



Bureau of Workers' Compensation Board of Directors'

Marsha P. Ryan, *Administrator*

Donald Berno, *Board Liaison*

William J. Lhota, *Chairman*

August 23, 2007

Charles A. Bryan, *Member*

Board of Directors' - materials to review:

Alison L. Falls, *Member*

Roster Tab 1

Phillip J. Fulton, *Member*

Duties..... Tab 2

Kenneth M. Haffey, *Member*

Governance and organizational material
..... Tab 3

James W. Harris, *Member*

Thomas Anderson, presentation
..... Tab 4

James A. Hummel, *Member*

Jim Matesich, *Member*

David Freel, presentation
..... Tab 5

Larry Price, *Member*

Robert C. Smith, *Member*

August Financials..... Tab 6

**OHIO BUREAU OF WORKERS' COMPENSATION
BOARD MEETING**

AGENDA

DATE: AUGUST 23, 2007
TIME: 1:00 P.M.
LOCATION: 30 W. SPRING STREET / LEVEL 2 / ROOM 2

1:00 P.M. Welcome – Call meeting to order:

Bill Lhota, Chairman

- Oath of Office
- Roll-call
- Self-introduction of members

Marsha Ryan, Administrator

- Introduction of staff
 - Confirmation process
 - Bonding
 - Administrative paperwork
 - Review of Administration & Board duties
-
-

1:25 P.M. Organization Discussion:

Bill Lhota, Chairman

- Board training
 - Board governance
 - Committee structure
 - Committee assignments*
 - Future meeting dates
-
-

2:30 P.M. Fiduciary Discussion:

Thomas R. Anderson, Public Sector Consultant

3:15 P.M. Break

- Complete administrative paperwork
-
-

3:30 P.M. Ethics Training

David E. Freel, Executive Director, Ohio Ethics Commission

*Action Required



BWC Board of Directors'

Name	Representing	Appointment Term
Bryan, Charles A.	Actuary	3yrs, 6/12/10
Caldwell, David Lee	Employee Organization Rep (AFL-CIO Executive Committee)	2yrs, 6/12/09
Falls, Alison L.	Investment/Securities	3yrs, 6/12/10
Fulton, Phillip J.	Employee Representative	1yr, 6/12/08
Haffey, Kenneth M.	Certified Public Accountant	2yr, 06/12/09
Harris, James W.	Employee Organization Rep	3yrs, 06/12/10
Hummel, James A.	Employer Representative (State-Fund Employer w/m than 100 emp's)	1yr, 06/12/08
Lhota, William J. (Bill)	Employer Representative (State-Insuring Employer)	3yrs, 6/12/10
Matesich, Jim	Employer Representative (State-Fund Employer w/f than 100 emp's)	2yrs, 06/12/09
Price, Larry	Public Member	1yrs, 06/12/08
Smith, Robert C.	Investment/Securities	2yrs, 06/12/09

Donald Berno, *Board Liaison*
Phone (614) 728-0756 fax (614) 621-1456
Donald.Berno@bwc.state.oh.us

BWC Board of Directors' Duties

Duties	
Chairperson	Sets the meeting dates of the Board as necessary to perform the duties of the Board. Board shall meet at least 12 times a year. ¹
Board's mandatory duties	Establish overall administrative policy for BWC. ²
	Review BWC's progress in meeting cost & quality objectives, and compliance with Ohio Revised Code. ³
	Submit annual report to President of Senate, Speaker of House, Governor & WCC to include: ⁴ <ul style="list-style-type: none"> ➤ evaluation of cost & quality objectives of BWC ➤ statement of net assets available for comp & benefits ➤ statement of changes to net assets in the fiscal year preceding the report ➤ for the last 6 fiscal years, information on: <ul style="list-style-type: none"> ➤ schedule of net assets available ➤ annual cost of payment of comp & benefits ➤ annual administrative expenses incurred ➤ annual employer premiums allocated for comp & benefits ➤ description of significant changes in the last 6 years that affect ability of board to compare information from year to year
	Review all independent financial audits of BWC. ⁵
	Study issues as requested by the Administrator or Governor. ⁶
	Contract with the following: ⁷ <ul style="list-style-type: none"> ➤ independent actuarial firm to assist in making recommendations re: premium rates ➤ outside investment counsel to assist investment committee in its duties ➤ independent fiduciary counsel to assist Board
	Approve investment policy developed by the investment committee. ⁸
	Review & publish investment policy annually, & make copies available to interested parties. ⁹
	Prohibit, on prospective basis, any specific investment contrary to investment policy approved by the Board. ¹⁰
	Vote to open investment classes. ¹¹
	Adopt rules on due diligence standards for employees of BWC investing in the class, policies & procedures to review & monitor performance & value of each investment class. ¹²
	Submit annual report on performance & value of each investment class to Governor, Senate & House. ¹³
	Advise & consent on the following: ¹⁴ <ul style="list-style-type: none"> ➤ Rules regarding classification of occupations or industries, premium rates & contributions, amounts to be credited to surplus fund, systems of rating, rate revisions & merit rating ➤ Duties & authority of Administrator pursuant to the Ohio Revised Code ¹⁵ ➤ Rules regarding HPP & QHP ➤ Rules regarding the public employment risk reduction program
	Perform all duties required under the Ohio Revised Codes. ¹⁶
	Meet w/ Governor on annual basis to discuss Administrator's performance. ¹⁷
	Develop & participate in a BWC Board of Directors education program, to consist of: ¹⁸ <ul style="list-style-type: none"> ➤ orientation component for new members ➤ continuing education component ➤ curriculum to include: member duties & responsibilities, compensation & benefits payable under Ohio Revised Code, ethics, governance, actuarial soundness, investments, etc. ¹⁹
	Submit education program to WCC for approval. ²⁰
	Hold all sessions, classes & other events for the education program in this state. ²¹
	Contract to have the following prepared: ²² <ul style="list-style-type: none"> ➤ annual report of the actuarial valuation of the assets, liabilities & funding requirements of the state insurance funds to be submitted to the WCC & the Senate & House (September 1 deadline)

BWC Board of Directors' Duties

	<ul style="list-style-type: none"> ➤ at least once every 5 years have actuarial investigation of experience of employers; mortality, service & injury rate of employees; payment of benefits in order to update the assumptions of the annual actuarial report ➤ have actuarial analysis prepared of any legislation expected to have measurable financial impact on the system, w/in 60 days after introduction of legislation
	At least once every 10 years, have an independent auditor conduct a fiduciary performance audit of BWC's investment program, policies & procedures. Provide a copy of audit to the Auditor of State. ²³
	By majority vote, appoint 2 members of the Board to the audit committee in addition to the 3rd member who must be a CPA. By majority vote, determine how often the audit committee shall meet & report to the Board. ²⁴
	By majority vote, appoint 2 members of the Board to the actuarial committee in addition to the 3rd member who must be the actuary member of the Board. By majority vote, determine how often the actuarial committee shall meet & report to the Board. ²⁵
	By majority vote, appoint 2 members of the Board to the investment committee in addition to the 2 members of the Board who serve as investment & securities experts. By majority vote, determine how often the investment committee shall meet & report to the Board. ²⁶
	Establish the policy for all adjudicating committee procedures. ²⁷
	Adopt a rule that governs how & when cash refunds or reduction of premiums can be done. ²⁸
	Provide advice & consent to the Administrator in the performance of her duties. ²⁹
	Provide the WCC w/ any information necessary to carry out its duties. ³⁰
	Duty to safeguard & maintain the solvency of the state insurance funds (together w/ the Administrator.) ³¹
	Serve as trustees of the state insurance fund together w/ the Administrator & Chief Investment Officer. ³²
Board's discretionary duties	May vote to close any investment class. ¹
	May create any additional committees deemed necessary to assist Board in performing its duties. ²
	May contract with outside actuarial firm as necessary to assist in measuring performance of Ohio's workers' comp system, & comparing it to other state & private systems. ³
	May contract with outside firm to conduct management & financial audits of the workers' comp system. ⁴
	May request an actuary to study adequacy of premium rates & adjust those rates as recommended by the actuary. ⁵
	May request & review internal audits conducted by BWC's internal auditor. ⁶
	If reinsurance of the risks of the self-insuring employers' guaranty fund is necessary to assure the solvency of the fund, the Board may contract for the purchase of reinsurance coverage & require the Administrator to pay the cost of reinsurance from the fund. ⁷
	If reinsurance of the risks of the marine industry fund is necessary to assure the solvency of the fund, the Board may contract for the purchase of reinsurance coverage & require the Administrator to pay the cost of reinsurance from the fund. ⁸
	May procure reinsurance of liability of public & private funds. ⁹
Committee Duties	
Audit Committee's duties	Recommend to the Board an accounting firm to perform the annual audit required under the Ohio Revised Code. ¹
	Recommend an auditing firm for the Board to use when conducting audits under the Ohio Revised Code. ²
	Review results of each annual audit & management review; if problems exist, assess appropriate course of action to correct, and develop action plan. ³
	Monitor implementation of any action plans created to correct problems noted in annual audit. ⁴
	Review all internal audit reports on regular basis. ⁵
Actuarial Committee's duties	Recommend actuarial consultants for the Board to use for the funds specified in the Ohio Revised Code. ¹
	Review calculations on rate schedules & performance prepared by the actuarial consultants w/

BWC Board of Directors' Duties

	whom the Board contracts. ²
Investment Committee's duties	Develop investment policy for the administration of the investment program for BWC. ¹
	Submit investment policy to the Board for approval. ²
	Monitor implementation of investment policy by the Administrator & Chief Investment Officer of BWC. ³
	Recommend outside investment counsel w/ whom the Board may contract to assist the investment committee in fulfilling its duties. ⁴
	Review performance of Chief Investment Officer & any investment consultants retained by the Administrator to assure compliance w/ investment policy & achievement of best possible returns. ⁵

..... **Board Mandatory Duties**

- ¹ O.R.C. 4121.12(D)(4)
- ² O.R.C. 4121.12(F)(1)
- ³ O.R.C. 4121.12(F)(2)
- ⁴ O.R.C. 4121.12(F)(3)
- ⁵ O.R.C. 4121.12(F)(4)
- ⁶ O. R.C. 4121.12(F)(5)
- ⁷ O.R.C. 4121.12(F)(6)
- ⁸ O.R.C. 4121.12(F)(7)
- ⁹ O.R.C. 4121.12(F)(8)
- ¹⁰ O.R.C. 4121.12(F)(9)
- ¹¹ O.R.C. 4121.12(F)(10)
- ¹² R.C. 4121.12(F)(11)
- ¹³ O.R.C. 4121.12(F)(12)
- ¹⁴ O. R.C. 4121.12(F)(13)
- ¹⁵ O.R.C. 4121.37
- ¹⁶ O.R.C. 4121.12(F)(14)
- ¹⁷ O.R.C. 4121.12(F)(15)
- ¹⁸ O. R.C. 4121.12(F)(16)
- ¹⁹ O.R.C. Chapters 4123, 4127, 4131
- ²⁰ O.R.C. 4121.12(F)(17)
- ²¹ O. R.C. 4121.12(F)(18)
- ²² O.R.C. 4121.125(C) & O. R.C. 4123.47(A)
- ²³ O.R.C. 4121.125(I)
- ²⁴ O.R.C. 4121.129(A)
- ²⁵ O. R.C. 4121.129(B)
- ²⁶ O. R.C. 4121.129(C)
- ²⁷ O.R.C. 4123.291
- ²⁸ O. R.C. 4123.321
- ²⁹ Various sections
- ³⁰ O.R.C. 4121.77(D)
- ³¹ O.R.C. 4123.34
- ³² O.R.C. 4123.44

..... **Board Discretionary Duties**

- ¹ O.R.C. 4121.12(G)(1)
- ² O.R.C. 4121.12(G)(2)
- ³ O.R.C. 4121.125(A)
- ⁴ O.R.C. 4121.125(B)
- ⁵ O.R.C. 4121.125(H)
- ⁶ O. R.C. 4121.125(J)
- ⁷ O.R.C. 4123.351(D)(3)
- ⁸ O.R.C. 4131.13(D)
- ⁹ O.R.C. 4123.82(B)(2)

..... **Audit Committee Duties**

- ¹ O.R.C. 4121.129(A)(1)
- ² O. R.C. 4121.129(A)(2)
- ³ O.R.C. 4121.129(A)(3)

BWC Board of Directors' Duties

⁴O. R.C. 4121.129(A)(4)

⁵ O.R.C. 4121.129(A)(5)

.....**Actuarial Committee Duties**

¹O. R.C. 4121.129(B)(1)

² O.R.C. 4121.129(B)(2)

.....**Investment Committee Duties**

¹ O.R.C. 4121.129(C)(2)(a)

² O.R.C. 4121.129(C)(2)(b)

³O. R.C. 4121.129(C)(2)(c)

⁴ O.R.C. 4121.129(C)(2)(d)

⁵O. R.C. 4121.129(C)(2)(e)

Proposal: For Consideration by BWC Board of Directors'

To facilitate full and open discussion of business before the Board of Directors, the following guidelines are hereby adopted:

Meetings of the Board of Directors are conducted pursuant to the Open Meetings Act:

- Members of the public and press are invited to attend.
- Advance notice of the time and place of the meetings shall be provided in accordance with the Open Meetings Act.
- Minutes of Boards meetings will be taken and maintained.
- Minutes of Board meetings shall include Board members present, agenda items and official actions taken by the Board.

Purpose of the Board of Directors' meetings:

- The purpose of the meetings is for the Board of Directors to conduct its business as required by Ohio Revised Code § 4121.12.
- Comments from the public can be made as follows:
 - 1) Written submission of comments can be sent to Don Berno at BWC; or
 - 2) Written submission of comments can be sent to BWC's website at: OhioBWC.com.
 - 3) Comments on pending legislation should be limited to those necessary to conduct business. Comments beyond that should be directed to members of the Ohio General Assembly.
- The Chairman of the Board of Directors reserves the right to limit comments from the public during meetings.

Content of Board of Directors' meetings:

- Robert's Rules of Order shall be followed.
- Meeting agendas shall follow the following format:
 - 1) Roll call
 - 2) Approval of agenda
 - 3) Approval of minutes from previous meeting
 - 4) Administrator Report
 - 5) Committee Reports
 - 6) Consideration of Proposed Rules
 - 7) New Business
 - 8) Old Business
 - 9) Next Meeting Schedule
 - 10) Adjournment

Committee meetings:

- Committee meetings are conducted as determined necessary by a majority vote of the Board of Directors.
- Any member of the Board of Directors may attend and participate in discussion at any committee meetings.
- Only members of a respective committee may vote on matters before that committee.
- Minutes of committee meetings shall include Board members present, agenda items and official actions taken by the committee.



Proposed Committee Assignments For Discussion

NAME	COMMITTEE	
Bryan, Charles A.	Actuarial	Chair
Caldwell, David Lee	Investment	
Falls, Alison L.	Investment	Vice Chair
Fulton, Phillip J.	Audit	
Haffey, Kenneth M.	Audit	Chair
Harris, James W.	Investment	
Hummel, James A.	Actuarial	
Lhota, William J. (Bill)	Audit	
Matesich, Jim	Actuarial	
Price, Larry	Investment	
Smith, Robert C.	Investment	Chair

Donald Berno, *Board Liaison*
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DRAFT TEMPLATE

Agenda

Call to order

Approval of minutes for last meeting

Committee Reports

Actuarial

Audit

Investment

Financial

Administrator Actions (Advise and consent)

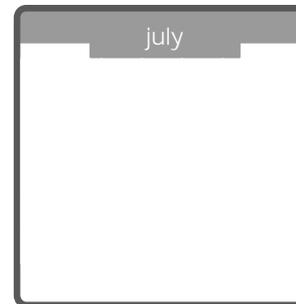
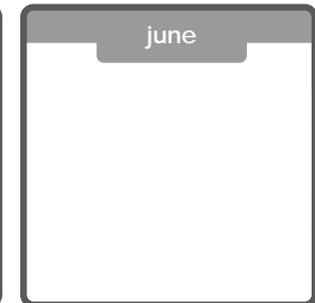
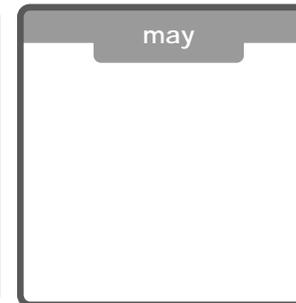
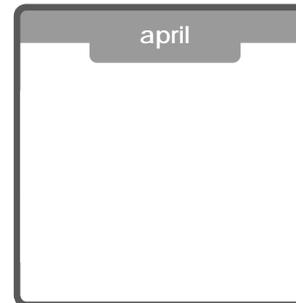
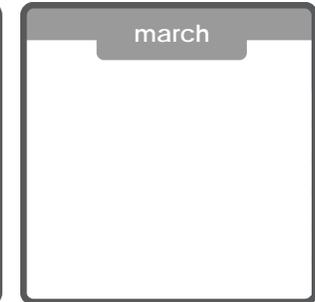
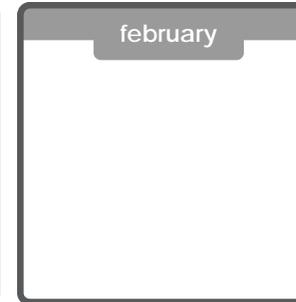
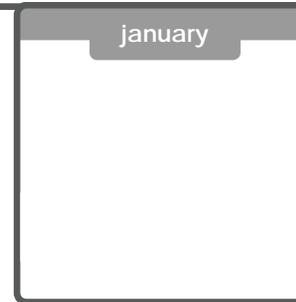
Administrator's monthly report

In-depth report on some area with BWC (Could be more than one or none depending on what is taking place within the BWC)

BOARD OF DIRECTORS'
SCHEDULED MEETINGS

MONTH	BOARD	SUB-COMMITTEE
August	THURSDAY 23	FRIDAY 24

MONTH	SUB-COMMITTEE	BOARD
September	THURSDAY 27	FRIDAY 28
October	THURSDAY 25	FRIDAY 26
November	WEDNESDAY 28	THURSDAY 29
December	THURSDAY 20	FRIDAY 21



august						
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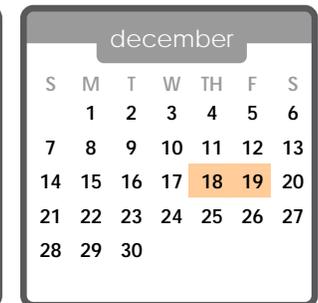
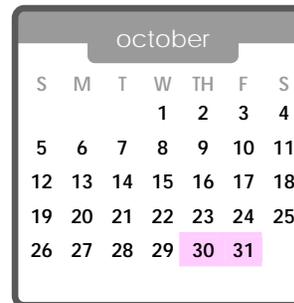
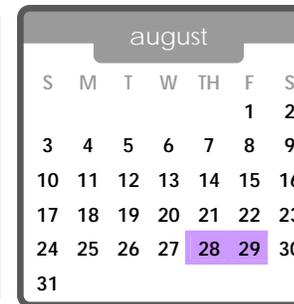
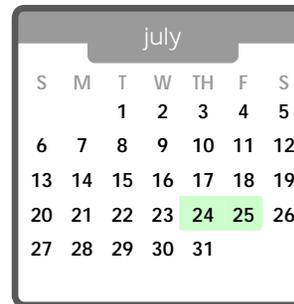
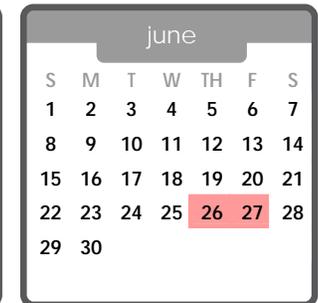
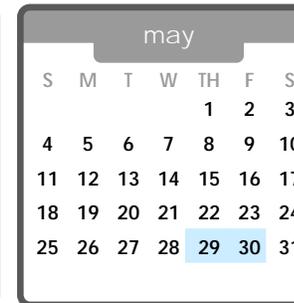
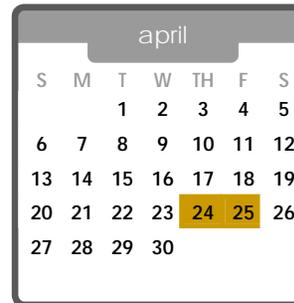
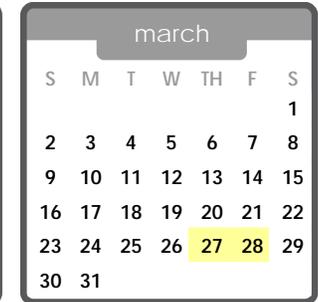
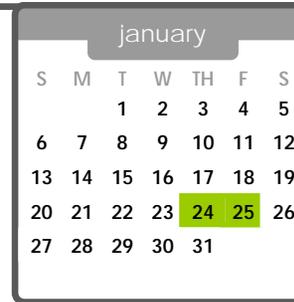
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BOARD OF DIRECTORS'
SCHEDULED MEETINGS

MONTH	SUB-COMMITTEE	BOARD
January	THURSDAY 24	FRIDAY 25
February	THURSDAY 28	FRIDAY 29
March	THURSDAY 27	FRIDAY 28
April	THURSDAY 24	FRIDAY 25
May	THURSDAY 29	FRIDAY 30
June	THURSDAY 26	FRIDAY 27
July	THURSDAY 24	FRIDAY 25
August	THURSDAY 28	FRIDAY 29
September	THURSDAY 25	FRIDAY 26
October	THURSDAY 30	FRIDAY 31
November	THURSDAY 20	FRIDAY 21
December	THURSDAY 18	FRIDAY 19



OPEN MEETINGS ACT BASICS

“**Meeting**” is a prearranged gathering of a majority of the members of a public body to discuss or conduct public business.

To comply with the Open Meetings Act, the public body’s meeting must include the following:

- 1) **Openness:** deliberations, voting, and taking all official actions must be done at meetings that are open to the public.
- 2) **Notice:** time and place of the meeting must be provided to the public in advance.
- 3) **Minutes:** minutes from each meeting must be composed, filed and available for public inspection.

Executive Session: an executive session occurs when members of a public body exclude the public from a portion of a public meeting. Only those persons invited by the public body may attend an executive session. *The public body cannot take official action or vote while in executive session.*

There are only seven (7) valid reasons for a public body to adjourn into executive session:

- 1) **Personnel:** to consider the appointment, employment, dismissal, discipline, promotion, demotion, or compensation of a public employee; to consider the investigation of charges or complaint against a public employee.
- 2) **Property:** to consider the purchase or sale of property, if disclosure of the information would result in a competitive advantage to the other side.
- 3) **Court action:** to discuss pending or imminent court action with the public body’s attorney.
- 4) **Collective bargaining:** to prepare for, conduct or review collective bargaining strategy.
- 5) **Confidential matters:** to discuss matters required to be kept confidential by federal or state law.
- 6) **Security arrangements:** to discuss details of security arrangements and emergency response protocols where disclosure would be expected to jeopardize the security of the public body.
- 7) **County Hospitals’ Trade Secrets.**

Procedures to adjourn into executive session:

- 1) **Motion:** a motion stating the specific purpose for the executive session.
- 2) **Second on the motion.**
- 3) **Roll call vote:** the vote to adjourn into executive session must be made by roll call vote by a majority of a quorum of the public body.

Violations of the Open Meetings Act can result in:

- 1) **Court action** against the public body.
- 2) **Invalidity** of any action by the public body if not done in an open meeting.
- 3) **Fines & attorney fees** to the party filing a successful challenge under the Open Meetings Act.
- 4) **Removal from office.**

OPEN MEETINGS ACT BASICS

COMMON QUESTIONS REGARDING THE OPEN MEETING ACT

(with answers from the Ohio Attorney General's guide to the Open Meetings Act: <http://www.ag.state.oh.us/legal/sunshine.asp>):

What if some, or all, of the members of the public body are getting together but are not deliberating or discussing public business?

Some courts have found that a gathering of the members of a public body is not a meeting where they act only as passive observers in a ministerial fact-gathering capacity or informational session. Thus, if the public body does not discuss or conduct public business, the meeting would not be subject to the Open Meetings Act.

Can a member of a public body participate in a meeting by telephone or video?

No. Teleconferencing and videoconferencing of the members of the public body are prohibited. A member must be present in person to vote, deliberate or to be counted in a quorum.

Can members of a public body have one-on-one conversations amongst themselves about public business without issuing notice for a meeting?

Gatherings of public body members outside the traditional meeting context are difficult to safely characterize. Standing alone, one-on-one conversations between individual members, either in person or by telephone, do not violate the Open Meetings Act. But a conversation or conference call between a majority of the members where public business is discussed is prohibited. In addition, a public body may not attempt to circumvent the act by scheduling back-to-back discussions of public business which, taken together, are attended by a majority of the members.

Are work sessions "meetings" subject to the Open Meetings Act?

Yes. Work sessions where public business is discussed among a majority of the members of the public body are meetings and must be noticed and open as any other meeting.

Are the Committee meetings of a public body subject to the Open Meetings Act?

Yes. If a majority of a committee convenes to discuss public business, that meeting will be subject to the Open Meetings Act.

While in executive session, can a public body discuss matters outside one of the 7 reasons for going into executive session?

No. While in executive session, discussion of the public body must be limited to the topic(s) for which the public body adjourned into executive session.



Preparation for September discussion of Board Governance *(Identify top 5 priorities)*

- Strategic Planning and Oversight
- Board Leadership
- Board/CEO Relations
- Board Effectiveness
- Bureau Social Responsibility
- Board and Director Evaluation
- Board Meeting Processes (agenda, committees, etc.)
- Federal and State Regulatory Compliance
- Disclosure (ensuring transparency of financial and other information such as outcomes/results)
- Board Culture
- Information Management
- Risk and Crisis Oversight (anticipating and responding to uncertainty and crisis)
- Relations with Stakeholders
- Bureau Performance and Valuation
- CEO Performance Management (evaluation and compensation)
- CEO Succession
- Financial Oversight / Internal Controls
- Board Culture (openness, mutual respect, action orientation)
- Executive Talent Management and Leadership Development
- Committee Structure
- Director Compensation

THOMAS R. ANDERSON
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Columbus, Ohio 43201
(614) 299-9763, cell (614) 403-1413
tka12706@aol.com

Education: University of Notre Dame, AB, 1966
The Ohio State University College of Law, JD, 1969

Professional
Experience

Consultant - July 2005 to Present
Consulting services to the Office of the Ohio Inspector General regarding investigation of investment operations of the Ohio Bureau of Workers' Compensation

Executive Director, School Employees Retirement System of Ohio- June 1979 to retirement December 2003
Under direction of retirement board, responsible for all administrative activities of pension fund, including: oversight of \$9 billion diversified investment portfolio; timely payment of pension, survivor, disability and post-retirement healthcare benefits; preparation of annual comprehensive financial report; communications with actuaries; development and conduct of federal and state legislative programs, including written and oral testimony before standing committees and the Ohio Retirement Study Council.

In-house Counsel, School Employees Retirement System of Ohio- January 1978 to May 1979
Provided legal services to board, executive director and staff regarding investment and benefit issues.

Chief of Financial Institutions Section, Ohio Attorney General's Office- April 1974 to December 1977
Represented Attorney General on boards of four of the Ohio state-wide pension funds; provided legal services to all five pension funds, including litigation in federal and state courts; supervised assistant attorneys general providing legal representation to Ohio Departments of Insurance and Commerce.

Insurance Warden, Ohio Department of Insurance- March 1973 to March 1974
Responsible for agent licensing and enforcement activities of the Department of Insurance as well as supervision of consumer protection section.

Assistant Attorney General, Ohio Attorney General's Office- August 1972 to February 1973
Provided legal representation for Ohio Department of Insurance and research and litigation support in reapportionment lawsuit.

Associate Attorney, Ulmer, Berne, Laronge, Glickman & Curtis law firm, Cleveland, Ohio, June 1970 to June 1971
Insurance subrogation litigation.

VISTA Volunteer, Cleveland Legal Aid Society, August 1969 to May 1970

Professional Activities

Nationally elected member of the Board of Trustees of the Government Finance Officers Association of the U.S. and Canada, 1993-1996

Chair of the Committee on Retirement Benefit Administration, Government Finance Officers Association of the U.S. and Canada, 1991-1992

Recipient, on behalf of SERS board, of GFOA national award for innovative integration of retail and mail order prescription drug program for retirees, 1989

Founding member of Public Pension Coordinating Council and board member, 1987-1999. The Council was formed to coordinate the national legislative initiatives of the four major public pension fund associations; to conduct a biennial survey of public pension funds regarding funding and investment activities; to develop and administer a program to recognize and encourage best practices in the administration of public pension funds.

Ex-officio, non-voting member of the Ohio Retirement Study Council, 1979-2003.

Other Activities

Thirteen month, 7500 mile circumnavigation by boat of the eastern half of the U.S. and Canada (the "Great Loop"), May 2004 to June 2005.

THE OHIO ETHICS LAW OUTLINE

I. INTRODUCTION TO OHIO'S ETHICS LAW:

A. Purposes of the Ethics Law:

- Protect the public from the financial, family, or business conflicts of its public servants
- Encourage impartiality in governmental decisions by restricting public actions on matters in which public officials and employees have direct and definite conflicts of interest
- Promote citizen confidence in the actions of public agencies

B. Ethics Law History:

- Created by the General Assembly in 1973 in reaction to the events of Watergate
- Found in Ohio Revised Code Chapter 102 and R.C. 2921.42, 2921.421, and 2921.43
- Established the Ohio Ethics Commission, and two similar state ethics agencies in the Legislature and Judiciary, to oversee all within the three branches of government
- Ethics Commission is one of nearly 40 similar state ethics boards and commissions

C. The Ethics Law and Ethics Commission Oversee:

- All state and local public officials and employees (except legislative and judicial members); estimated to be over half a million
- Private parties and corporations who do business with public offices

D. The Ethics Law:

- Requires personal financial disclosure to identify and protect against conflicts;
- Restricts unethical conduct through laws that have criminal sanctions; and
- Allows uniform review and guidance regarding ethics issues.

II. THE OHIO ETHICS LAW – A WORKING UNDERSTANDING:

A. General Public Protections – The Ethics Law contains *criminal* restrictions to:

- Restrict participation in public matters involving direct and definite personal, family and business interests of a public official or employee;
- Limit compensation for public duties to their public employer;
- Restrict personal, family, and business interests in public contracts;
- Prohibit nepotism in public hires and services;
- Condition former officials and employees' post-employment activity;
- Control the disclosure of confidential information, and;
- Provide protections against influence peddling in public agencies for personal benefit.

General Rule: Whenever the interests of the public official or the public official's family or business associates are present in an issue before the public official, there is an ethics question.

THE OHIO ETHICS LAW OUTLINE

- B. **Conflict of Interest and Supplemental Compensation – R.C. 102.03(D), (E), (F), 2921.43**
- **Core of Ethics Law restrictions that often appear together in analysis and violations. Ethics Law does not replace, but supplements, bribery and theft prohibitions. No quid pro quo required.**
1. **R.C. 102.03(D):**
 - a. Prohibits a public official’s *active use of authority to secure* a substantial and improper thing of value from any improper source. Includes voting, discussing, deliberating, or formally or informally lobbying on matters of conflict [OEC 2007-01].
 - b. Improper sources include parties doing or seeking to do business with, regulated by, or interested in matters before a public agency [OEC 2003-03].
 2. **R.C. 102.03(E):**
 - a. Prohibits a public official’s *acceptance or solicitation* of a substantial and improper thing of value from any improper source [OEC 2001-03].
 - b. Receipt or acceptance alone creates potential violation [OEC 2001-03].
 3. **R.C. 102.03(F):**
 - a. Prohibits a private party from *giving or promising* a substantial thing of value.
 - b. Anything of value includes money, goods, *future employment*, interest in realty, and every other thing of value [R.C. 1.03].
 4. **Application to issues of:**
 - a. Employment: A public official is prohibited from soliciting, accepting, or using his position to seek employment from “improper” sources unless the official can withdraw from participating in any actions that affect the prospective employer and his abstention is approved by supervisors, where required. Official must withdraw from all participation in official matters when he attempts to secure, or is approached about employment [OEC 96-004]
 - b. Travel, meals, and lodging: A public official cannot accept anything of value, including travel, meals, and lodging, from an improper source. [OEC 2001-03]
 - c. Gifts: Cannot accept gifts from any party that is doing or seeking to do business with, regulated by, or interested in matters before the public agency [OEC 2001-04].
 5. **Other Governance:**
 - a. Executive Order 2007-01S – State officials and employees under Governor
 - b. Other Agency Specific Restrictions – i.e. PUCO, public investment systems
 6. **R.C. 102.03(G):** Campaign Contributions not ordinarily governed under Ethics Law, unless another violation of law. [OEC 2002-03; see also R.C. 2921.43 below].
 7. **R.C. 102.01 (H)(1) – Honoraria:** Most public officials and employees who file financial disclosure are prohibited from receiving honoraria [OEC 99-003].
 8. **R.C. 2921.43 - Supplemental Compensation:**
 - a. Prohibits the acceptance or giving of any compensation, other than allowed by law, for the performance of any public duty or responsibility. Separate notion of conflict; attempt to prohibit the conflict inherent in being compensated by dual employers.

THE OHIO ETHICS LAW OUTLINE

Public and private sectors *both* subject to supplemental compensation prohibitions [OEC 2000-04].

- b. Prohibits the coercion of a campaign contribution [State v. Conese (2004), 102 Ohio State 3d 435]
9. **R.C. 102.03(C) - Licensing Conflicts:** Bars participation in license or rate-making where public official or immediate family members (spouse residing with official and any dependent children) own more than 5 percent.

C. Public Contract Restraints - R.C. 2921.42 and R.C. 102.04(B):

1. **R.C. 2921.42: Five restrictions; The three most common are:**
 - a. Public officials cannot secure public contracts for himself, family member, or a business associate (includes hiring a family member into public employment) [OEC79-005; 98-004].
 - b. Public officials cannot have an interest in profits or benefits of a public contract entered into by a public agency with which he is “connected” [OEC 90-007].
 - c. Public official cannot profit from a public contract he approved or that was authorized by a body of which he was a member unless the contract was competitively bid and awarded to the lowest and best bidder [OEC 88-008].
2. **R.C. 2921.42(A)(2) - Investing Public Funds:** Public officials cannot secure the investment of public funds in any share, bond, mortgage, or other security, if he, a member of his family, or any of his business associates either has an interest, is an underwriter, or receives any brokerage, origination, or servicing fees.
3. Public contract includes public purchases or acquisitions of any property or service, including employment, grants, or improvement or maintenance of public property [OEC 87-002; 89-006].
4. **Exceptions:**
 - a. Stockholding below 5 percent; with an affidavit.
 - b. Four-part exception—*All four must exist* and the burden is upon official to demonstrate:
 - Necessary supplies or services;
 - Unobtainable elsewhere for the same or lower cost or continuing course of dealing;
 - Equal or preferential treatment given agency; and
 - Arm’s length, full disclosure, no participation [OEC 2000-02].
5. **R.C. 102.04(B):** Restricts state employees from conducting business with any state agencies except through competitive bidding. (See F(5)(b) below for R.C. 102.04(D) exception) [OEC 2004-04].

D. Post-Employment and Representation Restrictions – R.C. 102.03(A), (B), and 102.04

1. **R.C. 102.03(A)(1):** Revolving door prohibitions on a public official, during public service and for one year afterwards, from representing anyone on any matter in which he personally participated while he was a public official [OEC 2004-04].
2. **Statutory Definitions:**
 - a. Matter includes any case, proceeding, application, determination, issue, or question [OEC 99-001].

THE OHIO ETHICS LAW OUTLINE

- b. Personal participation includes decision, approval, disapproval, recommendation, the rendering of advice, investigation, or other substantial exercise of administrative discretion, including supervision [OEC 91-009].
- c. Representation is formal or informal appearance before, or any written or oral communication with, *any* public agency [OEC 86-001].
3. **Exceptions:**
 - a. Not prohibited from representing public agency the official formerly served.
 - b. New matters and matters in which public official did not participate; prohibition is tied to personal participation.
 - c. Ministerial functions - Not prohibited from performing functions like filing or amending tax returns, incorporation papers, and similar documents.
 - d. Proposal, consideration, or enactment of statutes, rules [OEC2004-04].
4. **R.C. 102.03(B) – Confidentiality:** Lifetime prohibition on disclosure of confidential information both during and after leaving public position [OEC93-012].
5. **R.C. 102.04(A) - Representation and Influence Peddling**
 - a. Prohibits state officials from receiving compensation directly or indirectly, other than from own public agency, for any service rendered personally on any case, application, or other matter before any public agency [OEC 93-010].
 - b. **R.C. 102.04(D):** Exemption applies to non-elected employees who render services before, or sell goods and services to, state agencies other than the agency they serve [OEC 93-010].

III. THE OHIO ETHICS COMMISSION AND REMEDIES AVAILABLE:

A. Composition:

- The Commission is a bipartisan body comprised of six members who are appointed by the Governor and subject to confirmation by the Senate. The members serve staggered, six-year terms, and are compensated \$75 per meeting, to a maximum of \$1800 per year.
- Current members are:
 - *Sarah Brown, Chair, Alliance* - *Merom Brachman, Bexley*
 - *Dr. Robert Browning, Vice Chair, Worthington* - *Ben Rose, Lima*
 - *Prof. Josiah Blackmore, Columbus* - *Prof. Ann Marie Tracey, Cincinnati*
- The Ethics Commission employs an Executive Director who supervises a staff of 23 that carries out the duties of administering the Ethics Law on a day-to-day basis.

B. Statutory Responsibilities of the Ohio Ethics Commission:

1. **Advice:** The Commission possesses the unique authority to interpret and provide advice regarding the Ethics Law. The Commission issues written advisory opinions on ethics statutes to public servants before they act that can provide immunity. In 2006, 254 requests for advice closed.
2. **Education:** The Commission provides free ethics education and informational materials related to ethics, conflicts of interest, and financial disclosure. In 2006, 199 educational sessions conducted to more than 13,000 people.
3. **Financial Disclosure:** The Commission administers the financial disclosure requirement for most public employees required to file annual disclosure statements. Almost 11,000 forms filed annually with the Commission.
4. **Investigation:** The Commission confidentially investigates alleged violations of the Ethics Law and related statutes for potential referral for criminal charges. In 2006, 141 active investigations conducted.

THE OHIO ETHICS LAW OUTLINE

5. **Legislation:** The Commission recommends legislation to the General Assembly related to ethics, conflicts of interest, and financial disclosure.

IV. QUESTIONS? **Contact the Ohio Ethics Commission at (614) 466-7090.**



Financial**Report**

August '07

Combined net assets have increased from a \$361 million combined surplus at June 30, 2007 to a combined surplus of \$465 million at July 31, 2007. This increase is due to the following:

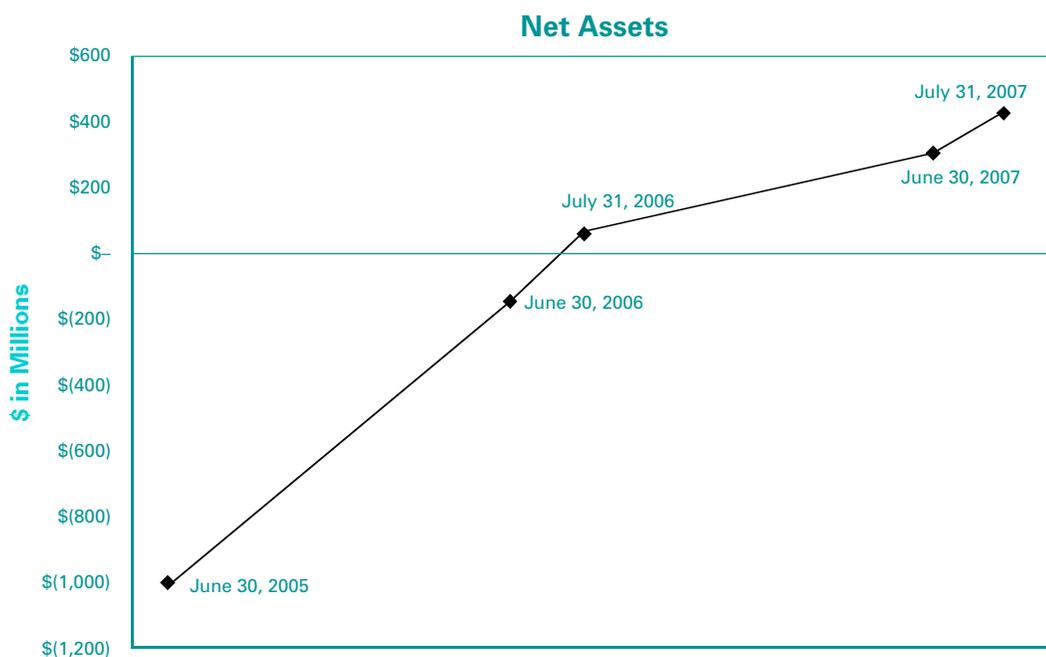
- Net investment income of \$124 million, which includes interest and dividends of \$63.4 million and an increase of \$60.4 million in the fair value of the investment portfolio.
- Operating losses of \$20 million, which partially off-set net investment income. While operating expenses have declined from the prior fiscal year, operating income is not sufficient to generate positive operating results.

In July 2007, the bond index fund units held by the Marine Industry Fund and the Public Work-Relief Employees' Fund were liquidated and the proceeds invested in the JP Morgan U.S. Government Money Market Fund. The net investment income for July reflects the 3.2 percent decline in the S&P 500 index in July 2007 and the July benchmark returns of 2.28 percent for TIPS and 1.20 percent for LDFI.

The fiscal year-to-date 2008 operating results have generated a trade combined ratio of 77.7 percent compared to 76.6 percent for the same period in fiscal year 2007.

	FY 2008 As of 7/31	FY 2007 As of 7/31	Increase (Decrease)
Loss Ratio	87.9%	90.6%	(2.7)
LAE Ratio – MCO	4.9%	4.9%	0.0
LAE Ratio – BWC	<u>13.7%</u>	<u>10.2%</u>	<u>3.5</u>
Net Loss Ratio	106.5%	105.7%	0.8
Expense Ratio	<u>3.2%</u>	<u>5.2%</u>	<u>(2.0)</u>
Combined Ratio	109.7%	110.9%	(1.2)
Net Investment Income Ratio	<u>32.0%</u>	<u>34.3%</u>	<u>(2.3)</u>
Operating Ratio (Trade Ratio)	77.7%	76.6%	1.1

A \$60.4 million increase in the fair value of BWC's investment portfolio during July 2007 contributed to an increase in net assets from the \$361 million balance reported at June 30, 2007.



Statement of Operations

➤➤ Fiscal year to date July 31, 2007

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Total Operating Revenues	\$ 198	\$ 203	\$ (5)	\$ 206	\$ (8)
Total Operating Expenses	<u>218</u>	<u>242</u>	<u>24</u>	<u>233</u>	<u>(15)</u>
Net Operating Gain (Loss)	(20)	(39)	19	(27)	7
Net Investment Income	<u>124</u>	<u>85</u>	<u>39</u>	<u>212</u>	<u>(88)</u>
Increase (Decrease) in Net Assets	104	46	58	185	(81)
Net Assets Beginning of Period	<u>361</u>	<u>361</u>	<u>-</u>	<u>(127)</u>	<u>488</u>
Net Assets End of Period	\$ 465	\$ 407	\$ 58	\$ 58	\$ 407

Statement of Operations

➤➤ Fiscal year to date July 31, 2007

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	\$ 198	\$ 206	\$ (8)	\$ 210	\$ (12)
Provision for Uncollectibles	–	(3)	3	(4)	4
Other Income	–	–	–	–	–
Total Operating Revenue	198	203	(5)	206	(8)
Operating Expenses					
Benefits & Compensation Adj. Expense	211	232	21	222	(11)
Other Expenses	7	10	3	11	(4)
Total Operating Expenses	218	242	24	233	(15)
Net Operating Gain (Loss)	(20)	(39)	19	(27)	7
Investment Income					
Interest and dividend income	63	68	(5)	73	(10)
Realized & unrealized capital gains (losses)	61	18	43	139	(78)
Investment manager and operational fees	–	(1)	1	–	–
Gain (loss) on disposal of fixed assets	–	–	–	–	–
Net Investment Income	124	85	39	212	(88)
Increase (Decrease) in Net Assets	104	46	58	185	(81)
Net Assets Beginning of Period	361	361	–	(127)	488
Net Assets End of Period	\$ 465	\$ 407	\$ 58	\$ 58	\$ 407

Statement of Operations Combining Schedule

➤➤ Fiscal year to date July 31, 2007

<i>(in thousands)</i>	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal-Workers Pneumoconiosis Fund Account	Public Work- Relief Employees' Fund Account	Marine Industry Fund Account	Self-Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Totals
Operating Revenues								
Premium & Assessment Income	\$ 156,691	\$ 10,202	\$ -	\$ 18	\$ 39	\$ (530)	\$ 31,396	\$ 197,816
Provision for Uncollectibles	(66)	(181)	-	-	-	(18)	3	(262)
Other Income	(108)	-	-	-	-	-	191	83
Total Operating Revenue	156,517	10,021	-	18	39	(548)	31,590	197,637
Operating Expenses								
Benefits & Compensation Adj. Expense	166,923	17,422	102	62	92	(563)	26,667	210,705
Other Expenses	1,641	19	5	-	3	-	4,593	6,261
Total Operating Expenses	168,564	17,441	107	62	95	(563)	31,260	216,966
Net Operating Income (loss) before operating transfers out	(12,047)	(7,420)	(107)	(44)	(56)	15	330	(19,329)
Operating transfers out	-	-	-	-	-	-	-	-
Net operating income (loss)	(12,047)	(7,420)	(107)	(44)	(56)	15	330	(19,329)
Investment Income								
Investment income	56,960	4,874	1,031	38	29	203	227	63,362
Realized & unrealized capital gains (losses)	53,295	5,796	1,227	50	36	-	-	60,404
Investment manager and operational fees	-	-	-	-	-	-	-	-
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-	-	-
Total non-operating revenues, net	110,255	10,670	2,258	88	65	203	227	123,766
Increase (decrease) in Net Assets (deficit)	98,208	3,250	2,151	44	9	218	557	104,437
Net Assets (deficit) Beginning of Period	1,849,264	(979,608)	172,427	17,467	13,536	6,208	(718,458)	360,836
Net Assets (deficit) End of Period	\$ 1,947,472	\$ (976,358)	\$ 174,578	\$ 17,511	\$ 13,545	\$ 6,426	\$ (717,901)	\$ 465,273

Statement of Net Assets

➤➤ As of July 31, 2007

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Assets					
Total Cash and Investments	\$ 16,797	\$ 16,757	\$ 40	\$ 16,351	\$ 446
Accrued Premiums	3,208	3,217	(9)	3,107	101
Other Accounts Receivable	180	181	(1)	172	8
Investment Receivables	412	183	229	72	340
Other Assets	<u>120</u>	<u>120</u>	<u>—</u>	<u>126</u>	<u>(6)</u>
Total Assets	\$ 20,717	\$ 20,458	\$ 259	\$ 19,828	\$ 889
Liabilities					
Reserve for Compensation and Compensation Adj. Expense	\$ 19,312	\$ 19,312	\$ —	\$ 18,981	\$ 331
Accounts Payable	67	84	17	83	(16)
Investment Payable	231	—	(231)	—	231
Other Liabilities	<u>642</u>	<u>655</u>	<u>13</u>	<u>706</u>	<u>(64)</u>
Total Liabilities	<u>20,252</u>	<u>20,051</u>	<u>(201)</u>	<u>19,770</u>	<u>482</u>
Net Assets	\$ 465	\$ 407	\$ 58	\$ 58	\$ 407

Statement of Cash Flows

➤➤ Fiscal year to date July 31, 2007

<i>(in millions)</i>	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Cash flows from operating activities:					
Cash receipts from premiums	\$ 203	\$ 219	\$ (16)	\$ 194	\$ 9
Cash receipts – other	2	2	–	3	(1)
Cash disbursements for claims	(173)	(177)	4	(156)	(17)
Cash disbursements for other	<u>(35)</u>	<u>(46)</u>	<u>11</u>	<u>(55)</u>	<u>20</u>
Net cash provided (used) by operating activities	(3)	(2)	(1)	(14)	11
Net cash flows from capital and related financing activities	–	–	–	–	–
Net cash provided (used) by investing activities	<u>71</u>	<u>(65)</u>	<u>136</u>	<u>6</u>	<u>65</u>
Net increase (decrease) in cash and cash equivalents	68	(67)	135	(8)	76
Cash and cash equivalents, beginning of period	<u>320</u>	<u>320</u>	<u>–</u>	<u>194</u>	<u>126</u>
Cash and cash equivalents, end of period	\$ 388	\$ 253	\$ 135	\$ 186	\$ 202

Statement of Investment Income

➤➤ Fiscal year to date July 31, 2007

	Actual	Projected	Variance	Prior Yr. Actual	Increase (Decrease)
Interest Income					
Bond Interest	\$ 58,119,451	\$ 61,400,000	\$ (3,280,549)	\$ 70,098,846	\$ (11,979,395)
Dividend Income (Dom & Int'l)	1,634,880	4,800,000	(3,165,120)	(20,789)	1,655,669
Money Market/ Commercial Paper Income	1,200,993	1,040,000	160,993	568,682	632,311
Misc. Income (Corp actions, etc.)	546,281	300,000	246,281	1,097,092	(550,811)
Private Equity	1,860,819	400,000	1,460,819	114,582	1,746,237
Net Securities Lending Income	—	—	—	664,058	(664,058)
Total Interest Income	<u>63,362,424</u>	<u>67,940,000</u>	<u>(4,577,576)</u>	<u>72,522,471</u>	<u>(9,160,047)</u>
Realized & Unrealized Capital Gains and (Losses)					
Net realized gain (loss) - Stocks (Dom & Int'l)	821,515	—	821,515	(1,185)	822,700
Net realized gain (loss) - Bonds	(17,680,511)	—	(17,680,511)	(5,214)	(17,675,297)
Net gain (loss) - PE	(7,071,565)	—	(7,071,565)	(26,189)	(7,045,376)
Unrealized gain (loss) - Stocks (Dom & Int'l)	(81,130,460)	17,880,000	(99,010,460)	(583,938)	(80,546,522)
Unrealized gain (loss) - Bonds	<u>165,465,665</u>	<u>—</u>	<u>165,465,665</u>	<u>140,107,658</u>	<u>25,358,007</u>
Change in Portfolio Value	<u>60,404,644</u>	<u>17,880,000</u>	<u>42,524,644</u>	<u>139,491,132</u>	<u>(79,086,488)</u>
Investment Expenses-Manager & Operational Fees	<u>—</u>	<u>(850,000)</u>	<u>850,000</u>	<u>(350,623)</u>	<u>(350,623)</u>
Total Investment Income	<u>\$ 123,767,068</u>	<u>\$ 84,970,000</u>	<u>\$ 38,797,068</u>	<u>\$ 211,662,980</u>	<u>\$ (87,895,912)</u>

Projected Statement of Operations

➤➤ July 1, 2007 – June 30, 2008

<i>(in millions)</i>	Actual July 31, 2007	Projected Aug.31, 2007	Projected Sept. 30, 2007	Projected Quarter Sept. 30, 2007
Total Operating Revenues	\$ 198	\$ 205	\$ 193	\$ 596
Total Operating Expenses	<u>218</u>	<u>265</u>	<u>214</u>	<u>697</u>
Net Operating Gain (Loss)	(20)	(60)	(21)	(101)
Net Investment Income	<u>124</u>	<u>84</u>	<u>80</u>	<u>288</u>
Increase (Decrease) In Net Assets	104	24	59	187
Net Assets Beginning of Period	<u>361</u>	<u>465</u>	<u>489</u>	<u>361</u>
Net Assets End of Period	\$ 465	\$ 489	\$ 548	\$ 548

<i>(in millions)</i>	Projected Quarter Dec. 31, 2007	Projected Quarter March 31, 2008	Projected Quarter June 30, 2008	Projected Fiscal Year June 30, 2008
Total Operating Revenues	\$ 572	\$ 587	\$ 555	\$ 2,310
Total Operating Expenses	<u>724</u>	<u>710</u>	<u>744</u>	<u>2,875</u>
Net Operating Gain (Loss)	(152)	(123)	(189)	(565)
Net Investment Income	<u>90</u>	<u>107</u>	<u>143</u>	<u>628</u>
Increase (Decrease) In Net Assets	(62)	(16)	(46)	63
Net Assets Beginning of Period	<u>548</u>	<u>486</u>	<u>470</u>	<u>361</u>
Net Assets End of Period	\$ 486	\$ 470	\$ 424	\$ 424

Projected Statement of Cash Flows

➤➤ July 1, 2007 – June 30, 2008

<i>(in millions)</i>	Actual July 31, 2007	Projected Aug.31, 2007	Projected Sept. 30, 2007	Projected Quarter Sept. 30, 2007
Cash flows from operating activities:				
Cash receipts from premiums	\$ 203	\$ 587	\$ 137	\$ 927
Cash receipts – other	2	2	1	5
Cash disbursements for claims	(173)	(212)	(165)	(550)
Cash disbursements for other	<u>(35)</u>	<u>(35)</u>	<u>(28)</u>	<u>(98)</u>
Net cash provided (used) by operating activities	(3)	342	(55)	284
Net cash flows from capital and related financing activities	–	–	(3)	(3)
Net cash provided (used) by investing activities	<u>71</u>	<u>–</u>	<u>–</u>	<u>71</u>
Net increase (decrease) in cash and cash equivalents	68	342	(58)	352
Cash and cash equivalents, beginning of period	<u>320</u>	<u>388</u>	<u>730</u>	<u>320</u>
Cash and cash equivalents, end of period	\$ 388	\$ 730	\$ 672	\$ 672

<i>(in millions)</i>	Projected Quarter Dec. 31, 2007	Projected Quarter March 31, 2008	Projected Quarter June 30, 2008	Projected Fiscal Year June 30, 2008
Cash flows from operating activities:				
Cash receipts from premiums	\$ 244	\$ 952	\$ 439	\$ 2,562
Cash receipts – other	5	5	5	20
Cash disbursements for claims	(564)	(548)	(576)	(2,238)
Cash disbursements for other	<u>(91)</u>	<u>(103)</u>	<u>(98)</u>	<u>(390)</u>
Net cash provided (used) by operating activities	(406)	306	(230)	(46)
Net cash flows from capital and related financing activities	–	(17)	–	(20)
Net cash provided (used) by investing activities	<u>–</u>	<u>–</u>	<u>–</u>	<u>71</u>
Net increase (decrease) in cash and cash equivalents	(406)	289	(230)	5
Cash and cash equivalents, beginning of period	<u>672</u>	<u>266</u>	<u>555</u>	<u>320</u>
Cash and cash equivalents, end of period	\$ 266	\$ 555	\$ 325	\$ 325

Projected Statement of Investment Income

➤➤ July 1, 2007 – June 30, 2008

	Actual July 31, 2007	Projected Aug. 31, 2007	Projected Sept. 30, 2007	Projected Quarter Sept. 30, 2007
Interest Income				
Bond Interest	\$ 58,119,451	\$ 61,400,000	\$ 61,400,000	\$ 180,919,451
Dividend Income (Dom & Int'l)	1,634,880	4,800,000	4,800,000	11,234,880
Money Market/ Commercial Paper Income	1,200,993	1,040,000	1,040,000	3,280,993
Misc. Income (Corp actions, etc.)	546,281	300,000	300,000	1,146,281
Private Equity	1,860,819	200,000	100,000	2,160,819
Net Securities Lending Income	—	—	—	—
Total Interest Income	63,362,424	67,740,000	67,640,000	198,742,424
Realized & Unrealized Capital Gains and (Losses)				
Net realized gain (loss) - Stocks (Dom & Int'l)	821,515	—	—	821,515
Net realized gain (loss) - Bonds	(17,680,511)	—	—	(17,680,511)
Net gain (loss) - PE	(7,071,565)	—	—	(7,071,565)
Unrealized gain (loss) - Stocks (Dom & Int'l)	(81,130,460)	17,880,000	17,880,000	(45,370,460)
Unrealized gain (loss) - Bonds	165,465,665	—	—	165,465,665
Change in Portfolio Value	60,404,644	17,880,000	17,880,000	96,164,644
Investment Expenses-Manager & Operational Fees	—	(1,374,000)	(5,350,000)	(6,724,000)
Total Investment Income	\$ 123,767,068	\$ 84,246,000	\$ 80,170,000	\$ 288,183,068
	Projected Quarter Dec. 31, 2007	Projected Quarter March 31, 2008	Projected Quarter June 30, 2008	Projected Fiscal Year June 30, 2008
Interest Income				
Bond Interest	\$ 184,200,000	\$ 186,100,000	\$ 189,900,000	\$ 741,119,451
Dividend Income (Dom & Int'l)	14,400,000	14,400,000	15,100,000	55,134,880
Money Market/ Commercial Paper Income	3,120,000	3,120,000	3,120,000	12,640,993
Misc. Income (Corp actions, etc.)	900,000	900,000	900,000	3,846,281
Private Equity	—	—	—	2,160,819
Net Securities Lending Income	—	—	—	—
Total Interest Income	202,620,000	204,520,000	209,020,000	814,902,424
Realized & Unrealized Capital Gains and (Losses)				
Net realized gain (loss) - Stocks (Dom & Int'l)	—	—	—	821,515
Net realized gain (loss) - Bonds	—	—	—	(17,680,511)
Net gain (loss) - PE	—	—	—	(7,071,565)
Unrealized gain (loss) - Stocks (Dom & Int'l)	53,640,000	53,640,000	54,780,000	116,689,540
Unrealized gain (loss) - Bonds	(165,000,000)	(149,500,000)	(118,500,000)	(267,534,335)
Change in Portfolio Value	(111,360,000)	(95,860,000)	(63,720,000)	(174,775,356)
Investment Expenses-Manager & Operational Fees	(1,656,000)	(1,645,000)	(1,909,000)	(11,934,000)
Total Investment Income	\$ 89,604,000	\$ 107,015,000	\$ 143,391,000	\$ 628,193,068

Insurance Ratios

➤➤ July 31, 2007

	Actual FY08	Projected FY08	Actual FY07
Loss Ratio	87.92%	84.65%	90.61%
LAE Ratio - MCO	4.90%	6.48%	4.86%
LAE Ratio - BWC	<u>13.69%</u>	<u>21.45%</u>	<u>10.18%</u>
Net Loss Ratio	106.51%	112.58%	105.65%
Expense Ratio	3.17%	4.90%	5.26%
Policyholder Dividend Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Combined Ratio	109.68%	117.48%	110.91%
Net Investment Income Ratio	<u>32.03%</u>	<u>32.65%</u>	<u>34.32%</u>
Operating Ratio (Trade Ratio)	77.65%	84.83%	76.59%

	Actual FY08	Projected FY08	Actual FY07
Premiums to surplus	0.42	0.51	3.62
Assets to liabilities	1.02	1.02	1.00
Total reserves to surplus	41.53	47.45	327.26
Loss reserves to surplus	37.63	42.99	298.26
Investments to loss reserves	0.96	0.96	0.95
Cash + bonds to loss reserves	0.79	0.74	0.92
Cash % of total investments	2%	2%	1%
Bond % of total investments	80%	76%	96%
Equities % of total investments	15%	20%	0%
Equities as % of surplus	551%	826%	19%

Fiscal Year End Insurance Ratios

>> Fiscal years 2003 – 2008

	Projected FY08	FY 07	FY06	FY05	FY04	FY03
Loss Ratio	90.0%	87.7%	74.3%	106.7%	96.7%	128.9%
LAE Ratio - MCO	10.7%	7.6%	8.6%	7.1%	9.1%	8.8%
LAE Ratio - BWC	<u>16.7%</u>	<u>16.6%</u>	<u>6.4%</u>	<u>14.7%</u>	<u>8.3%</u>	<u>12.9%</u>
Net Loss Ratio	117.4%	111.9%	89.3%	128.5%	114.2%	150.6%
Expense Ratio	3.9%	4.2%	4.0%	4.0%	5.1%	4.1%
Policyholder Dividend Ratio	<u>0.0%</u>	<u>0.0%</u>	<u>-0.4%</u>	<u>10.3%</u>	<u>18.6%</u>	<u>28.7%</u>
Combined Ratio	121.3%	116.1%	92.9%	142.8%	137.9%	183.4%
Net Investment Income Ratio	<u>33.9%</u>	<u>33.6%</u>	<u>30.4%</u>	<u>22.1%</u>	<u>20.5%</u>	<u>23.9%</u>
Operating Ratio (Trade Ratio)	87.4%	82.5%	62.5%	120.7%	117.3%	159.5%

	FY08	FY 07	FY06	FY05	FY04	FY03
Premiums to surplus	5.58	6.62	-17.10	-2.29	2.59	4.04
Assets to liabilities	1.02	1.02	0.99	0.96	1.04	1.03
Total reserves to surplus	46.22	53.44	-149.48	-19.50	18.90	28.93
Loss reserves to surplus	41.67	48.43	-136.24	-17.68	16.98	25.90
Investments to loss reserves	0.97	0.96	0.94	0.96	1.12	1.13
Cash + bonds to loss reserves	0.78	0.78	0.91	0.54	0.65	0.75
Cash % of total investments	2%	2%	1%	8%	10%	13%
Bond % of total investments	78%	80%	96%	49%	48%	54%
Equities % of total investments	20%	16%	0%	38%	36%	30%
Equities as % of surplus	811%	729%	-9%	-641%	680%	869%