BWC Board of Directors

Board Meeting

Friday, December 18, 2008, 8:00 a.m.
William Green Building
30 West Spring Street, 2^{nd} Floor (Mezzanine)
Columbus, Ohio 43215

Members Present:	William Lhota, Chair Charles Bryan David Caldwell Alison Falls Kenneth Haffey James Harris James Hummel Thomas Pitts Larry Price Robert Smith James Matesich
Members Absent:	None.

CALL TO ORDER
Mr. Lhota called the meeting to order at 8 a.m.

ROLL CALL
Roll call was taken by the scribe. All members were present.

NOVEMBER 21, 2008 MINUTES
Motion was made by Mr. Caldwell, seconded by Mr. Haffey, to approve the minutes. Roll call was taken and the motion to approve the minutes passed 11-0.

The meeting agenda was reviewed. The Executive Session section was deleted. The agenda was further amended to include a break, if one was determined to be necessary. Motion was made by Mr. Pitts, seconded by Mr. Price to approve the agenda as amended. Roll call was taken and the motion passed 11-0.

COMMITTEE REPORTS:

ACTUARIAL COMMITTEE

Mr. Bryan presented the Actuarial Committee report. There were no action items. The committee had an educational session in the morning with the consultant, Deloitte Consulting LLP. The session presented the fourth part of their actuarial study. During the afternoon session, private employer rates for July 1, 2009 were discussed. Retrospective group rating plans were discussed. Legislation has passed that will continue prospective group rating for the time being. The committee has increased its attention with regard to the evaluation of reserves. Director Bryan complimented Tracy Valentino on her explanation of how the reserves as developed by Oliver Wyman are tied to the Bureau balance sheet. John Pedrick, Chief Actuarial Officer reported to the Committee that the MIRA II reserve system is functioning quite well.

AUDIT COMMITTEE

Mr. Haffey presented the Audit Committee report. Tom Coyle, Chief Information Officer, presented on disaster recovery and business continuity. Under good governance practices, this is a required annual presentation. Caren Murdock, Chief of Internal Audit, provided an internal audit update. Ann Shannon, Legal Counsel, discussed the annual report. Motion was made by Mr. Haffey, seconded by Mr. Smith, as follows: that the Bureau of Workers' Compensation Board of Directors approve the Bureau annual report for publication and release. Roll call was taken and the motion passed 11-0.

The committee reviewed three rules, including the first reading of the 50/50 program rule. Motion was made by Mr. Haffey, seconded by Mr. Harris, as follows: that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendation to amend rule 4123-17-14.2 of the Administrative Code, "Bureau Fifty-Fifty Program." The motion consents to the Administrator amending rule 4123-17-14.2, as presented at the Audit Committee. Roll call was taken and the motion passed 11-0.

Motion was made by Mr. Haffey, seconded by Mr. Matesich as follows: that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendation to amend rules 4123-17-14, 4123-17-17, and 4123-17-23 of the Administrative Code. These rules make changes relating to interstate jurisdiction to implement Senate Bill 334. The motion consents to the Administrator amending rules 4123-17-14, 4123-17-17, and 4123-17-23 as presented at the Audit Committee. Roll call was taken and the motion passed 11-0.

The committee had the second reading of the ambulatory surgical center fee schedule rule. Motion was made by Mr. Haffey, seconded by Mr. Harris, as follows: that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendation to adopt rule 4123-6-37.3 of the Administrative Code, "Payment of Ambulatory Surgical Center Services." The motion consents to the Administrator adopting rule 4123-6-37.3 as presented at the Audit Committee. Roll call was taken and the motion passed 11-0.

INVESTMENT COMMITTEE
Mr. Smith presented the Investment Committee report. Performance of the portfolio has improved since November 2008. The overall performance year to date has been good relative to industry standards. Motion was made by Mr. Smith, seconded by Ms. Falls as follows: that the Board of Directors approve and adopt the recommendation of the Investment Committee to replace current section IV.B of the Statement of Investment Policy and Guidelines regarding the rebalancing policy with language that is set forth in the Mercer memorandum dated December 8, 2008. The memorandum adopted as a result of this motion will be incorporated by reference in the minutes. Roll call was taken and the motion passed 11-0. Motion was made by Mr. Smith, seconded by Mr. Pitts, as follows: that the Bureau of Workers' Compensation Board of Directors adopt the recommendation of the Investment Committee to amend current section IV.C.iii of the State of Investment Policy and Guidelines regarding equity portfolio diversification, for the reasons set forth in the memorandum of the Chief Investment Officer dated December 8, 2008. The exact changes adopted as a result of this motion appear in the Mercer Memorandum of December 7, 2008 and will be incorporated in the minutes of this meeting of the Board. Roll call was taken and the motion passed 11-0.

The second presentation by Mercer Consulting on asset liability modeling was made. The study will either confirm the current model or provide direction as to what changes need to be made. Lee Damsel, Director of Investments, made a positive report on the custodial team. Mr. Haffey and Mr. Price commended Bruce Dunn, Chief Investment Officer, on the Investment Division's close monitoring and steady oversight of the investment portfolio during the recent extremely unsettling and volatile market environment and for providing the Board with more transparency on portfolio performance and valuation.

MONTHLY ENTERPRISE REPORT:
The enterprise report was presented by Tracy Valentino, Chief of Fiscal and Planning. Financial statements were reviewed and discussed at length. A report and power point presentation are incorporated by reference into the minutes. The Bureau shall redeem cash from the investment portfolio, to

meet operating expenses. $110 million in cash was redeemed by the end of November 2008, with an expectation of another $35 million in December 2008. This cash will be sufficient to meet the Bureau's needs through January 2009, when premium collections begin to accelerate. The Bureau intends to avoid the sale of investment securities to meet expenses. Detailed discussion was made on page nine with regard to the administrative cost fund budget. The Bureau is proactively managing this budget, anticipating a decline in premium collections in 2009. The funding ratio is 1.05. The next report shall include a projection of the funding ratio. Mr. Hummel inquired as to possible impacts of the 50/50 plan. Ms. Valentino indicated there will be no negative cash impacts on account of the 50/50 plan.

DEEP DIVE

Don Berno, Board Liaison, made a power point presentation on a schedule for the development of a net asset policy. The Bureau is required by law to maintain a solvent fund at the lowest possible premium rates. It is important for the agency to prepare for catastrophic events, including disasters and claims that could come in the future from latent, long term occupational diseases. Mr. Berno provided a strategic discussion of the issue, including calendar planning from January 2009 through June of 2009. Mr. Bryan and Ms. Falls entered into detailed discussion of the issue. Mr. Berno noted that an approved asset allocation will lead to the development of a funding ratio range. There was further discussion of the funding ratio range issue. In short, an approved net asset policy will include a funding ratio range and a strategy for strengthening the funding ratio range. Subsequently, discussion was made of the discount rate. A five percent discount rate shall be used for further evaluation and discussion at the February 2009 meeting. Mr. Bryan inquired about this issue. According to Mr. Berno, in March 2009, the discount rate to be used will be locked at a specified rate. In March 2009, a decision will be made to either maintain a five percent discount rate, or make a change to a different discount rate, so that Oliver Wyman may conduct further evaluation based upon a known discount rate at that point in time. John Pedrick, Chief Actuarial Officer, discussed reserve analysis, and that it can be done at different discount rates. The annual reserve audit review will be prepared using data through the end of March 2009, and updated with data through the end of June 2009. This will allow for full discussion of the assumptions and methods as the fiscal year end approaches. With respect to a date of March 31, 2009, the discount rate may be changed by then. Mr. Bryan inquired as to when a new discount rate will be determined. Marsha Ryan, Administrator indicated that a discount rate policy will be discussed at the January and February 2009 Board meetings. That policy will be used to determine a discount rate at the March meeting. June 2009 reserves shall be calculated based upon the discount rate that is approved at the March

Board meeting. Ms. Falls noted that a discount rate policy is good, and a discussion should be based on the outcome of policy. Mr. Bryan discussed the importance of setting a discount rate in place, and to then set liabilities. Ms. Ryan noted the discount rate policy needs clarity and transparency. A dynamic approach for setting the discount rate may be considered in the future, but for now, a static discount rate approach should be used. Mr. Haffey agreed. With regard to further evaluation of net asset policy, Mr. Berno noted that reinsurance shall be discussed in April 2009. In May 2009, there will be an annual review of the reserve estimate. The funding ratio equals assets (including premiums and investments) divided by liabilities (including discount rate reserves and catastrophic events). Mr. Smith noted that it is important to have a range since everything changes month to month. Ms. Falls wants discussion of the Bureau view on range in January of 2009, and for the Bureau to provide options on range. Regarding the catastrophic claims/reinsurance issue, Ray Mazzotta, Chief Operating Officer, noted that information on types of exposures for types of markets is being evaluated, as well as products available and the pricing associated with the products. There is further evaluation regarding the pros and cons of such products.

ADMINISTRATOR BRIEFING:
Ms. Ryan presented to the Board. Ms. Ryan emphasized the importance of facilitating full engagement on subjects during discussion. Ms. Ryan noted that activities with regard to budget shortfalls are at issue, and she participates in Cabinet level discussions on the issue. Fitch has changed the outlook for the Ohio economy from stable to negative, although Ohio continues to maintain AA and AAA general obligation and appropriation bond ratings. State agencies are looking to combine activities to protect essential services and limit layoffs. Agencies will look at immediate reductions in expenses to achieve this.

Ms. Ryan provided information regarding recently passed legislation. House Bill 79 originally involved investment policy and requirements. Language was removed, and the bill became a vehicle for changing language for group rating, and spending for the General Assembly's Workers' Compensation Council. RC 4123.29(A)(4)(c) simply provides that group rating is possible, and the word "retrospective" has been removed from the statute. By September 15, 2009, the Bureau must report a plan to address the equity and adequacy of rates. The Bureau shall move quickly to establish equity in group rating. The Workers' Compensation Council met. James Barnes, Chief Legal Officer, and John Pedrick, Chief Actuarial Officer, presented on group rating matters. The General Assembly has passed House Bill 79. It is anticipated that the Governor will sign the bill into law. Mr. Pitts inquired as to the removal of the word retrospective, and the idea that a group is treated as a single employer. Mr. Pitts further inquired as to whether the removal of the word will lead to new programs. Ms. Ryan responded yes, with an emphasis on continuity and homogeneity. Mr. Harris noted that the legislative report did not mention the contribution of John Pedrick to the Workers' Compensation Council meeting. Mr. Harris further noted that Mr. Pedrick's contribution was significant and he should be mentioned in the report. It was noted that the Attorney General has filed an appeal in the group rating case, as well as a request for stay of execution.

Ms. Ryan noted that there was an unusual call to action on the part of the Bureau, more specifically the Customer Services Division, led by Tina Kielmeyer, Chief of Customer Services. The Ohio Department of Jobs and Family Services has been in need of assistance with respect to unemployment compensation extension benefit checks. Bureau employees assisted this fellow agency with calls associated with the extension checks, since ODJFS has been overburdened with new applications for unemployment compensation. It was noted by Ms. Ryan that Ms. Kielmeyer demonstrated great innovation in organizing one hundred Bureau employees for the handling of calls. The robust nature of the Bureau's telecommunication systems further enhanced the Bureau's ability to provide this assistance to approximately 70,000 unemployment compensation recipients. Ms. Ryan is proud of the OCSEA employees that volunteered to provide this help. Ms. Falls formally congratulated the Bureau staff on this effort and asked for a round of applause.

Ms. Ryan concluded her briefing by thanking the Board for its hard work over the past year. Mr. Lhota also provided his thanks to the Board, as well as the staff and his fellow directors.

Upon motion by Mr. Matesich, seconded by Mr. Haffey, the Board adjourned at 9:22 am. Roll call was taken, and the motion passed 11-0.

December 18 minutes prepared by: Thomas Woodruff, Interim Director Self Insured Department

Enterprise Report

January 2009

Ohio | Bureau of Workers' Compensation

Enterprise Report

BWC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

Statement of Operations
This statement reports operating revenues and expenses, as well as net investment revenues for the current fiscal year to date, projected, and prior fiscal year to date. A combining schedule for the statement of operations presents the current fiscal year to date revenue and expenses by fund. *Pages 5 and 6.*

Statement of Investment Income
This statement provides information on the sources of investment income, changes in investment fair value, and investment expenses. Information is presented for the current fiscal year to date, projected, and prior fiscal year to date. *Page 7.*

Administrative Cost Fund Budget Summary
This statement reports actual fiscal year to date administrative expenses and budget compared to the budget for the fiscal year and prior fiscal year to date expenses for BWC. The fiscal year budget is also compared to the agency appropriation. *Pages 8 and 9.*

State Insurance Fund Administrative Expense Summary
This statement reports administrative expenses that are permitted to be paid from the State Insurance Fund for the current and prior fiscal year to date along with the remaining open encumbrances for each of the contracts. *Page 10.*

Statement of Cash Flows
This statement presents cash flows from operating, capital and related financing activities, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents. *Page 11.*

Statement of Net Assets
This statement presents information reflecting BWC's assets, liabilities, and net assets. Net assets represent the amount of total assets less liabilities. This statement would be referred to as a balance sheet in the private sector. A combining schedule presents this information by fund. *Pages 12 and 13.*

Financial Performance Metrics
Financial ratios reflecting BWC's performance are presented here. These financial ratios are insurance industry recognized financial metrics. *Page 14.*

Operational Performance Metrics
Measures reflecting BWC's operational performance are presented here. *Pages 15 through 17.*

Performance Metrics Glossary
Glossary provides definitions and information on calculations for each performance metric. *Page 18.*

December Financial Analysis

BWC's net assets increased by $1.4 billion in December resulting in net assets of $2.3 billion at December 31, 2008 compared to $945 million at November 30, 2008.

($ in millions)	**Fiscal YTD** Nov. 30, 2008	**Month Ended** Dec. 31, 2008	**Fiscal YTD** Dec. 31, 2008
Operating Revenues	$899.1	$224.8	$1,123.9
Operating Expenses	972.5	192.5	1,165.0
Operating Transfer Out to ODNR	(1.7)	–	(1.7)
Net Operating Gain (Loss)	(75.1)	32.3	(42.8)
Net Investment Income (Loss)	(1,483.5)	1,334.7	(148.8)
Increase (Decrease) in Net Assets	(1,558.6)	1,367.0	(191.6)
Net Assets End of Period	$944.7	$2,311.7	$2,311.7

- Premium and assessment income of $230 million net of a $4 million provision for uncollectible accounts receivable and a $1 million reduction in other income resulted in operating revenues of $225 million in December. The reduction to other income is due to penalties that have been voided for the late filing and payment of premiums.
- Premium and assessment income in December increased $32 million from the adjustment of accruals to actual premiums and assessments reported by private employers for the policy period ended June 30, 2008. Because private employers report and pay premiums after the coverage period has ended, amounts are accrued for estimated premiums and assessments earned during the period and compared to actual amounts reported resulting in semi-annual true-up adjustments.
- Premium and assessment income in December included reductions of $11 million from safety council performance bonuses. Employers participating in BWC's Safety Council Program were eligible for a 2% performance bonus for reducing either frequency or severity of claims by 10% or more below the previous year, or maintaining both frequency and severity at the previous year's level.
- Benefits and compensation adjustment expenses of $183 million along with other expenses of $9 million resulted in operating expenses of $192 million in December 2008.
- A $1.302 billion increase in portfolio market value along with interest and dividend income of $33 million, resulted in net investment income of $1.335 billion for the month after investment expenses. The increase in portfolio market value is comprised of $24 million in net realized losses and $1.326 billion in net unrealized gains.
- Premium and assessment collections were $36 million in December an expected decrease from the $57.6 million collected in November.
- Claim payments issued in December were $165 million, including $22 million in claim settlements.
- A total of $45 million was redeemed from investment managers during December. This cash is needed to support operations during December and January until there are sufficient cash inflows from employer premium payments. December is historically the low point for premium collections and while there are significant premium collections in January most payments are not made until the last week of the month.

Fiscal Year-to-Year Comparisons

BWC's total net assets have decreased by $192 million for fiscal year-to-date 2009 resulting in net assets of $2.3 billion at December 31, 2008 compared to $2.9 billion at December 31, 2007.

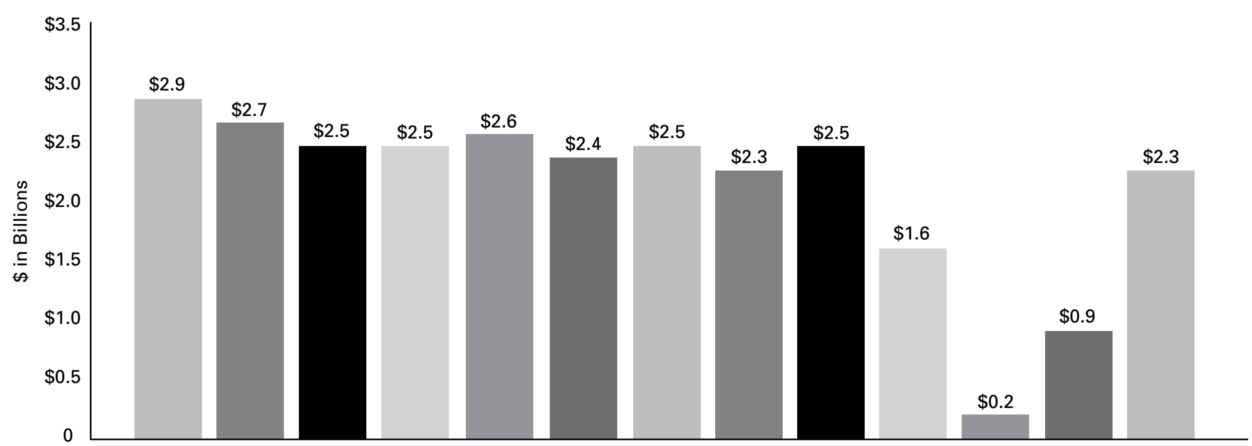
($ in millions)	**Fiscal YTD** Dec. 31, 2008	**Projected FYTD** Dec. 31, 2008	**Fiscal YTD** Dec. 31, 2007
Operating Revenues	$1,124	$1,107	$1,169
Operating Expenses	1,165	1,309	1,603
Operating Transfer Out to ODNR	(2)	(3)	–
Net Operating Gain (Loss)	(43)	(205)	(434)
Net Investment Income (Loss)	(149)	523	1,012
Increase (Decrease) in Net Assets	(192)	318	578
Net Assets End of Period	$2,312	$2,821	$2,883

- o BWC's operating revenues for fiscal year-to-date 2009 were $1.1 billion, a decrease of $45 million compared to fiscal year-to-date 2008. The decrease is primarily due to declines in accruals for unbilled premium receivable because of lower than expected losses for state agencies, self-insured employers, and DWRF.
- o The adjustment of private employer accruals to actual premiums and assessments for the coverage period ended June 30, 2008 has resulted in premium and assessment income being 3% higher than projected.
- o Benefit and compensation adjustment expenses have decreased by $439 million in fiscal year 2009 due to a decrease in the change in reserves for compensation and compensation adjustment expenses. Reserves for compensation and compensation adjustment expenses have decreased by almost $37 million in fiscal year 2009 compared to a $382 million increase in fiscal year 2008. The fiscal year 2009 reserve projections are based on payment trends through September 30, 2008 and include a short-term medical inflation assumption of 6% compared to the 9% medical inflation rate used in the fiscal year 2008 actuarial audit.
- o Claim payments, excluding Ohio Hospital Association (OHA) settlements, have decreased by $29 million for fiscal year-to-date 2009 compared to the same period in fiscal year 2008. Claim settlements have declined by almost $41 million and permanent partial payments have declined by $1.3 million. These declines were partially off-set by increased payments for percent permanent partial disability, permanent total disability benefits, and medical benefits. Over $23 million has been paid this fiscal year in settlement of the OHA lawsuit.
- o Benefit and compensation adjustment expenses are $147 million or 12% less than projected due to lower than projected disbursements for claims and claims adjustment expenses.
- o BWC's net investment loss for fiscal year-to-date 2009 totaled $149 million, comprised of $146 million in net realized losses and $422 million in net unrealized losses, partially off-set by $421 million of interest and dividend income net of $2 million in investment expenses.
- o Fiscal year-to-date premium collections are almost 5% higher than projected; contributing to the $35 million favorable variance in cash used by operating activities.
- o A total of $155.3 million has been redeemed from investment managers in fiscal year 2009 to meet operating cash flow needs. These redemptions compare to the $155 million that was redeemed during this same time frame last fiscal year.

Conditions expected to affect financial position or results of operations include:

- o Cash disbursements will increase as payments are made to settle the remaining $17.4 million liability resulting from the Ohio Hospital Association lawsuit disputing fee schedules that were not adopted through the Ohio Revised Code Chapter 119 rules process.
- o While fiscal year-to-date 2009 premium receipts are 1.7% higher than this same period last year and almost 5% higher than projected, we are aware that these trends may not continue into this next collection cycle. Ohio's Office of Budget and Management indicates that Ohio employment has decreased by 28,500 jobs since December 2007. We expect the downturn in economic growth and increased unemployment to negatively impact premium collections.

Net Assets



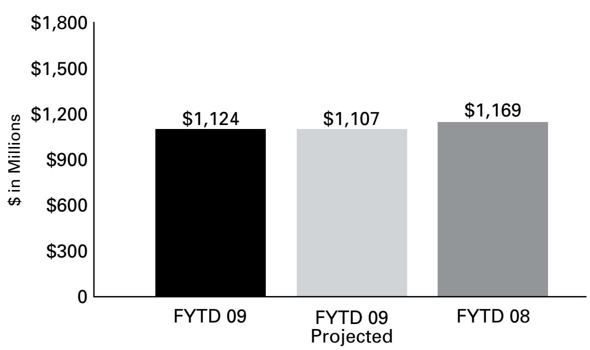
Statement of Operations

Fiscal year to date December 31, 2008

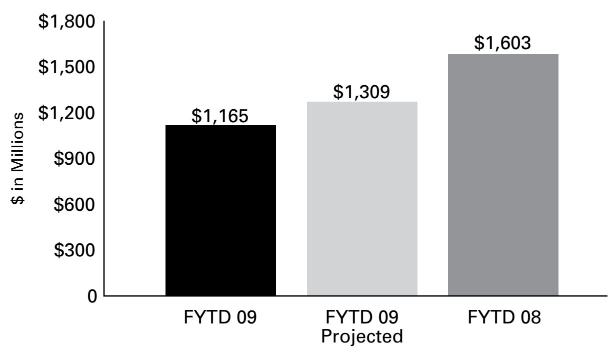
(in millions)

	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Operating Revenues					
Premium & Assessment Income	$1,158	$1,127	$31	$1,194	$(36)
Provision for Uncollectibles	(40)	(27)	(13)	(31)	(9)
Other Income	6	7	(1)	6	–
Total Operating Revenue	1,124	1,107	17	1,169	(45)
Operating Expenses					
Benefits & Compensation Adj. Expense	1,116	1,263	147	1,555	(439)
Other Expenses	49	46	(3)	48	1
Total Operating Expenses	1,165	1,309	144	1,603	(438)
Operating Transfers	(2)	(3)	1	–	(2)
Net Operating Gain (Loss)	(43)	(205)	162	(434)	391
Net Investment Income (Loss)	(149)	523	(672)	1,012	(1,161)
Increase (Decrease) in Net Assets	$(192)	$318	$(510)	$578	$(770)

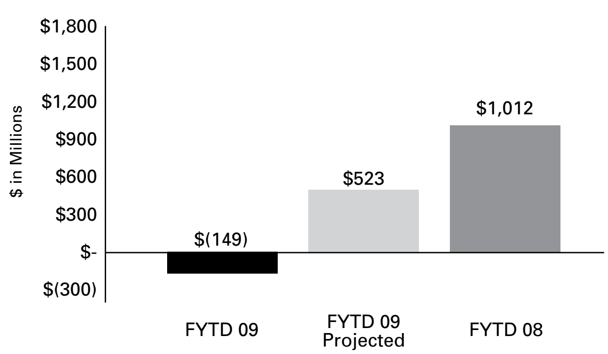
Operating Revenues



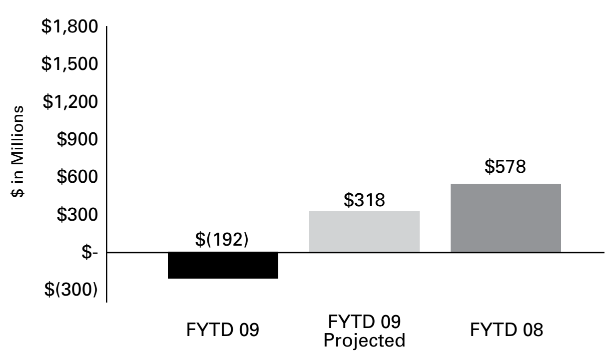
Operating Expenses



Net Investment Income (Loss)



Change in Net Assets



Statement of Operations – Combining Schedule

Fiscal year to date December 31, 2008

(in thousands)

	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	$916,351	$45,432	$773	$114	$435	$9,639	$185,353	$1,158,097
Provision for Uncollectibles	(38,077)	(1,070)	–	–	–	283	(1,340)	(40,204)
Other Income	4,617	–	–	–	–	–	1,427	6,044
Total Operating Revenues	882,891	44,362	773	114	435	9,922	185,440	1,123,937
Operating Expenses:								
Benefits & Compensation Adj Expenses	929,114	43,138	478	(31)	206	12,037	131,211	1,116,153
Other Expenses	13,035	136	38	1	60	2	35,526	48,798
Total Operating Expenses	942,149	43,274	516	(30)	266	12,039	166,737	1,164,951
Net Operating Income (Loss) before Operating Transfers Out	(59,258)	1,088	257	144	169	(2,117)	18,703	(41,014)
Operating Transfers Out	(1,420)	–	(1,745)	–	–	–	1,420	(1,745)
Net Operating Income (Loss)	(60,678)	1,088	(1,488)	144	169	(2,117)	20,123	(42,759)
Investment Income:								
Investment Income	384,424	27,542	5,839	216	161	533	2,461	421,176
Net Realized Gains (Losses)	(134,579)	(9,085)	(1,833)	–	–	–	–	(145,497)
Net Unrealized Gains (Losses)	(391,436)	(24,377)	(6,506)	–	–	–	–	(422,319)
Total Realized & Unrealized Capital Gains (Losses)	(526,015)	(33,462)	(8,339)	–	–	–	–	(567,816)
Investment Manager & Operational Fees	(1,962)	(140)	(85)	–	–	–	–	(2,187)
Gain (Loss) on Disposal of Fixed Assets	–	–	–	–	–	–	(53)	(53)
Total Non–Operating Revenues, Net	(143,553)	(6,060)	(2,585)	216	161	533	2,408	(148,880)
Increase (Decrease) in Net Assets (Deficit)	(204,231)	(4,972)	(4,073)	360	330	(1,584)	22,531	(191,639)
Net Assets (Deficit), Beginning of Period	2,206,922	848,727	179,339	19,350	13,431	8,919	(773,399)	2,503,289
Net Assets (Deficit), End of Period	$2,002,691	$843,755	$175,266	$19,710	$13,761	$7,335	$(750,868)	$2,311,650

This report shows operating activity for each of the funds administered by BWC.

The deficit in net assets for the Administrative Cost Fund is a result of recognizing the actuarially estimated liabilities for loss adjustment expenses while funding for ACF is on a pay-as-you-go basis.

Statement of Investment Income

Fiscal year to date December 31, 2008

(in thousands)	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Investment Income					
Bond Interest	$378,203	$380,946	$(2,743)	$349,929	$28,274
Dividend Income–Domestic & International	35,655	34,500	1,155	28,818	6,837
Money Market/Commercial Paper Income	4,174	4,879	(705)	11,133	(6,959)
Misc. Income (Corp Actions, Settlements)	3,144	1,800	1,344	2,802	342
Private Equity	–	–	–	3,919	(3,919)
Securities Lending Income, Net of Fees	–	–	–	–	–
Total Investment Income	421,176	422,125	(949)	396,601	24,575
Realized & Unrealized Capital Gains and (Losses)					
Bonds – Net Realized Gains (Losses)	(77,712)	–	(77,712)	(67,376)	(10,336)
Stocks – Net Realized Gains (Losses)	(67,033)	–	(67,033)	(45,650)	(21,383)
Subtotal – Net Realized Gains (Losses)	(144,745)	–	(144,745)	(113,026)	(31,719)
Bonds – Net Unrealized Gains (Losses)	448,064	–	448,064	802,119	(354,055)
Stocks – Net Unrealized Gains (Losses)	(870,383)	103,500	(973,883)	(118,479)	(751,904)
Subtotal – Net Unrealized Gains (Losses)	(422,319)	103,500	(525,819)	683,640	(1,105,959)
Net Gain (Loss) – PE	(752)	–	(752)	(40,229)	39,477
Change in Portfolio Value	(567,816)	103,500	(671,316)	530,385	(1,098,201)
Investment Manager & Operational Fees	(2,187)	(2,414)	227	(6,437)	(4,250)
Net Investment Income (Loss)	$(148,827)	$523,211	$(672,038)	$920,549	$(1,069,376)

Administrative Cost Fund Expense Analysis

December 2008

- o BWC Administrative Cost Fund expenses are approximately $18.5 million (11.8%) less than budgeted and approximately 2% more than last fiscal year.

- o Changes in payroll within divisions, including BWC Administration, Customer Service, Human Resources and Ombuds Office, varied due to vacant management positions that were filled in fiscal year 2009, vacancies resulting from the fiscal year 2008 Early Retirement Incentive, hiring controls implemented by OBM and positions moving due to reorganization.

- o The timing of the receipt of invoices for payment in fiscal year 2009 caused actual expenditures to be less than the amount budgeted through December and more than fiscal year 2008. The Attorney General's office encountered issues with the new OAKS system in 2008 causing delays in issuing invoices. Second quarter 2008 invoices were not received at BWC until January 2008.

- o Restrictions implemented for all state agencies concerning the purchase of equipment led to BWC more closely evaluating equipment needs and the reduction of equipment purchases.

- o Positions not yet filled led to a reduction in the fiscal year 2009 budget as of December. The payroll budget will be increased as employees are hired.

- o BWC's current fiscal year 2009 budget is approximately $24.6 million (7%) less than appropriated by the General Assembly. BWC's appropriation was increased $650,000 by the Controlling Board to allow for additional expenditures for the Workers' Compensation Council.

Administrative Cost Fund Budget Summary

As of December 31, 2008

Expense Description	FTE's	Actual FY09	Budgeted FYTD09	FYTD09 Variance	FYTD09 Percentage Variance	FY09 Budget	FYTD08 Expenses	Increase (Decrease) in FY09	FYTD09 Percentage Variance
Payroll									
BWC Board of Directors	13	555,015	554,169	(846)	-0.15%	954,467	406,638	148,377	36.49%
Workers' Comp Council	1	57,800	57,800	0	0.00%	73,832	0	57,800	100.00%
BWC Administration	6	399,081	399,081	0	0.00%	743,997	274,689	124,392	45.28%
Customer Service	1,483	60,089,234	60,156,223	66,989	0.11%	111,886,975	62,967,603	(2,878,369)	-4.57%
Medical	149	6,355,026	6,362,768	7,742	0.12%	12,020,729	5,680,122	674,904	11.88%
Special Investigations	134	6,064,876	6,065,499	623	0.01%	11,416,864	5,997,046	67,830	1.13%
Fiscal and Planning	67	2,666,989	2,678,673	11,684	0.44%	5,035,877	2,368,072	298,917	12.62%
Actuarial	19	891,940	892,547	607	0.07%	1,706,065	826,171	65,769	7.96%
Investments	10	620,867	621,803	936	0.15%	1,260,051	535,088	85,779	16.03%
Infrastructure & Technology	304	16,189,141	16,232,930	43,789	0.27%	30,247,390	15,670,550	518,591	3.31%
Legal	78	3,592,683	3,592,503	(180)	-0.01%	6,788,865	3,331,007	261,676	7.86%
Communications	28	1,447,836	1,445,964	(1,872)	-0.13%	2,564,310	1,474,221	(26,385)	-1.79%
Human Resources	67	2,966,771	2,967,461	690	0.02%	5,545,739	1,937,784	1,028,987	53.10%
Internal Audit	14	702,945	703,260	315	0.04%	1,388,650	833,631	(130,686)	-15.68%
Ombuds Office	10	300,428	300,727	299	0.10%	614,281	199,461	100,967	50.62%
Early Retirement Expenses				0	0.00%		101,311	(101,311)	-100.00%
Total Payroll	2,383	102,900,632	103,031,408	130,776	0.13%	192,248,092	102,603,394	297,238	0.29%
Personal Services									
Information Technology		4,821,903	6,865,462	2,043,559	29.77%	13,509,987	6,166,472	(1,344,569)	-21.80%
Legal - Special Counsel		538,712	785,167	246,455	31.39%	1,566,244	701,720	(163,008)	-23.23%
Legal - Attorney General		2,114,679	2,222,043	107,364	4.83%	4,444,085	923,654	1,191,025	128.95%
Other Personal Services		2,754,938	4,660,045	1,905,107	40.88%	8,060,814	1,688,452	1,066,486	63.16%
Total Personal Services		10,230,232	14,532,717	4,302,485	29.61%	27,581,130	9,480,298	749,934	7.91%
Maintenance									
William Green Rent		504,537	521,437	16,900	3.24%	18,904,714	963,080	(458,543)	-47.61%
Other Rent and Leases		7,605,637	8,664,093	1,058,456	12.22%	13,641,182	6,719,823	885,814	13.18%
Software and Equipment Maintenance and Repairs		8,985,128	10,440,728	1,455,600	13.94%	19,604,579	8,253,057	732,071	8.87%
Inter Agency Payments		1,334,421	2,015,284	680,863	33.78%	3,658,452	1,675,247	(340,826)	-20.34%
Communications		1,894,342	3,603,158	1,708,816	47.43%	6,977,279	1,766,371	127,971	7.24%
Safety Grants and Long Term Care Loan		1,666,145	3,000,000	1,333,855	44.46%	6,000,000	1,073,048	593,097	55.27%
Supplies and Printing		663,180	1,566,949	903,769	57.68%	3,187,164	762,005	(98,825)	-12.97%
Other Maintenance		1,611,233	1,879,160	267,927	14.26%	3,753,663	1,644,734	(33,501)	-2.04%
Total Maintenance		24,264,623	31,690,809	7,426,186	23.43%	75,727,033	22,857,365	1,407,258	6.16%
Equipment		736,694	7,441,362	6,704,668	90.10%	9,680,865	519,964	216,730	41.68%
Total Administrative Cost Fund Expenses		138,132,181	156,696,296	18,564,115	11.85%	305,237,120	135,461,021	2,671,160	1.97%

Total Agency Appropriation	329,860,479
Budget to Appropriation Variance	24,623,359
Percentage Variance	7.46%

State Insurance Fund
Administrative Expense Summary

As of December 31, 2008

	Actual FYTD 2009	Encumbrance Balance	FYTD Actual & Encumbrance	Encumbrance Closing Date	Actual FYTD 2008
Investment Administrative Expenses					
UBS Securities LLC	$275,191	$0	$275,191	6/30/08	$4,476,182
Wilshire Associates Inc.	0	0	0	2/24/08	272,083
JP Morgan Chase - Performance Reporting	59,833	23,901	83,734	6/30/08	0
Mercer Investment Consulting	197,915	323,578	521,493	6/30/09	0
Other Investment Expenses	101,509	351,501	453,010	6/30/08	74,176
	634,448	698,980	1,333,428		4,822,441
Actuarial Expenses					
Mercer Oliver Wyman	449,444	1,058,013	1,507,457	12/31/09	309,395
Oliver Wyman Consulting	100,494	1,853,865	1,954,359	12/31/09	0
Deloitte Consulting LLP	1,545,169	4,925	1,550,094	12/31/08	0
AON Risk Consultants	0	0	0	6/30/07	263,599
	2,095,107	2,916,803	5,011,910		572,994
Ohio Rehabilitation Services	605,407	0	605,407	6/30/09	0
TOTAL	$3,334,962	$3,615,783	$6,950,745		$5,395,435

The above expenses are paid from the non-appropriated State Insurance Fund.

The investment administrative expense are included in the investment expenses reported on the statement of investment income on page 7.

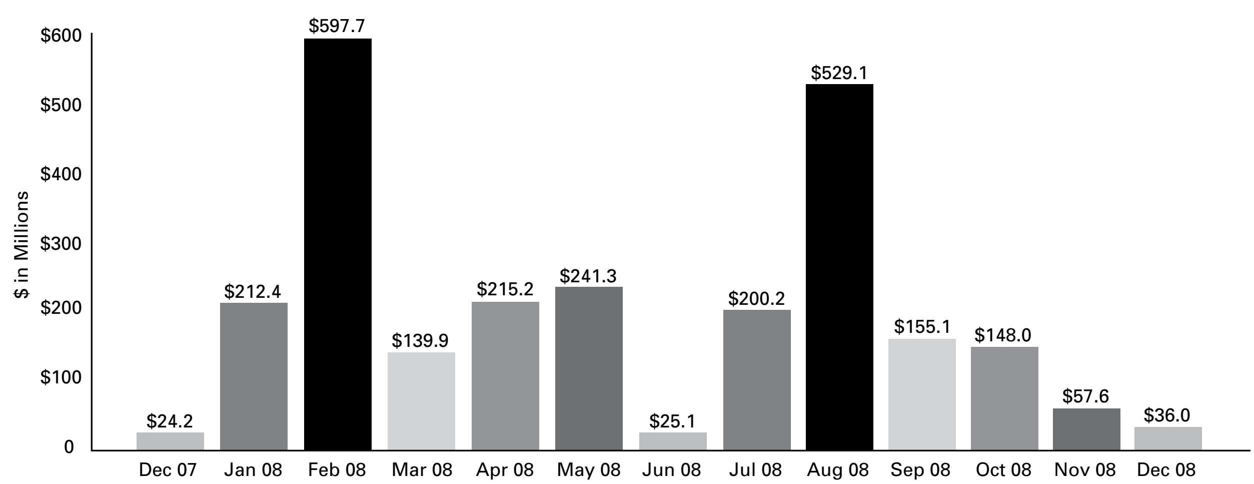
The encumbrance balance is the amount remaining on the contract and may extend beyond the end of this fiscal year.

Statement of Cash Flows

Fiscal year to date December 31, 2008

(in millions)	Actual	Projected	Variance to Projected	Prior Yr. Actual	Year to Year Increase (Decrease)
Cash Flows from Operating Activities:					
Cash Receipts from Premiums	$1,126	$1,073	$53	$1,107	$19
Cash Receipts - Other	12	15	(3)	14	(2)
Cash Disbursements for Claims	(1,095)	(1,101)	6	(1,098)	3
Cash Disbursements for Other	(246)	(225)	(21)	(234)	(12)
Net Cash Provided (Used) by Operating Activities	(203)	(238)	35	(211)	8
Net Cash Flows from Noncapital Financing Activities	(2)	(3)	1	–	(2)
Net Cash Flows from Capital and Related Financing Activities	(4)	(2)	(2)	(4)	–
Net Cash Provided (Used) by Investing Activities	99	165	(66)	199	(100)
Net Increase (Decrease) in Cash and Cash Equivalents	(110)	(78)	(32)	(16)	(94)
Cash and Cash Equivalents, Beginning of Period	378	378	–	328	50
Cash and Cash Equivalents, End of Period	$268	$300	$(32)	$312	$(44)

Premium and Assessment Receipts



Statement of Net Assets

As of December 31, 2008

(in millions)	Actual	Prior Yr. Actual	Year to Year Increase (Decrease)
Assets			
Bonds	$14,320	$13,940	$380
Stocks	2,266	3,242	(976)
Private Equities	–	43	(43)
Cash & Cash Equivalents	268	312	(44)
Total Cash and Investments	16,854	17,537	(683)
Accrued Premiums	4,641	4,930	(289)
Other Accounts Receivable	141	120	21
Investment Receivables	229	233	(4)
Other Assets	114	117	(3)
Total Assets	21,979	22,937	(958)
Liabilities			
Reserve for Compensation and Compensation Adj. Expense	$19,398	$19,653	$(255)
Accounts Payable	34	57	(23)
Investment Payable	8	108	(100)
Other Liabilities	227	236	(9)
Total Liabilities	19,667	20,054	(387)
Net Assets	$2,312	$2,883	$(571)

Statement of Net Assets – Combining Schedule

As of December 31, 2008

(in thousands)

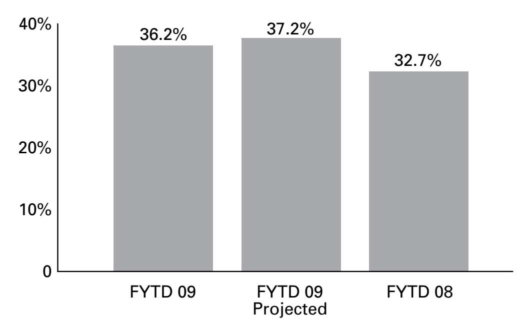
	State Insurance Fund Account	Disabled Workers' Relief Fund Account	Coal–Workers Pneumoconiosis Fund Account	Public Work Relief Employees' Fund Account	Marine Industry Fund Account	Self–Insuring Employers' Guaranty Fund Account	Administrative Cost Fund Account	Eliminations	Totals
Assets									
Bonds	$13,165,631	$ 954,774	$ 199,747	$ –	$ –	$ –	$ –	$ –	$14,320,152
Stocks	2,089,076	143,751	32,788	–	–	–	–	–	2,265,615
Private Equities	311	–	–	–	–	–	–	–	311
Cash & Cash Equivalents	159,271	7,841	4,018	22,769	17,100	55,695	1,538	–	268,232
Total Cash & Investments	$15,414,289	$ 1,106,366	$ 236,553	$ 22,769	$ 17,100	$ 55,695	$ 1,538	$ –	$16,854,310
Accrued Premiums	2,133,319	1,547,093	–	292	–	673,051	287,344	–	4,641,099
Other Accounts Receivable	114,826	20,530	24	–	–	(1,083)	6,727	–	141,024
Interfund Receivables	11,587	50,567	–	–	60	426	79,979	(142,619)	–
Investment Receivables	211,605	14,319	3,005	23	17	57	–	–	229,026
Other Assets	25,728	22	–	–	–	–	87,851	–	113,601
Total Assets	$17,911,354	$ 2,738,897	$ 239,582	$ 23,084	$ 17,177	$ 728,146	$ 463,439	$ (142,619)	$21,979,060
Liabilities									
Reserve for Compensation & Compensation Adj. Expense	$15,632,619	$ 1,884,539	$ 62,800	$ 3,364	$ 3,206	$ 717,895	$ 1,093,958	$ –	$19,398,381
Accounts Payable	33,780	–	–	–	–	–	472	–	34,252
Investment Payable	6,885	236	691	–	–	–	–	–	7,812
Interfund Payables	129,305	10,297	77	10	14	2,916	–	(142,619)	–
Other Liabilities	106,074	70	748	–	196	–	119,877	–	226,965
Total Liabilities	15,908,663	1,895,142	64,316	3,374	3,416	720,811	1,214,307	(142,619)	19,667,410
Net Assets	$ 2,002,691	$ 843,755	$ 175,266	$ 19,710	$ 13,761	$ 7,335	$ (750,868)	$ –	$ 2,311,650

Financial Performance Metrics

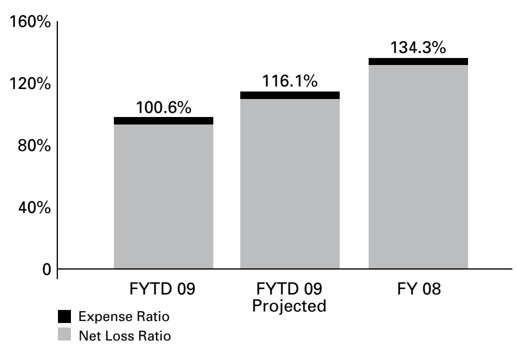
	Actual FY09 As of 12/31/08	Projected FY09 As of 12/31/08	Actual FY08 As of 12/31/07	Target
Loss Ratio	78.1%	90.1%	108.2%	
LAE Ratio - MCO	6.9%	8.4%	9.7%	
LAE Ratio - BWC	11.4%	13.5%	12.4%	
Net Loss Ratio	96.4%	112.0%	130.3%	120.0%
Expense Ratio	4.2%	4.1%	4.0%	5.0%
Combined Ratio	100.6%	116.1%	134.3%	125.0%
Net Investment Income Ratio	36.2%	37.2%	32.7%	
Operating Ratio (Trade Ratio)	64.4%	78.9%	101.6%	100.0%
Operating Cashflow Ratio	115.9%	113.7%	112.3%	118.0%
Total Reserves to Net Assets	8 to 1	7 to 1	7 to 1	7 to 1
Investments to Loss Reserves	86.9%	91.3%	89.2%	110.0%
Equities to Net Assets	0.98 to 1	1.17 to 1	1.12 to 1	
Bonds to Net Assets	6.2 to 1	5.0 to 1	4.8 to 1	
Funding Ratio (State Insurance Fund)	1.14	1.17	1.18	

Target measures represent long-term goals for the agency. Business practices, peer group results, and historical data were considered in the establishment of the targets.

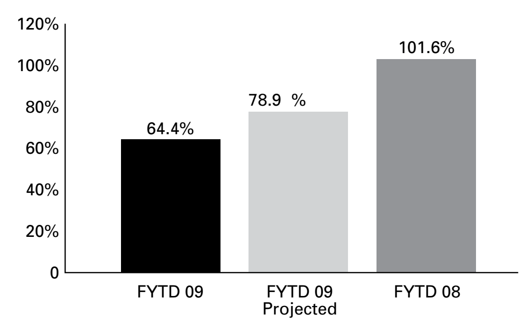
Investment Income Ratio



Combined Ratio

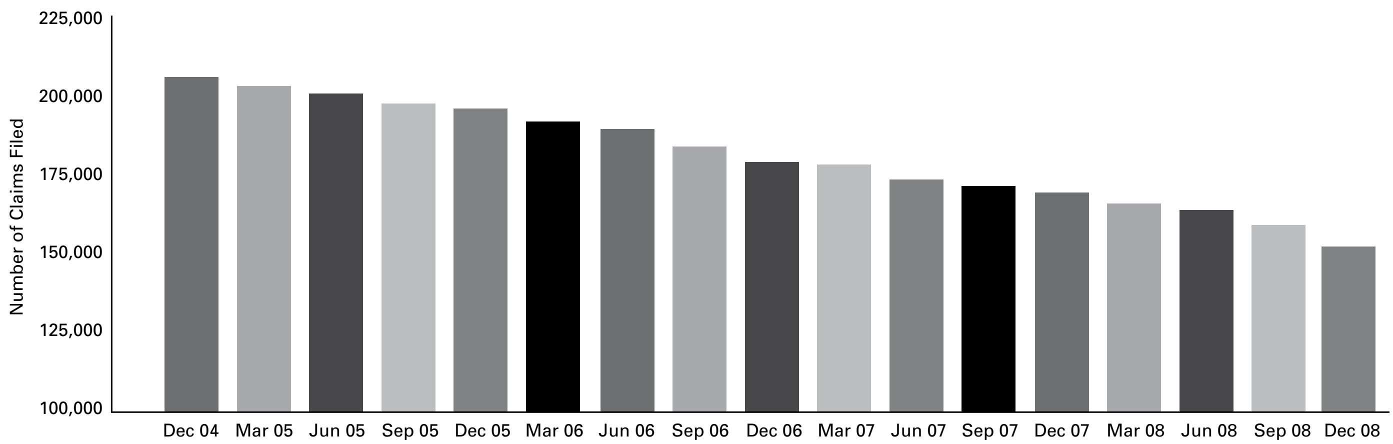


Operating Ratio

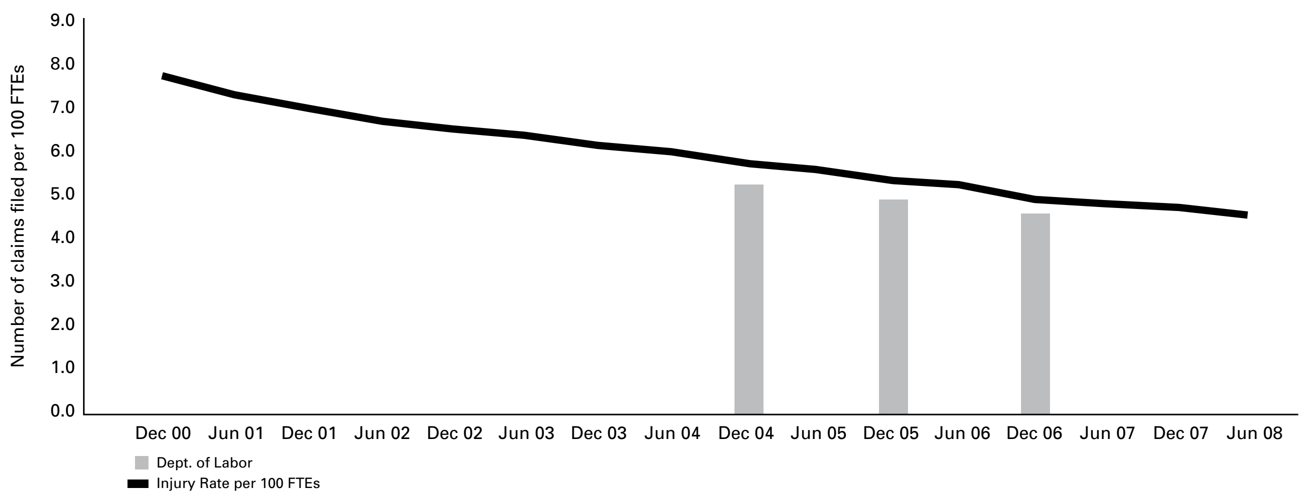


Operational Performance Metrics

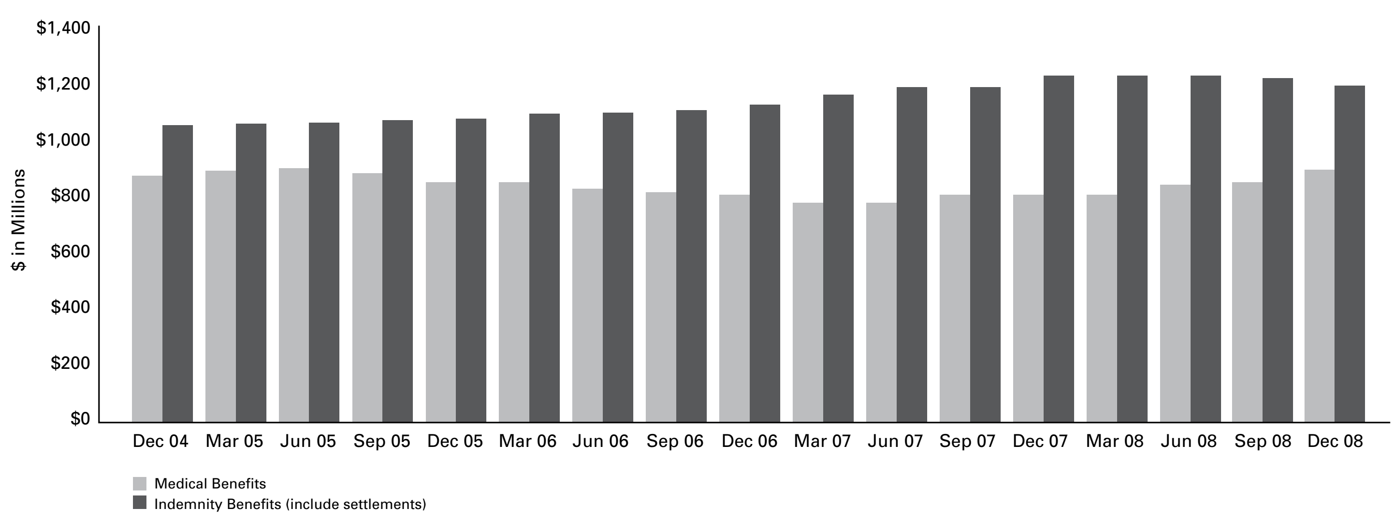
New Claims Filed - *Twelve months ended*



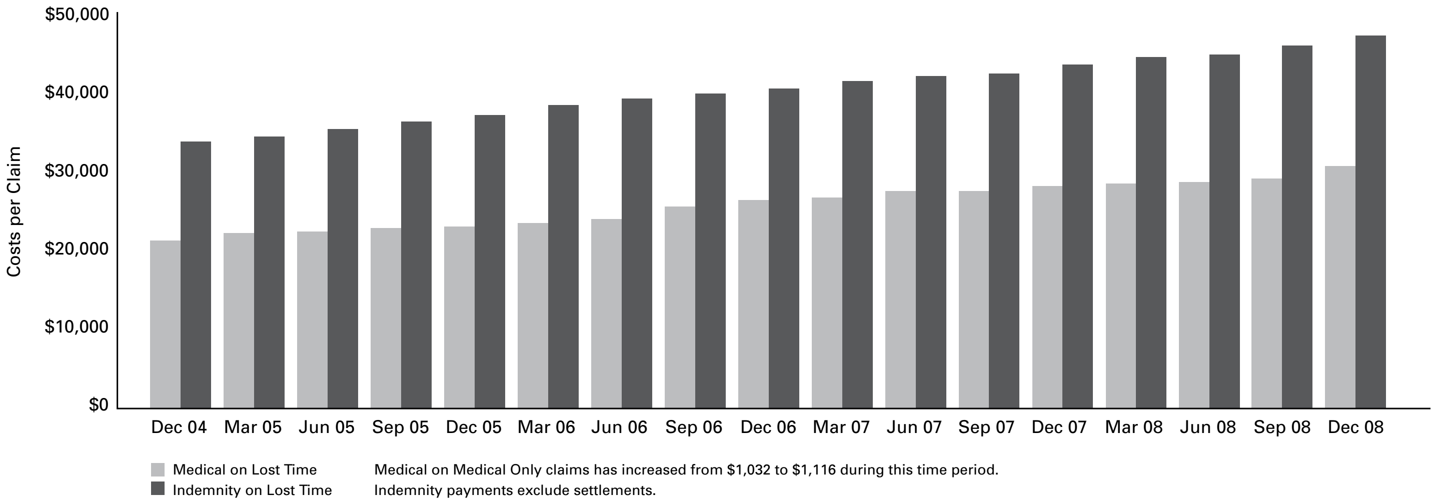
Frequency - *Reported semi-annually*



Benefit Payments - *Twelve months ended*

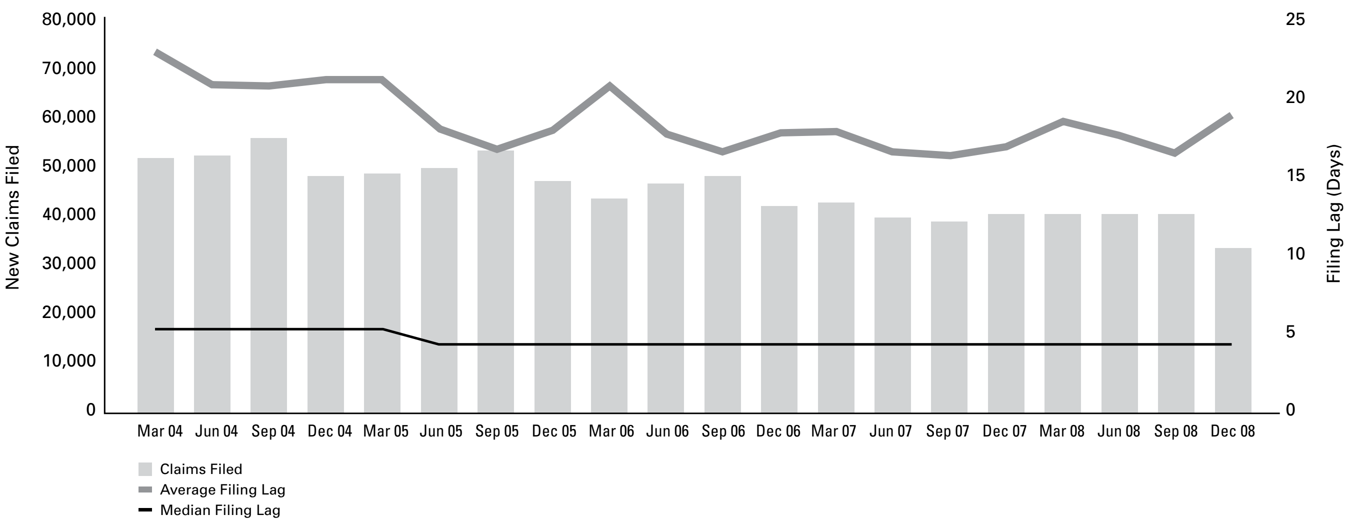


Severity

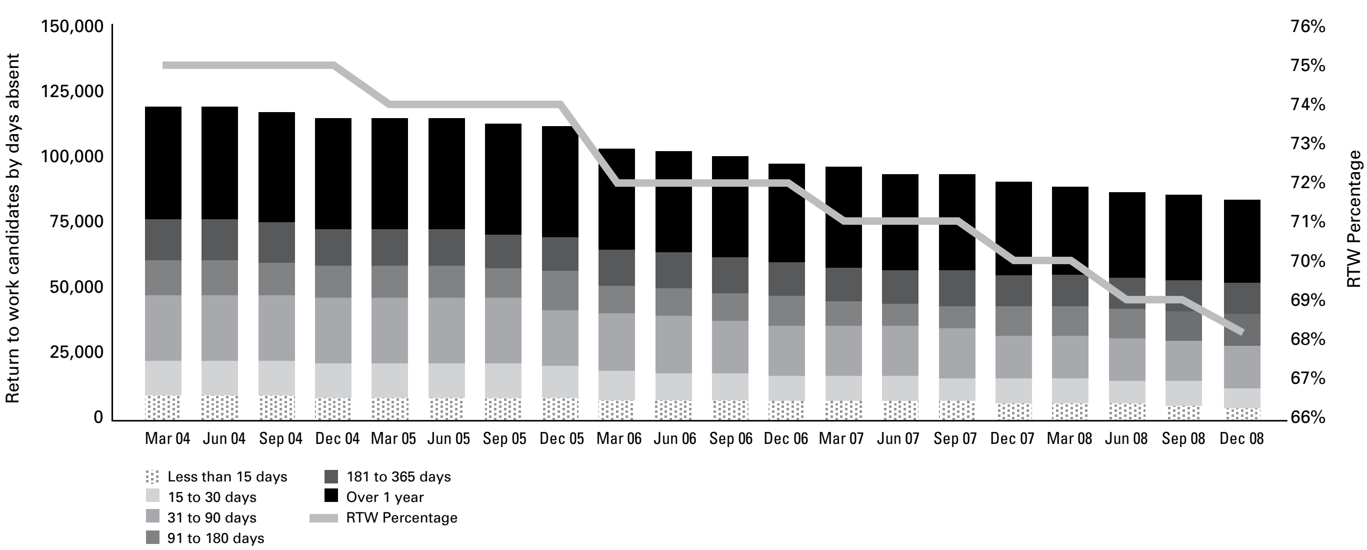


Medical on Medical Only claims has increased from $1,032 to $1,116 during this time period.
Indemnity payments exclude settlements.

Claim Filing Lag



Return to work

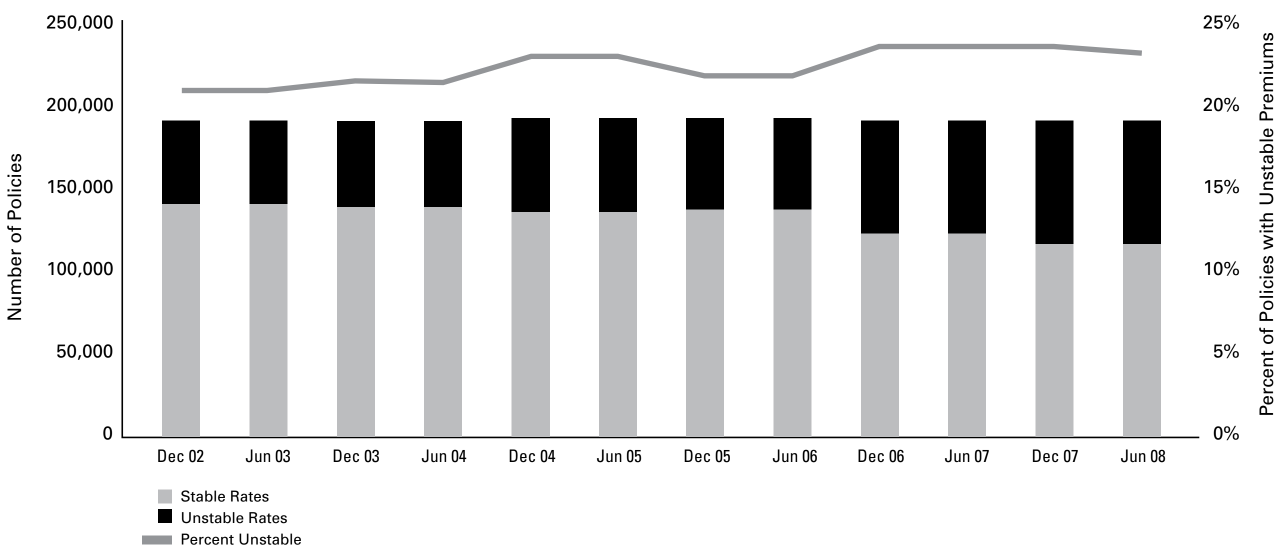


Aggregate Reported Payroll – *Twelve Months Ending*

($ in millions)	Private	PEC	PES	Black Lung	Marine
Dec 2002	$82,400	$17,611	$5,823	$64	$3
Jun 2003	$83,090	$17,611	$5,924	$51	$4
Dec 2003	$83,304	$18,022	$6,005	$59	$4
Jun 2004	$83,741	$18,022	$6,076	$73	$3
Dec 2004	$85,492	$18,545	$6,184	$84	$3
Jun 2005	$86,530	$18,545	$6,266	$82	$4
Dec 2005	$87,902	$18,594	$6,388	$87	$4
Jun 2006	$90,414	$18,594	$6,524	$98	$5
Dec 2006	$91,830	$18,946	$6,654	$98	$5
Jun 2007	$93,636	$18,946	$6,788	$100	$4
Dec 2007	$94,890	$19,427	$6,914	$107	$4
Jun 2008	$95,027	$19,427	$7,032	$117	$5

PEC employers report payroll only once per year, while other employers report twice per year. Therefore, the same PEC payroll is presented twice in each fiscal year in the above table.

Premium Stability



Performance Metrics Glossary

Loss Ratio
Measures loss experience – Compensation benefit expenses divided by premium and assessment income.

LAE Ratio
Measures loss adjustment experience – Loss adjustment expenses divided by premium and assessment income.

Net Loss Ratio
Measures underlying profitability or total loss experience – Sum of the loss ratio and the LAE ratios.

Expense Ratio
Measures operational efficiency – Other administrative expenses divided by premium and assessment income.

Combined Ratio
Measures overall underwriting profitability – Sum of net loss and expense ratios.

Net Investment Income Ratio
Measures the investment income component of profitability – Interest and dividend income less investment expenses divided by premium and assessment income. This ratio does not include realized or unrealized capital gains and losses.

Operating Ratio
Measures overall profitability from underwriting and investing activities – Combined ratio less net investment income ratio.

Operating Cash Flow Ratio
Measures the relationship between operating receipts and disbursements – Collections from operating activities (premiums, interest and dividends net of investment expenses) divided by operating disbursements.

Total Reserves to Net Assets
Measures the relationship between future claims and claim adjustment liabilities and net assets – Total reserves divided by premium and assessment income.

Investments to Loss Reserves
Measures the relationship of the investment portfolio to total reserves – Total cash and investments dividend by total loss reserves.

Equities to Net Assets
Measures the exposure of net assets to BWC's investment in equities – Equities divided by net assets.

Bonds to Net Assets
Measures the exposure of net assets to BWC's investment in bonds – Bonds divided by net assets.

Funding Ratio
Provides an indication of financial strength and security – Funded assets divided by funded liabilities.

New Claims Filed
Measures the number of new State Insurance Fund claims filed for rolling twelve month periods measured quarterly.

Frequency
Measures the number of injuries reported per 100 workers covered by the State Insurance Fund updated semi–annually.

Benefit Payments
Measures the dollar amount of medical and indemnity payments for rolling twelve month periods updated quarterly.

Severity
Measures the average cost of medical and indemnity expenses per lost time claim.

Claim Filing Lag
Measures the average and median number of days from the date of injury to the date of claim filing.

Return to Work Rates
Measures the percentage of injured workers who have returned to work relative to the claim population eligible to return to work.

Aggregate Reported Payroll
Measures reported payroll by employer type for a rolling twelve month period, updated semi–annually.

Premium Stability
Measures the number of employers whose premium rate changed more than 5 percent and total premium changed more than $500 from the prior year.

Discussion Draft
Reserve Discount Rate Policy

Presented to
OBWC Board of Directors
January 23, 2009

Workers' compensation claims are generally paid over a period of several years. A reserve for compensation is set based on the total of all estimated amounts that will be paid in future years on reported claims and claims incurred but not reported. BWC's practice is to discount the reserve to reflect the time value of money (one dollar of future claims liability can be paid by setting aside less than one dollar today due to expected investment earnings).

BWC has been discounting reserves for at least 30 years. Since 1997, BWC has established a practice to review and evaluate the current discount rate on an annual basis using a documented approach. The approach relies on GASB 10. Prior to FY 2006, BWC performed this evaluation at the time of the actuarial audit. In FY 2006, BWC began its current practice of performing the evaluation in conjunction with the rate making process for private employers. This results in better matching of the ratemaking and reserving processes.

Under Ohio Revised Code 4121.121(B)(1) the Administrator has the responsibility to establish a discount rate. In March 2008, the Administrator presented the discount rate decision to the Board for review, discussion and concurrence.

The business rationale and methodology and guiding principles for the establishment of the discount rate are:

<u>Business Rationale</u>

- The discount rate recognizes the economic benefit of the time value of money. It is an appropriate accounting treatment that recognizes that benefit. However, the discount rate does not create income.
- The discount rate enables the organization to present a prudent picture of its liabilities that is consistent with economic forces and BWC's mission to provide benefits for injured workers at the lowest possible cost while maintaining a solvent state insurance fund.

<u>Methodology and Guiding Principles</u>

- Should use a methodology supported by accounting and actuarial literature, especially the provisions of Governmental Accounting Standards Board (GASB) Statement No. 10 (“Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”) and Actuarial Standard of Practice No. 20 (“Discounting of Property and Casualty Loss and Loss Adjustment Expense Reserves”) as approved by the Actuarial Standards Board.
    - GASB 10 requires an examination of past portfolio performance, historical payment patterns and settlement rates
    - Actuarial Standard of Practice #20 requires that explicit provisions for risk accompany reserve discounting and suggests the uncertainty in the timing and amounts of future payments be considered along with historical payment patterns
    - Both standards recommend consideration of a risk-free investment yield
- Should be established with a long term view to reduce volatility in BWC’s balance sheet and premiums
- Should not exceed highly probable investment returns over long periods of time
- Should enable management to focus on business enterprise goals
- Should be reviewed annually

The Administrator completes the following steps to establish the discount rate:

1. Meets with the Chief Actuarial Officer, Chief Investment Officer, Chief Fiscal and Planning Officer and other senior executives as appropriate to review reserves, investment returns, and cash flow needs
2. Follows the Actuarial Standard of Practice #20 concerning discounting
3. Follows the Government Accounting Standards Board Statement 10
4. Considers the following questions:
    - Is it consistent with BWC’s practice of establishing a conservative discount rate?
    - Is it consistent with industry standards?
    - Is there a decreasing or increasing return on BWC’s investment portfolio?
    - Are there changes in BWC’s investment strategy?
    - What are the trends of risk free investment yields?
    - Do we anticipate changes in the financial markets?
5. Presents to Board for review, discussion and concurrence

Discount Rate Assumptions used in actuarial audits and rate indications

Evaluation Date	Discount Rate
12/1991-12/1996	7.00%
12/1997	6.75%
6/1998	6.50%
6/1999	6.25%
6/2000 – 6/2001	6.00%
6/2002	5.80%
6/2003 – 6/2004	5.50%
6/2005 – 6/2006	5.25%
6/2007	5.00%
6/2008	5.00%

BWC Legislative Report
Gregg Paul and Laura Abu-Absi
Legislative Report
January 2009

<u>Tentative Legislative Schedule</u>

January 28—Joint House and Senate Session—Governor Strickland's State of the State Speech

February 3, 4, 5—Committee Hearings
February 10, 11, 12—Committee Hearings
February 17, 19—Committee Hearings
February 18—House and Senate Session

<u>House and Senate Leadership—128th General Assembly</u>

<u>Ohio House of Representatives:</u>
Rep. Armond Budish--(D-Beachwood)—Speaker of the House
Rep. Matt Szollosi—(D-Oregon)--Speaker Pro Tempore
Rep. Jennifer Garrison—(D-Marietta)—Majority Floor Leader
Re. Jay Goyal—(D-Mansfield)--Majority Whip
Rep. Tracy Maxwell Heard—(D-Columbus)—Asst. Majority Floor Leader
Rep. Allan Sayre—(D-Dover)--Asst. Majority Whip

Rep. William Batchelder (R-Medina)—Minority Leader
Rep. Louis Blessing—Asst. Minority Leader
Rep. John Adams—Minority Whip
Rep. Kris Jordan—Asst. Minority Whip

<u>Ohio Senate:</u>
Sen. Bill Harris--(R-Ashland)--President
Sen. Tom Niehaus—(R-New Richmond)—President Pro Tempore
Sen. Keith Faber—(R-Celina)—Majority Floor Leader
Sen. Mark Wagoner—(R-Toledo)—Majority Whip

Sen. Capri Cafaro—(D-Hubbard)—Minority Leader
Sen. Shirley Smith—(D-Cleveland)—Asst. Minority Leader
Sen. Ray Miller—(D-Columbus)—Minority Whip
Sen. Jason Wilson—(D-Columbiana)—Asst. Minority Whip

<u>127th General Assembly—Enacted "Lame-Duck" legislation:</u>

HB 79 (Rep. Batchelder):
- Appropriation and spending authority to Workers' Compensation Council
- Changes to R.C. 4123.29(A)(4)(c)—Group-rating
- BWC September 2009 reporting requirements to General Assembly regarding rate reform and group-rating progress.

Signed by Governor Strickland on January 6, 2009—All provisions of legislation became effective immediately.

<u>128th General Assembly—Legislative Developments:</u>

Sen.Tim Grendell (R-Chesterland) announced his intention to introduce bills that would privatize operation of the Ohio Bureau of Workers' Compensation, and establish nine administrative agencies within the governor's cabinet, including a privatized Department of Economic Development.

BWC Legislative Update
Gregg Paul, Legislative Liaison
January 23, 2009

House and Senate Leadership—128th General Assembly

Ohio House of Representatives:
Rep. Armond Budish--(D-Beachwood)—Speaker of the House
Rep. Matt Szollosi—(D-Oregon)--Speaker Pro Tempore
Rep. Jennifer Garrison—(D-Marietta)—Majority Floor Leader
Re. Jay Goyal—(D-Mansfield)--Majority Whip
Rep. Tracy Maxwell Heard—(D-Columbus)—Asst. Majority Floor Leader
Rep. Allan Sayre—(D-Dover)--Asst. Majority Whip

Rep. William Batchelder (R-Medina)--Minority Leader
Rep. Louis Blessing—(R-Cincinnati)--Asst. Minority Leader
Rep. John Adams—(R-Sydney)--Minority Whip
Rep. Kris Jordan—(R-Powell)--Asst. Minority Whip

Ohio Senate:
Sen. Bill Harris--(R-Ashland)--President
Sen. Tom Niehaus—(R-New Richmond)—President Pro Tempore
Sen. Keith Fabor—(R-Celina)—Majority Floor Leader
Sen. Mark Wagoner—(R-Toledo)—Majority Whip

Sen. Capri Cafaro—(D-Hubbard)—Minority Leader
Sen. Shirley Smith—(D-Cleveland)—Asst. Minority Leader
Sen. Ray Miller—(D-Columbus)—Minority Whip
Sen. Jason Wilson—(D-Columbiana)—Asst. Minority Whip

Tentative Legislative Schedule

January 28—Joint House and Senate Session—Governor Strickland's State of the State Speech

February 3, 4, 5—Committee Hearings
February 10, 11, 12—Committee Hearings
February 17, 19—Committee Hearings
February 18—House and Senate Session

Legislation Expected to be Introduced

- BWC/IC 2010-11 Biennial Budget
- Privatization of BWC and streamlined cabinet level agencies—Sen. Tim Grendell (R-Chesterland)
- Professional Employer Organization (PEO)—statutory revisions
- "Journalist" exemption

Enacted Legislation from 127th General Assembly

- HB 79—Rep. Bill Batchelder (R-Medina)--Signed by Governor Strickland on January 6, 2009—All provisions of legislation became effective immediately.
    - Appropriation and spending authority to Workers' Compensation Council
    - Changes to R.C. 4123.29(A)(4)(c)—Group-rating
    - BWC September 2009 reporting requirements to General Assembly regarding rate reform and group-rating progress

- HB 420—Rep. Tom Brinkman (R-Cincinnati)—BWC impact currently under review
  - Requires the Department of Administrative Services to post contract awards over $25,000
  - Requires cabinet level agencies to post grant information

- HB 648—Rep. Shannon Jones (R-Springboro)—BWC impact currently under review
  - Requires state agencies to adopt rules governing access to the confidential personal information that they keep
  - Creates a civil action for harm resulting from an intentional violation of these rules
  - Imposes a criminal penalty for such an intentional violation