following circumstances:

(1) If the fiduciary knowingly participates in or knowingly undertakes to conceal an act or omission of another fiduciary, knowing such act or omission is a breach;

(2) If, by the fiduciary's failure to comply with this chapter or Chapter 4123., 4127., or 4131. of the Revised Code, the fiduciary has enabled another fiduciary to commit a breach;

(3) If the fiduciary has knowledge of a breach by another fiduciary of that fiduciary's duties under this chapter and Chapters 4123., 4127., and 4131. of the Revised Code, unless the fiduciary makes reasonable efforts under the circumstances to remedy the breach.

(E) Every fiduciary of the bureau shall be bonded or insured for an amount of not less than one million dollars for loss by reason of acts of fraud or dishonesty.

(F) As used in this section, "fiduciary" means a person who does any of the following:

(1) Exercises discretionary authority or control with respect to the management of the bureau or with respect to the management or disposition of its assets;

(2) Renders investment advice for a fee, directly or indirectly, with respect to money or property of the bureau;

(3) Has discretionary authority or responsibility in the administration of the bureau.

R.C. 109.981 authorizes the Attorney General to maintain a civil action against a voting member of the WCOC who breaches the member's fiduciary duty to the BWC for harm resulting from that breach, and allows the WCOC to retain independent legal counsel if informed of an allegation that the entire WCOC has breached its fiduciary duty to the BWC.

If a voting member of workers' compensation oversight commission breaches the member's fiduciary duty to the bureau of workers' compensation, the attorney general may maintain a civil action against the board member for harm resulting from that breach. Notwithstanding section 4121.128 of the Revised Code, after being informed of an allegation that the entire oversight commission has breached its fiduciary duty, the oversight commission may retain independent legal counsel, including legal counsel provided by the oversight commission's fiduciary insurance carrier, to advise the board and to represent the board. The attorney general may recover damages or be granted injunctive relief, which shall include the enjoinder of specified activities and the removal of the member from the board. Any

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damages awarded shall be paid to the bureau. The authority to maintain a civil action created by this section is in addition to any authority the attorney general possesses under any other provision of the Revised Code.

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February 21, 2006

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Appendix XIII: Campaign Contribution Policy

I. Purpose

It is the policy of the Ohio Bureau of Workers' Compensation ("OBWC") to ensure that the selection of investment management firms to provide investment management services to the State Insurance Fund (the "Fund") is based on the merits of such firms and not on the political contributions made by such firms. This policy is designed to protect the beneficiaries of the Fund by:

- Prohibiting investment management firms from being engaged to provide investment management services to the Fund if certain political contributions have been made; and
- Requiring investment management firms that provide or are applying to provide investment management services to the Fund to disclose certain political contributions, as well as other information, thereby allowing meaningful public scrutiny of the selection of investment management firms.

This policy is not intended to limit participation in the political process by investment management firms. This policy is limited to OBWC selection of investment management firms to provide investment management services to the Fund. This policy does not adopt political contribution limitations that have any impact or effect other than for the purpose of OBWC selection of investment management firms. To the extent that this policy may provide political contribution limitations that are different than State or Federal law, the policy is not intended to supersede State or Federal law on political contributions, but is limited to the investment objectives of OBWC. Investment management firms shall adhere to the political contribution requirements of this policy only to the extent that the firms desire to be eligible to provide investment management services to the Fund.

II. Definitions

The following words and terms, when used in this policy, shall have the following meanings, unless the context clearly indicates otherwise:

- A. "Control" means to possess, directly or indirectly, influence or authority over another.
- B. "Investment management firm" means one or more natural persons, corporations, partnerships or other entities, incorporated or unincorporated, that provide investment management services.
- C. "Investment management professional" means:

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1. Any person associated with an investment management firm who is primarily engaged in the provision of investment management services;

2. Any person associated with an investment management firm involved in client development or the solicitation of business for investment management services from pension fund clients;

3. Any person associated with an investment management firm who is a supervisor of any person described in 1 or 2 above, up through and including the Chief Executive Officer or similarly situated official; or

4. Any person associated with an investment management firm who is a member of such firm's executive or management committee or similarly situated officials, if any.

D. "Investment management services" means:

1. The business of making or recommending investment management decisions for or on behalf of Fund clients;

2. The business of advising or managing a separate entity which makes or recommends investment management decisions for or on behalf of Fund clients; or

3. The provision of financial advisory or consultant services to Fund clients.

E. "Payment" means any gift subscription, loan, advance, or deposit of money or anything of value.

F. "Political contribution" means any gift, subscription, loan, advance, or deposit of money or anything of value made:

1. For the purpose of influencing any election for State office, including the Governor and Lieutenant Governor, Attorney General, Auditor of State, Secretary of State, Treasurer of State, and Supreme Court Justices;

2. For the purpose of influencing any election for local office by a person who is also a State official or an employee or advisor of either the State or a State official;

3. For payment of debt incurred in connection with any such election; or

4. For transition or inaugural expenses incurred by the successful candidate in any such election.

G. "Political party" means any political party or political committee organized in this

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State, including county and “independent” committees and legislative campaign funds.

H. “State” means the State of Ohio. Communication with the State includes communication with its officers and employees.

I. “State official” means any person (including any election or political action committee for such person) who was, at the time of the political contribution, an incumbent, candidate or successful candidate for Governor and Lieutenant Governor, Attorney General, Auditor of State, Secretary of State, Treasurer of State, and Supreme Court Justices, or for a seat in the Legislature. Communication with a State official includes communication with the employees and advisors of such official.

J. “Third party solicitor” means a third party lobbyist who solicits investment management business through direct or indirect communication with the State or a State official on behalf of an investment management firm, but does not include any person whose sole basis of compensation from the investment management firm is the actual provision of legal, accounting, engineering, real estate or other professional advice, services or assistance.

III. Restrictions

A. OBWC shall not engage an investment management firm to provide investment management services for the benefit of the Fund and shall terminate the contract of any investment management firm if, within the twelve months prior to such engagement or during the term of such engagement, any political contribution or payment to a political party covered by this policy has been made or paid by:

1. The investment management firm;
2. Any investment management professional associated with such investment management firm;
3. Any third party solicitor associated with such investment management firm; or
4. Any political action committee controlled by the investment management firm or an investment management professional of such investment management firm.

B. The provisions of this policy shall not, however, prohibit the investment management firm from being engaged to provide investment management services to the Fund if the only political contributions made by a person noted above within the twelve months prior to, and during, any such engagement were or are made by the contributor to State officials for whom the contributor was or is entitled to vote. Political contributions made by a contributor, pursuant to this subsection, shall not exceed \$250.00 per State official,

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per election.

C. The provisions of this policy shall not, however, prohibit the investment management firm from being engaged to provide investment management services to the Fund if the only payments to any political party made by a person noted above within the twelve months prior to, and during, any such engagement did or do not exceed \$250.00 per political party, per year.

D. The provisions of this policy shall apply to political contributions and payments to political parties made by any individual or entity for the 12-month period prior to such individual or entity becoming an investment management firm, investment management professional or third party solicitor.

IV. Solicitations

A. Any investment management firm, investment management professional or third party solicitor that is engaged or is seeking to be engaged in providing investment management services to the Fund shall not:

1. Solicit any person or political action committee to make a political contribution or payment to a political party;
2. Coordinate political contributions or payments to a political party;
3. Fund political contributions or payments to a political party made by third parties, including consultants, attorneys, family members or persons controlling the investment management firm; or
4. Engage in any exchange of political contributions or payments between State officials or political parties to circumvent the intent of this policy.

V. Indirect violations

No investment management firm, investment management professional or third party solicitor shall, directly or indirectly, through or by any other person or means, do any act which would violate the provisions of this policy.

VI. Reporting

A. Each investment management firm that seeks to be engaged to provide investment management services to the Fund shall designate those persons who qualify as investment management professionals.

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B. Each investment management firm that is engaged to provide investment management services to the Fund shall, by the last day of the month following the end of each calendar quarter, send to OBWC the following information:

1. Any updates to designations of persons who qualify as investment management professionals;

2. For all political contributions and payments to political parties in the State made by persons described in this policy, excluding any political contribution or payment to a political party made pursuant to Paragraphs III. B. and III. C. of this policy:

i. The name and address of the contributor;

ii. The name and title of each State official or political party receiving the political contribution or payment;

iii. The amount of the political contribution or payment to the political party; and

iv. The date of the political contribution or payment to the political party.

3. Whether any political contribution or payment to a political party listed in (b) above is the subject of an exemption pursuant to Paragraph X. of this policy and the date of such exemption; and

4. For any payment made to a third party solicitor: the name and business address of the recipient, the services provided by the recipient, the compensation arrangement between the investment management firm and the recipient, and the total dollar amount of payments made during the report period.

C. Each investment management firm seeking to be engaged to provide investment management services to the Fund shall send to OBWC quarterly disclosure reports as provided in this policy for a period of time which is the lesser of two years or from the effective date of this policy, prior to the date of its application or proposal to provide investment management services to the Fund.

D. No investment management firm shall be required to report to OBWC for any calendar quarter in which such investment management firm has no information that is required to be reported pursuant to this policy for such calendar quarter.

E. Once a political contribution or payment to a political party or third party solicitor has been disclosed on a report, the investment management firm need not disclose that particular contribution or payment on subsequent reports.

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F. Each investment management firm seeking to be engaged to provide investment management services to the Fund shall report the information required by this section on forms provided by OBWC.

G. It is prohibited for any employee of OBWC to receive any form of compensation, gratuity, gift, service or payment in connection with the hiring or retention of any investment management firm by OBWC, any investment management professional associated therewith or third party solicitor related thereto. This policy shall include any and all compensation, gratuity, service or payment from such investment management firm, investment management professional or third party solicitor made to an immediate family member of an employee of OBWC. For the purposes of this policy, "immediate family" shall mean a person's spouse, child, parent, or sibling residing in the same household.

VII. Public disclosure

OBWC shall make public a copy of each report received from an investment management firm within 30 days of its receipt or as otherwise required by law.

VIII. Additional information

OBWC will accept additional information related to political contributions, payments to political parties and payments to third party solicitors voluntarily submitted by investment management firms or others.

IX. Contract termination

OBWC shall provide in each contract with an investment management firm that a violation of the provisions in this policy shall be cause for immediate termination of such contract.

X. Exemptions

A. An investment management firm that is prohibited from being engaged to provide investment management services to the Fund pursuant to this policy may exempt itself from such prohibition upon satisfaction of the following requirements:

1. The investment management firm must have discovered the political contribution or the payment to a political party that resulted in the prohibition on business within four months of the date of such contribution or payment;

2. Such political contribution or payment to a political party must not have exceeded \$250.00; and

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3. The contributor must obtain a return of the political contribution or payment to the political party within 60 calendar days of the date of discovery of such contribution or payment.

B. An investment management firm is entitled to no more than two exemptions for every 12-month period.

C. An investment management firm may not utilize more than one exemption relating to political contributions or payment to a political party by the same investment management professional or third party solicitor regardless of the time period.

XI. Effectiveness

The prohibitions and disclosures in this policy arise only from political contributions, payments to political parties or payments to third party solicitors made or paid on or after the effective December 1, 2005. The reporting requirements found in this policy, as applicable, shall take effect January 1, 2006.

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Appendix XIII: Political Contribution Disclosure Statement

**POLITICAL CONTRIBUTION DISCLOSURE STATEMENT
and
ACKNOWLEDGEMENT OF REPORTING REQUIREMENTS**

All investment management firms that provide or are applying to provide investment management services to the State Insurance Fund (the "Fund") are required to disclose certain political contributions and report other information as set forth in the Ohio Bureau of Workers' Compensation's ("OBWC") Statement of Investment Policy and Guidelines (the "Policy"). Such statement is to be filed with the OBWC.

(Name of firm) affirms that, as applicable to (name of firm) no party listed in Division (I), (J), (Y), or (Z) of Section 3517.13 of the Ohio Revised Code or spouse of such party has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of \$1,000 to the Governor or lieutenant governor or to the campaign committee of any candidate for the office of governor or lieutenant governor.

(Name of firm) affirms that (name of firm), no investment management professional associated with (name of firm), no third party solicitor associated with (name of firm); and no political action committee controlled by (name of firm) or an investment management professional of such investment management firm, has made any political contribution or payment to a political party covered by OBWC's Policy within the 12-month period prior to (name of firm)'s engagement with the OBWC to provide investment management services for the benefit of the Fund.

(Name of firm) understands that it shall not: 1) solicit any person or political action committee to make a political contribution or payment to a political party; 2) coordinate political contributions or payments to a political party; 3) fund political contributions or payments to a political party made by third parties, including, but not limited to, consultants, attorneys, family members or persons controlling (name of firm); 4) engage in any exchange of political contributions or payments between State officials or political parties to circumvent the Policy; or 5) directly or indirectly, through or by any other person or means, do any act which would violate the Policy.

(Name of firm) understands that it shall designate those persons who qualify as investment management professionals, and shall, by the last day of the month following the end of each calendar quarter, send to the OBWC, the following information: 1) Any updates to designations of persons who qualify as investment manager professional; 2) For all political contributions and payments to political parties: (i) the name and address of the contributor; (ii) the name and title of each State official or political party receiving the political contribution or payment; (iii) the amount of the political contribution or payment to the political party; and (iv) the date of the political contribution or payment to the political party; 3) Whether any political contribution or payment to a political party is the subject of an exemption as set forth in the Policy; and 4) For any payment made to a third party solicitor: the name and business address of the recipient, the services provided by the recipient, the

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compensation arrangement between (name of firm) and the recipient, and the total dollar amount of payments made during the report period.

(Name of firm) understands that it shall send to the OBWC quarterly disclosure reports as provided in the Policy, for a period of time which is the lesser of two years or from the effective date of the Policy, prior to the date of its application or proposal to provide investment management services to the Fund.

(Name of firm) agrees that a violation of the provisions in the Policy shall be cause for immediate termination of its contract with the BWC.

(Name of firm) understands that the BWC is required to make its disclosure reports public.

**The prohibitions and required disclosures set forth in this statement
arise only from political contributions, payments to political parties or payments
made to third party solicitors made or paid on or after December 1, 2005.
The reporting requirements are effective January 1, 2006.**

(Name of Firm)
Tax I.D. No.

(Signature of Officer or Agent)

Date

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Appendix XIV: Investment Committee – Financial and Operational Requirements

Model of infrastructure data to be provided to the IC

To: The Commissioners of the Investment Committee

The following is a model of portfolio and operational information that is needed by Investment Committee in order that the body can function effectively and comply with its fiduciary duties. The Chief Investment Office will be responsible for the delivery of such information.

Based upon my experiences, of being chairman, committee member and CIO of various insurance companies, pensions and foundations, these reports are standard and ordinary.

It is anticipated that the CIO may not be fully compliant with the first reporting, but that with the passage of a reporting cycle the reports will be compliant and will continue to improve over the ensuing years.

I will be bringing the following motion to the next Investment Committee:

I move that the Investment Committee direct the CIO report the following information. Such list can be modified to meet the needs of the organization, but the theme of full portfolio and operational disclosure is maintained.

Respectfully submitted,

Michael C. Koettters

Monthly Report to IC - 12 reports annually

- CIO written staff report - activities, issues, concerns and action plan
- Portfolio Performance vs. Benchmark by Asset Class by Manager
- Asset changes by manager - monthly, YTD

Quarterly Report to IC – 4 reports annually

- Review Progress on Goals and Action Plan
- Sarbanes-Oxley report – CIO Certification and report
- Economic Review
- Budget vs. Actual -
 - Qtr and YTD
 - For Cash Flow, Investment Income, Dept Expenses

1st Quarter Reporting - July, August and September

- Auditor Report
 - Internal auditor
 - External Auditor
- B-Team list – Managers in the wings
- CIO's Annual Report
 - Year in Review – portfolio performance

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Appendix XIV: Investment Committee – Financial and Operational Requirements

- Environment
- Outlook
- Progress on last year's goals – outlook for next year's goals

2nd Quarter Reporting - October, November and December

- Annual Manager Review
- Annual Staff Personal Review
- Annual Fee and Performance Review
 - Managers, Consultants, Custodian vs. Benchmark
- Legal Review
- IT Review

3rd Quarter Reporting - January, February and March

- Review of investment duties and authorities of
 - WCOB, IC, CEO, and CIO
- Annual Economic and interest rate outlook
- Annual Review of customized benchmark for fixed income
 - Sensitivity analysis

4th Quarter Reporting - April, May and June

- Portfolio asset allocation review and recommendation
- Asset/Liability study review and recommendation
- Investment Policy and Mission statement review and recommendation
- Annual Goals and Action for next fiscal year
 - Need to support the mission of the BWC
- Annual Budget for next fiscal year
 - Net Income
 - Cash Flow
 - Assets under management
 - Operational Expenses
 - Staff expenses
 - Consultants
 - Custodian
 - Others
 - Capital Expenditures
 - Personnel staffing positions (additions/deductions)
- Review of Internal and External Auditor
 - Pre-audit preparation report on audit focus and review of prior audit
- Certification by Staff and CIO of no-conflict of interest