BWC Board of Directors

Investment Committee

Thursday, January 22, 12:00 p.m.
William Green Building
30 West Spring Street, 2nd Floor (Mezzanine)
Columbus, Ohio 43215

Members Present: Robert Smith, Chairman
Alison Falls
Larry Price
David Caldwell
James Harris
William Lhota

Other Members Present: James Hummel
Thomas Pitts
Charles Bryan

Members Absent: James Matesich
Kenneth Haffey

CALL TO ORDER
Robert Smith called the meeting to order at 12:00 pm.

ROLL CALL
Roll call was taken. All committee members were present.

APPROVE MINUTES OF THE DECEMBER 17 MEETING
Upon motion of David Caldwell, seconded by Alison Falls, the minutes of December 17, 2008 were approved, 5-0. Mr. Price was not present for the roll call. The minutes were approved to reflect a correction, as noted by Don Berno, Board Liaison that the memorandum prepared by Mercer Consulting should refer to section seven of the Investment Policy Statement, on page seven of the memorandum.

DISCUSSION ITEMS:

MONTHLY AND FISCAL YEAR TO DATE PORTFOLIO VALUE COMPARISONS
Bruce Dunn, Chief Investment Officer, presented the comparisons. A report is included, and incorporated by reference into the minutes. Comparison was made of December 2008 to November 2008, and December 2008 to June 2008. A portfolio rebalance was executed earlier in January of 2009.

Larry Price thanked Mr. Dunn and the investment staff for providing detailed numbers in the discussion of the portfolio value comparisons.

CIO REPORT DECEMBER 2008

Mr. Dunn presented the report. A written report is incorporated by reference into the minutes. A senior investment manager joining the Investment Division has been hired. The hiring of staff investment managers is now complete. All portfolios are in compliance with the Investment Policy Statement, with exceptions noted on page four of the report. A fuller discussion detailing the procedures followed in the rebalancing ensued. A meeting of the Portfolio Rebalancing Committee was convened on January 6, 2009 by Mr. Dunn to discuss a portfolio rebalancing action plan recommended by Mr. Dunn. After some discussion, Mr. Dunn indicated the senior review team of the Portfolio Rebalancing Committee consisting of Administrator Ryan, Chief Operating Officer Ray Mazzotta and Chief Fiscal & Planning Officer Tracy Valentino approved of the rebalancing action plan proposed by Mr. Dunn. The rebalancing action plan targeted the sale of $675 million in value of long duration bonds from the State Street managed portfolio and the reinvestment of $675 million in sale proceeds upon settlement into the Large Cap Equity account managed by Northern Trust. An identical asset buy/sell rebalancing strategy involving $55 million for the Disabled Workers' Relief Fund and $9 million for the Coal Workers' Pneumoconiosis Fund was also targeted. Mr. Dunn indicated the bond sales executed by State Street all occurred in the open market on January 8-9, 2009 and the equity purchases by Northern Trust occurred on January 13, 2009 upon the settlement of the bond sale proceeds. Mr. Dunn indicated he was pleased with the bond sale results and prices obtained by State Street which resulted in combined net realized gains of $30.6 million achieved for the Bureau. With the completion of this rebalancing action, the lower than targeted equity allocation and higher than targeted long duration fixed income asset allocation at market value was returned to within the target portfolio asset allocation ownership range for each trust fund consistent with the portfolio rebalancing policy stated in the investment policy. Mr. Dunn stated that he believes quick action should be taken when the decision to rebalance is made, due to rapid and unpredictable daily changes in the market. Mr. Price expressed an interest in Mercer's response to Mr.

Dunn's approach to rebalance. Guy Cooper of Mercer Consulting stated that Mercer fully supported Mr. Dunn's ideas and methods. James Harris, inquired as what was meant by "illiquid securities", on page three of the report. Mr. Dunn indicated that the Bureau owns a few securities with little or no value that are difficult to sell to any other investor. They were inherited from previously terminated outside investment managers.

MERCER REPORT ON ASSET-LIABILITY MODELING

A power point presentation was included, and is incorporated by reference into the minutes. It was noted at the outset by Richard Nuzum of Mercer Consulting there is inconsistency with the definition of the June 30, 2008 funding ratio. Deloitte used a 115% funding ratio, while Mercer calculations show a 102% funding ratio. As such, there is a thirteen percent gap. Mr. Nuzum indicated there is an issue with a (-) 3.2% additional variance in the funding ratio. As a result of these differences, Mr. Nuzum mentioned that ten percent is to be added to net asset figures and funded status numbers. The error shall be corrected, with corrections included in a report to be available by the February meeting.

Mr. Smith noted the content of the report will still be helpful with respect to understanding the concepts at issue. Ms. Falls noted the report will still permit the Board to develop a framework to guide decision making. Charles Bryan expressed a desire for the consultant discussion to include inflation rates, in particular, with regard to healthcare costs. A detailed presentation was made by Guy Cooper, Neil Cornell, Louis Finney, Kristin Finney-Cooke, and Rich Nuzum of Mercer Consulting. The discussion was led by Mr. Cooper. There is a principle assumption that equities earn at a compound rate of 8.4% over a thirty year period. Bonds earn a compound rate between 4.8% and 5.4% over a thirty year period. Discussion was made of asset mixes. Louis Finney discussed the basis for the assumptions at length. The assumptions are based upon current economic conditions and theory. Mr. Bryan entered into detailed discussion with Dr. Finney concerning assumptions. History is utilized to some extent with regard to inflation and growth. Ultimately, the assumptions are primarily based upon the consultant’s professional opinion, and investment industry standards. Mr. Cooper mentioned it is worth noting that no model will rely upon an assumption having equities losing money over a long period of time. All models utilize the assumption that equities earn more than bonds over a long period of time.

Discussion was held of five possible asset mixes, including the current asset mix, plus four alternative mixes. The alternatives included both fixed income and equity. The mix of equities includes five percent that are not public stocks, but rather 2.5% real estate and 2.5% private equity. Mr. Bryan inquired as to whether this five percent should be left out of the modeling. Mr. Smith noted that it was determined to be all inclusive at the modeling level. Mr. Smith noted that he is very interested in closely monitoring liquidity of all assets. Brief discussion was made of private equity firms. Mr. Bryan expressed concern about flaws that may have impacted probability distributions, and arriving at different numbers subsequent to every trial. More specifically, Mr. Bryan inquired as to how a specific return is arrived at for a specific year, and whether or not the modeling generates yield curves. Dr. Finney noted that they have built random number processes, starting with a random seed, so there is consistency in the trial runs, permitting comparison of portfolios across time. Ms. Falls noted the method used here is the best way to incorporate volatility, which is important. The study performed provides one thousand scenarios for how returns may be for 2008-2028. It is a probabilistic (stochastic) forecasting model. The summary of the results are on pages seven and eight of the presentation. Mr. Nuzum noted that one billion must be added to the summary figures. Mr. Dunn expressed concern over Mercer's starting funding ratio and discount rate used in the study, more specifically noted on page seven of the presentation. Ms. Falls further noted this issue needs to be revisited in the future. Mr. Bryan inquired as to whether the model includes premium collections after 2008. Mr. Cooper responded no. Mr. Smith inquired as to whether some variables need to be controlled. Mr. Bryan noted that it is important to include underwriting results. There was discussion led by Mr. Cooper of comparison of the portfolios. The discussion included probability statements about different funding ratios. There is a normal distribution to the results. There was much discussion on the discount rate and its determination.

There shall be further evaluation of method and economic representation of what happens in practice. Mr. Smith wants to see an amended report with the previously discussed inconsistency corrected and changes to the asset mixes. The asset mixes will range from 20/80 stocks/bonds to 40/60 in 5% increments. Mr. Smith wants to see additional results, with a four percent discount rate. Mr. Smith views these evaluations as a staging process. There shall be further discussion of static and smooth modeling, considering both methods, in addition to a change in rates. The revised report will be prepared for the February 2009 meeting.

ADJOURN:
Motion was made by Mr. Price, seconded by William Lhota, to adjourn the meeting at 2:05 pm. Roll call was taken and the motion passed 5-0. Mr. Caldwell was not present for the roll call.
Prepared by: Thomas Woodruff, Interim Director Self Insured Department
January 27, 2009

Ohio Bureau of Workers' Compensation
Invested Assets Market Value Comparison
TOTAL FUNDS

Asset Sector	Market Value Jan 31, 2009	% Assets	Market Value Dec 31, 2008	% Assets	Increase(Decrease) Prior Month-End	% Change	Market Value June 30, 2008	% Assets	Increase (Decrease) Prior Fiscal Year-End	% Change
Bonds	13,088,081,828	81.1%	14,516,504,293	85.0%	(1,428,422,465)	-9.8%	$13,917,829,156	79.8%	(829,747,328)	-6.0%
Equity	2,777,781,331	17.2%	2,272,151,241	13.3%	505,630,090	22.3%	3,185,174,964	18.3%	(407,393,633)	-12.8%
Net Cash - OIM	32,678,085	0.2%	35,945,398	0.2%	(3,267,313)	-9.1%	31,217,754	0.2%	1,460,331	4.7%
Net Cash - Operating	151,776,020	0.9%	154,500,486	0.9%	(2,724,466)	-1.8%	202,328,872	1.2%	(50,552,852)	-25.0%
Net Cash - MIF, PWRF, SIEGF	95,007,615	0.6%	95,662,009	0.6%	(654,394)	-0.7%	95,980,364	0.6%	(972,749)	-1.0%
Total Net Cash	279,461,720	1.7%	286,107,893	1.7%	(6,646,173)	-2.3%	329,526,990	1.9%	(50,065,270)	-15.2%
Total Invested Assets	$16,145,324,879	100%	$17,074,763,427	100%	($929,438,548)	-5.4%	$17,432,531,110	100%	($1,287,206,231)	-7.4%

OIM: Outside Investment Managers
MIF: Marine Industry Fund; **PWRE**: Public Work-Relief Employees' Fund; **SIEGF**: Self-Insured Employers' Guaranty Fund

Market Value of Bonds and Stocks includes accrued investment income.

Net Cash includes the impact of net trade receivables/payables, accrued money market earnings, and accrued investment manager fees.

January 2009/December 2008 Comparisons

- Net investment income in January 2009 was a negative $868 million representing a monthly net portfolio return of -5.0% (unaudited).

- Bond market value decrease of $1,428.4 mm comprised of a negative $9.7 mm in interest income, $628.7 mm in net realized/unrealized losses ($0.1 mm net realized gain) and $794.0 mm in OIM redemptions, offset by $4.0 mm in OIM net bond purchases (decreasing net cash balances accordingly), representing a monthly net return of -4.5% (unaudited).

- Equity market value increase of $505.6 mm comprised largely of $3.7 mm of dividend income, $236.1 mm in net realized/unrealized losses ($1.2 mm net realized loss), $739.0 mm in portfolio rebalancing purchases directed to OIM, offset by $1.0 mm in OIM stock sales (increasing net cash balances accordingly), representing a monthly net return of -8.4% (unaudited).

- Net cash balances decreased $6.6 mm in January 2009 largely due to decreased operating cash balances ($2.7 mm) and decreased OIM cash balances ($3.3 mm).
  JPMorgan US Govt. money market fund had 30-day average yield of 0.69% for January 2009 (1.18% for Dec. 08) and 7-day average yield of 0.70% on 1/31/09 (1.04% on 12/31/08).

January 2009/June 2008 FYTD Comparisons

- Net investment income FYTD of a negative $1,016 million comprised of $419 mm of investment income, $1,433 mm of net realized/unrealized losses ($147 million net realized loss) and $3 mm in fees, representing a FYTD net portfolio return of -5.7% (unaudited).

- Bond market value decrease of $830 mm FYTD comprised of $368 mm in interest income, $258 mm of net realized/unrealized losses ($78 mm net realized loss), $937 mm in OIM redemptions and $3mm in higher OIM cash balances, representing a FYTD net return of 0.7% (unaudited).

- Equity market value decrease of $407 mm FYTD comprised of $39 mm in dividend income, $1,174 mm in realized/unrealized losses ($69mm net realized loss) and $12 mm in OIM redemptions, offset by $739 mm in portfolio rebalancing purchases directed to OIM and by $1 mm in lower OIM cash balances, representing a FYTD net return of -34.3% (unaudited).

MERCER

Consulting. Outsourcing. Investments.

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

February 19, 2009

Ohio Bureau of Workers' Compensation (BWC)

Performance Review
Fourth Quarter 2008

Guy Cooper, MBA
Jordan Nault
Kweku Obed, CFA

Services provided by Mercer Investment Consulting, Inc.

Executive Summary

- At the end of the fourth quarter at a plan-wide level, the BWC held approximately $17.07 billion in assets, representing an increase of $151.6 million over the previous quarter's balance of $16.91 billion.
- During the fourth quarter, the All Funds Composite returned 3.7%, and outperformed the interim benchmark by approximately 170 basis points. Generally speaking, overall positive returns were a rare occurrence this quarter and the BWC achieved its relatively strong results through an overweight allocation of approximately 6% to long duration fixed income.
- Relative to the interim policy targets, the BWC's total portfolio held an underweight position in large cap domestic equities and overweight positions in long duration fixed income and TIPS. The overweight allocation in long duration fixed income was the driver of strong returns.

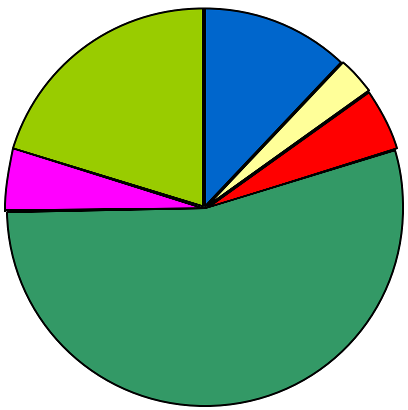
Recommendations and Observations

- Mercer continues to maintain that diversification is additive to an overall portfolio's long term strategic asset allocation.
- As part of the Asset Liability Study, Mercer is evaluating optimal diversification allocations for the BWC's portfolio
- We are currently in an environment where most asset classes have seen strong losses on an absolute basis. The BWC's heavy allocation to the fixed income market via TIPS and Long Duration Bonds boosted overall performance for the portfolio during the 4th Quarter of 2008. The equity asset class, across all capitalizations, had double digit declines during the period. The S&P 500 Index Fund was a performance detractor during the quarter
- During the 4th Quarter of 2008, we continued to see a flight to quality in the capital markets. Fixed income, particularly government backed securities, performed well compared to the equity markets during the fourth quarter. Fear of continued defaults and low consumer confidence has continued to weigh down the equity capital markets.

Performance Benchmarks
Policy Weights – Long-Term, Interim, and Actual

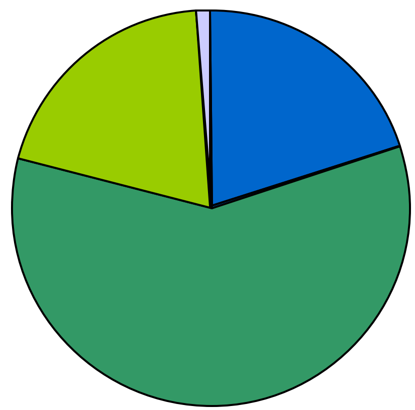
- The Long Term Policy Weights are the long term strategic weights that have been approved by the Board.
- Since the BWC's total portfolio is in the process of fully transitioning to the approved long term strategic weights as set forth in the investment guidelines, the performance of the BWC Total Assets and the State Insurance Fund will be measured against an Interim Policy benchmark. The Interim Policy represents the asset allocation that has been implemented. The benchmark will be reset when the Board approves additional implementation steps in the investment program.

Asset Allocation
As of December 31, 2008
Long Term Policy



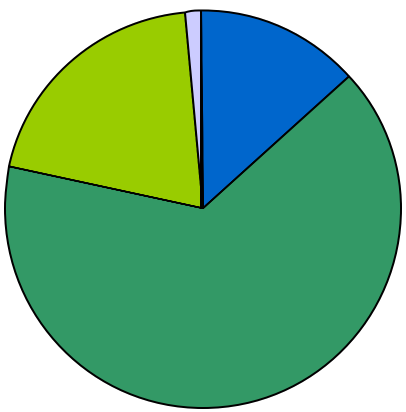
Large Domestic Equity	12.0%
Small / Mid Dom Equity	3.0%
Non US Equity	5.0%
Long Duration	54.0%
High Yield	5.0%
TIPS	20.0%
Alternative Investments	0.0%
Cash Equivalents	1.0%
Miscellaneous	0.0%

Asset Allocation
As of December 31, 2008
Interim Policy



Large Domestic Equity	20.0%
Small / Mid Dom Equity	0.0%
Non US Equity	0.0%
Long Duration	59.0%
High Yield	0.0%
TIPS	20.0%
Alternative Investments	0.0%
Cash Equivalents	1.0%
Miscellaneous	0.0%

Asset Allocation
As of December 31, 2008
Actual



Large Domestic Equity	13.3%
Small / Mid Dom Equity	0.0%
Non US Equity	0.0%
Long Duration	64.9%
High Yield	0.0%
TIPS	20.4%
Alternative Investments	0.0%
Cash Equivalents	1.4%
Miscellaneous	0.0%

BWC Total Assets
4Q 2008 Performance Summary**

	Market Value	Quarter		Annualized Returns 1 Year		3 Years		Inception to Date	
BWC Total Assets	**$17,066.2**	**3.7**	**%**	**(2.5)**	**%**	**3.4**	**%**	**4.3**	%
BWC Total Assets Policy Benchmark	--	0.4		(6.5)		2.5		2.5	
BWC Total Assets Interim Benchmark		2.0							

The long duration asset class ended the quarter with an overweight position versus its interim policy weight. Domestic equities ended the quarter with underweight positions versus the interim benchmark.

** Performance is reported gross of fees and excludes Private Equity. Please see page 20 for Private Equity returns

BWC Total Assets Interim benchmark

The Interim Policy Weights are based on the following Board approved allocations: Large Cap Domestic Equity – 19.89% (S&P 500), Long Duration Fixed Income – 58.67% (Barclays Capital Long U.S. Government/Credit Index), Inflation-Protected Securities – 19.89% (Barclays Capital U.S. TIPS), Cash – 1.32% (90-Day T-Bill), Intermediate Duration Fixed Income – 0.22% (Barclays Capital Intermediate US Government/Credit Index).

BWC Total Assets Policy benchmark

BWC Total Assets Long-Term Policy benchmark is comprised of the following allocations: Large Cap Domestic Equity – 12% (S&P 500), Small/Mid Cap Domestic Equity – 3% (Wilshire 4500), Non-U.S. Equity – 5% (MSCI EAFE), Long Duration Fixed Income – 54% (Barclays Capital Long U.S. Government/Credit Index), Inflation-Protected Securities – 20% (Barclays Captial U.S. TIPS), High Yield – 5% (Merrill Lynch High Yield Master II), Total Alternative Investments – 0% (Wilshire 5000 + 5%), Cash – 1% (90-Day T-Bill).

Economic Environment
Overview

Summary

- With the seismic disruption of the capital markets during the fourth quarter, the Volatility (or “fear”) Index (VIX) reached record levels in October and November, while much of the world no longer remained immune to what has become a global recession.
- Congress passed the Troubled Assets Relief Program (TARP) in October paving the way for a much-needed and well-publicized injection of capital into many struggling banks.
- The Federal Open Market Committee reduced the Federal Funds Target Rate three times during the fourth quarter. Over the quarter, the Fed funds target rate dropped from 2.00% to the astoundingly low current range of 0.00% to 0.25%.
- The large cap domestic equity market, as measured by the Russell 1000 Index, declined 22.5% in the fourth quarter.
- The fixed income market, as measured by the Barclays Capital U.S. Aggregate Bond Index, posted a strong 4.6% return during the fourth quarter. Longer-term issues outpaced shorter-term issues during the quarter, as the Barclays Capital Long-Term U.S. Government/Credit Index gained 13.1%.
- The ongoing flight to quality persisted during the fourth quarter as 3-month Treasury yields declined from 0.92% at the end of September to 0.11% at the end of December. Likewise, 10-year Treasury yields declined from 3.85% in September to 2.25% at the end of the quarter.
- Treasuries outperformed the rest of the market as they returned 8.8% as measured by the Barclays Capital U.S. Treasury Index. Investment-grade corporate bonds also added value as the Barclays Capital U.S. Corporate Bond Index returned 4.0%.
- AAA issues significantly outperformed lower-quality issues. High-yield bonds declined 17.9% during the fourth quarter, as measured by the Barclays Capital U.S. Corporate High Yield Index.
- Mortgages, as measured by the Barclays Capital Mortgage-Backed Securities Index, gained 4.3% during the fourth quarter.

Economic Environment
Overview

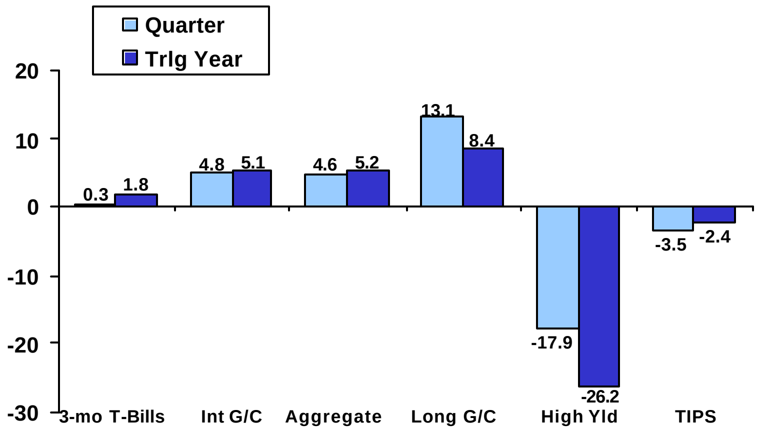
Key Issues /Potential Risks

- Over the Fourth Quarter we continued to see the systemic continuation of the financial crisis.
- Economic growth has declined from -0.5% in the third quarter of 2008 to -3.8% in the fourth quarter. Growth is expected to be negative through the first half of 2009 before a possible slight recovery in late 2009. Mercer expects annual GDP for 2009 to be -1.0%.
  - We expect the unemployment rate—currently at 7.2% to rise to 8.5% late this year.
  - Housing will continue to decline, though the rate of descent should moderate with a bottoming out possible in late 2009, but more likely in early 2010.
- Inflation declined even more dramatically in the second half of 2009. After rising 4.7% in the first seven months, the CPI fell 4.6% in the last five months.
  - We expect a few more months of negative CPI increases and year-over-year inflation should be negative through October, but we would expect 2009 to end up with 0.5% inflation.
- LIBOR spreads have improved significantly, indicating some healing in the short term credit markets. They have moved from systemic failure levels in October to severe recession levels.
- Mortgage-backed securities are fairly priced. It will be difficult for the Fed to get these yields any lower.
- Short term deflationary pressures will produce some negative short-term CPI numbers, but we expect that inflation should rebound over the next two years.

Capital Markets Overview

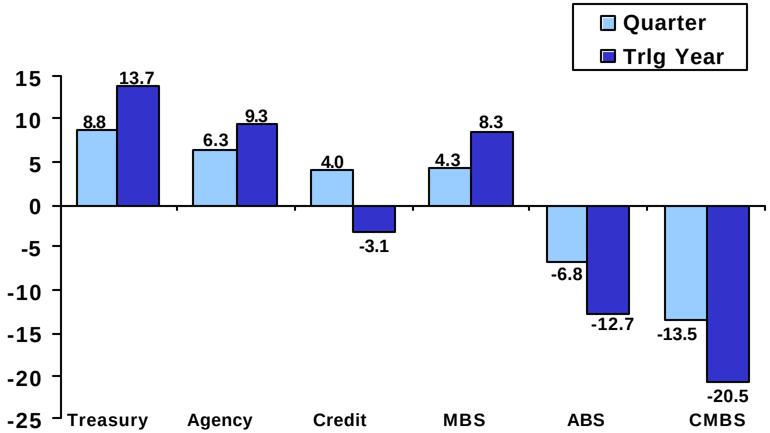
Fixed Income Market Performance

Performance by Maturity and Sector

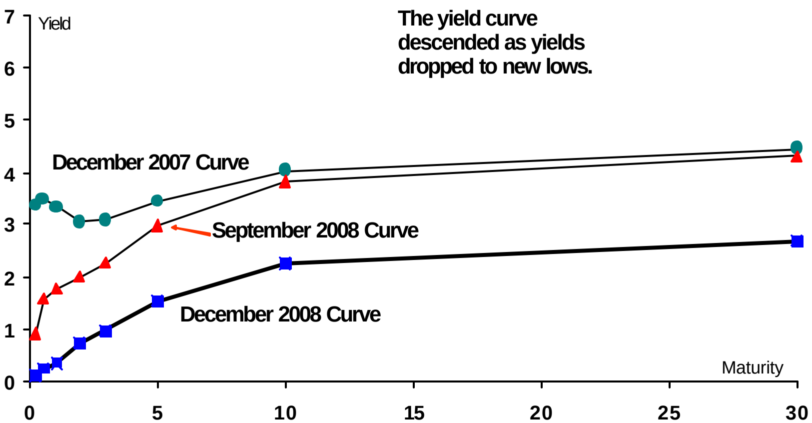


- The bond market experienced continued investor risk aversion and increased spread widening during the quarter. The Barclays Capital Aggregate Bond Index advanced 4.6%, resulting in a 5.2% gain for the year.
- Treasuries, up 8.8% for the quarter and 13.7% for the year, outperformed all spread sectors as investors' flight-to-quality drove yields down.
- The Barclays Capital Credit Index was up 4.0% for the quarter but ended the year down 3.1%. In general, long-term bonds offered the best results during the quarter but trailed intermediate-term maturity issues in 2008. By quality, BAA-rated securities were the weakest performers during the quarter and year. On average, credit spreads widened 102 basis points during the quarter.
- The Barclays Capital MBS Index gained 4.3% for the quarter and 8.3% for the year. The ABS and CMBS sectors posted losses during the quarter and declined 12.7% and 20.5% in 2008.

Performance by Issuer



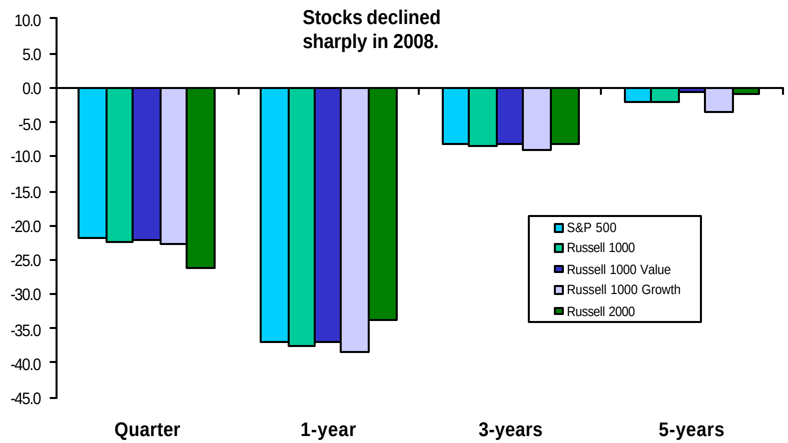
Treasury Yield Curves



Capital Markets Overview

Domestic Equity Market Performance

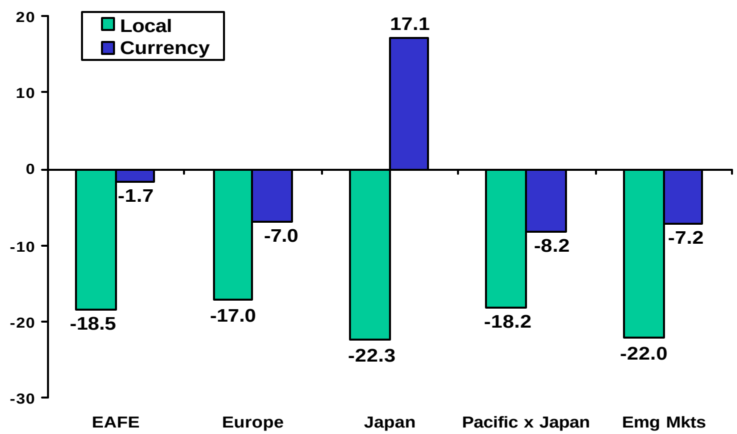
Market Index Performance



- The stock market plummeted in the fourth quarter amid ongoing problems in the credit markets and continued investor risk aversion. The S&P 500 Index fell 21.9% during the quarter and was down 37.0% in 2008, its worst year since 1937. The Russell 1000 Index lost 22.5% and 37.6% for the same periods.
- Small cap stocks, down 26.1%, underperformed large cap stocks during the quarter, but held up better over the year, losing 33.8%. Mid cap stocks posted the weakest performance, declining 27.3% for the quarter and 41.5% for the year.
- Value outperformed growth across all market capitalizations during the quarter and year, though the margin was less significant in the large cap space. For the year, losses were least severe for small cap value stocks, which fell 28.9%.
- Financials, the hardest hit sector, fell 35.1% during the quarter. For the year, financial stocks sank 52.2%. Consumer staples held up best, falling 16.5%.

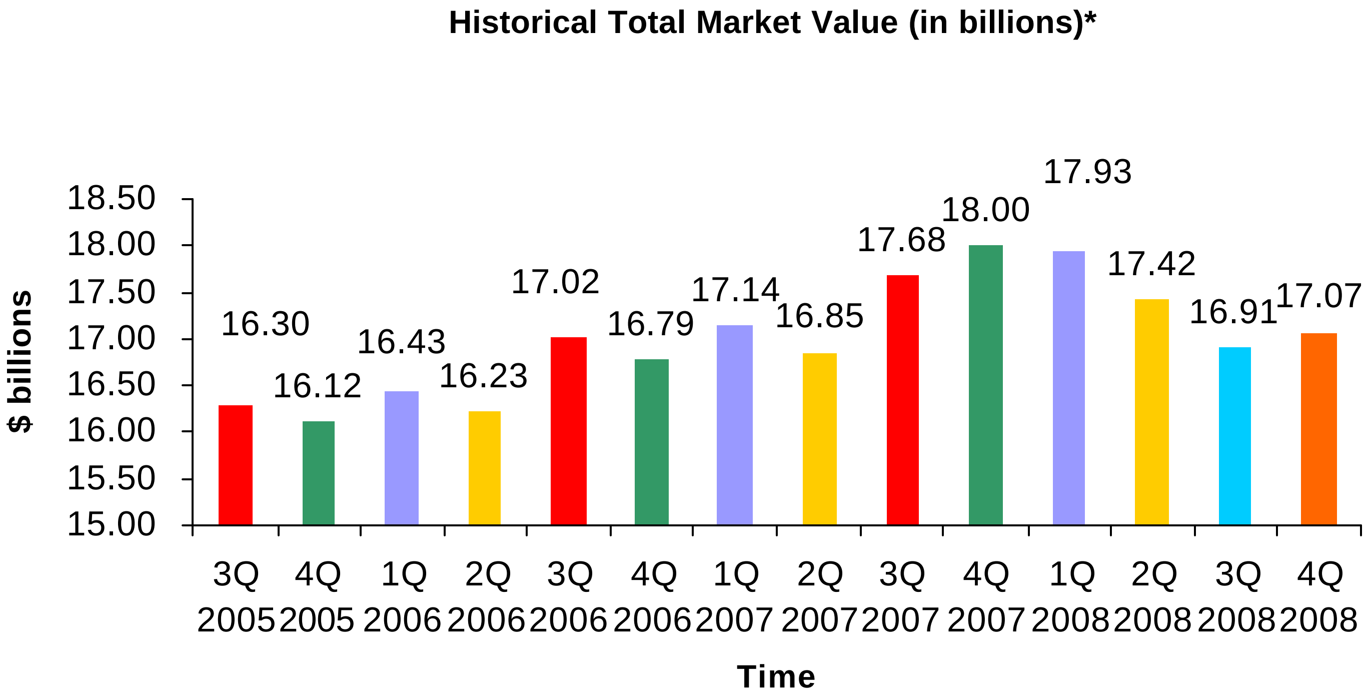
International Equity Market Performance

Regional Performance for the Quarter



- International equity markets continued on a downward spiral as the MSCI EAFE Index fell 19.9% during the quarter, resulting in a 43.1% loss for the year. In local currency terms, the Index was down 18.5% and 39.9% in dollar terms for the same periods.
- The Pacific region lost 13.8% in the fourth quarter, ending the year down 36.2%. Performance for the Pacific ex Japan region was bleaker, declining 24.9% and 50.0% for the same periods.
- Stocks in the European region were down 22.7% for the quarter and declined 46.1% for the year, with all countries reporting double-digit losses.
- Emerging market stocks were hammered as the MSCI EM Index plummeted 27.6% during the quarter. For the year, the Index was down 53.2%.

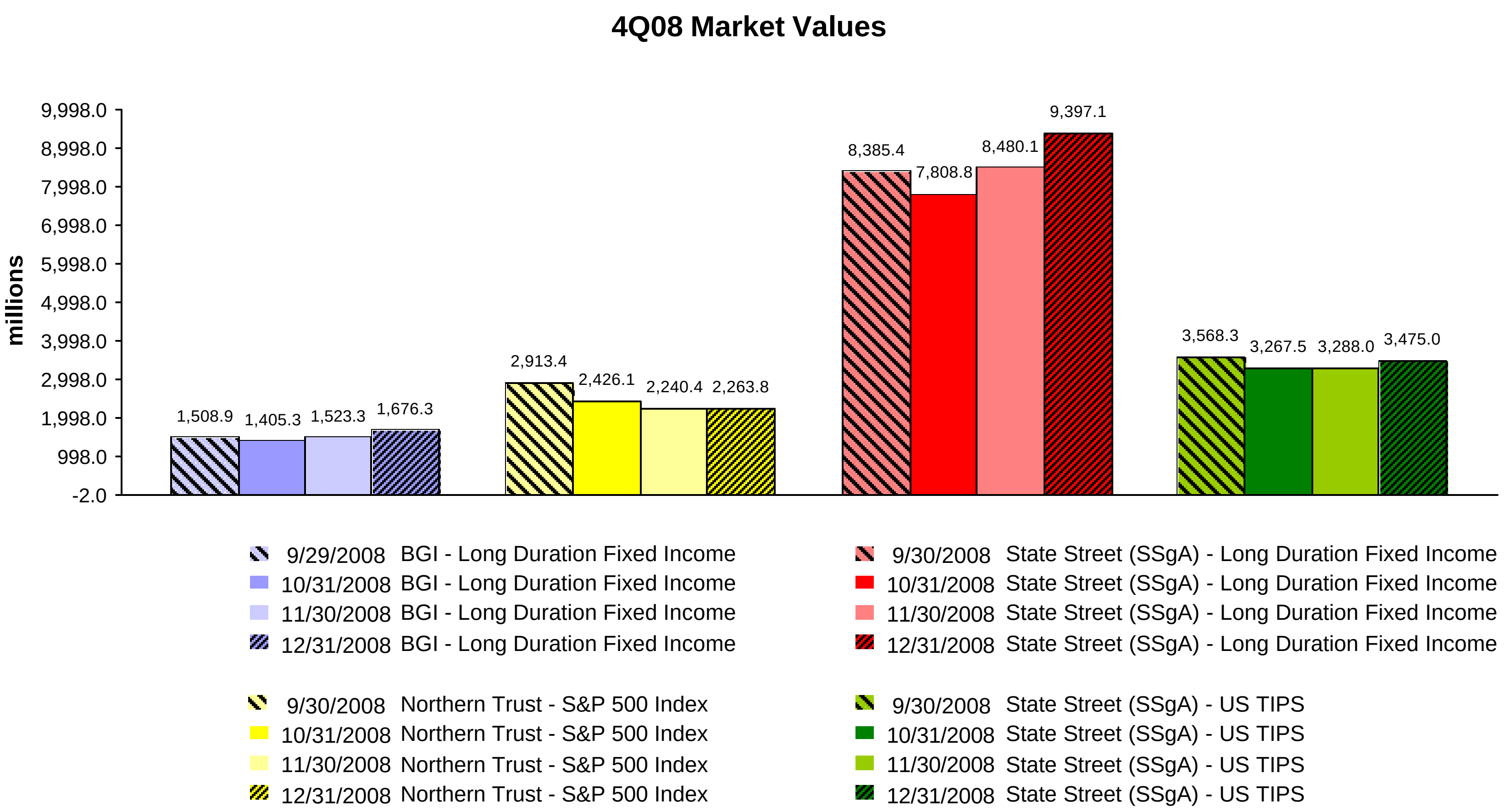
BWC Total Assets
4Q 2008 Performance Summary



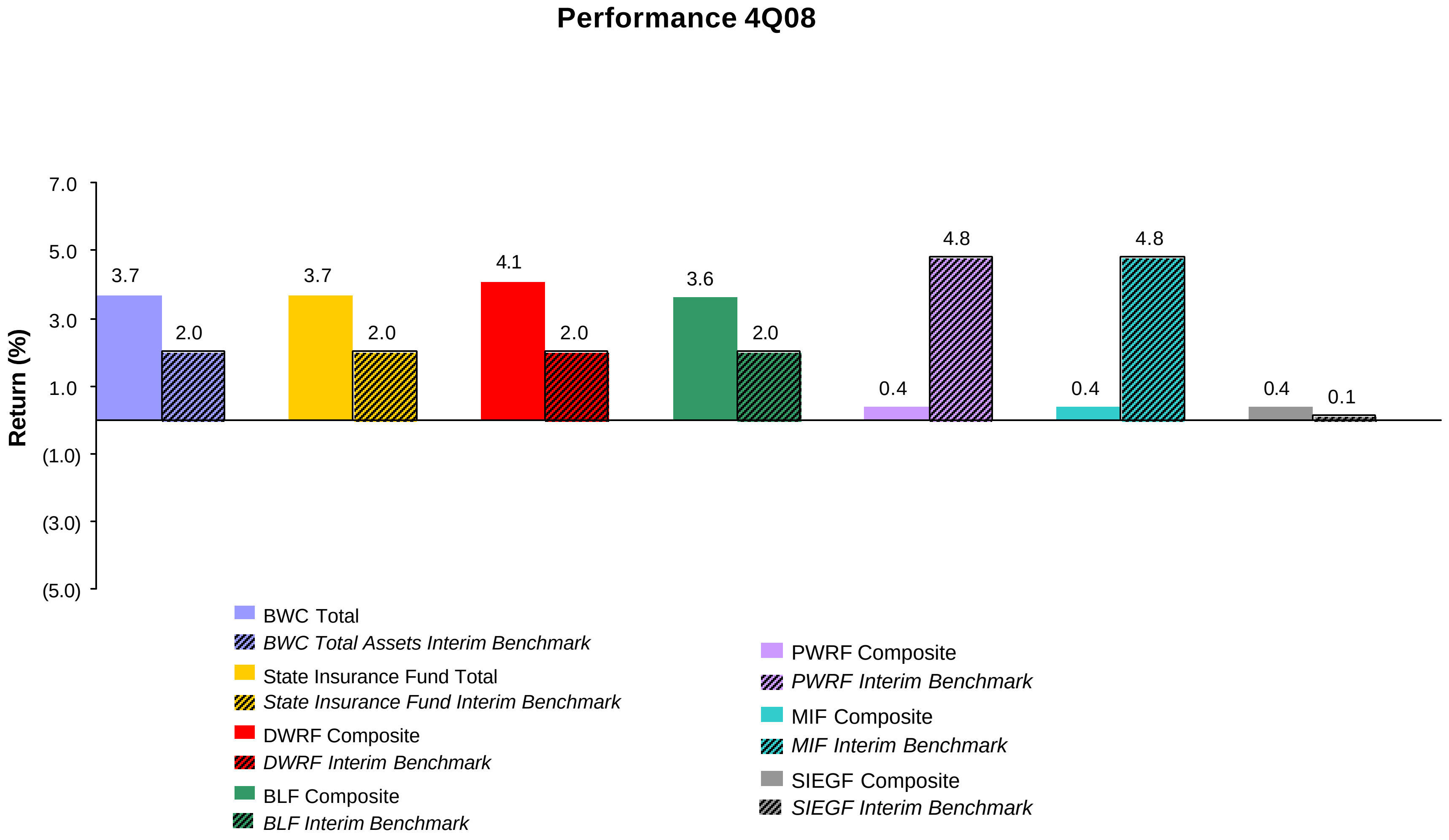
*Custodian reported market values.

BWC Total Assets – U.S. Equity, Long Duration and TIPS
4Q 2008 Performance Summary

September 2008 – December 2008 Monthly Market Values (in millions)



BWC Total Assets
4Q 2008 Performance Summary



BWC Total Assets

4Q 2008 Performance Summary**

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending December 31, 2008								**Inception**	
Total Fund	**$17,066,159,237**	**100.0%**	**3.7%**	**--**	**-2.5%**	**--**	**3.4%**	**--**	**--**	**--**	**4.2%**	**Jun-05**
All Funds Policy Benchmark			*0.4%*	*--*	*-6.5%*	*--*	*2.5%*	*--*	*--*	*--*	*2.5%*	*Jun-05*
All Funds Interim Policy Benchmark			*2.0%*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*Jun-05*
SIF Fund Composite	**$15,611,453,177**	**91.5%**	**3.7%**	**--**	**-2.6%**	**--**	**3.3%**	**--**	**--**	**--**	**4.2%**	**Jun-05**
SIF Policy Benchmark			*0.4%*	*--*	*-6.5%*	*--*	*2.5%*	*--*	*--*	*--*	*2.6%*	*Jun-05*
SIF Interim Policy Benchmark			*2.0%*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*Jun-05*
SIF Bond Composite	**$13,375,658,063**	**78.4%**	**9.2%**	**--**	**6.3%**	**--**	**--**	**--**	**--**	**--**	**7.1%**	**Dec-06**
SIF LDFI Composite	**$10,176,713,749**	**59.6%**	**13.5%**	**30**	**8.8%**	**29**	**--**	**--**	**--**	**--**	**8.3%**	**Mar-07**
Barclays Capital LT Govt/Credit			*13.1%*	*31*	*8.4%*	*29*	*5.9%*	*26*	*6.3%*	*26*	*8.0%*	*Mar-07*
Mercer Instl US Fixed Long Duration Median			*11.4%*		*5.8%*		*4.7%*		*5.6%*		*5.4%*	*Mar-07*
SSGA LDFI	$8,500,446,386	49.8%	13.5%	29	8.9%	28	--	--	--	--	8.4%	Mar-07
Barclays Capital LT Govt/Credit			*13.1%*	*31*	*8.4%*	*29*	*5.9%*	*26*	*6.3%*	*26*	*8.0%*	*Mar-07*
Mercer Instl US Fixed Long Duration Median			*11.4%*		*5.8%*		*4.7%*		*5.6%*		*5.4%*	*Mar-07*
BGI LDFI	$1,676,267,363	9.8%	13.2%	31	8.5%	29	--	--	--	--	7.9%	Mar-07
Barclays Capital LT Govt/Credit			*13.1%*	*31*	*8.4%*	*29*	*5.9%*	*26*	*6.3%*	*26*	*8.0%*	*Mar-07*
Mercer Instl US Fixed Long Duration Median			*11.4%*		*5.8%*		*4.7%*		*5.6%*		*5.4%*	*Mar-07*
SIF TIPS Composite	**$3,198,944,314**	**18.7%**	**-2.6%**	**--**	**-1.3%**	**--**	**--**	**--**	**--**	**--**	**5.1%**	**Jan-07**
Barclays Capital US Tips			*-3.5%*	*--*	*-2.4%*	*--*	*3.1%*	*--*	*4.1%*	*--*	*4.5%*	*Jan-07*
SSGA TIPS Index	$3,198,944,314	18.7%	-2.6%	--	-1.3%	--	--	--	--	--	5.1%	Jan-07
Barclays Capital US Tips			*-3.5%*	*--*	*-2.4%*	*--*	*3.1%*	*--*	*4.1%*	*--*	*4.5%*	*Jan-07*
SIF Equity Composite	**$2,094,916,124**	**12.3%**	**-21.9%**	**--**	**-37.3%**	**--**	**--**	**--**	**--**	**--**	**-18.4%**	**Dec-06**
Wilshire 5000 (Float-Adjusted)			*-22.9%*	*--*	*-37.2%*	*--*	*-8.4%*	*--*	*-1.7%*	*--*	*-18.6%*	*Dec-06*
SIF Public Equity Composite	**$2,086,646,642**	**12.2%**	**-21.9%**	**54**	**-36.9%**	**55**	**--**	**--**	**--**	**--**	**-19.7%**	**Jan-07**
S&P 500 Index (Total Return)			*-21.9%*	*56*	*-37.0%*	*57*	*-8.4%*	*62*	*-2.2%*	*80*	*-19.8%*	Jan-07
Mercer Instl US Equity Large Cap Core Median			*-21.8%*		*-36.7%*		*-7.8%*		*-1.10%*		--	Jan-07

** Performance excludes Private Equity. Please see page 20 for Private Equity returns.
Please refer to Appendix for composite inception dates.

BWC Total Assets

4Q 2008 Performance Summary**

			Ending December 31, 2008								Inception	
Name	**Current Market Value**	**Current Allocation**	**3 Mo**	**Rank**	**1 Yr**	**Rank**	**3 Yrs**	**Rank**	**5 Yrs**	**Rank**	**Return**	**Since**
Northern Trust Global Large Cap S&P 500 Index	$2,086,646,642	12.2%	-21.9%	54	-36.9%	55	--	--	--	--	-26.8%	Jul-07
S&P 500 Index (Total Return)			*-21.9%*	*56*	*-37.0%*	*57*	*-8.4%*	*62*	*-2.2%*	*80*	*-26.9%*	*Jul-07*
Mercer Instl US Equity Large Cap Core Median			*-21.7%*		*-36.7%*		*-7.8%*		*-1.1%*		*--*	*Jul-07*
Miscellaneous Holding Account	$7,180,379	0.0%	-19.2%	--	-2.0%	--	--	--	--	--	5.2%	Nov-06
Transition Account	$1,089,102	0.0%	-0.1%	--	-11.5%	--	--	--	--	--	-11.5%	Dec-07
SIF Cash Composite	**$140,878,990**	**0.8%**	**0.4%**	**--**	**2.5%**	**--**	**5.2%**	**--**	**--**	**--**	**5.0%**	**Jun-05**
91 Day T-Bills			*0.1%*	*--*	*1.3%*	*--*	*3.3%*	*--*	*2.9%*	*--*	*3.3%*	*Jun-05*
BWC Main Cash Account	$140,878,990	0.8%	0.4%	--	2.5%	--	5.2%	--	--	--	5.0%	Jun-05
91 Day T-Bills			*0.1%*	*--*	*1.3%*	*--*	*3.3%*	*--*	*2.9%*	*--*	*3.3%*	*Jun-05*
DWRF Composite	**$1,120,241,660**	**6.6%**	**4.1%**	**--**	**-2.2%**	**--**	**--**	**--**	**--**	**--**	***2.1%***	**Dec-06**
DWRF Policy Benchmark			*0.4%*	*--*	*-6.5%*	*--*	*--*	*--*	*--*	*--*	*0.4%*	*Dec-06*
DWRF Interim Policy Benchmark			*2.0%*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*Dec-06*
DWRF SSGA LDFI	$741,704,659	4.3%	13.8%	29	9.1%	25	--	--	--	--	10.0%	Oct-07
Barclays Capital LT Govt/Credit			*13.1%*	*31*	*8.4%*	*29*	*5.9%*	*26*	*6.3%*	*26*	*9.2%*	*Oct-07*
Mercer Instl US Fixed Long Duration Median			*11.4%*		*5.8%*		*4.7%*		*5.6%*		*--*	*Oct-07*
DWRF SSGA TIPS	$228,226,743	1.3%	-2.6%	--	-1.3%	--	--	--	--	--	2.0%	Oct-07
Barclays Capital US Tips			*-3.5%*	*--*	*-2.4%*	*--*	*3.1%*	*--*	*4.1%*	*--*	*1.2%*	*Oct-07*
DWRF NT S&P 500	$144,254,135	0.8%	-21.8%	54	-36.8%	53	--	--	--	--	-32.6%	Sep-07
S&P 500 Index (Total Return)			*-21.9%*	*56*	*-37.0%*	*57*	*-8.4%*	*62*	*-2.2%*	*80*	*-32.7%*	*Sep-07*
Mercer Instl US Equity Large Cap Core Median			*-21.8%*		*-36.7%*		*-7.8%*		*-1.1%*		*-32.1%*	*Sep-07*
Disabled Workers Retirement	$6,056,123	0.0%	0.5%	--	2.9%	--	5.1%	--	--	--	4.7%	Jun-05
91 Day T-Bills			0.1%	--	1.3%	--	3.3%	--	2.9%	--	3.3%	Jun-05
BLF Composite	**$238,814,406**	**1.4%**	**3.6%**	**--**	**-2.8%**	**--**	**--**	**--**	**--**	**--**	**1.8%**	**Dec-06**
BLF Policy Benchmark			0.3%	--	-6.1%	--	--	--	--	--	*0.6%*	Dec-06
BLF Interim Policy Benchmark			2.0%	--	--	--	--	--	--	--	--	Dec-06
Black Lung SSGA LDFI	$154,958,921	0.90%	13.7%	29	9.0%	28	--	--	--	--	10.0%	Oct-07
Barclays Capital LT Govt/Credit			13.1%	31	8.4%	29	5.9%	26	6.3%	26	9.2%	Oct-07
Mercer Instl US Fixed Long Duration Median			11.4%		5.8%		4.7%		5.6%		--	Oct-07

** Performance excludes Private Equity. Please see page 20 for Private Equity returns.
Please refer to Appendix for composite inception dates.

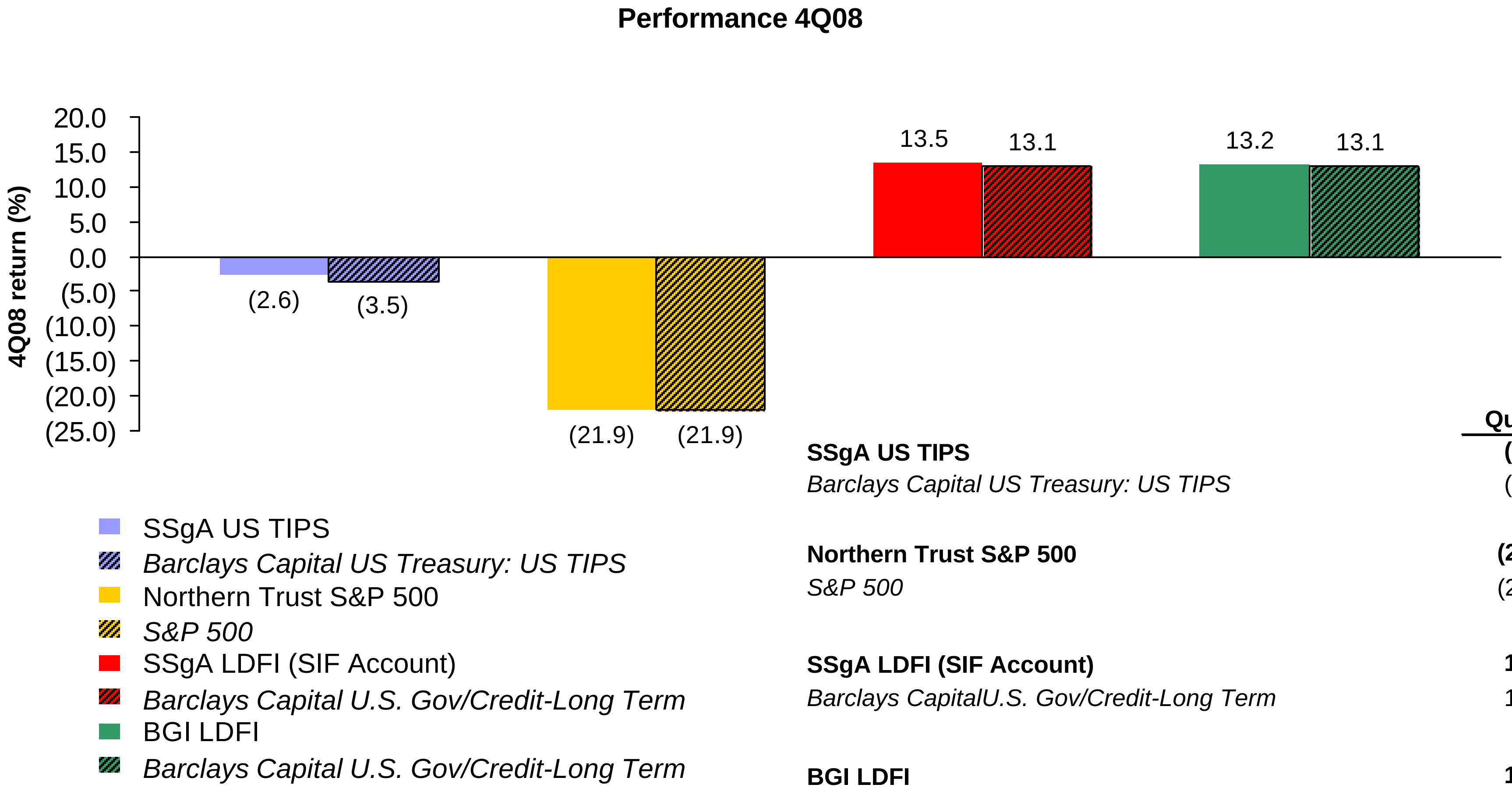
BWC Total Assets

4Q 2008 Performance Summary**

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending December 31, 2008								Inception	
Black Lung SSGA TIPS	$47,817,312	0.30%	-2.6%		-1.5%	--	--	--	--	--	1.9%	Oct-07
Barclays Capital US Tips			*-3.5%*		*-2.4%*	--	*3.1%*	--	*4.1%*	--	*1.2%*	*Oct-07*
Black Lung NT S&P 500	$32,894,400	0.20%	-21.8%	54	-36.8%	54	--	--	--	--	-32.6%	Sep-07
S&P 500 Index (Total Return)			*-21.9%*	*56*	*-37.0%*	*57*	*-8.4%*	*62*	*-2.2%*	*80*	*-32.7%*	*Sep-07*
Mercer Instl US Equity Large Cap Core Median			*-21.8%*		*-36.7%*		*-7.8%*		*-1.1%*		*-32.1%*	*Sep-07*
Black Lung	$3,143,773	0.00%	0.4%	--	2.4%	--	4.7%	--	--	--	4.6%	Jun-05
91 Day T-Bills			*0.1%*	--	*1.3%*	--	*3.3%*	--	*2.9%*	--	*3.3%*	*Jun-05*
PWRF Composite	**$22,790,286**	**0.10%**	**0.4%**	**--**	**2.4%**	**--**	**--**	**--**	**--**	**--**	**3.0%**	**Dec-06**
PWRF Policy Benchmark			4.8%	--	5.0%	--	--	--	--	--	7.3%	Dec-06
PWRF Interim Policy Benchmark			4.8%	--	--	--	--	--	--	--	--	Dec-06
Public Workers Relief Fund	$22,790,286	0.10%	0.4%	--	2.4%	--	3.5%	--	--	--	3.4%	Jun-05
91 Day T-Bills			*0.1%*	--	*1.3%*	--	*3.3%*	--	*2.9%*	--	*3.3%*	*Jun-05*
MIF Composite	**$17,108,780**	**0.10%**	**0.4%**	**--**	**2.4%**	**--**	**--**	**--**	**--**	**--**	**3.0%**	**Dec-06**
MIF Policy Benchmark			4.8%	--	5.0%	--	--	--	--	--	7.3%	Dec-06
MIF Interim Policy Benchmark			4.8%	--	--	--	--	--	--	--	--	Dec-06
Marine Account	$17,108,780	0.10%	0.4%	--	2.4%	--	3.6%	--	--	--	3.7%	Jun-05
91 Day T-Bills			*0.1%*	--	*1.3%*	--	*3.3%*	--	*2.9%*	--	*3.3%*	*Jun-05*
SIEGF Composite	**$55,750,927**	**0.30%**	**0.4%**	**--**	**2.4%**	**--**	**--**	**--**	**--**	**--**	**3.8%**	**Dec-06**
SIEGF Policy Benchmark			0.1%	--	1.3%	--	--	--	--	--	2.9%	Dec-06
SIEGF Interim Policy Benchmark			0.1%	--	--	--	--	--	--	--	--	Dec-06
Self Insured Bond Fund	$55,750,927	0.30%	0.4%	--	2.4%	--	4.2%	--	--	--	4.1%	Jun-05
91 Day T-Bills			*0.1%*	--	*1.3%*	--	*3.3%*	--	*2.9%*	--	*3.3%*	*Jun-05*

** Performance excludes Private Equity. Please see page 20 for Private Equity returns.
Please refer to Appendix for composite inception dates.

BWC Total Assets - U.S. Equity, Long Duration and TIPS
4Q 2008 Performance Summary



	Quarter
SSgA US TIPS	**(2.6)**
Barclays Capital US Treasury: US TIPS	(3.5)
Northern Trust S&P 500	**(21.9)**
S&P 500	(21.9)
SSgA LDFI (SIF Account)	**13.5**
Barclays CapitalU.S. Gov/Credit-Long Term	13.1
BGI LDFI	**13.2**
Barclays Capital U.S. Gov/Credit-Long Term	13.1

BWC Total Assets - U.S. Equity
4Q 2008 Performance Summary

- **The Northern Trust S&P 500 Index Fund** is held by the State Insurance Fund, the Black Lung Fund and the Disabled Workers' Relief Fund:
  - During the fourth quarter, Northern Trust returned -21.9% and approximated the S&P 500 Index.
  - At the end of the quarter, Northern Trust ranked in the 54th percentile* of the Mercer US Equity Large Cap Core Universe.
  - Northern Trust's ranking in the 54th percentile of the Mercer US Equity Large Cap Core Universe is in line with our expectations for a passively managed fund.

* A ranking in the 1st percentile denotes strong performance i.e. a manager has outperformed 99 percent of the peer group universe. Conversely, a ranking in the 99th percentile denotes lagging performance i.e. a manager has only outperformed 1 percent of the peer group universe. For Index funds a 50th percentile is in-line with expectations as an index should perform within a very small tracking error to the benchmark.

BWC Total Assets - Long Duration Fixed Income

4Q 2008 Performance Summary

- **The State Street Long Duration Fund (SSgA LDFI)** is held in the State Insurance Fund, the Disabled Workers Fund and the Black Lung Fund.
  - In the **State Insurance Fund**, the SSgA Long Duration portfolio returned 13.5% while the Barclays Capital US Long Govt / Credit index returned 13.2%.
    - At the end of the third quarter, State Street's Long Duration portfolio ranked in the 29th percentile* of the Mercer US Fixed Long Duration Universe.
    - For the trailing one year period (ending December 31, 2008), SSgA has outperformed the Barclays Capital US Long Govt / Credit index by 50 basis points.
  - In the **Disabled Workers Fund**, the SSgA Long Duration portfolio returned 13.8% while the Barclays Capital US Long Govt / Credit index returned 13.2%.
    - For the trailing one year period (ending December 31, 2008), SSgA has outperformed the Barclays Capital US Long Govt / Credit index by 70 basis points.
  - In the **Black Lung Fund**, the SSgA Long Duration portfolio returned 13.7% while the Barclays Capital US Long Govt / Credit index returned 13.2%.
    - For the trailing one year period (ending December 31, 2008), SSgA has outperformed the Barclays Capital US Long Govt / Credit index by 60 basis points.

* A ranking in the 1st percentile denotes strong performance i.e. a manager has outperformed 99 percent of the peer group universe. Conversely, a ranking in the 99th percentile denotes lagging performance i.e. a manager has only outperformed 1 percent of the peer group universe. For Index funds a 50th percentile is in-line with expectations as an index should perform within a very small tracking error to the benchmark.

BWC Total Assets - Long Duration Fixed Income
4Q 2008 Performance Summary

- **The Barclays Long Duration Fund (BGI LDFI)** is held in the State Insurance Fund.
  - Over the trailing 3 months (ending December 31, 2008) Barclays returned 13.2% and exceeded the benchmark by 10 basis points.
  - At the end of the fourth quarter, Barclay's Long Duration portfolio ranked in the 31st percentile* of the Mercer US Fixed Long Duration Universe (in line with our expectations).
  - For the trailing one year period (ending December 31, 2008), Barclays has approximated the Barclays Capital US Long Govt / Credit index.

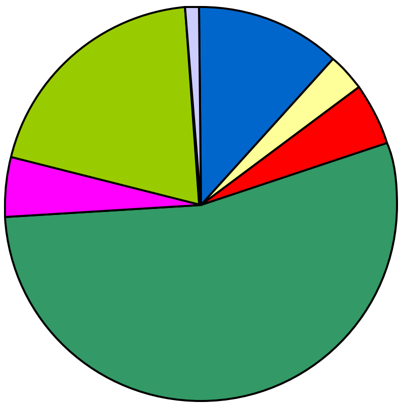
* A ranking in the 1st percentile denotes strong performance i.e. a manager has outperformed 99 percent of the peer group universe. Conversely, a ranking in the 99th percentile denotes lagging performance i.e. a manager has only outperformed 1 percent of the peer group universe. For Index funds a 50th percentile is in-line with expectations as an index should perform within a very small tracking error to the benchmark.

BWC Total Assets - TIPS
4Q 2008 Performance Summary

- **The State Street TIPS Index Fund (SSgA TIPS)** is held in the State Insurance Fund, Disabled Workers Relief Fund and the Black Lung Fund
  - During the period ending December 31, 2008, the SSgA TIPS Fund returned -2.6% and outperformed the Barclays Capital US TIPS Index which returned -3.5%.
  - Over the trailing 1-year period the SSgA TIPS Fund returned -1.3% and outperformed the Barclays Capital US TIPS Index by 90 basis points.

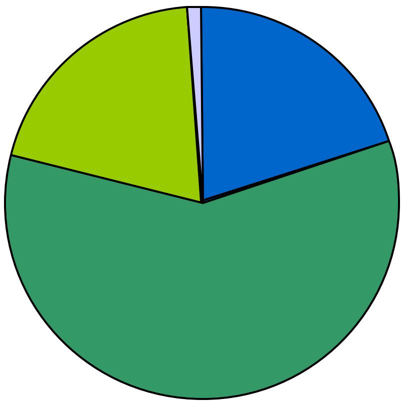
State Insurance Fund
4Q 2008 Performance Summary

Asset Allocation
As of December 31, 2008
Long Term Policy



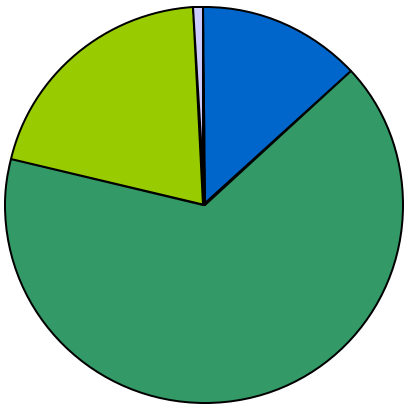
Large Domestic Equity	12.0%
Small / Mid Dom Equity	3.0%
Non US Equity	5.0%
Long Duration	54.0%
High Yield	5.0%
TIPS	20.0%
Alternative Investments	0.0%
Short Term Investments	1.0%
Miscellaneous	0.0%

Asset Allocation
As of December 31, 2008
Interim Policy



Large Domestic Equity	20.0%
Small / Mid Dom Equity	0.0%
Non US Equity	0.0%
Long Duration	59.0%
High Yield	0.0%
TIPS	20.0%
Alternative Investments	0.0%
Short Term Investments	1.0%
Miscellaneous	0.0%

Asset Allocation
As of December 31, 2008
Actual



Large Domestic Equity	13.4%
Small / Mid Dom Equity	0.0%
Non US Equity	0.0%
Long Duration	65.2%
High Yield	0.0%
TIPS	20.5%
Alternative Investments	0.0%
Short Term Investments	0.9%
Miscellaneous	0.1%

State Insurance Fund
4Q 2008 Performance Summary

- The State Insurance Fund Total has assets of approximately $15.61 billion at the end of the fourth quarter representing an increase of $105.4 million over the previous quarter.
- The State Insurance Fund returned 3.7% in the fourth quarter and outperformed the Interim benchmark by 170 basis points.
- At the end of the fourth quarter, relative to its Interim benchmark weights, the State Insurance Fund Total held an underweight position in large cap domestic equities while the fund held overweight positions in long duration bonds and TIPS.
- The Fund saw relatively strong performance during the period due to the overweight position in long duration bonds.

State Insurance Fund
4Q 2008 Performance Summary

			Annualized Returns		
	Market Value	Quarter	1 Year	3 Years	Inception to Date
State Insurance Fund Total	**15,611.5**	**3.7 %**	**(2.6) %**	**3.3 %**	**4.2 %**
SIF Policy Benchmark	--	**0.4**	(6.5)	2.5	2.6
SIF Interim Benchmark		**2.0**			

SIF Interim Benchmark

- The Interim Policy Weights are based on the following Board approved allocations: Large Cap Domestic Equity – 20% (S&P 500), Long Duration Fixed Income – 59% (Barclays Capital Long U.S. Government/Credit Index), Inflation-Protected Securities – 20%(Barclays Capital U.S. TIPS), Cash – 1% (90-Day T-Bill).

SIF Policy Benchmark

- The State Insurance Fund Long-Term Policy benchmark is comprised of the following allocations: Large Cap Domestic Equity – 12% (S&P 500), Small/Mid Cap Domestic Equity – 3% (Wilshire 4500), Non-U.S. Equity – 5% (MSCI EAFE), Long Duration Fixed Income – 54%(Barclays Capital Long U.S. Government/Credit Index), High Yield – 5% (Merrill Lynch High Yield Master II), Inflation-Protected Securities – 20% (Barclays Capital U.S. TIPS). Total Alternative Investments – 0% (Wilshire 5000 + 5%), Cash – 1% (90-Day T-Bill).

Private Equity
3Q 2008 Performance Summary**

*Performance Measurement Periods:

Buyout Fund: May 1999 - Sept 2008

Fund of Funds: Dec 2000 - Sept 2008

Mezzanine Funds: Oct 1998 - Sept 2008

Venture Capital: Dec 2000 - Sept 2008

Partnership	BWC Commitment	BWC Contributions to Date [1]	Distributions	Market Value as of 9/30/08 [2]	Net Annualized IRR	Upper Quartile [3]	Median	Lower Quartile
Buyout Fund Total	$282,497,067	$241,461,056	$330,729,240	$0	14.09%	18.00%	7.80%	-0.10%
Fund of Funds Total	$100,000,000	$79,267,336	$81,065,091	$0	3.22%	0.18%	-4.40%	-13.56%
Mezzanine Total	$60,000,000	$63,433,079	$66,254,425	$0	-1.46%	12.80%	7.30%	1.30%
Venture Capital Total	$371,642,000	$289,647,389	$235,453,150	$1,882,864	-11.45%	14.90%	4.80%	-2.00%
Total	$814,139,067	$673,808,861	$713,501,906	$1,882,864	2.12%	15.40%	5.90%	-1.40%

- As of September 30, 2008, the Ohio BWC's total private equity portfolio had an estimated internal rate of return (IRR) of 2.12%. This return was below the median IRR of 5.90%.**
- The buyout fund's composite IRR (as of September 30, 2008) was 14.09% as compared to an 7.80% median IRR for buyout funds with similar vintage years.
- The Ohio BWC's fund-of-fund composite IRR (as of September 30, 2008) was 3.22% as compared to a -4.40% median IRR for fund-of-funds with similar vintage years.
- The BWC's mezzanine fund composite IRR (as of September 30, 2008) was -1.46% as compared to a 7.30% median IRR for mezzanine funds with similar vintage years.
- The BWC's venture capital partnerships had an overall composite level IRR of -11.45% at the end of the third quarter in 2008 and trailed the 4.80% median IRR for venture capital funds with similar vintage years.

**Calculated using Venture Xpert's IRR data by vintage year for all private equity weighted according to the BWC's weighted average allocation by vintage year. Please refer to the performance disclosures in the Appendix.

Appendix

Appendix
Inception Dates

Composite	Inception Date *
BWC Total Fund	July-05
State Insurance Fund Total	July-05
Disabled Workers Fund	January-08
Black Lung Fund	January-08
Public Workers' Relief Fund	January-08
Marine Industry Fund	January-08
Self Insured Employers Guarantee Fund	January-08

* Denotes commencement day of performance measurement

Private Equity
Performance Disclosures

1) BWC contributions to date (September 30, 2008) reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.
2) Market values utilized are provided by the general partner, when available. In the instances when managers did not provide market values as of September 30, 2008, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to September 30, 2008, accounting for contributions and distributions during the interim time period.
3) As a benchmarking measure, the upper quartile, median, and lower quartile of IRRs at the composite level is presented for each fund category as taken from Venture Xpert. Data is as of September 30, 2008. Venture Xpert's returns are representative of the following periods:

   Buyout Fund: 1999-2008

   Fund of Funds: 2000-2008

   Mezzanine Funds: 1998-2008

   Venture Capital: 2000-2008

   Total: The total upper quartile, median quartile, and lower quartile values are weighted average IRRs calculated by taking Venture Xpert's upper, median, and lower quartile by vintage year and weighting those values according to BWC's weighted average allocation by vintage year for their private equity portfolio.

Important Information, Datasource Acknowledgements and Disclaimers

Investment advisory services provided by Mercer Investment Consulting, Inc.

Returns for periods greater than one year are annualized. Returns are calculated gross of investment management fees, unless noted.

Style analysis graph time periods may differ reflecting the length of performance history available.

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BWC Investment Division
Transition Management RFP
BLACKOUT PERIOD NOTIFICATION

In order to maintain the integrity of the Request For Proposal ("RFP") process, it is important that the BWC Board of Directors and BWC Staff enter into a "blackout period" as it relates to the anticipated Transition Manager search. BWC Board Members and Staff should refrain from discussing any aspect of the anticipated Transition Manager RFP with any respondent or potential respondent to the RFP, other than as permitted under the terms of the RFP.

The blackout period begins effective immediately. The Transition Manager RFP is anticipated to be issued February 19, 2009.

The blackout period will end upon the finalist(s) entering into a contract with the BWC.

This is the BWC's general notification of a blackout period for the anticipated Transition Manager search in 2009.

Ohio Bureau of Workers' Compensation

Investment Portfolio Transition Management RFP Timeline

February 19, 2009

BWC Investment Division

Why RFP for Transition Manager(s)?

The BWC is currently contracted through October 2009 with Barclays Global Investors and State Street Global Markets for transition management optional-use services.

In anticipation of a new/revised Investment Policy Statement and resulting asset allocation, a need for transition manager services will be required beyond October 2009.

This RFP* will establish a pool of managers for the BWC's anticipated transitions as a result of the new/revised asset allocation.

**The BWC has received approval from the Ohio Department of Administrative Services (DAS) to administer this RFP.*

Investment Portfolio Transition Manager RFP

Timeline	Date
Advertisement of RFP	02/09/09 - 03/06/09
Investment Committee and Board Meeting	**02/19/09 - 02/20/09**
RFP Issue Date *Blackout Period Begins*	02/19/09
RFP Proposals Due - 2 p.m. EDT Qualified Bid Respondent(s) Announced	03/19/09
Investment Committee and Board Meeting	**03/19/09 - 03/20/09**
Evaluation Committee Review of Proposals	03/20/09 - 05/01/09
Investment Committee and Board Meeting	**04/29/09 - 04/30/09**
Finalists Identified	05/04/09 - 05/28/09
Investment Committee and Board Meeting	**05/28/09 - 05/29/09**
Anticipated Contract(s) Executed with Transition Manager(s) *Blackout Period Ends*	06/01/09 - 06/19/09

Ohio Bureau of Workers' Compensation
Request for Proposal for Services of a
Transition Management Provider

The Ohio Bureau of Workers' Compensation is seeking qualified transition managers to provide transition management services for possible future transitions. Through the RFP process, the Ohio Bureau of Workers' Compensation (BWC) intends to select one or more transition management providers, thereby creating a pre-approved transition provider pool.

If qualified, please log onto www.ohiobwc.com click on "About BWC" then click "Competitive Bids" for a copy of the RFP. RFP will be available February 19, 2009.

This advertisement will run in the February 9 and February 23, 2009 editions of Pensions and Investments magazine.

Blackout Period

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INVESTMENT DIVISION

TO: Marsha Ryan, Administrator
BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

DATE: February 13, 2009

SUBJECT: CIO Report January, 2009

Fiscal Year 2009 Goals

The Investment Division has five major goals for the new fiscal year 2009. These goals and brief comments on action plans for each goal follows:

1. Provide support and execute new BWC Investment Policy resulting from Asset-Liability study

2. Achieve full staffing of BWC Investment Division with continued training of developing staff

3. Continued establishment and execution of investment controls and compliance procedures

4. Complete implementation and utilization of resources provided by new investment accounting and compliance/analytics system

5. Sell remaining miscellaneous investment assets

Strategic Goal One – PORTFOLIO TRANSITION

BWC investment consultant Mercer will be formulating an asset-liability study and related investment strategy recommendations to be presented to the BWC Investment Committee. The BWC Investment Division will provide whatever support is needed by Mercer in terms of background and information necessary for Mercer to complete its asset-liability study of the Bureau and its investment strategy recommendations. Once a new investment strategy is approved by the BWC Investment Committee and Board of Directors, the Investment Division will assist Mercer and the Investment Committee in developing a new or revised Investment Policy Statement reflecting the newly approved investment strategy.

The Investment Division in consultation with Mercer will employ a thorough and complete RFP process for each new outside investment manager search required to execute the new investment strategy. Given the assumption that multiple RFP processes will be necessary to execute the new investment strategy, a prioritization of the timing of RFP issuances will occur with the approval of the Investment Committee. Each RFP process is expected to result in investment manager recommendations to be presented for approval by the respective RFP evaluation committee to the Investment Committee and Board of Directors.

After each new investment manager for each identified investment asset class mandate is selected and approved, the Investment Division will coordinate the transfer of appropriate invested assets from the legacy investment manager to the new investment manager. It is expected that the Bureau will engage with its approved transition managers for the execution of each of its asset manager transfer strategies. The Investment Division will oversee the timing and execution of each targeted transition with the goal of achieving such asset transition with efficiency and at a low economic cost.

<u>Strategic Goal Two – INVESTMENT STAFF</u>

The Investment Division began fiscal year 2009 commencing July 1, 2008 with a staff of ten individuals consisting of the CIO, Director of Investments, Investment Administration Manager, one Senior Investment Manager, one Investment Manager, three Assistant Investment Managers, one administrative assistant and one executive secretary. The one vacancy within the Investment Division at the start of fiscal year 2009 was for a second Senior Investment Manager. Second stage interviews were concluded in October, 2008 for the second Senior Investment Manager. A finalist candidate was offered the position of Senior Investment Manager and accepted such offer. This new Senior Investment Manager recently joined the Investment Division on February 2, 2009.

There will be a proper emphasis on the training of staff investment professionals to become more effective managers. Continuous investment education and an appropriate emphasis on CFA (Chartered Financial Analyst) related programs and study will be encouraged and supported. The number of investment professionals on staff who have achieved the CFA accreditation now totals seven with the addition of the chosen second Senior Investment Manager in February, 2009. The cross-training of many duties assigned to respective staff members will occur to broaden skill sets and ensure necessary backup support. Each investment professional on staff is expected to serve the needs of the Bureau and its customers with the highest of integrity, ethics and competence.

Strategic Goal Three – INTERNAL INVESTMENT PROCEDURES

The Investment Division will continue to establish and improve upon internal investment procedures and controls. All such procedures will be written and mapped through the use of the Webmethods schematic process. The BWC Internal Audit Division will be engaged as appropriate in auditing the Investment Division in such internal control procedures.

The Investment Division has focused on the management oversight of the passive style investment managers, compliance, analytics and performance reporting as well as other investment activities to support the BWC Investment Policy. Internal procedures are being developed for the monitoring of active style investment managers in advance of the anticipated selection and engagement of any such managers as an outcome of any new active investment strategy approved. Among new policies and procedures being addressed are brokerage activity, proxy actions, corporate actions, legal class actions and asset allocation rebalancing.

Strategic Goal Four – INVESTMENT ACCOUNTING SYSTEM RESOURCES UTILIZATION

A new investment accounting and compliance/analytics reporting system offered by BNY Mellon was selected by the Bureau in 2007 via the RFP process. The Investment Division is focusing on the goal of utilizing this improved investment accounting system for the daily monitoring of investment managers in satisfaction of compliance with the BWC Investment Policy. The investment staff has now either learned or is well into the process of learning how to utilize many of the compliance, analytics and performance measurement tools and resources offered by this accounting system through both formal training sessions and self education. The BWC Internal Audit Division validated in October, 2008 that the compliance measurement tools of this investment accounting system have been implemented and are being utilized by the Investment Division.

Strategic Goal Five – MISCELLANEOUS INVESTMENT ASSET SALES

It is a strategy and goal of the Investment Division to sell or liquidate during fiscal year 2009 most or all remaining miscellaneous investment assets of value owned by the Bureau. Miscellaneous assets are defined to include private equity, coins, stock distributions received from formerly owned private equity partnerships, and illiquid securities inherited and retained from previously terminated outside investment managers. The aggregate carrying value of these miscellaneous assets targeted for disposal was approximately $6 million on January 31, 2009.

At the end of fiscal year 2008 ending June 30, 2008, a total of 66 private equity partnerships had been sold by BWC since June, 2007 for total proceeds received of $399.0 million. All such proceeds received from private equity sales were reinvested in the passive indexed Large Cap S&P 500 Equity portfolio currently managed by Northern Trust. The last remaining private equity fund investment targeted for sale was sold in October, 2008 for proceeds of $0.9 million. There currently remains one private equity partnership that is being liquidated via its own portfolio asset sales and resulting cash distributions to its investors during fiscal year 2009. A significant cash distribution of $1.02 million was in fact received by BWC in September, 2008 from this fund being liquidated, reducing its carrying value to $0.2 million. A final summary report of the private equity sale process and results was presented at the Investment Committee meeting on November 20, 2008.

A substantial distribution of cash totaling approximately $12.1 million was received by the Bureau in July, 2008 from the coin fund liquidation firm contracted by the State of Ohio to oversee the liquidation of remaining coin fund related assets associated with Tom Noe. As a result of this significant coin fund distribution, the Bureau has now received a total of approximately $53.5 million, net of coin-related expenses paid directly by the Bureau. All remaining unencumbered coin and collectible assets not reserved for litigation claims have now been liquidated with the recent completion of several small auctions and a direct sale transaction with a dealer. There are believed to be sufficient funds retained in a capital coin fund bank account, managed by the coin fund liquidation firm, to pay future projected professional fees and litigation settlements.

The Investment Division has engaged under contract one of its transition managers in February, 2009 for the purpose of selling most of the remaining miscellaneous asset securities of BWC that are deemed tradeable and have been determined to have a market value. A summary of the result of these targeted miscellaneous asset security sales will be provided in the February, 2009 CIO Report presented in March, 2009.

Compliance

The investment portfolios in the aggregate were in compliance with the BWC Investment Policy at the end of January, 2009.

Investment Manager Cash Redemptions / Portfolio Rebalancing

The Investment Division and Fiscal and Planning Division developed a specific internal cash management strategy and redemption plan in November, 2008 for the purpose of assuring that sufficient cash balances would be available into January, 2009. The period of December and most of January is historically a cyclical period of significantly declining cash balances for the State Insurance Fund whereby operating expenses significantly exceed premium revenue. Such trend typically reverses itself by the end of January and into February of each year as premium collections accelerate. In recent years, redemptions averaging around $150 million were required in December from one or more outside investment managers of SIF in order to have sufficient cash balances available to fund all obligations through January.

As a result of this cash redemption strategy, cash was redeemed by the Bureau from its outside managers totalling $155.3 million for the months of November and December, 2008 without incurring any realized losses from sales of portfolio securities. A total of $147.5 million of redemptions occurred from the State Insurance Fund (SIF), with the Disabled Workers' Relief Fund (DWRF) and Coal Workers' Pneumoconiosis Fund (CWPF) portfolios redeeming $ 6.5 million and $1.3 million, respectively. A total of $135 million redeemed by SIF was the result of redeeming cash interest payments received on its two Long Duration (LDFI) portfolios managed by State Street and Barclays.

The Portfolio Rebalancing Committee of the Bureau agreed in principle at its January 6, 2009 meeting to redeem cash interest payments received from the LDFI portfolios of SIF, DWRF and CWPF portfolios managed by State Street and the SIF LDFI portfolio managed by Barclays for operational liquidity purposes over each of the first three months of 2009, with any excess cash not needed for operations to be reinvested in the S&P 500 index portfolios managed by Northern Trust.

In addition, the portfolio rebalancing program approved by the Portfolio Rebalancing Committee at its January 6, 2009 meeting that was subsequently executed between January 8-13, 2009 resulted in some excess cash proceeds generated from LDFI bond sales above the approved amounts targeted for reinvestment in the S&P 500 index funds by the Committee. Such excess cash proceeds totalled $30.6 million, including $27.1 million for SIF.

A total of $55.0 million in accumulated cash from these bond sales and bond interest payments received were redeemed from the State Street LDFI account at the end of January, 2009, consisting of $50.0 million for SIF, $4.0 million for DWRF and $1.0 million for CWPF. Only the amounts redeemed in the DWRF and CWPF LDFI accounts were reinvested in their respective S&P 500 funds. The $50 million redeemed from the SIF LDFI account was transferred to the operating cash account of SIF in order to build additional liquidity as protection against the possibility of lower than anticipated premium payments due in February, 2009.

Cash interest payments from the LDFI portfolios for the months of February-March 2009 are projected to be around $120 million for SIF, $9 million for DWRF and $2 million for CWPF. The Chief Investment Officer and the Chief Fiscal & Planning Officer will be closely reviewing the operational liquidity needs of these three accounts periodically during February and March to determine what portion of this projected cash to be redeemed can be reinvested in the respective S&P 500 index portfolios managed by Northern Trust.

Transition Management Services RFP

BWC currently has optional use contracts outstanding with two transition managers, State Street and Barclays. These two current transition manager optional use contracts with State Street and Barclays expire on October 31, 2009 with up to a six-month extension for any specific asset transition activity occurring at each expiration date.

Because these contract expirations in October, 2009 will likely occur when one or more investment manager RFP blackout periods and/or portfolio transitions may also be occurring, the Investment Division intends to issue an RFP and complete a new search for transition managers in advance of the need for specific identified transition manager services. Transition manager services and requisite trading activities will be coordinated with the implementation of the new BWC asset allocation investment strategy approved by the Board of Directors that emerges from the Mercer asset-liability modelling recommendations. Such transition manager services are expected to be engaged by the Bureau under the supervision of the Investment Division. These transition managers will be charged with effectively executing the sale, purchase and transfer of appropriate invested assets from legacy investment managers to new approved investment managers.

It is anticipated that the new RFP for transition manager services will be issued on February 19, 2009. The current Transition Manager RFP timeline targets May, 2009 for the final selection of finalists by the Evaluation Committee consisting of the BWC investment staff and Guy Cooper of Mercer Consulting. The Transition Manager RFP blackout period is being communicated to the BWC Board of Directors by the Board Liaison. A brief report highlighting this RFP process that includes a specific timeline of events will be presented to the Investment Committee at its February 19, 2009 meeting by the Chief Investment Officer and the Director of Investments.

MERCER

Consulting. Outsourcing. Investments.

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

February 19, 2009

Asset and Liability Projection Model Summary State Insurance Fund

Investment Committee Meeting
Ohio Bureau of Workers' Compensation

Guy M. Cooper
Youngmi Lee
Jordan Nault
Rich Nuzum

Contents

Project Timeline

History

- May 1st, 2007: Marsha P. Ryan appointed Administrator of the Ohio Bureau of Workers' Compensation
- July 2007: Wilshire completed ALM study. 20% / 80% stock/bond mix confirmed, 54% (long duration) / 5% (high yield) / 20% (TIPS) / 1% (cash) fixed income strategy outlined
- July 31st, 2007: Governor Strickland names new 11-member Board of Directors for the Bureau to replace the Workers' Compensation Oversight Commission
- October 9th, 2007: Dow Jones Industrial Average peaks at 14,165
- January 2008: Mercer hired as Investment Consultant to the Board
- Summer/Fall 2008: Deloitte study confirms metrics: the funding ratio and discount rate
- Winter 2008: Mercer begins ALM study

Next Steps

- Complete ALM study for State Insurance Fund (SIF) to confirm existing target asset allocation or to establish a new target
- Stock / bond mix is the primary decision but not the only one:
  - Structure of stock and bond portfolios at sub-asset class level
    - Including discussion about the potential utilization of high yield bonds, real estate and private equity
  - Active versus passive management in each asset class
- Conduct Ancillary Fund ALM studies – leverage SIF ALM results where appropriate
- Selection of investment managers to fill target mandates

Next Steps

- Implementation of the new strategy through 2009-2010 (calendar years)
  - It may be tempting but in Mercer's opinion is not reasonable to try to "call the bottom" of the stock market
    - The stock market is a leading economic indicator and typically recovers before economic improvement materializes
  - Instead, we recommend BWC transition mandates in a measured and phased way, in order to avoid "regret risk", "headline risk", and (hopefully) eliminate the risk of missing initial market recovery
  - Specific timing and magnitude are less important than apparent reasonableness of phasing strategy and getting started once decision is taken

Summary of Results

Overview of ALM Computations

- We start with assumptions about how the investment markets are going to behave in the future. *These assumptions are shown in detail in Appendix A of the report.*
  - A principal assumption is our midpoint estimate that stocks are going to earn a compound return of 8.4% in the next 30 years (with a wide range of uncertainty around that midpoint estimate).
  - Another principal assumption is our midpoint estimate that bonds will earn 4.8% - 5.4% (depending on the type of bond) (and with a narrower but still substantial range of uncertainty around that midpoint estimate, relative to stocks).

Detail: All assets behave in the future according to a probability distribution not just a single number. Stocks, for example, may earn 8.4% compounded on average if our midpoint estimate proves to be exactly correct, but will vary around this average in any particular time period. The amount of variation around the average is given by the standard deviation of stock returns, also a part of the assumption set. Viewed differently, the degree of uncertainty associated with our midpoint estimates – the amount of likely deviation from these in reality – is estimated by the standard deviation.

Overview of ALM Computations

- We also stipulate several asset mixes we want to study. In this report, we examine what may happen over the next 20 years if the Bureau adopts any of six asset mixes:
  - The current asset mix of 80% bonds and 20% stocks
  - 80% bonds and 20% stocks (Alternative portfolio)
  - 75% bonds and 25% stocks
  - 70% bonds and 30% stocks
  - 65% bonds and 35% stocks
  - 60% bonds and 40% stocks

<u>Detail (Equity Portfolio)</u>: In each of the last five asset mixes, we assume 2 ½% of the assets are invested in Real Estate and 2 ½% is invested in Private Equity. This 5% allocation to Alternatives is part of the equity allocation.
<u>Detail (Fixed Income Portfolio)</u>: In each of the last five asset mixes, we assume 5% of the assets are invested in High Yield Bonds. This 5% allocation is part of the fixed income allocation.
In both cases we view these diversifying allocations as aspects of a second stage of decision-making, and we expect additional discussion on these topics.

Overview of ALM Computations

- In addition to assumptions about asset returns and possible asset mixes, we need information about the Bureau’s expected future liabilities.
- Oliver Wyman produces estimates of expected future liabilities for the next 30 years, and we use these.
- We will discount these liability projections using a constant 4% discount rate.
- We will also study two other discount rate methods as a double check on the 4% constant method – to see if any of the conclusions differ significantly.
- The study begins on June 30, 2008 and the Bureau’s liabilities are discounted using 5% for an initial one year period for all three discounting methods.

Overview of ALM Computations

- The basic idea of these projections is as follows:
- Assuming we invest 80% in bonds and 20% in stocks, the Bureau's current strategy, we compute what the assets will earn in 2009, assuming stocks and bonds behave in 2009 in accordance with our assumptions about their average return and their likely variation of return.
- We then compute the Net Asset and the Funding Ratio at the end of 2009.
- We do this for every year thereafter 2010 – 2028.
- We do this 1000 times, as if the 20 year time period 2008-2028 happened in a 1000 different ways.
- We make these calculations for all six of the asset mixes.
- All references made to "years" are to the fiscal years of the Bureau.

Overview of ALM Computations

- The richness of this methodology is that by examining 1000 different futures, we can make statements about what is most likely to happen, what least likely, and etc.
- This is called stochastic forecasting, where many possible futures are projected. The more common alternative is called deterministic forecasting, where just a single most likely or average future is projected.
- What makes this possible is the assumption that future asset markets behave according to a probability distribution not just a single number.

Projection Model Starting Point – Funding Ratio
Effect of Discount Rate and Medical Inflation Rate Assumptions

Funding Ratio based on:

"Funded Assets": Cash, investments, and current receivables less deposits and current payables

"Funded Liability": Reserves for funded unpaid claims and funded claim expenses

$$\text{June 30, 2008 Funding Ratio} = \frac{\text{Funded Assets}}{\text{Funded Liabilities}} = \frac{\$17.001B}{\$14.761B} = 1.15$$

At June 30, 2008 (in billions)

	2008 Valuation Assumption	Change in Discount Rate and Medical Inflation Rate
Discount Rate Assumption	**5.00%**	**5.00%**
Medical Inflation Assumption	**9.00%**	**6% to 9.0%**
Funded Assets	17,001	17,001
Funded Liabilities	14,761	14,400
Funding Ratio	1.15	1.18
		.03 increase

Asset Class and Allocation Constraints

- Presented in November 2008, the efficient frontier analysis incorporated the following constraints:
  – High Yield Bonds limited to a 5% maximum allocation
  – Total Alternative Classes (Private Equity and Real Estate) limited to 5% maximum allocation
- As alternative asset allocations were developed to be reviewed within the projection model, the following constraints were utilized:
  – Public Equity split 50/50 between International Equity and Domestic Equity reflective of Global Equity Markets
  – Allocation to High Yield Bonds maximized at 5%
  – Allocation to Real Estate maximized at 2.5%
  – Allocation to Private Equity maximized at 2.5%

Fixed Income Asset Classes Utilized

- Depending on the methodology used to discount the liabilities and the potential change of this assumption from year to year, which fixed income classes are most efficient within the asset portfolios will change.
- Under the Discount Rate methodologies reviewed, the following bonds were utilized:
  - "Static" (e.g. flat 4%) - Shorter duration bonds with a mixture of Aggregate and TIPS bonds.
  - "Smoothed" – A mixture of short and long duration bonds. The liabilities will be interest rate sensitive, but the liability movement will lag the fixed income asset movements. The long bonds will provide downside protection. In a lowering yield trend environment, bonds which are long and marked to market will improve the funding ratio as the assets increase but liability remains based on previous discount rate or only recognizes part of the full interest rate movements. The reverse will happen in a rising yield environment.
  - "Dynamic" – Long duration bonds.

Summary of Results
Static Discount Rate

Summary of Key Statistics - Net Asset and Funding Ratio
4% Discount Rate for Liabilities

		Implemented 80% Bonds	Alternative Allocations: 80% Bonds	75% Bonds	70% Bonds	65% Bonds	60% Bonds
Expected	Net Asset - 2013 [1]	936	1,694	1,877	2,061	2,215	2,373
Median	Net Asset - 2018 [1]	1,341	2,809	3,204	3,575	3,957	4,253
Expected Median	Funding Ratio - 2011	105%	107%	108%	109%	109%	110%
	Funding Ratio - 2013	108%	115%	117%	118%	120%	121%
	Funding Ratio - 2018	115%	132%	136%	141%	145%	149%
	Funding Ratio - 2028	174%	230%	250%	270%	288%	307%
Downside Risk							
5% probability	Funding Ratio - 2011	84% or less	91%	90%	90%	89%	88%
	Funding Ratio - 2013	85%	95%	94%	94%	93%	92%
	Funding Ratio - 2018	83%	101%	101%	100%	99%	98%
	Funding Ratio - 2028	101%	147%	145%	145%	143%	141%
Upside Potential							
25% probability	Funding Ratio - 2011	113% or more	114%	115%	117%	119%	120%
	Funding Ratio - 2013	120%	125%	127%	130%	133%	136%
	Funding Ratio - 2018	132%	146%	154%	161%	169%	177%
	Funding Ratio - 2028	212%	272%	302%	333%	362%	395%

[1] In Millions

Summary of Results
4% Static Rate and Smoothed

Summary of Key Statistics - Net Asset and Funding Ratio
4% Discount Rate for Liabilities

		Implemented 80% Bonds	Alternative Allocations: 80% Bonds	75% Bonds	70% Bonds	65% Bonds	60% Bonds
Expected	Net Asset - 2013 [1]	936	1,694	1,877	2,061	2,215	2,373
Median	Net Asset - 2018 [1]	1,341	2,809	3,204	3,575	3,957	4,253
Expected Median	Funding Ratio - 2011	105%	107%	108%	109%	109%	110%
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	Funding Ratio - 2018	115%	132%	136%	141%	145%	149%
	Funding Ratio - 2028	174%	230%	250%	270%	288%	307%
Downside Risk							
5% probability	Funding Ratio - 2011	84% or less	91%	90%	90%	89%	88%
	Funding Ratio - 2013	85%	95%	94%	94%	93%	92%
	Funding Ratio - 2018	83%	101%	101%	100%	99%	98%
	Funding Ratio - 2028	101%	147%	145%	145%	143%	141%
Upside Potential							
25% probability	Funding Ratio - 2011	113% or more	114%	115%	117%	119%	120%
	Funding Ratio - 2013	120%	125%	127%	130%	133%	136%
	Funding Ratio - 2018	132%	146%	154%	161%	169%	177%
	Funding Ratio - 2028	212%	272%	302%	333%	362%	395%

[1] In Millions

Summary of Key Statistics - Net Asset and Funding Ratio
'Smoothed' Discount Rate for Liabilities

		Implemented 80% Bonds	Alternative Allocations: 80% Bonds	75% Bonds	70% Bonds	65% Bonds	60% Bonds
Expected	Net Asset - 2013 [1]	1,009	1,313	1,491	1,679	1,875	2,115
Median	Net Asset - 2018 [1]	2,002	2,689	3,125	3,581	3,918	4,324
Expected Median	Funding Ratio - 2011	101%	102%	103%	104%	105%	105%
	Funding Ratio - 2013	109%	112%	113%	115%	117%	119%
	Funding Ratio - 2018	125%	133%	138%	144%	148%	153%
	Funding Ratio - 2028	191%	222%	243%	266%	287%	311%
Downside Risk							
5% probability	Funding Ratio - 2011	84% or less	86%	86%	85%	85%	84%
	Funding Ratio - 2013	87%	91%	90%	90%	89%	89%
	Funding Ratio - 2018	92%	101%	101%	100%	100%	99%
	Funding Ratio - 2028	112%	140%	139%	141%	140%	139%
Upside Potential							
25% probability	Funding Ratio - 2011	108% or more	109%	111%	112%	114%	116%
	Funding Ratio - 2013	119%	122%	125%	129%	132%	135%
	Funding Ratio - 2018	139%	148%	157%	166%	176%	184%
	Funding Ratio - 2028	229%	267%	299%	335%	369%	409%

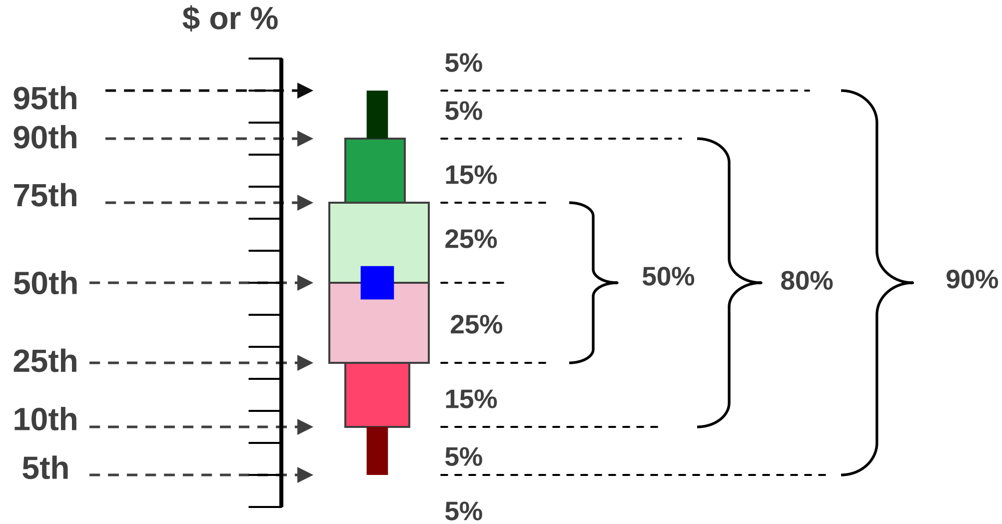
[1] In Millions

Stochastic Analysis – Interpreting Results

Measures of risk will be developed as a distribution of possible results based on Monte Carlo simulation. This technique generates 1000 economic trials with each trial producing projected results for each year over the selected planning horizon. Resulting distributions of outcomes are displayed graphically throughout this report as shown here.

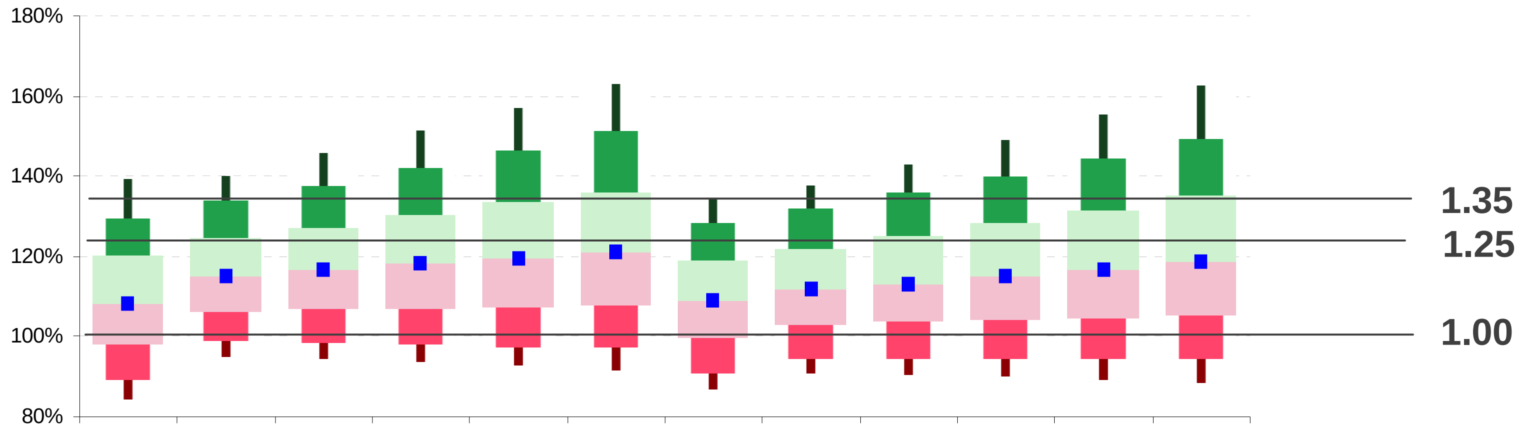
Darkening shades of green indicate progressively more favorable outcomes for the sponsor. Red is used in the same way to show progressively unfavorable results. The graphics will be supplemented with numerical tables.

Percentile Ranking   Likelihood of Occurrence



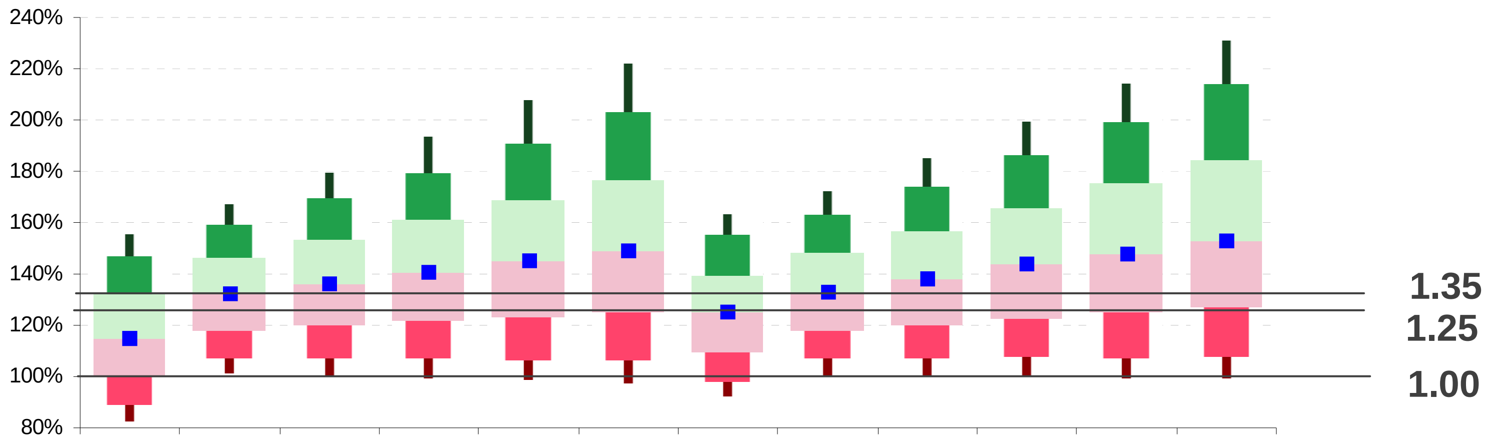
		Metric
95th		$ or %
90th		$ or %
75th		$ or %
50th		$ or %
25th		$ or %
10th		$ or %
5th		$ or %

Comparison of Portfolios
Funding Ratio – 5 Years Out



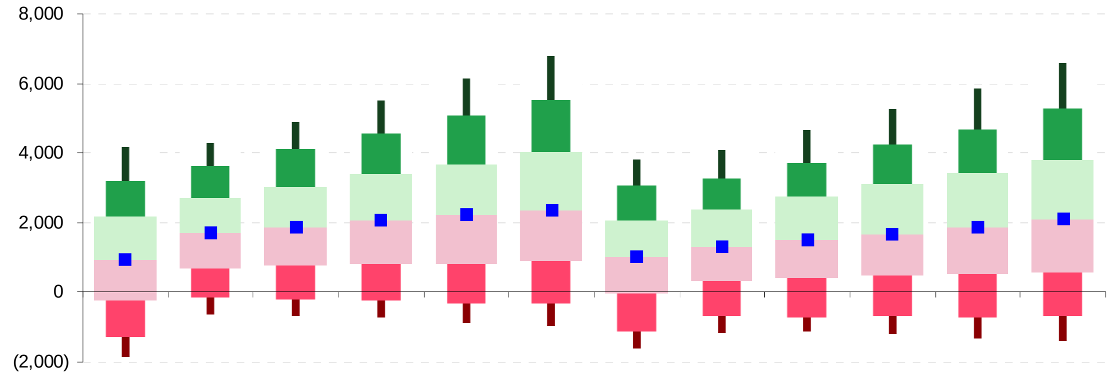
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		139%	140%	146%	151%	157%	163%	134%	138%	143%	149%	155%	163%
90th		130%	134%	138%	142%	147%	152%	128%	132%	136%	140%	145%	149%
75th		120%	125%	127%	130%	133%	136%	119%	122%	125%	129%	132%	135%
50th		108%	115%	117%	118%	120%	121%	109%	112%	113%	115%	117%	119%
25th		98%	106%	107%	107%	107%	108%	100%	103%	104%	104%	105%	105%
10th		89%	99%	98%	98%	97%	97%	91%	95%	94%	95%	95%	95%
5th		85%	95%	94%	94%	93%	92%	87%	91%	90%	90%	89%	89%
75th - 25th		22%	19%	21%	23%	26%	28%	19%	19%	22%	24%	27%	30%
95th - 5th		54%	45%	51%	58%	64%	71%	48%	47%	53%	59%	66%	74%
50th - 25th		10%	9%	10%	11%	12%	13%	9%	9%	10%	11%	12%	14%
50th - 5th		24%	20%	22%	24%	27%	29%	22%	21%	23%	25%	28%	30%

Comparison of Portfolios
Funding Ratio – 10 Years Out



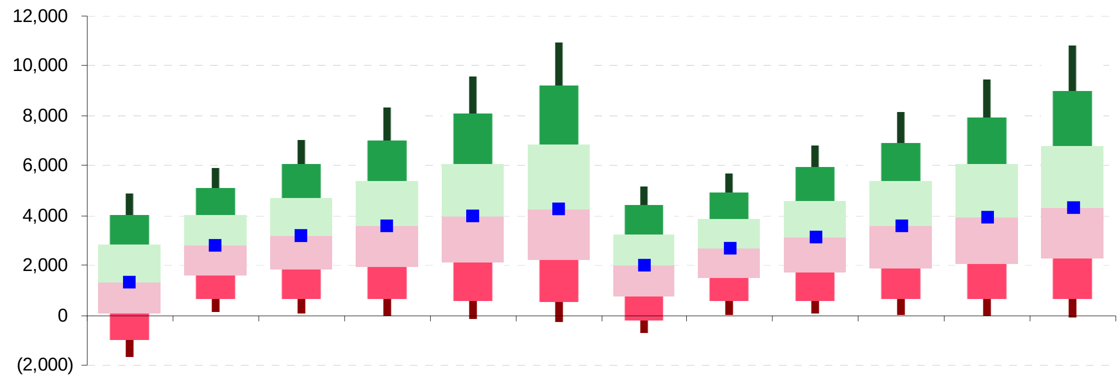
	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
	Discount Rate = Static						Discount Rate = Smoothed					
	20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th	156%	167%	180%	193%	208%	222%	164%	172%	185%	199%	214%	231%
90th	147%	160%	170%	180%	191%	204%	156%	163%	174%	186%	200%	214%
75th	132%	146%	154%	161%	169%	177%	139%	148%	157%	166%	176%	184%
50th	115%	132%	136%	141%	145%	149%	125%	133%	138%	144%	148%	153%
25th	101%	118%	120%	122%	123%	125%	110%	118%	120%	123%	125%	127%
10th	89%	107%	107%	107%	107%	106%	98%	107%	107%	108%	107%	108%
5th	83%	101%	101%	100%	99%	98%	92%	101%	101%	100%	100%	99%
75th - 25th	31%	28%	34%	39%	46%	52%	30%	31%	37%	43%	51%	57%
95th - 5th	73%	66%	79%	94%	109%	124%	72%	71%	85%	99%	114%	132%
50th - 25th	14%	14%	16%	18%	22%	24%	16%	15%	18%	21%	23%	26%
50th - 5th	32%	31%	35%	41%	47%	52%	33%	32%	37%	44%	48%	54%

Comparison of Portfolios
Net Asset – 5 Years Out



	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
	Discount Rate = Static						Discount Rate = Smoothed					
	20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th	4,173	4,304	4,885	5,511	6,133	6,781	3,804	4,069	4,671	5,275	5,878	6,576
90th	3,201	3,664	4,131	4,586	5,097	5,541	3,079	3,288	3,731	4,236	4,680	5,292
75th	2,199	2,698	3,022	3,390	3,688	4,040	2,075	2,390	2,742	3,119	3,429	3,788
50th	936	1,694	1,877	2,061	2,215	2,373	1,009	1,313	1,491	1,679	1,875	2,115
25th	(209)	706	769	820	841	911	(26)	348	419	498	548	596
10th	(1,274)	(144)	(185)	(211)	(321)	(326)	(1,094)	(670)	(697)	(664)	(695)	(670)
5th	(1,831)	(629)	(681)	(725)	(859)	(968)	(1,604)	(1,151)	(1,133)	(1,197)	(1,297)	(1,398)
75th - 25th	2,408	1,993	2,253	2,570	2,847	3,129	2,101	2,042	2,323	2,621	2,881	3,191
95th - 5th	6,004	4,933	5,566	6,235	6,992	7,748	5,407	5,221	5,804	6,472	7,175	7,974
50th - 25th	1,145	989	1,107	1,241	1,374	1,462	1,035	964	1,072	1,181	1,327	1,519
50th - 5th	2,767	2,323	2,558	2,785	3,074	3,341	2,612	2,464	2,624	2,876	3,172	3,513

Comparison of Portfolios
Net Asset – 10 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		4,895	5,894	7,034	8,349	9,561	10,927	5,148	5,695	6,812	8,142	9,466	10,802
90th		4,053	5,127	6,064	7,027	8,088	9,245	4,453	4,957	5,956	6,909	7,953	9,013
75th		2,868	4,066	4,705	5,388	6,054	6,871	3,244	3,895	4,602	5,386	6,060	6,830
50th		1,341	2,809	3,204	3,575	3,957	4,253	2,002	2,689	3,125	3,581	3,918	4,324
25th		77	1,607	1,813	1,977	2,096	2,258	793	1,495	1,721	1,889	2,051	2,276
10th		(967)	663	636	631	620	521	(172)	602	618	657	638	663
5th		(1,677)	122	73	(48)	(146)	(248)	(674)	58	67	14	(32)	(66)
75th - 25th		2,791	2,459	2,892	3,412	3,958	4,613	2,451	2,400	2,881	3,497	4,009	4,554
95th - 5th		6,572	5,772	6,962	8,397	9,707	11,174	5,822	5,637	6,745	8,129	9,498	10,868
50th - 25th		1,264	1,202	1,391	1,599	1,861	1,995	1,209	1,194	1,404	1,692	1,867	2,048
50th - 5th		3,018	2,687	3,131	3,623	4,103	4,500	2,676	2,631	3,058	3,568	3,950	4,390

Appendix A
General Background and Further Detail on Summary of Results

Funding Ratio
Definitions

Based on June 30, 2008 Actuarial Audit, Mercer initially calculated the funding ratio for the SIF to be 102%, based on the following information:

SIF (break out by Employer Type)	5% Discounted Unpaid Losses
Private (PA)	11,918
Taxing Districts (PEC)	2,205
State Agencies (PES)	715
Self Insured	184
Health Partnership Program (HPP)	679
Total SIF Liabilities	15,701
SIF Assets (Based on Asset Reporting Fund Composites)	15,944
Funding Ratio	1.02

Staff has since confirmed that the Funding Ratio should be based on:

“Funded Liability” defined as: Reserves for funded unpaid claims and funded claim expenses (HPP on PA/PEC), excluding any risk margin

“Funded Assets” defined as: Cash, investments, and current receivables less deposits and current payables

$$\text{June 30, 2008 Funding Ratio} = \frac{\text{Funded Assets}}{\text{Funded Liabilities}} = \frac{\$17.001\text{B}}{\$14.761\text{B}} = 1.15$$

Setting the Discount Rate
Different Methodologies Reviewed

Usually Discount Rates follow yields that are experienced in the fixed income market place. We utilized three different discount rates methodologies in the analysis:

- Static
  - Discount Rate remains at a set level and never varies.
  - e.g. 4%
- Smoothed
  - Discount Rate changes, but only after the fixed income benchmarks demonstrate significant changes from previous yield levels within the set time frame.
  - Small changes in yield levels are ignored, but when multiple years of continual small changes amount to a large difference of where the discount rate is at versus the current yield levels, a change in the discount rate occurs toward the current level.
- Dynamic
  - Rate fluctuates in one to one changes as fixed income market benchmarks change.
  - Often referred to "Mark to Market".

Setting the Discount Rate
Illustrations

Fixed Income Benchmark	Initial Start Date 6/30/2008	Projection Year Date June 30, 2009	2010	2011	2012
10 - Year Treasury	3.98%	2.60%	3.50%	5.42%	4.40%
Discount Rate Methodology					
Static	DR used in 6/30/2008 Report: 5.0%	4.00%	4.00%	4.00%	4.00%
Smoothed		4.25%	4.25%	5.00%	5.00%
Dynamic		2.60%	3.50%	5.42%	4.40%

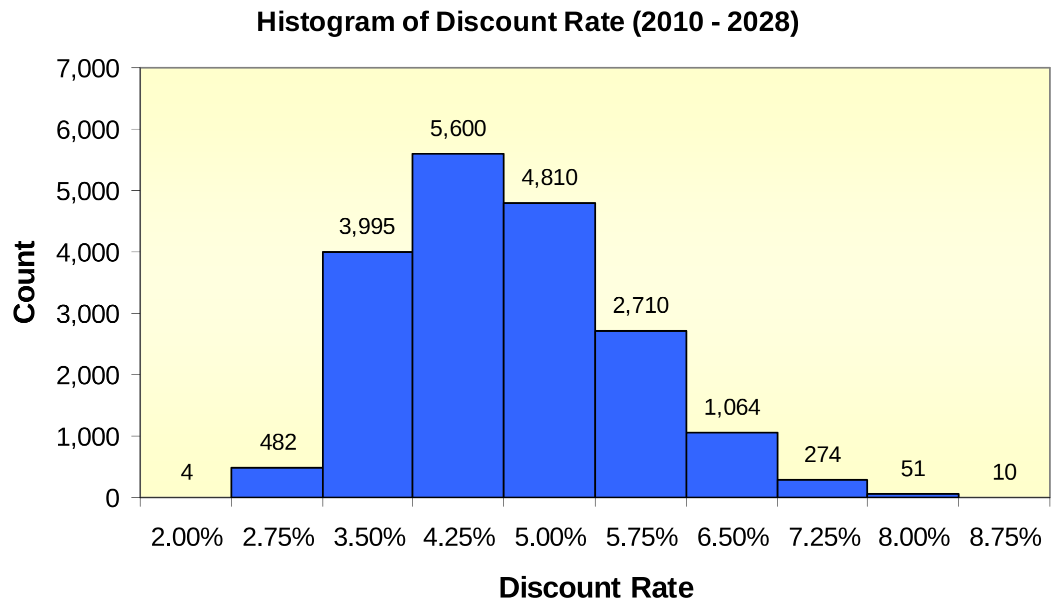
For the Smoothed Methodology: when the “10-Year Treasury + 75 basis points benchmark” deviates from last years discount rate by more than 75 basis point, the discount rate is moved up (or down) by 75 basis points.

Smoothing the Discount Rate
Analysis of the Methodology

Frequency of Discount Rate Outcomes for projection years 2010 through 2038

Percentage of Time the Discount Rate does not fluctuate from Year to year

June 30	to June 30	Percent
2010	2011	72.40%
2011	2012	70.20%
2012	2013	62.00%
2013	2014	60.10%
2014	2015	59.20%
2015	2016	59.10%
2016	2017	57.40%
2017	2018	63.10%
2018	2019	60.00%
2019	2020	62.30%
2020	2021	60.20%
2021	2022	58.50%
2022	2023	60.50%
2023	2024	58.50%
2024	2025	59.70%
2025	2026	59.20%
2026	2027	59.40%
2027	2028	59.20%



Discount Rate	Count
2.00%	4
2.75%	482
3.50%	3995
4.25%	5600
5.00%	4810
5.75%	2710
6.50%	1064
7.25%	274
8.00%	51
8.75%	10

Key Finding:

About 60% of the time, discount rate is not changing from year to year

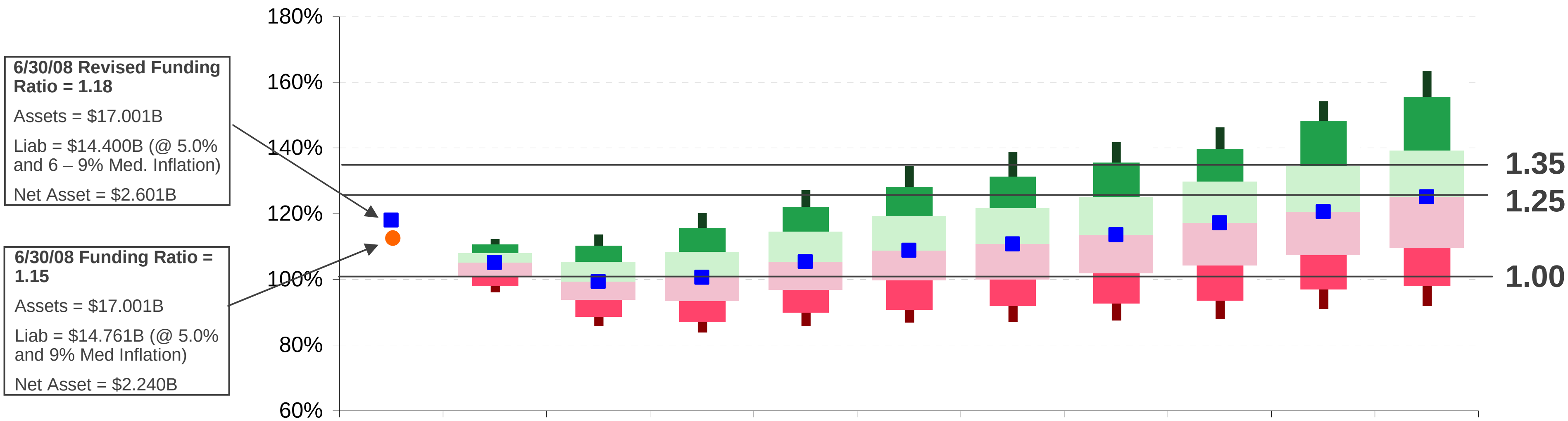
About 80% of the outcomes are at 5.0% or less

Alternative Asset Mixes

	Static Discount Rate						Smoothed Discount Rate					
	Implemented Policy	20% Equity 80% Bond	25% Equity 75% Bond	30% Equity 70% Bond	35% Equity 65% Bond	40% Equity 60% Bond	Implemented Policy	20% Equity 80% Bond	25% Equity 75% Bond	30% Equity 70% Bond	35% Equity 65% Bond	40% Equity 60% Bond
	Mix 1	**Mix 2**	**Mix 3**	**Mix 4**	**Mix 5**	**Mix 6**	**Mix 7**	**Mix 8**	**Mix 9**	**Mix 10**	**Mix 11**	**Mix 12**
Equity : Fixed income : Alternatives	20:80:0	15:80:5	20:75:5	25:70:5	30:65:5	35:60:5	20:80:0	15:80:5	20:75:5	25:70:5	30:65:5	35:60:5
Public Equity: (US Equity : Non-US Equity)	100:0	50:50	50:50	50:50	50:50	50:50	100:0	50:50	50:50	50:50	50:50:00	50:50
ALLOCATION BY ASSET CLASS												
US Equity -- All Cap	20%	7.5%	10.0%	12.5%	15.0%	17.5%	20%	7.5%	10.0%	12.5%	15.0%	17.5%
Non-US Equities - World ex-U.S.		7.5%	10.0%	12.5%	15.0%	17.5%		7.5%	10.0%	12.5%	15.0%	17.5%
Total Allocation to Public Equity	**20%**	**15%**	**20%**	**25%**	**30%**	**35%**	**20%**	**15%**	**20%**	**25%**	**30%**	**35%**
US Fixed Income -- Cash (Dur 0.2)	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
US Fixed Income -- Intermediate (Dur 3.8)												
US Fixed Income -- Aggregate (Dur 4.5)		49%	46%	42%	39%	36%		18%	16%	15%	14%	13%
US Fixed Income -- Inflation Indexed Bond	20%	25%	23%	22%	20%	18%	20%	19%	18%	17%	15%	14%
US Fixed Income -- Long Gov/Credt (Dur 11)	59%						59%	37%	35%	32%	30%	27%
US Fixed Income -- High Yield		5%	5%	5%	5%	5%		5%	5%	5%	5%	5%
Total Allocation to Fixed Income	**80%**	**80%**	**75%**	**70%**	**65%**	**60%**	**80%**	**80%**	**75%**	**70%**	**65%**	**60%**
Private Equity - Total		2.5%	2.5%	2.5%	2.5%	2.5%		2.5%	2.5%	2.5%	2.5%	2.5%
Real Estate - Private		2.5%	2.5%	2.5%	2.5%	2.5%		2.5%	2.5%	2.5%	2.5%	2.5%
Infrastructure												
Total Allocation to Alternative Investments	**0%**	**5%**	**5%**	**5%**	**5%**	**5%**	**0%**	**5%**	**5%**	**5%**	**5%**	**5%**
STATISTICS												
Long-Term Expected Passive Annual Return	6.22%	6.23%	6.44%	6.63%	6.83%	7.02%	6.22%	6.36%	6.56%	6.76%	6.94%	7.12%
Standard Deviation of Returns	8.77%	5.51%	5.96%	6.47%	7.06%	7.69%	8.77%	7.28%	7.51%	7.78%	8.19%	8.61%
Net Asset - 2018 Most Likely (50th %-ile)	$1,341	$2,809	$3,204	$3,575	$3,957	$4,253	$2,002	$2,689	$3,125	$3,581	$3,918	$4,324
Net Asset - 2018 Upside Potential (95th %-ile)	$4,895	$5,894	$7,034	$8,349	$9,561	$10,927	$5,148	$5,695	$6,812	$8,142	$9,466	$10,802
Net Asset - 2018 Downside Risk (5th %-ile)	($1,677)	$122	$73	($48)	($146)	($248)	($674)	$58	$67	$14	($32)	($66)
Funding Ratio - 2011 (50th %-ile)	105%	107%	108%	109%	109%	110%	101%	102%	103%	104%	105%	105%
Funding Ratio - 2013 (50th %-ile)	108%	115%	117%	118%	120%	121%	109%	112%	113%	115%	117%	119%
Funding Ratio - 2018 (50th %-ile)	115%	132%	136%	141%	145%	149%	125%	133%	138%	144%	148%	153%
Funding Ratio - 2028 (50th %-ile)	174%	230%	250%	270%	288%	307%	191%	222%	243%	266%	287%	311%
Funding Ratio - 2011 Downside Risk (5th %-ile)	84%	91%	90%	90%	89%	88%	84%	86%	86%	85%	85%	84%
Funding Ratio - 2013 Downside Risk (5th %-ile)	85%	95%	94%	94%	93%	92%	87%	91%	90%	90%	89%	89%
Funding Ratio - 2018 Downside Risk (5th %-ile)	83%	101%	101%	100%	99%	98%	92%	101%	101%	100%	100%	99%
Funding Ratio - 2028 Downside Risk (5th %-ile)	101%	147%	145%	145%	143%	141%	112%	140%	139%	141%	140%	139%
Duration (Total Portfolio)	6.5	2.2	2.1	1.9	1.8	1.6	6.5	4.9	4.6	4.2	3.9	3.6
Duration (Fixed Income)	8.1	2.8	2.8	2.7	2.7	2.7	8.1	6.1	6.1	6.0	6.0	5.9
Duration (Equity)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity (Total Portfolio)	9.4	8.8	8.8	8.7	8.7	8.7	9.4	8.8	8.8	8.8	8.8	8.7

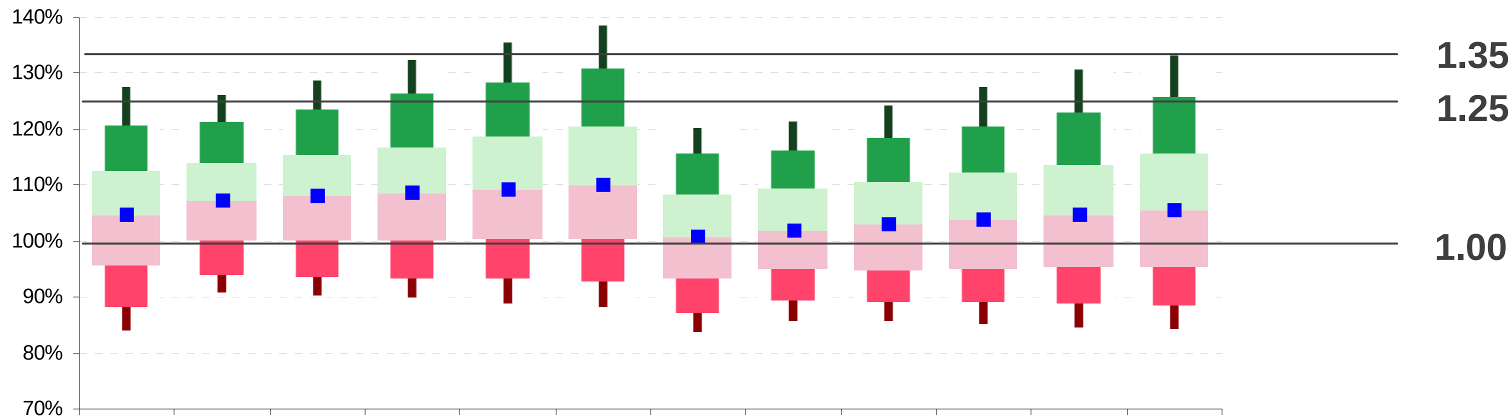
Note: In projection model, alternative allocations start at 6/30/09

10 Year Projection of Funding Ratio
Implemented Asset Mix (Current)/Smoothed Discount Rate



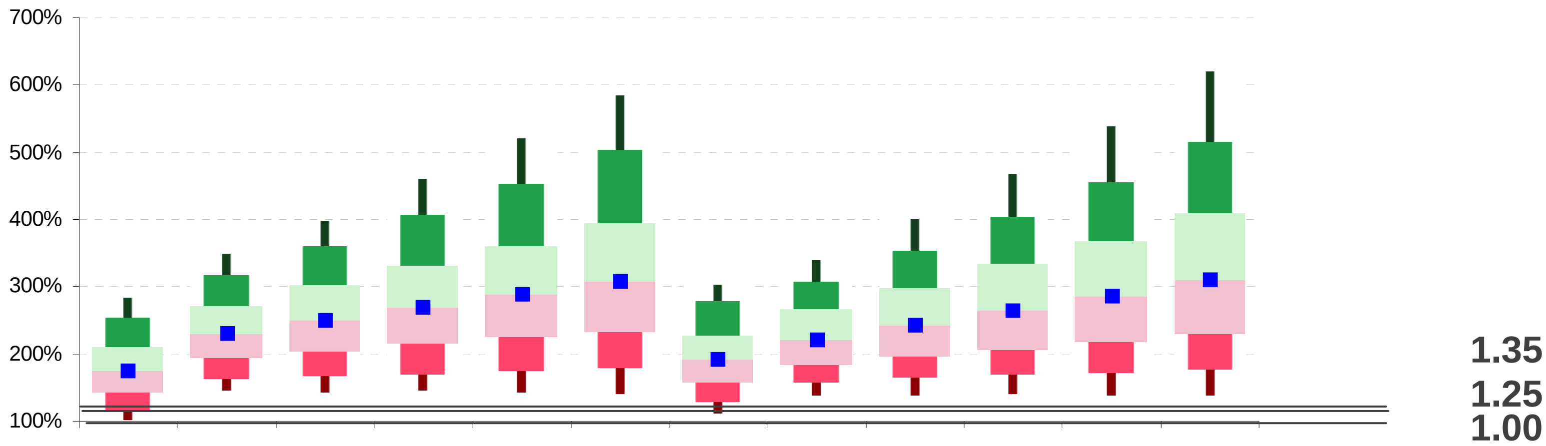
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
95th	118%	112%	114%	120%	127%	134%	139%	142%	146%	154%	164%
90th	118%	111%	110%	116%	122%	128%	131%	136%	140%	148%	156%
75th	118%	108%	105%	108%	115%	119%	122%	125%	130%	135%	139%
50th	118%	105%	99%	101%	105%	109%	111%	114%	117%	121%	125%
25th	118%	101%	94%	93%	97%	100%	100%	102%	104%	107%	110%
10th	118%	98%	89%	87%	90%	91%	92%	93%	94%	97%	98%
5th	118%	96%	86%	84%	86%	87%	87%	88%	88%	91%	92%

Comparison of Portfolios
Funding Ratio – 3 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		127%	126%	129%	132%	136%	138%	120%	121%	124%	128%	131%	133%
90th		121%	122%	124%	126%	128%	131%	116%	116%	119%	121%	123%	126%
75th		113%	114%	115%	117%	119%	120%	108%	109%	111%	112%	114%	116%
50th		105%	107%	108%	109%	109%	110%	101%	102%	103%	104%	105%	105%
25th		96%	100%	100%	100%	100%	101%	93%	95%	95%	95%	95%	95%
10th		88%	94%	94%	94%	93%	93%	87%	89%	89%	89%	89%	89%
5th		84%	91%	90%	90%	89%	88%	84%	86%	86%	85%	85%	84%
75th - 25th		17%	14%	15%	17%	18%	20%	15%	14%	16%	17%	19%	20%
95th - 5th		43%	35%	39%	42%	47%	50%	36%	35%	38%	42%	46%	49%
50th - 25th		9%	7%	8%	8%	9%	10%	7%	7%	8%	9%	9%	10%
50th - 5th		21%	16%	18%	19%	20%	22%	17%	16%	17%	19%	20%	21%

Comparison of Portfolios
Funding Ratio – 20 Years Out



	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
	Discount Rate = Static						Discount Rate = Smoothed					
	20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th	283%	350%	398%	460%	522%	584%	304%	340%	400%	467%	538%	621%
90th	255%	318%	360%	406%	454%	505%	279%	309%	353%	406%	454%	517%
75th	212%	272%	302%	333%	362%	395%	229%	267%	299%	335%	369%	409%
50th	174%	230%	250%	270%	288%	307%	191%	222%	243%	266%	287%	311%
25th	144%	194%	205%	215%	226%	234%	157%	185%	196%	208%	218%	230%
10th	117%	164%	167%	170%	176%	179%	130%	158%	165%	169%	173%	177%
5th	101%	147%	145%	145%	143%	141%	112%	140%	139%	141%	140%	139%
75th - 25th	68%	79%	97%	118%	137%	161%	72%	82%	103%	128%	151%	179%
95th - 5th	181%	203%	254%	315%	379%	443%	192%	200%	261%	326%	398%	482%
50th - 25th	29%	36%	45%	55%	62%	73%	34%	37%	46%	58%	69%	81%
50th - 5th	73%	83%	105%	125%	145%	166%	79%	82%	104%	125%	147%	172%

Mean-Variance Assumptions

	Geometric Return	Arithmetic Return	Standard Deviation	Beta	Duration	Liquidity
Domestic Equity	8.4%	9.9%	18.6%	1.00	0.0	9.0
International Equity	8.4%	9.9%	18.4%	1.00	0.0	8.8
Intermediate Bonds	4.8%	4.9%	4.5%	0.00	3.6	9.4
Mkt Bonds (Lehman Agg)	5.3%	5.4%	5.5%	0.10	4.8	9.3
Long Govt/Credit (11 yrs)	5.4%	6.0%	11.0%	0.00	11.0	9.5
TIPS	5.0%	5.1%	4.5%	0.00	0.0	9.7
Cash	3.5%	3.5%	1.3%	0.00	0.1	10.0
Real Estate [1]	7.3%	8.2%	13.7%	0.75	0.0	4.5
Private Equity	9.6%	13.0%	28.4%	1.35	0.0	0.0
Infrastructure	8.2%	10.0%	20.2%	1.10	0.0	0.0
High Yield	7.5%	8.0%	10.0%	0.50	0.0	7.5
Inflation	2.8%	2.8%	1.3%	--	--	--

	Dom Eq	Intl Eq	Inmd FI	Mkt FI	Long FI	TIPS	Cash	Real Estate	Private Eq	Infrastr	High Yield
Domestic Equity	1.00										
International Equity	0.70	1.00									
Intermediate Bonds	0.20	0.10	1.00								
Mkt Bonds (Lehman Agg)	0.20	0.10	0.95	1.00							
Long Govt/Credit (11 yrs)	0.20	0.10	0.90	0.95	1.00						
TIPS	0.15	0.10	0.60	0.60	0.60	1.00					
Cash	0.00	0.00	0.25	0.10	0.10	0.30	1.00				
Real Estate [1]	0.60	0.40	0.20	0.30	0.20	0.30	0.10	1.00			
Private Equity	0.70	0.30	0.10	0.20	0.20	0.15	0.00	0.50	1.00		
Infrastructure	0.60	0.28	0.18	0.23	0.20	0.20	0.00	0.75	0.50	1.00	
High Yield	0.60	0.15	0.45	0.50	0.45	0.50	0.10	0.35	0.40	0.38	1.00

[1] Combination of REITS and private real estate.

The Projection Model
General Information

Plans Considered in Analysis

- Ohio Bureau of Workers' Compensation – State Insurance Fund (SIF)

Plan Provisions

- As disclosed in the "Actuarial Audit of the Workers' Compensation State Insurance Fund and Related Funds Administered by the Ohio Bureau of Workers' Compensation as of June 30, 2008"

Projection Period

- 20 years from June 30, 2008

Fiscal Year

- July 1 – June 30

Data "as of" Date

- June 30, 2008

The Projection Model
General Information

Assets

- Assets for the SIF are currently invested based on the following asset allocation targets:

– US Large Cap Eq	20%	
– TIPS	20%	
– Long Gov/Cred	59%	
– Cash	1%	(to meet liquidity needs)

  – SIF Market Value of Assets (MVA) as of June 30, 2008 was $17.001B
  – Alternative Asset Allocations are assumed to start June 30, 2009

The Projection Model
Assumptions and Methods

Economic Assumptions - for Valuation Projections

- Medical Inflation:
  - Valuation Assumption: 9%
  - Projection Baseline: Starts at 6%, trends up to 9% in 1% increments per year

- Actuarial Valuation Discount Rate: 5.0% (as of June 30, 2008)
- Alternative Valuation Discount Rate: 4.0%
  - For projection purposes two different methodologies were analyzed
    - Dynamic Mark to Market based on 10-year Treasury yields
    - 10-year Treasury plus 75 basis points, year to year changes occur if the Treasury plus 75 is 75 basis points different from last year's discount rate.

The Projection Model
Assumptions and Methods

Liability Projection

- Actual SIF liability as of June 30, 2008: $15.701B at 5.0% discount rate and medical inflation 9% every year
- Utilized in Study
  - Funded SIF liability as of June 30, 2008: $14.400B at 5.0% discount rate and medical inflation 6%, 7%, 8%, and 9% thereafter
- Assumed “closed book” for liabilities as of June 30, 2008
- Actuarial Asset Valuation Method – Market Value

Appendix B
Dynamic Discount Rate Results

Summary of Results
Dynamic Discount Rate

Summary of Key Statistics - Net Asset and Funding Ratio
Dynamic Discount Rate for Liabilities

		Implemented	Alternative Allocations				
		80% Bonds	80% Bonds	75% Bonds	70% Bonds	65% Bonds	60% Bonds
Expected	Net Asset - 2013 [1]	1,239	1,118	1,332	1,545	1,773	1,970
Median	Net Asset - 2018 [1]	2,047	1,878	2,276	2,756	3,190	3,616
	Funding Ratio - 2011	101%	100%	101%	102%	103%	104%
Expected	Funding Ratio - 2013	111%	110%	112%	114%	116%	118%
Median	Funding Ratio - 2018	126%	123%	128%	134%	140%	145%
	Funding Ratio - 2028	191%	185%	209%	232%	256%	279%
Downside Risk							
	Funding Ratio - 2011	83% or less	83%	83%	83%	82%	82%
5%	Funding Ratio - 2013	90%	89%	89%	88%	88%	88%
probability	Funding Ratio - 2018	94%	92%	92%	93%	92%	92%
	Funding Ratio - 2028	112%	113%	116%	117%	116%	120%
Upside Potential							
	Funding Ratio - 2011	108% or more	108%	109%	111%	113%	114%
25%	Funding Ratio - 2013	122%	120%	123%	127%	130%	134%
probability	Funding Ratio - 2018	140%	137%	146%	156%	165%	174%
	Funding Ratio - 2028	229%	224%	258%	295%	334%	374%

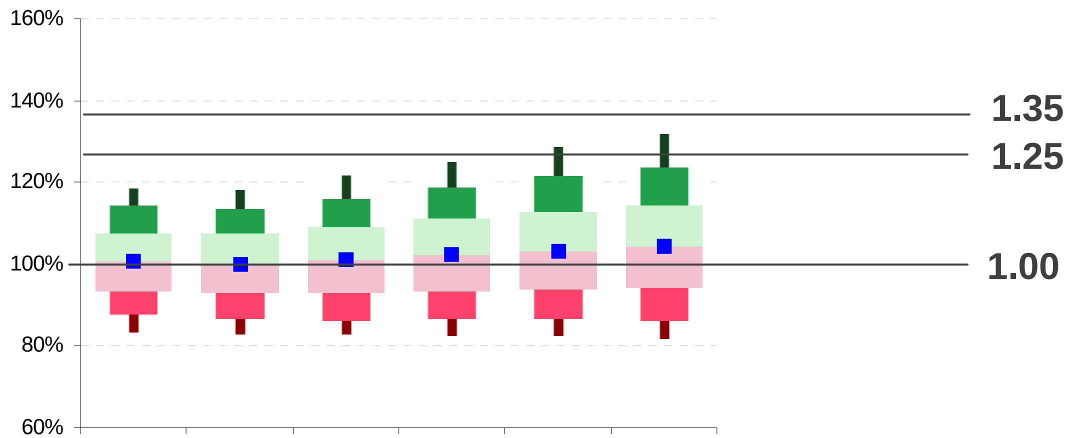
[1] In Millions

Alternative Asset Mixes
With Dynamic Discount Rate

	Dynamic Discount Rate					
	Implemented Policy Mix 13	20% Equity 80% Bond Mix 14	25% Equity 75% Bond Mix 15	30% Equity 70% Bond Mix 16	35% Equity 65% Bond Mix 17	40% Equity 60% Bond Mix 18
Equity : Fixed income : Alternatives	20:80:0	15:80:5	20:75:5	25:70:5	30:65:5	35:60:5
Public Equity: (US Equity : Non-US Equity)	100:0	50:50	50:50	50:50	50:50	50:50
ALLOCATION BY ASSET CLASS						
US Equity -- All Cap	20%	7.5%	10.0%	12.5%	15.0%	17.5%
Non-US Equities - World ex-U.S.		7.5%	10.0%	12.5%	15.0%	17.5%
Total Allocation to Public Equity	**20%**	**15%**	**20%**	**25%**	**30%**	**35%**
US Fixed Income -- Cash (Dur 0.2)	1%	1%	1%	1%	1%	1%
US Fixed Income -- Intermediate (Dur 3.8)						
US Fixed Income -- Aggregate (Dur 4.5)						
US Fixed Income -- Inflation Indexed Bond	20%					
US Fixed Income -- Long Gov/Credt (Dur 11)	59%	74%	69%	64%	59%	54%
US Fixed Income -- High Yield		5%	5%	5%	5%	5%
Total Allocation to Fixed Income	**80%**	**80%**	**75%**	**70%**	**65%**	**60%**
Private Equity - Total		2.5%	2.5%	2.5%	2.5%	2.5%
Real Estate - Private		2.5%	2.5%	2.5%	2.5%	2.5%
Infrastructure						
Total Allocation to Alternative Investments	**0%**	**5%**	**5%**	**5%**	**5%**	**5%**
STATISTICS						
Long-Term Expected Passive Annual Return	6.22%	6.46%	6.66%	6.85%	7.04%	7.22%
Standard Deviation of Returns	8.77%	9.61%	9.56%	9.59%	9.71%	9.91%
Net Asset - 2018 Most Likely (50th %-ile)	$2,047	$1,878	$2,276	$2,756	$3,190	$3,616
Net Asset - 2018 Upside Potential (95th %-ile)	$5,198	$4,766	$5,872	$7,194	$8,456	$9,862
Net Asset - 2018 Downside Risk (5th %-ile)	($507)	($696)	($648)	($662)	($698)	($706)
Funding Ratio - 2011 (50th %-ile)	101%	100%	101%	102%	103%	104%
Funding Ratio - 2013 (50th %-ile)	111%	110%	112%	114%	116%	118%
Funding Ratio - 2018 (50th %-ile)	126%	123%	128%	134%	140%	145%
Funding Ratio - 2028 (50th %-ile)	191%	185%	209%	232%	256%	279%
Funding Ratio - 2011 Downside Risk (5th %-ile)	83%	83%	83%	83%	82%	82%
Funding Ratio - 2013 Downside Risk (5th %-ile)	90%	89%	89%	88%	88%	88%
Funding Ratio - 2018 Downside Risk (5th %-ile)	94%	92%	92%	93%	92%	92%
Funding Ratio - 2028 Downside Risk (5th %-ile)	112%	113%	116%	117%	116%	120%
Duration (Total Portfolio)	6.5	8.1	7.6	7.0	6.5	5.9
Duration (Fixed Income)	8.1	10.2	10.1	10.1	10.0	9.9
Duration (Equity)	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity	9.4	8.8	8.8	8.8	8.8	8.7

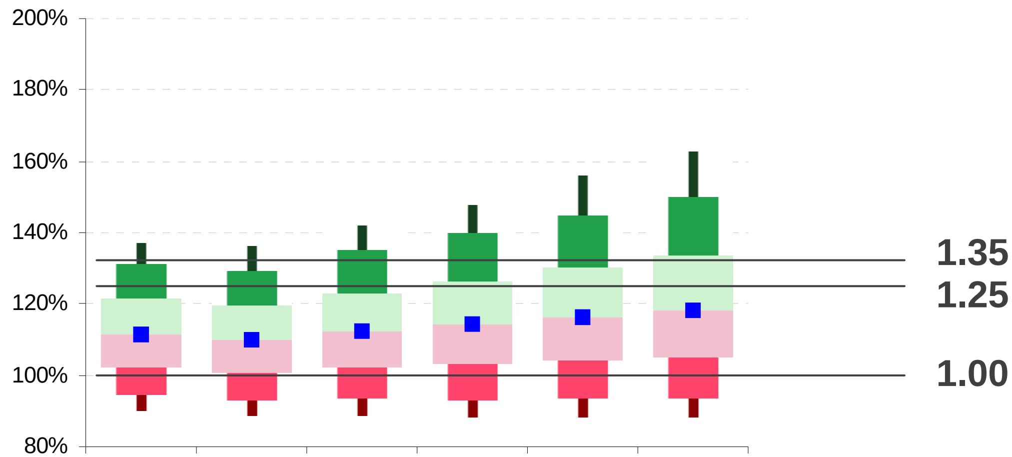
Note: In projection model, alternative allocations start at 6/30/09

Comparison of Portfolios
Funding Ratio – 3 Years Out



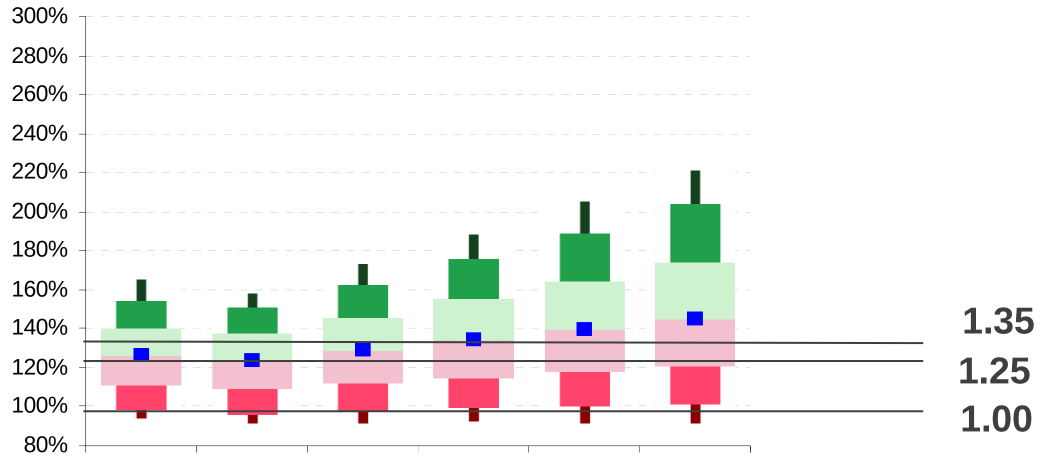
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		119%	118%	122%	125%	128%	132%
90th		115%	114%	116%	119%	122%	124%
75th		108%	108%	109%	111%	113%	114%
50th		101%	100%	101%	102%	103%	104%
25th		94%	93%	93%	94%	94%	94%
10th		88%	86%	86%	87%	86%	86%
5th		83%	83%	83%	83%	82%	82%
75th - 25th		14%	15%	16%	18%	19%	20%
95th - 5th		35%	35%	39%	42%	46%	50%
50th - 25th		7%	7%	8%	8%	9%	10%
50th - 5th		17%	17%	18%	20%	21%	23%

Comparison of Portfolios
Funding Ratio – 5 Years Out



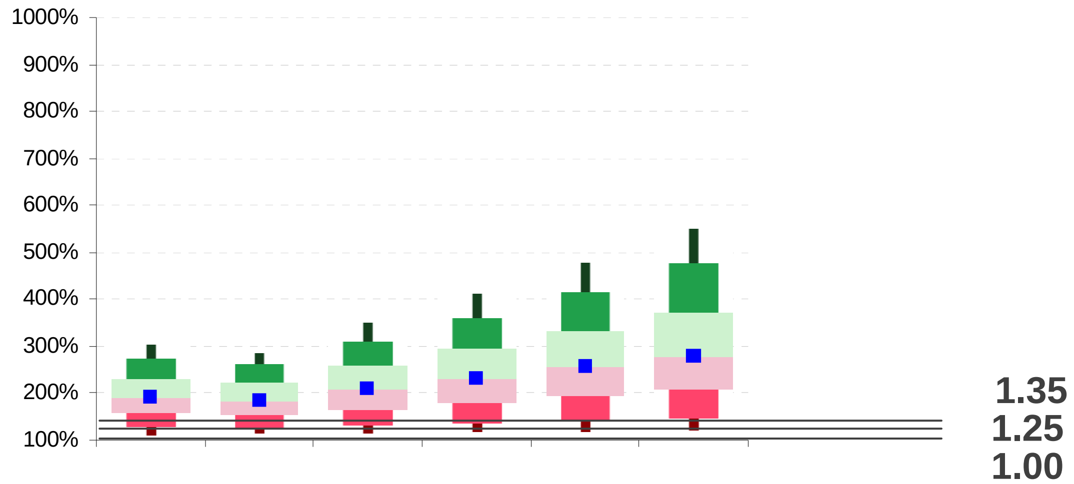
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		137%	136%	142%	148%	156%	163%
90th		131%	129%	135%	140%	145%	150%
75th		122%	120%	123%	127%	130%	134%
50th		111%	110%	112%	114%	116%	118%
25th		102%	101%	102%	103%	104%	105%
10th		94%	93%	93%	93%	94%	94%
5th		90%	89%	89%	88%	88%	88%
75th - 25th		20%	19%	21%	23%	26%	29%
95th - 5th		47%	48%	53%	60%	68%	75%
50th - 25th		9%	9%	10%	11%	12%	13%
50th - 5th		21%	22%	24%	26%	28%	30%

Comparison of Portfolios
Funding Ratio – 10 Years Out



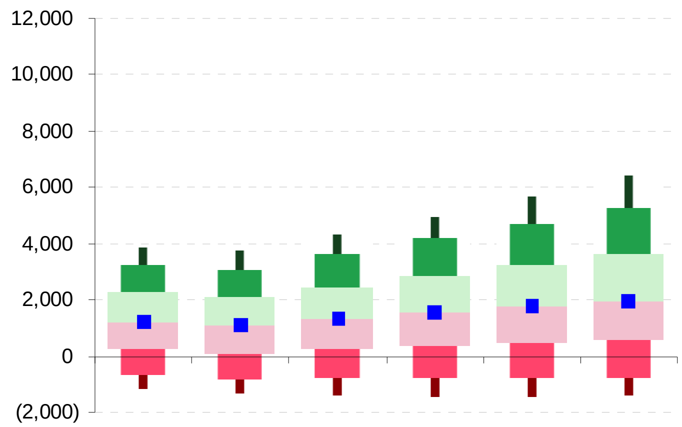
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		165%	158%	173%	189%	205%	221%
90th		155%	151%	163%	176%	190%	204%
75th		140%	137%	146%	156%	165%	174%
50th		126%	123%	128%	134%	140%	145%
25th		111%	109%	112%	115%	118%	121%
10th		99%	96%	98%	99%	101%	101%
5th		94%	92%	92%	93%	92%	92%
75th - 25th		29%	28%	34%	41%	46%	54%
95th - 5th		71%	67%	81%	96%	113%	130%
50th - 25th		14%	14%	17%	19%	22%	24%
50th - 5th		32%	31%	37%	41%	48%	53%

Comparison of Portfolios
Funding Ratio – 20 Years Out



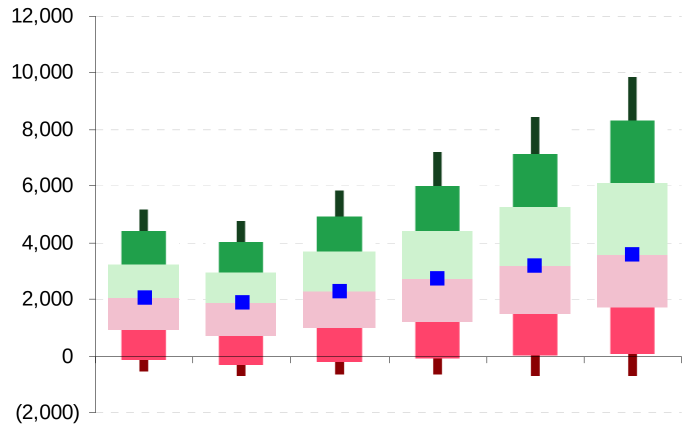
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		304%	286%	350%	411%	479%	551%
90th		275%	263%	309%	360%	415%	477%
75th		229%	224%	258%	295%	334%	374%
50th		191%	185%	209%	232%	256%	279%
25th		159%	153%	167%	181%	195%	208%
10th		130%	125%	133%	138%	144%	148%
5th		112%	113%	116%	117%	116%	120%
75th - 25th		70%	71%	91%	114%	139%	165%
95th - 5th		192%	172%	234%	294%	362%	431%
50th - 25th		33%	32%	42%	51%	62%	71%
50th - 5th		79%	72%	93%	115%	140%	159%

Comparison of Portfolios
Net Asset – 5 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		3,848	3,754	4,338	4,917	5,675	6,435
90th		3,242	3,069	3,638	4,202	4,713	5,301
75th		2,301	2,093	2,478	2,831	3,245	3,632
50th		1,239	1,118	1,332	1,545	1,773	1,970
25th		243	103	258	383	478	582
10th		(649)	(800)	(742)	(737)	(739)	(732)
5th		(1,169)	(1,340)	(1,398)	(1,431)	(1,410)	(1,399)
75th - 25th		2,058	1,990	2,220	2,448	2,766	3,050
95th - 5th		5,017	5,094	5,735	6,348	7,084	7,834
50th - 25th		996	1,015	1,073	1,162	1,295	1,388
50th - 5th		2,408	2,458	2,729	2,976	3,183	3,370

Comparison of Portfolios
Net Asset – 10 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		5,198	4,766	5,872	7,194	8,456	9,862
90th		4,462	4,037	4,944	6,000	7,168	8,304
75th		3,263	2,963	3,704	4,456	5,256	6,129
50th		2,047	1,878	2,276	2,756	3,190	3,616
25th		949	705	986	1,222	1,509	1,725
10th		(137)	(328)	(191)	(58)	49	101
5th		(507)	(696)	(648)	(662)	(698)	(706)
75th - 25th		2,314	2,258	2,718	3,234	3,747	4,404
95th - 5th		5,705	5,462	6,520	7,857	9,155	10,568
50th - 25th		1,098	1,174	1,290	1,534	1,680	1,891
50th - 5th		2,554	2,575	2,924	3,418	3,888	4,322

Summary of Results

Comparison of Discount Rate Methodologies

Summary of Key Statistics - Net Asset and Funding Ratio
4% Discount Rate for Liabilities

		Implemented 80% Bonds	Alternative Allocations: 80% Bonds	75% Bonds	70% Bonds	65% Bonds	60% Bonds
Expected	Net Asset - 2013 [1]	936	1,694	1,877	2,061	2,215	2,373
Median	Net Asset - 2018 [1]	1,341	2,809	3,204	3,575	3,957	4,253
	Funding Ratio - 2011	105%	107%	108%	109%	109%	110%
Expected	Funding Ratio - 2013	108%	115%	117%	118%	120%	121%
Median	Funding Ratio - 2018	115%	132%	136%	141%	145%	149%
	Funding Ratio - 2028	174%	230%	250%	270%	288%	307%
Downside Risk							
	Funding Ratio - 2011	84% or less	91%	90%	90%	89%	88%
5%	Funding Ratio - 2013	85%	95%	94%	94%	93%	92%
probability	Funding Ratio - 2018	83%	101%	101%	100%	99%	98%
	Funding Ratio - 2028	101%	147%	145%	145%	143%	141%
Upside Potential							
	Funding Ratio - 2011	113% or more	114%	115%	117%	119%	120%
25%	Funding Ratio - 2013	120%	125%	127%	130%	133%	136%
probability	Funding Ratio - 2018	132%	146%	154%	161%	169%	177%
	Funding Ratio - 2028	212%	272%	302%	333%	362%	395%

[1] In Millions

Summary of Key Statistics - Net Asset and Funding Ratio
'Smoothed' Discount Rate for Liabilities

		Implemented 80% Bonds	Alternative Allocations: 80% Bonds	75% Bonds	70% Bonds	65% Bonds	60% Bonds
Expected	Net Asset - 2013 [1]	1,009	1,313	1,491	1,679	1,875	2,115
Median	Net Asset - 2018 [1]	2,002	2,689	3,125	3,581	3,918	4,324
	Funding Ratio - 2011	101%	102%	103%	104%	105%	105%
Expected	Funding Ratio - 2013	109%	112%	113%	115%	117%	119%
Median	Funding Ratio - 2018	125%	133%	138%	144%	148%	153%
	Funding Ratio - 2028	191%	222%	243%	266%	287%	311%
Downside Risk							
	Funding Ratio - 2011	84% or less	86%	86%	85%	85%	84%
5%	Funding Ratio - 2013	87%	91%	90%	90%	89%	89%
probability	Funding Ratio - 2018	92%	101%	101%	100%	100%	99%
	Funding Ratio - 2028	112%	140%	139%	141%	140%	139%
Upside Potential							
	Funding Ratio - 2011	108% or more	109%	111%	112%	114%	116%
25%	Funding Ratio - 2013	119%	122%	125%	129%	132%	135%
probability	Funding Ratio - 2018	139%	148%	157%	166%	176%	184%
	Funding Ratio - 2028	229%	267%	299%	335%	369%	409%

[1] In Millions

Summary of Key Statistics - Net Asset and Funding Ratio
Dynamic Discount Rate for Liabilities

		Implemented 80% Bonds	Alternative Allocations: 80% Bonds	75% Bonds	70% Bonds	65% Bonds	60% Bonds
Expected	Net Asset - 2013 [1]	1,239	1,118	1,332	1,545	1,773	1,970
Median	Net Asset - 2018 [1]	2,047	1,878	2,276	2,756	3,190	3,616
	Funding Ratio - 2011	101%	100%	101%	102%	103%	104%
Expected	Funding Ratio - 2013	111%	110%	112%	114%	116%	118%
Median	Funding Ratio - 2018	126%	123%	128%	134%	140%	145%
	Funding Ratio - 2028	191%	185%	209%	232%	256%	279%
Downside Risk							
	Funding Ratio - 2011	83% or less	83%	83%	83%	82%	82%
5%	Funding Ratio - 2013	90%	89%	89%	88%	88%	88%
probability	Funding Ratio - 2018	94%	92%	92%	93%	92%	92%
	Funding Ratio - 2028	112%	113%	116%	117%	116%	120%
Upside Potential							
	Funding Ratio - 2011	108% or more	108%	109%	111%	113%	114%
25%	Funding Ratio - 2013	122%	120%	123%	127%	130%	134%
probability	Funding Ratio - 2018	140%	137%	146%	156%	165%	174%
	Funding Ratio - 2028	229%	224%	258%	295%	334%	374%

[1] In Millions

Appendix C

Alternative Medical Inflation (6%) Assumption Results

(Static and Smoothed Discount Rates)

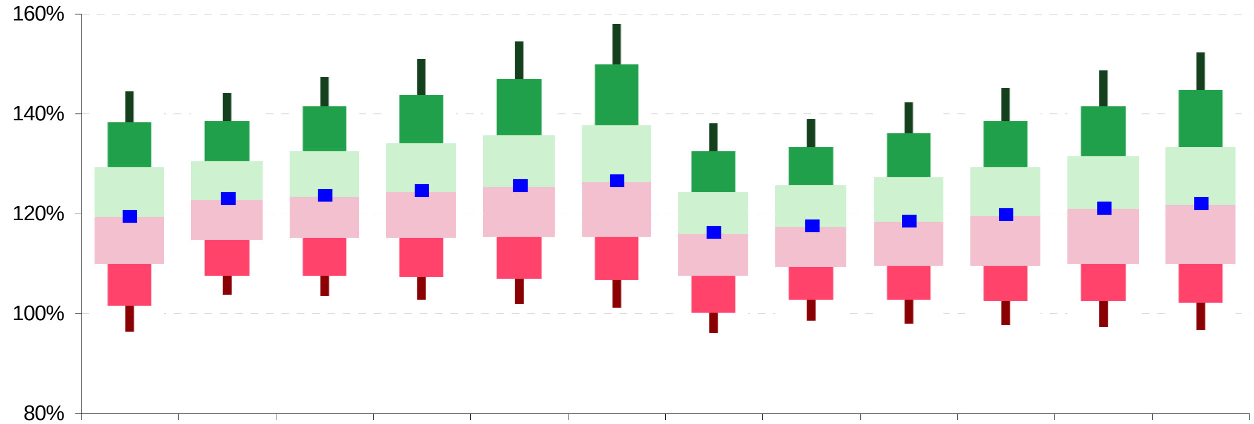
Alternative Asset Mixes

	Static Discount Rate						Smoothed Discount Rate					
	Implemented Policy	20% Equity 80% Bond	25% Equity 75% Bond	30% Equity 70% Bond	35% Equity 65% Bond	40% Equity 60% Bond	Implemented Policy	20% Equity 80% Bond	25% Equity 75% Bond	30% Equity 70% Bond	35% Equity 65% Bond	40% Equity 60% Bond
	Mix 1	**Mix 2**	**Mix 3**	**Mix 4**	**Mix 5**	**Mix 6**	**Mix 7**	**Mix 8**	**Mix 9**	**Mix 10**	**Mix 11**	**Mix 12**
Equity : Fixed income : Alternatives	20:80:0	15:80:5	20:75:5	25:70:5	30:65:5	35:60:5	20:80:0	15:80:5	20:75:5	25:70:5	30:65:5	35:60:5
Public Equity: (US Equity : Non-US Equity)	100:0	50:50	50:50	50:50	50:50	50:50	100:0	50:50	50:50	50:50	50:50:00	50:50
ALLOCATION BY ASSET CLASS												
US Equity -- All Cap	20%	7.5%	10.0%	12.5%	15.0%	17.5%	20%	7.5%	10.0%	12.5%	15.0%	17.5%
Non-US Equities - World ex-U.S.		7.5%	10.0%	12.5%	15.0%	17.5%		7.5%	10.0%	12.5%	15.0%	17.5%
Total Allocation to Public Equity	**20%**	**15%**	**20%**	**25%**	**30%**	**35%**	**20%**	**15%**	**20%**	**25%**	**30%**	**35%**
US Fixed Income -- Cash (Dur 0.2)	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
US Fixed Income -- Intermediate (Dur 3.8)												
US Fixed Income -- Aggregate (Dur 4.5)		49%	46%	42%	39%	36%		18%	16%	15%	14%	13%
US Fixed Income -- Inflation Indexed Bond	20%	25%	23%	22%	20%	18%	20%	19%	18%	17%	15%	14%
US Fixed Income -- Long Gov/Credt (Dur 11)	59%						59%	37%	35%	32%	30%	27%
US Fixed Income -- High Yield		5%	5%	5%	5%	5%		5%	5%	5%	5%	5%
Total Allocation to Fixed Income	**80%**	**80%**	**75%**	**70%**	**65%**	**60%**	**80%**	**80%**	**75%**	**70%**	**65%**	**60%**
Private Equity - Total		2.5%	2.5%	2.5%	2.5%	2.5%		2.5%	2.5%	2.5%	2.5%	2.5%
Real Estate - Private		2.5%	2.5%	2.5%	2.5%	2.5%		2.5%	2.5%	2.5%	2.5%	2.5%
Infrastructure												
Total Allocation to Alternative Investments	**0%**	**5%**	**5%**	**5%**	**5%**	**5%**	**0%**	**5%**	**5%**	**5%**	**5%**	**5%**
STATISTICS												
Long-Term Expected Passive Annual Return	6.22%	6.23%	6.44%	6.63%	6.83%	7.02%	6.22%	6.36%	6.56%	6.76%	6.94%	7.12%
Standard Deviation of Returns	8.77%	5.51%	5.96%	6.47%	7.06%	7.69%	8.77%	7.28%	7.51%	7.78%	8.19%	8.61%
Net Asset - 2018 Most Likely (50th %-ile)	$3,487	$4,942	$5,282	$5,703	$6,099	$6,485	$3,901	$4,662	$5,065	$5,547	$5,899	$6,362
Net Asset - 2018 Upside Potential (95th %-ile)	$7,007	$8,105	$9,197	$10,488	$11,652	$13,225	$7,135	$7,697	$8,887	$10,058	$11,378	$13,071
Net Asset - 2018 Downside Risk (5th %-ile)	$628	$2,280	$2,200	$2,153	$2,042	$1,991	$1,219	$2,119	$2,119	$2,095	$1,982	$1,954
Funding Ratio - 2011 (50th %-ile)	119%	123%	124%	124%	125%	126%	116%	117%	118%	120%	121%	122%
Funding Ratio - 2013 (50th %-ile)	123%	131%	132%	134%	136%	138%	124%	127%	129%	131%	133%	135%
Funding Ratio - 2018 (50th %-ile)	148%	168%	173%	178%	183%	189%	157%	168%	174%	180%	185%	192%
Funding Ratio - 2028 (50th %-ile)	307%	387%	418%	447%	476%	504%	334%	381%	412%	446%	478%	512%
Funding Ratio - 2011 Downside Risk (5th %-ile)	96%	104%	104%	103%	102%	101%	96%	99%	98%	98%	97%	97%
Funding Ratio - 2013 Downside Risk (5th %-ile)	96%	107%	107%	106%	106%	104%	99%	104%	103%	103%	102%	101%
Funding Ratio - 2018 Downside Risk (5th %-ile)	108%	129%	129%	127%	126%	126%	117%	129%	129%	130%	129%	128%
Funding Ratio - 2028 Downside Risk (5th %-ile)	200%	262%	264%	261%	260%	257%	220%	256%	259%	258%	260%	260%
Duration (Total Portfolio)	6.5	2.2	2.1	1.9	1.8	1.6	6.5	4.9	4.6	4.2	3.9	3.6
Duration (Fixed Income)	8.1	2.8	2.8	2.7	2.7	2.7	8.1	6.1	6.1	6.0	6.0	5.9
Duration (Equity)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity (Total Portfolio)	9.4	8.8	8.8	8.7	8.7	8.7	9.4	8.8	8.8	8.8	8.8	8.7

Note: In projection model, alternative allocations start at 6/30/09

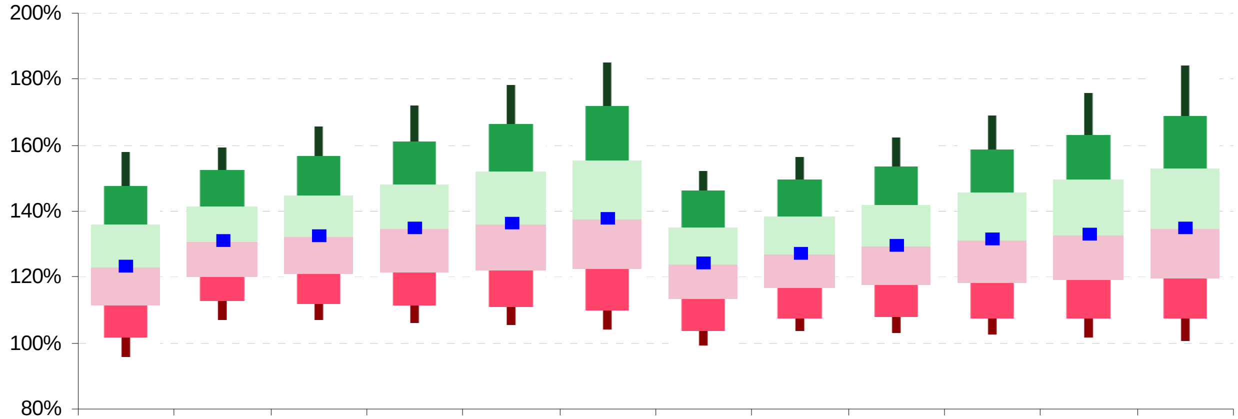
Comparison of Portfolios

Funded Ratio - 3 Years Out



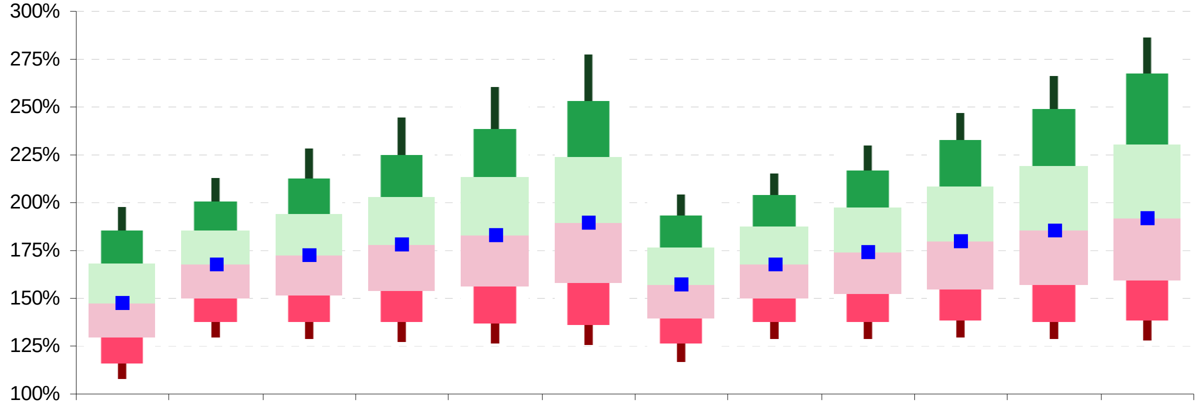
	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
	Discount Rate = Static						Discount Rate = Smoothed					
	20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th	145%	144%	147%	151%	154%	158%	138%	139%	142%	145%	149%	152%
90th	138%	139%	142%	144%	147%	150%	133%	134%	136%	139%	142%	145%
75th	129%	131%	133%	134%	136%	138%	125%	126%	127%	129%	132%	133%
50th	119%	123%	124%	124%	125%	126%	116%	117%	118%	120%	121%	122%
25th	110%	115%	115%	115%	115%	115%	108%	109%	110%	110%	110%	110%
10th	102%	108%	108%	108%	107%	107%	100%	103%	103%	103%	103%	102%
5th	96%	104%	104%	103%	102%	101%	96%	99%	98%	98%	97%	97%
75th - 25th	19%	16%	17%	19%	20%	22%	17%	16%	18%	20%	22%	23%
95th - 5th	48%	40%	44%	48%	52%	57%	42%	40%	44%	47%	51%	55%
50th - 25th	9%	8%	9%	9%	10%	11%	8%	8%	9%	10%	11%	12%
50th - 5th	23%	19%	20%	22%	23%	25%	20%	19%	20%	22%	24%	25%

Comparison of Portfolios
Funded Ratio - 5 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		158%	159%	166%	172%	178%	185%	152%	156%	162%	169%	176%	184%
90th		148%	152%	157%	161%	167%	172%	146%	150%	154%	159%	163%	169%
75th		136%	142%	145%	148%	152%	155%	135%	138%	142%	146%	150%	153%
50th		123%	131%	132%	134%	136%	138%	124%	127%	129%	131%	133%	135%
25th		111%	120%	121%	122%	122%	123%	113%	117%	118%	118%	119%	120%
10th		102%	113%	112%	111%	111%	110%	104%	108%	108%	108%	108%	108%
5th		96%	107%	107%	106%	106%	104%	99%	104%	103%	103%	102%	101%
75th - 25th		25%	21%	24%	27%	30%	33%	22%	21%	24%	27%	30%	33%
95th - 5th		62%	52%	59%	65%	73%	81%	53%	53%	59%	66%	74%	83%
50th - 25th		12%	11%	11%	13%	14%	15%	11%	10%	11%	13%	14%	15%
50th - 5th		27%	24%	25%	28%	30%	33%	25%	23%	26%	29%	31%	34%

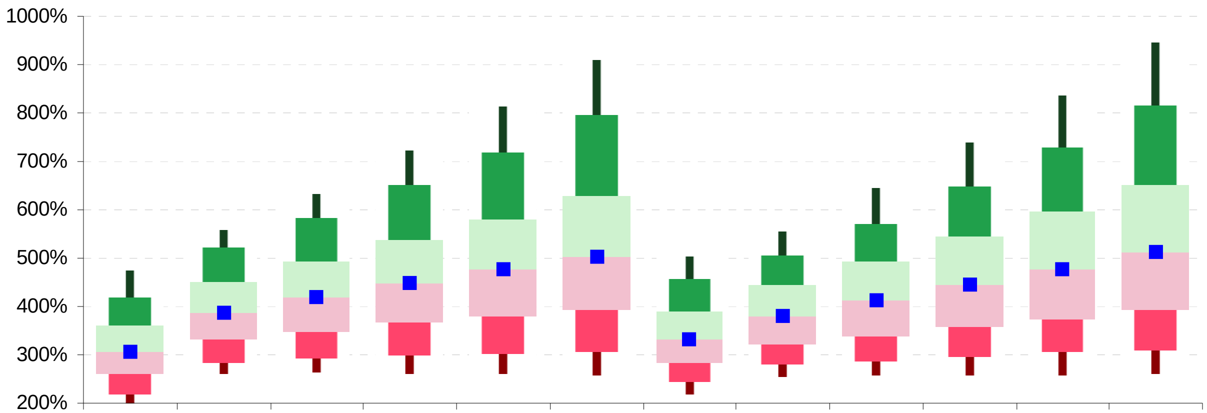
Comparison of Portfolios
Funded Ratio - 10 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		198%	213%	229%	244%	260%	278%	204%	215%	230%	247%	266%	286%
90th		185%	201%	213%	225%	238%	253%	194%	204%	217%	233%	249%	268%
75th		169%	185%	195%	204%	214%	224%	177%	188%	198%	209%	220%	231%
50th		148%	168%	173%	178%	183%	189%	157%	168%	174%	180%	185%	192%
25th		130%	150%	152%	154%	156%	158%	140%	150%	152%	155%	157%	160%
10th		116%	138%	138%	138%	137%	137%	126%	138%	138%	139%	138%	138%
5th		108%	129%	129%	127%	126%	126%	117%	129%	129%	130%	129%	128%
75th - 25th		39%	35%	43%	49%	57%	66%	37%	38%	45%	54%	62%	71%
95th - 5th		89%	84%	100%	117%	134%	152%	87%	86%	101%	118%	137%	158%
50th - 25th		18%	18%	21%	24%	27%	31%	17%	18%	22%	25%	28%	32%
50th - 5th		39%	38%	44%	51%	57%	64%	40%	39%	45%	50%	56%	63%

Comparison of Portfolios

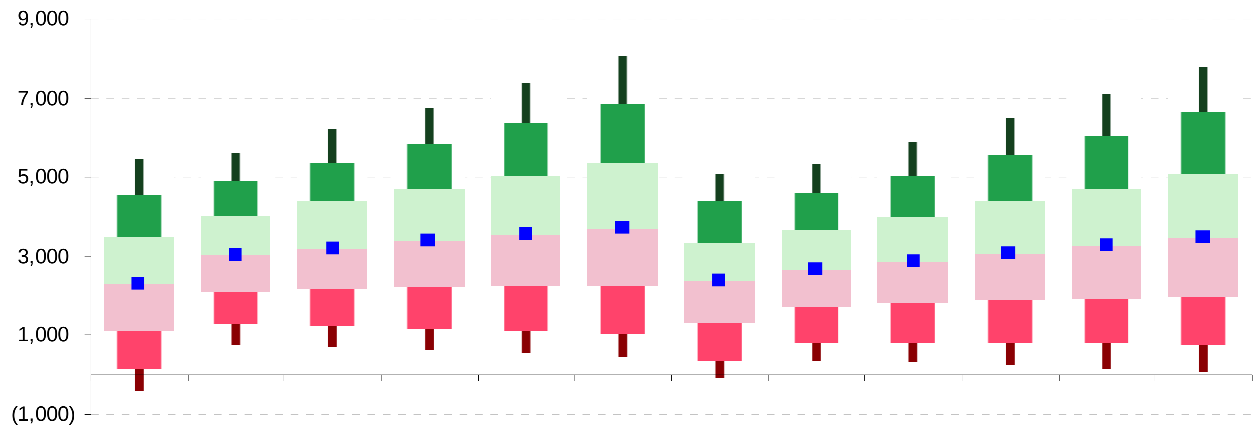
Funded Ratio - 20 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		474%	557%	631%	723%	814%	911%	502%	556%	646%	739%	836%	946%
90th		421%	521%	583%	651%	718%	796%	457%	508%	572%	648%	729%	816%
75th		362%	452%	493%	538%	579%	629%	392%	445%	494%	545%	597%	651%
50th		307%	387%	418%	447%	476%	504%	334%	381%	412%	446%	478%	512%
25th		262%	332%	350%	367%	380%	392%	284%	323%	340%	357%	375%	393%
10th		221%	284%	292%	299%	304%	308%	244%	279%	286%	298%	305%	310%
5th		200%	262%	264%	261%	260%	257%	220%	256%	259%	258%	260%	260%
75th - 25th		100%	120%	143%	172%	199%	237%	108%	122%	154%	189%	221%	258%
95th - 5th		274%	294%	368%	462%	554%	654%	282%	301%	387%	481%	576%	686%
50th - 25th		45%	55%	68%	81%	96%	112%	50%	57%	72%	89%	103%	119%
50th - 5th		107%	125%	154%	186%	215%	247%	113%	125%	153%	188%	219%	252%

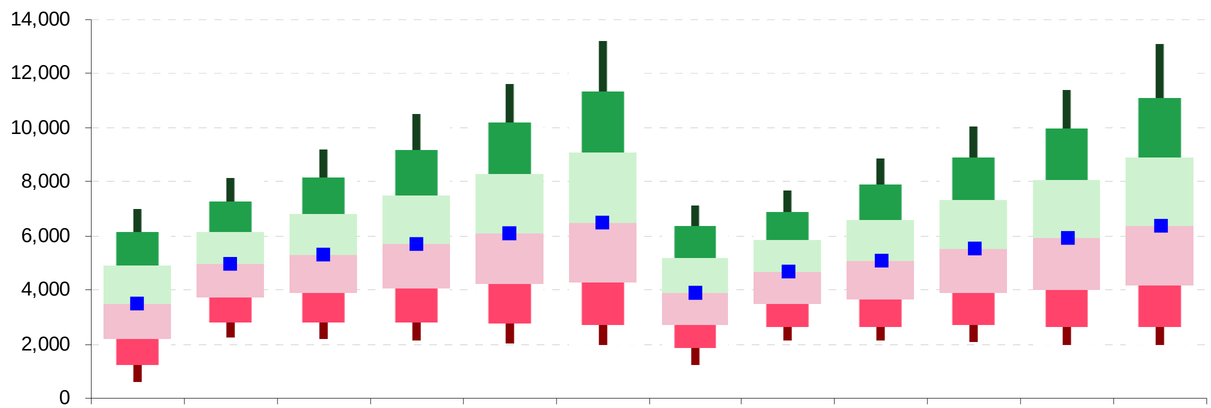
Comparison of Portfolios

Net Asset - 5 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		5,467	5,595	6,232	6,744	7,388	8,064	5,071	5,344	5,877	6,504	7,096	7,797
90th		4,562	4,939	5,371	5,854	6,371	6,861	4,415	4,595	5,050	5,569	6,055	6,674
75th		3,525	4,044	4,400	4,729	5,063	5,352	3,366	3,682	4,009	4,384	4,739	5,080
50th		2,322	3,044	3,211	3,396	3,576	3,718	2,375	2,672	2,886	3,083	3,281	3,456
25th		1,152	2,122	2,175	2,207	2,264	2,286	1,321	1,733	1,818	1,903	1,945	1,996
10th		177	1,295	1,255	1,175	1,126	1,048	380	828	807	805	804	767
5th		(412)	789	736	640	556	469	(66)	385	314	257	176	104
75th - 25th		2,373	1,922	2,224	2,521	2,799	3,067	2,045	1,949	2,191	2,480	2,794	3,084
95th - 5th		5,879	4,806	5,496	6,104	6,832	7,596	5,137	4,959	5,563	6,246	6,921	7,693
50th - 25th		1,170	921	1,035	1,188	1,312	1,432	1,054	939	1,068	1,180	1,336	1,460
50th - 5th		2,734	2,255	2,475	2,756	3,020	3,249	2,441	2,287	2,572	2,826	3,106	3,352

Comparison of Portfolios
Net Asset - 10 Years Out



		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6	Mix 7	Mix 8	Mix 9	Mix 10	Mix 11	Mix 12
		Discount Rate = Static						Discount Rate = Smoothed					
		20/80	20/80	25/75	30/70	35/65	40/60	20/80	20/80	25/75	30/70	35/65	40/60
95th		7,007	8,105	9,197	10,488	11,652	13,225	7,135	7,697	8,887	10,058	11,378	13,071
90th		6,157	7,293	8,199	9,202	10,190	11,367	6,390	6,873	7,888	8,918	9,991	11,136
75th		4,897	6,179	6,856	7,524	8,275	9,085	5,181	5,846	6,589	7,340	8,058	8,901
50th		3,487	4,942	5,282	5,703	6,099	6,485	3,901	4,662	5,065	5,547	5,899	6,362
25th		2,216	3,714	3,902	4,088	4,213	4,301	2,729	3,506	3,696	3,880	4,006	4,183
10th		1,221	2,814	2,842	2,824	2,772	2,716	1,880	2,625	2,654	2,683	2,645	2,645
5th		628	2,280	2,200	2,153	2,042	1,991	1,219	2,119	2,119	2,095	1,982	1,954
75th - 25th		2,680	2,465	2,954	3,436	4,062	4,784	2,451	2,340	2,893	3,460	4,052	4,718
95th - 5th		6,380	5,826	6,996	8,334	9,611	11,234	5,916	5,578	6,768	7,963	9,396	11,117
50th - 25th		1,271	1,228	1,380	1,615	1,886	2,185	1,172	1,156	1,368	1,668	1,893	2,179
50th - 5th		2,859	2,662	3,081	3,549	4,057	4,494	2,682	2,543	2,945	3,453	3,917	4,408

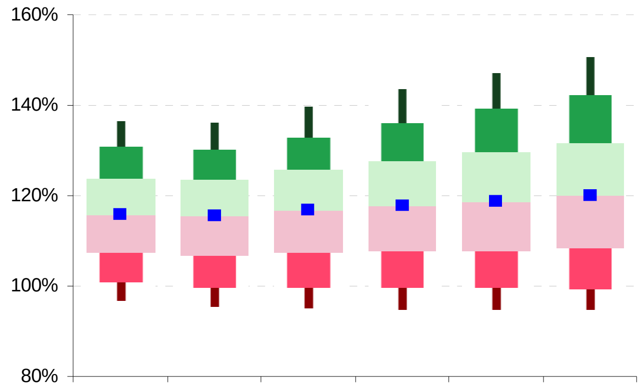
Appendix D
Alternative Medical Inflation (6%) Assumption
(Dynamic Discount Rate)

Alternative Asset Mixes

	Dynamic Discount Rate					
	Implemented Policy Mix 13	20% Equity 80% Bond Mix 14	25% Equity 75% Bond Mix 15	30% Equity 70% Bond Mix 16	35% Equity 65% Bond Mix 17	40% Equity 60% Bond Mix 18
Equity : Fixed income : Alternatives	20:80:0	15:80:5	20:75:5	25:70:5	30:65:5	35:60:5
Public Equity: (US Equity : Non-US Equity)	100:0	50:50	50:50	50:50	50:50	50:50
ALLOCATION BY ASSET CLASS						
US Equity -- All Cap	20%	7.5%	10.0%	12.5%	15.0%	17.5%
Non-US Equities - World ex-U.S.		7.5%	10.0%	12.5%	15.0%	17.5%
Total Allocation to Public Equity	**20%**	**15%**	**20%**	**25%**	**30%**	**35%**
US Fixed Income -- Cash (Dur 0.2)	1%	1%	1%	1%	1%	1%
US Fixed Income -- Intermediate (Dur 3.8)						
US Fixed Income -- Aggregate (Dur 4.5)						
US Fixed Income -- Inflation Indexed Bond	20%					
US Fixed Income -- Long Gov/Credt (Dur 11)	59%	74%	69%	64%	59%	54%
US Fixed Income -- High Yield		5%	5%	5%	5%	5%
Total Allocation to Fixed Income	**80%**	**80%**	**75%**	**70%**	**65%**	**60%**
Private Equity - Total		2.5%	2.5%	2.5%	2.5%	2.5%
Real Estate - Private		2.5%	2.5%	2.5%	2.5%	2.5%
Infrastructure						
Total Allocation to Alternative Investments	**0%**	**5%**	**5%**	**5%**	**5%**	**5%**
STATISTICS						
Long-Term Expected Passive Annual Return	6.22%	6.46%	6.66%	6.85%	7.04%	7.22%
Standard Deviation of Returns	8.77%	9.61%	9.56%	9.59%	9.71%	9.91%
Net Asset - 2018 Most Likely (50th %-ile)	$3,948	$3,799	$4,259	$4,693	$5,132	$5,575
Net Asset - 2018 Upside Potential (95th %-ile)	$7,097	$6,823	$8,016	$9,253	$10,609	$12,081
Net Asset - 2018 Downside Risk (5th %-ile)	$1,364	$1,213	$1,308	$1,254	$1,273	$1,309
Funding Ratio - 2011 (50th %-ile)	116%	115%	117%	118%	119%	120%
Funding Ratio - 2013 (50th %-ile)	127%	125%	127%	130%	132%	134%
Funding Ratio - 2018 (50th %-ile)	159%	156%	162%	169%	176%	184%
Funding Ratio - 2028 (50th %-ile)	334%	327%	361%	397%	432%	470%
Funding Ratio - 2011 Downside Risk (5th %-ile)	97%	96%	95%	95%	95%	95%
Funding Ratio - 2013 Downside Risk (5th %-ile)	102%	101%	101%	101%	100%	100%
Funding Ratio - 2018 Downside Risk (5th %-ile)	119%	118%	119%	119%	119%	119%
Funding Ratio - 2028 Downside Risk (5th %-ile)	222%	219%	227%	231%	236%	236%
Duration (Total Portfolio)	6.5	8.1	7.6	7.0	6.5	5.9
Duration (Fixed Income)	8.1	10.2	10.1	10.1	10.0	9.9
Duration (Equity)	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity	9.4	8.8	8.8	8.8	8.8	8.7

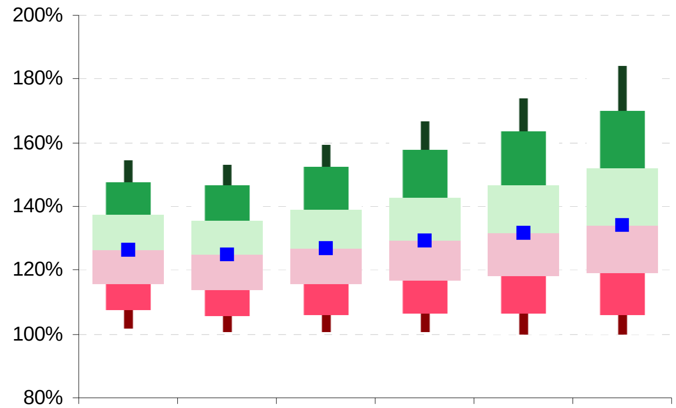
Note: In projection model, alternative allocations start at 6/30/09

Comparison of Portfolios
Funded Ratio - 3 Years Out



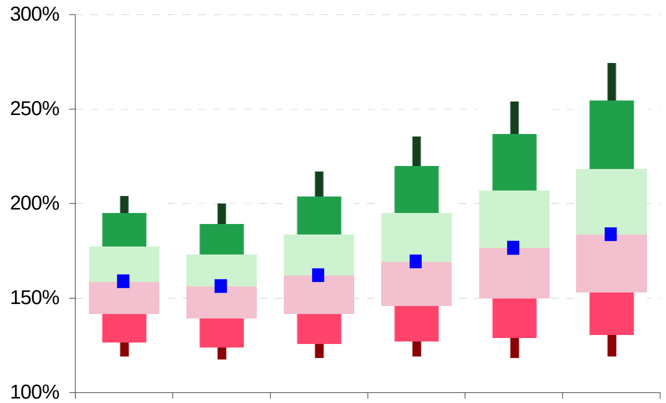
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		137%	136%	140%	144%	147%	151%
90th		131%	130%	133%	136%	139%	142%
75th		124%	124%	126%	128%	130%	132%
50th		116%	115%	117%	118%	119%	120%
25th		108%	107%	107%	108%	108%	108%
10th		101%	100%	100%	100%	100%	99%
5th		97%	96%	95%	95%	95%	95%
75th - 25th		16%	17%	18%	20%	22%	23%
95th - 5th		40%	41%	45%	49%	52%	56%
50th - 25th		8%	9%	9%	10%	11%	12%
50th - 5th		19%	20%	21%	23%	24%	25%

Comparison of Portfolios
Funded Ratio - 5 Years Out



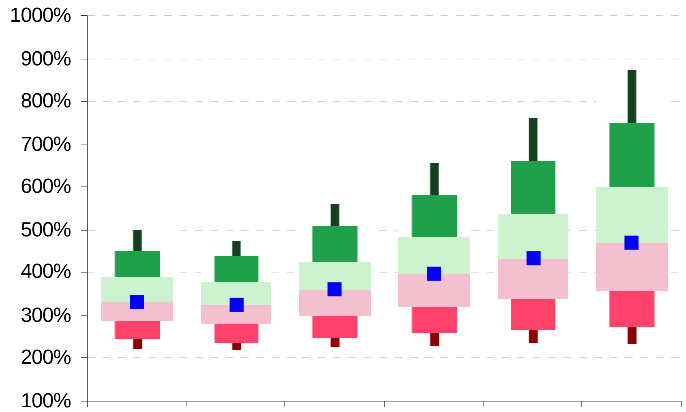
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		154%	153%	159%	167%	174%	184%
90th		148%	147%	153%	158%	164%	170%
75th		138%	136%	139%	143%	147%	152%
50th		127%	125%	127%	130%	132%	134%
25th		116%	114%	116%	117%	118%	119%
10th		108%	105%	106%	107%	107%	106%
5th		102%	101%	101%	101%	100%	100%
75th - 25th		22%	22%	23%	26%	29%	33%
95th - 5th		52%	52%	58%	66%	74%	84%
50th - 25th		11%	11%	11%	13%	14%	15%
50th - 5th		25%	24%	26%	29%	32%	34%

Comparison of Portfolios
Funded Ratio - 10 Years Out



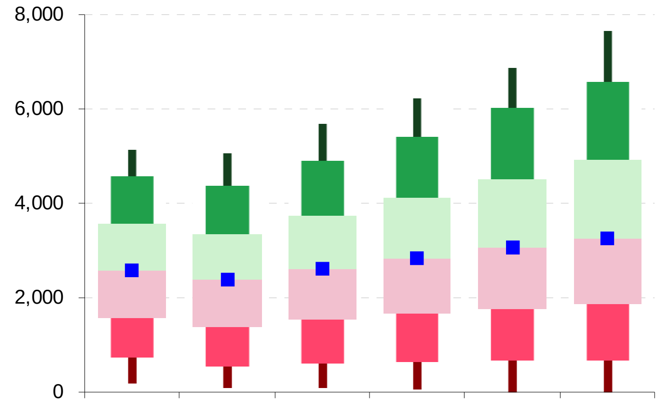
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		204%	200%	217%	235%	254%	274%
90th		195%	190%	204%	220%	237%	255%
75th		178%	173%	184%	195%	207%	219%
50th		159%	156%	162%	169%	176%	184%
25th		142%	139%	142%	146%	150%	153%
10th		126%	124%	126%	127%	129%	131%
5th		119%	118%	119%	119%	119%	119%
75th - 25th		36%	34%	42%	49%	57%	66%
95th - 5th		85%	82%	99%	116%	135%	155%
50th - 25th		17%	17%	21%	23%	26%	30%
50th - 5th		39%	38%	44%	50%	58%	65%

Comparison of Portfolios
Funded Ratio - 20 Years Out



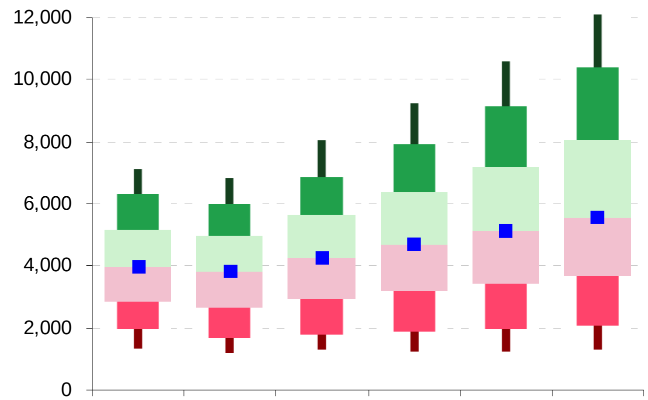
		Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
		Discount Rate = Dynamic					
		20/80	20/80	25/75	30/70	35/65	40/60
95th		498%	473%	560%	655%	759%	871%
90th		453%	440%	510%	584%	664%	751%
75th		389%	379%	428%	483%	540%	601%
50th		334%	327%	361%	397%	432%	470%
25th		287%	280%	301%	320%	339%	359%
10th		244%	239%	248%	258%	268%	276%
5th		222%	219%	227%	231%	236%	236%
75th - 25th		101%	98%	127%	163%	201%	242%
95th - 5th		275%	253%	334%	424%	523%	636%
50th - 25th		47%	46%	60%	77%	93%	111%
50th - 5th		112%	107%	135%	166%	196%	235%

Comparison of Portfolios
Net Asset - 5 Years Out



	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
	Discount Rate = Dynamic					
	20/80	20/80	25/75	30/70	35/65	40/60
95th	5,124	5,080	5,668	6,227	6,872	7,660
90th	4,567	4,373	4,911	5,415	6,017	6,586
75th	3,575	3,369	3,726	4,118	4,528	4,946
50th	2,584	2,401	2,603	2,846	3,049	3,256
25th	1,584	1,398	1,538	1,673	1,768	1,860
10th	731	550	605	646	669	686
5th	193	97	103	77	8	1
75th - 25th	1,992	1,971	2,188	2,445	2,760	3,087
95th - 5th	4,932	4,983	5,565	6,149	6,864	7,659
50th - 25th	1,000	1,003	1,065	1,173	1,281	1,397
50th - 5th	2,391	2,304	2,500	2,768	3,041	3,255

Comparison of Portfolios
Net Asset - 10 Years Out



	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
	Discount Rate = Dynamic					
	20/80	20/80	25/75	30/70	35/65	40/60
95th	7,097	6,823	8,016	9,253	10,609	12,081
90th	6,357	6,000	6,895	7,948	9,148	10,405
75th	5,181	4,961	5,659	6,374	7,211	8,065
50th	3,948	3,799	4,259	4,693	5,132	5,575
25th	2,872	2,678	2,954	3,182	3,459	3,672
10th	1,989	1,701	1,799	1,865	2,002	2,058
5th	1,364	1,213	1,308	1,254	1,273	1,309
75th - 25th	2,308	2,282	2,704	3,192	3,752	4,394
95th - 5th	5,733	5,610	6,708	7,999	9,335	10,772
50th - 25th	1,076	1,121	1,305	1,511	1,673	1,903
50th - 5th	2,584	2,587	2,951	3,439	3,859	4,266

Services provided by Mercer Investment Consulting, Inc.

The Ohio Bureau of Workers' Compensation

Statement of Investment Policy and Guidelines

Adopted by the BWC Board of Directors: December 18, 2008

Amends Adoption of: November 21, 2008

Table of Contents

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

I. INVESTMENT OBJECTIVES

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

II. BACKGROUND

A. Purpose

This document establishes the investment policy (the "Investment Policy") for the Ohio Bureau of Workers' Compensation ("OBWC") State Insurance Fund and Ancillary Funds ("the Funds"). The Workers' Compensation Board of Directors ("Board") adopts this policy in order to assist the Administrator, the Chief Financial Officer, the Chief Investment Officer and the OBWC staff in meeting investment objectives and monitoring the performance of the investment of the surplus and reserves of the Funds as required by Ohio Revised Code Section 4121.12(F).

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

B. Fiduciary Standard

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

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

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

III. ROLES AND RESPONSIBILITIES

A. Board Responsibilities

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

i. Approve the strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving facts or situations relevant to the appropriate character of that policy.

ii. Permit the Administrator to invest in an investment class only after the Board, by majority vote, opens the class in question.

iii. Close any class of investments when it deems prudent.

iv. Monitor and review the investment performance of the Funds on a quarterly (February, May, August and November) basis to determine achievement of goals and compliance with this Investment Policy.

v. Advise and consent to the Administrator's hiring of the CIO.

vi. Advise and consent to the OBWC's employment of an internal auditor, who shall report directly to the Board on investment matters.

vii. Approve the selection and termination of all Investment Consultants.

viii. Approve the criteria and procedures for the selection of the Investment Managers and General Partners.

ix. Approve the final selection and funding and termination of all Investment Managers and General Partners.

x. Approve the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.

xi. Prohibit on a prospective basis any specific investment that the Board finds to be contrary to the Investment Objectives of the Funds. In the event that the Board determines that any activity undertaken or proposed to be undertaken pursuant to this Investment Policy is contrary to the Investment Objectives, the Board shall direct the Administrator to take the appropriate corrective action.

xii. Submit a report annually on the performance and the value of each investment class to the governor, the president and minority leader of the senate, and the speaker and the minority leader of the house of representatives.

xiii. Advise the Administrator of the Board's criteria for approving proposed dividends submitted to it pursuant to R.C. 4123.32 and Ohio Admin. Code 4123-17-10.

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

B. OBWC Staff Responsibilities

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

i. Consult with and receive approval from the Board regarding the appropriate strategic asset allocation and investment policy for the Funds and periodically review such policy in light of any changes in actuarial variables, market conditions, or other evolving relevant facts or situations.

ii. Recommend permissible asset classes for investment to the Board.

iii. Monitor and review the investment performance of the Funds on a monthly basis to determine achievement of goals and compliance with Investment Policy. Provide a report of monthly market value changes by investment asset class.

iv. Consult with and receive approval from the Board on the selection and termination of all Investment Consultants.

v. Consult with and receive approval from the Board on the selection and termination of all Investment Managers and General Partners.

vi. Consult with and receive approval from the Board on the asset class to be managed, investment style, scope of investment activities and maximum percent of the Fund that may be allocated to each Investment Manager and General Partner.

vii. Implement the directives of the Board.

viii. Supervise the management of each Fund's assets in accordance with this Investment Policy and the objectives and guidelines set forth herein.

ix. Consult with and receive approval from the Board regarding criteria and procedures to be utilized to select Investment Managers and General Partners.

x. Monitor all managed assets to insure compliance with the guidelines set forth in this Investment Policy and report same to the Board on a monthly basis.

xi. Inform and receive approval by the Board of any significant change in investment strategy of approved Investment Managers and General Partners.

xii. Monitor manager trade execution.

xiii. Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds set forth herein. The CIO may retain a third party proxy voting service or direct investment managers to vote the proxies related to securities held in their respective portfolios.

xiv. Maintain detailed records of said voting of proxies and related actions and comply with all regulatory obligations related thereto.

xv. Report to the Board on at least an annual basis summary trade activity by brokerage firm and communicate any unusual trading activity to the Board in a timely manner, including any discussions with Investment Managers regarding such trading activity.

xvi. Consult with the Funds' Investment Managers on at least a quarterly basis to discuss account performance and other material information.

xvii. Collect and review the current Form ADV of each Investment Manager and Investment Consultant on an annual basis and provide a summary report to the Board.

C. Investments Managers' Responsibilities

Each Investment Manager shall:

i. Be a bank, insurance company, investment management company, or investment advisor as defined by the Investment Advisors Act of 1940.

ii. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.

iii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Investment Management Agreement and the specific portfolio guidelines contained therein.

iv. Subject to any exceptions expressly set forth herein, Investment Managers shall be directly responsible for executing trades related to the portfolios they manage for the Funds. Investment Managers shall be responsible for seeking the best execution of trades. Any Broker used by any Investment Manager must be properly licensed.

v. Provide monthly performance evaluation reports that comply with the Global Performance Presentation Standards (GPPS) issued by the CFA Institute.

vi. Provide the CIO with firm's Brokerage, Soft Dollar and Trade Execution Policy on an annual basis.

vii. Provide the CIO with a report on at least monthly basis on the trading activities of the Funds, including, but not limited to, the volume of trades and related commissions executed by each Broker.

viii. Provide the CIO with the firm's Ethics Policy and quarterly confirmation of its compliance with said policy.

ix. Provide the CIO with the firm's most recent Form ADV on an annual basis.

x. Comply with the Campaign Contribution Policy as set forth in the Ohio Revised Code (O.R.C.) Section 3517 and provide written evidence of such compliance on a quarterly basis.

xi. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.

xii. If directed by the Administrator and/or the Chief Investment Officer, shall promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Funds. Each manager designated to vote shall provide OBWC with firm's proxy voting policy on an annual basis, keep detailed records of said voting of proxies and related action and comply with all regulatory obligations related thereto.

xiii. Report to the CIO on at least a quarterly basis on the status of the portfolio and its performance for various time periods and meet with the staff at least semi-annually to report on the economic outlook and compliance with goals and objectives.

xiv. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy.

D. General Partners' Responsibilities

Each General Partner shall:

i. Manage the plan assets under its care, custody and/or control in accordance with the Investment Policy set forth herein and in compliance with applicable Ohio statutory requirements.

ii. Exercise full investment discretion over the assets in their care within the guidelines set forth herein, their Partnership and/or Subscription Agreement and the specific portfolio guidelines contained therein.

iii. Provide the CIO with quarterly financial statements and an audited annual financial statement for each partnership or fund to which the Ohio BWC has made a commitment.

iv. Provide the CIO with an annual Valuation Certification attesting to the value of the Ohio BWC holdings in each partnership or fund.

v. Provide the CIO with the firm's Ethics Policy and annual confirmation of its compliance with said policy (for agreements entered into after January 1, 2006 only).

vi. Promptly provide the CIO with a detailed report of all capital calls and/or distributions for each partnership or fund.

vii. Comply with the Campaign Contribution Policy as set forth in the Ohio Revised Code (O.R.C.) Section 3517 and provide written evidence of such compliance on an annual basis (for agreements entered into after January 1, 2006 only).

viii. Promptly inform the CIO in writing of all changes of a material nature pertaining to the firm's organization and professional staff.

E. Investment Consultants' Responsibilities

The Investment Consultant shall:

i. Provide independent and unbiased information to the Board, the Administrator and the CIO.

ii. Assist in the development and amendment of this Investment Policy.

iii. Assist in the establishment of strategic asset allocation targets.

iv. Assist in the development of performance measurement standards.

v. Report the quarterly investment performance results and quarterly risk characteristics of the Funds to the Board.

vi. Monitor and evaluate Investment Manager performance on an ongoing basis.

vii. Conduct due diligence on the Funds' current and prospective Investment Managers.

viii. Establish a procedural due diligence search process.

ix. Assist in the development of criteria and procedures to be utilized for the selection of all Investment Managers.

x. Provide the CIO with the firm's most recent Form ADV on an annual basis.

xi. Provide any other advice or services that the Board or the Administrator and Chief Investment Officer determine from time to time is necessary, useful or appropriate to fulfill the objectives of this Investment Policy in accordance with the Investment Consulting Agreement.

IV. INVESTMENT POLICY GUIDELINES

A. Asset Allocation Guidelines

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

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

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

B. Rebalancing Policy

Rebalancing is the periodic adjustment of an asset portfolio for the purposes of shifting the asset allocation back towards the desired target percentages. Rebalancing policies are put in place to provide a reliable discipline to keep a portfolio in balance as market fluctuations change the percentages that are committed to various assets classes. Over, time the asset mix of any portfolio will tend to drift away from its strategic target asset allocation, acquiring risk and return characteristics that are unintended.

The Board has adopted a policy of rebalancing when actual asset allocations fall outside of the desired ranges as detailed in Section VII A. through F. For purposes of rebalancing, the percentages that each asset class constitutes of the total market value of the fund of which it is a part will be computed at the end of every calendar quarter. If the actual percentage of an assets class falls outside of the allowable ranges as outlined in Section VII by any amount, a rebalancing event will be triggered.

The following sequence of actions will be applied for any rebalancing activity:

1. When a rebalancing event is triggered, the Chief Investment Officer will notify the Administrator that a rebalancing event is imminent.
2. The Investment Division will then contact the appropriate outside investment managers and the BWC investment consultant to discuss market conditions and potential rebalancing actions.
3. The Investment Division will calculate a specific rebalancing dollar reallocation that will factor in appropriate future trust fund cash flows and the desired asset allocations after rebalancing. In general, the Board's policy, when rebalancing becomes necessary, is to restore an asset allocation for the out-of-balance asset class that is halfway between the outer bound that was violated and the original targeted asset percentage. Thus, as an example, if equities have a target allocation of 20%, and an allowable lower limit of 17%, but fall to 16% at a quarter's end as a result of market action, the proposed rebalancing plan would seek to restore equities to 18½% of the total fund (halfway between 17% and 20%).
4. The Chief Investment Officer will present a rebalancing recommendation to the Senior Officer Review Team, which consists of the BWC Administrator, the Chief Operating Officer, and the Chief Fiscal & Planning Officer, for approval before any such asset rebalancing can be implemented and executed.
5. Finally, the Chief Investment Officer will provide a written summary of the fully executed rebalancing activity for any respective trust fund portfolio to the BWC Investment Committee at its next scheduled meeting.

In order to minimize turnover, Fund cash flows, such as premiums received or benefits paid, will be used to the fullest extent to achieve rebalancing objectives.

During periods of extreme market conditions and consequent illiquid markets whereby the ability to execute identified Fund assets rebalancing adjustments is made difficult and costly in the judgment of the Administrator and Chief Investment Officer, such rebalancing actions may be suspended. The suspension of such rebalancing actions and the reason for such decision will be reported promptly to the Board by the Administrator and Chief Investment Officer. Any required rebalancing action for a Fund will be implemented when the impacted financial markets become sufficiently liquid so as to execute such rebalancing action with reasonable cost in the judgment of the Administrator and Chief Investment Officer.

C. General Guidelines

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

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

- No one investment organization or General Partner, utilizing active investment strategies, should manage more than 15% of the Funds' assets at the time it is hired.
- An investment organization, utilizing passive investment strategies, may manage up to 100% of the Funds' assets at the time it is hired. This guideline has been established to allow the BWC to take full advantage of the benefits of low fees resulting from the economies of scale that exist with passive management. The Board, Staff and the Consultant will closely monitor this organizational risk to ensure the security of Fund assets. The maximum allocation under this guideline will only be utilized in circumstances where the fee benefit is believed to outweigh the organizational risk to the Funds.
- The Funds' assets managed by any one firm, utilizing either active or passive investment strategies, or General Partner should not exceed 5% of the total assets managed by the firm or General Partner for all clients in that asset class at the time it is hired. For purposes of this constraint, "asset class" shall be broadly defined to include all styles, sub-sectors, or specialty portfolios managed by a firm within a particular asset class.

ii. Fixed Income Investments

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

Average Weighted Credit Quality

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

Duration

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

Diversification

The fixed income portfolio in the aggregate shall be diversified as specified below[1] to minimize the risk of losses:

By Sector:

Sector Allocation	Max. % of Fixed Income
U.S. Governments:	***100%***
Treasuries	100%
Agencies	100%
Mortgages	***40%***
Agencies	40%
Non-Agency	10%
Collateralized Mortgage Obligations (CMOs) (must be rated AA or better)	10%
Commercial Mortgage Backed Securities (CMBS) and Project Loans	10%
Floating Rate Mortgages	10%
Investment Grade Credit	***70%***
Finance	35%
Industrial	35%
Transportation	35%
Utilities	35%
Yankees	15%
Asset Backed Securities (ABS) (must be rated AA or better)	10%
Foreign Governments	***5%***
Below Investment Grade Credit	***7.5%***

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

By Credit Quality:

Credit Quality	Max. % of Fixed Income	Credit Name Max %
Governments/Agencies	100%	N.A.
Aaa/AAA or below	80%	1.00% (AAA only)
Aa/AA or below	65%	1.00% (AA only)
A/A or below	40%	0.75% (A only)
Baa/BBB or below	25%	0.50% (BBB only)
Ba/BB or below	7.5%	0.25% (BB only)
B/B or below	*	0.10% (B only)
CCC	**	0.05% (CCC only)
Below CCC	0%	0.00%

***Maximum of 70% of "Ba/BB or below" securities owned**
****Maximum of 20% of "Ba/BB or below" securities owned**

Individual credit name limits are applicable for actively managed fixed income mandates, and are not applicable for passively managed (index) fixed income mandates. Credit name is defined as unique ticker symbol, such that each distinct credit name has a different ticker symbol as represented on Bloomberg or other such informational source used by the sponsor of the fixed income benchmark index approved.

Maximum percentages refer to market value of each security or credit name owned for the Funds' Fixed Income portfolio in its aggregate. Credit ratings recognized are Moody's, Standard & Poor's and Fitch. Credit rating applicable is the lower of the two ratings if such security is rated by only two of the three rating agencies. Credit rating applicable is the middle rating if such security is rated by all three rating agencies, as consistent with the rules used by the sponsor of the fixed income benchmark index approved. The Chief Investment Officer will report to the Board the details of any guideline violation at the next scheduled Board meeting, or sooner if warranted in the judgment of the Chief Investment Officer. Each Investment Manager will be required to adhere to this Investment Policy in general and will be provided with specific investment security guidelines by the Chief Investment Officer consistent with these Credit Quality and Sector Allocation guidelines in the aggregate.

In the event that downgraded securities result in a violation of these constraints, the Board shall grant an exemption that would allow the Investment Manager to continue to hold the downgraded security or securities, at their discretion, for a period of up to three months. An Investment Manager shall immediately report any guideline violation resulting from a downgraded security in their portfolio to the Chief Investment Officer. The Investment Manager shall also provide an action plan to bring the portfolio back in compliance with the applicable guidelines to the Chief Investment Officer. Such action plan will be reflected in the compliance report of the Chief Investment Officer to be presented at the next scheduled Board meeting.

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

iii. U.S. Equity

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

Diversification

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

- Investments will be diversified by capitalization size and by style (growth and value) to approximate the overall market as measured by each Fund's U.S. Equity benchmark.
- No single holding shall account for more than 5% of the U.S. equity portfolio at market of any single active U.S. equity manger. These restrictions are applicable to actively managed U.S. Equity mandates only, and are not applicable to passively managed (index) equity mandates.
- No single holding shall account for more than 5% of the outstanding equity securities of any one corporation

Non-U.S. Equity

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

Diversification

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

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

iv. **Alternative Investments**

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

Future investments in Alternative Investments are not presently anticipated.

v. **Cash Equivalents**

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

vi. **Securities Lending**

Securities lending shall be engaged by the Funds or their Investment Managers as determined and approved by the Board.

vii. **Derivatives**

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

The use of derivatives by the Funds or their Investment Managers is prohibited unless specifically approved by the Board. Specific approvals include:

1. Permission is granted to passive indexed investment managers to use futures on financial contracts in the management of commingled investment funds. The Board anticipates that this use of financial futures may be initiated by investment managers for specific risk-control purposes such as the facilitation of the investment of a large inflow of new money into the commingled fund.

   The Board also recognizes that the language of the policies of some commingled funds permits other financial derivatives such as options and swaps. The Board has a very low tolerance for the use of other financial derivatives in commingled funds. On the infrequent occasions when financial derivatives such as options and swaps are used in commingled funds, the Board will carefully evaluate whether remaining invested in that commingled fund is appropriate.

2. Permission is granted to investment managers to use futures on financial contracts in the management of portfolio transitions. This use of financial futures will be reported to the Board in advance and will typically begin and end in short periods of time.

   In every case where financial derivatives are used, the Board requires the investment staff of the BWC to report the use of the derivatives to the Board at the next scheduled meeting after the derivatives position has been initiated so that the Board may judge the appropriateness of the risks of the derivatives position.

3. Other derivatives that are generally approved for use include: collateralized mortgage obligations (CMOs), asset backed securities (ABS), and TBA mortgaged-backed securities in accordance with the restrictions outlined below and in Section IV.C.ii above. Other broad classes of derivatives may be added in the future as deemed necessary and desireable by the Board.

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

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

   TBA ("to be announced") pools are mortgage-backed securities in which the specific underlying mortgage pools are not identified at the time of commitment to purchase, but which share defined characteristics such as coupon and term to stated maturity. TBA pools are sometimes either sold before settlement or extended in settlement from original settlement date to a future settlement date that is typically in the next month. To qualify for investment by the Funds, TBA pools must be issued by Freddie Mac, Federal National Mortgage Association (Fannie Mae), or Government National Mortgage Association (Ginnie Mae).

viii. **Commission Recapture / Directed Brokerage**

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

ix. **General Prohibitions**

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

a. Short selling in any form.
b. The use of all forms of leverage or the purchase of securities with borrowed money is prohibited, except that the Board recognizes that financial futures are generally purchased on margin and this is permitted.
c. Coins, artwork, horses, jewelry, gems, stamps, antiques, artifacts, collectibles, and memorabilia.
d. Direct or indirect investments in vehicles that target specified assets, which includes unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity and that lack readily determinable valuation.

V. PERFORMANCE OBJECTIVES

A. Total Fund

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

Asset Class	Benchmark
Total Fixed Income:	***N/A***
Intermediate Duration	Lehman Intermediate U.S. Government/Credit Index
Long Duration	Lehman Long U.S. Government/Credit Index
High Yield	Merrill Lynch High Yield Master II
Inflation-Protected Securities	Lehman U.S. TIPS
U.S. Equity	***Wilshire 5000***
Large Cap	S&P 500
Small/Mid Cap	Wilshire 4500 / Russell 2500
Alternative Investments	Wilshire 5000 + 5%
Non-U.S. Equity	***MSCI EAFE***
Cash Equivalents	***90-Day T-Bill***

B. Asset Class Composites

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

C. Investment Managers

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

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

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

The performance of each Investment Manager will be monitored on an ongoing basis and the Administrator and the Chief Investment Office shall take any appropriate corrective action, including, subject to approval by the Board, the termination and replacement of an Investment Manager. Factors that may lead to terminating a manager relationship include:

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

VI. COMMUNICATIONS

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

VII. TARGET ASSET MIXES AND RANGES

A. State Insurance Fund (SIF)

The State Insurance Fund liabilities consist of the following primary components:

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

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

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

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

The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table.

			Management Style	
Asset Class	**Policy Target[1]**	**Policy Range**	**Passive**	**Active**
Total Fixed Income:	***79%***	***76-82%***	***47%***	***32%***
Long Duration	54%	51-57%	27%	27%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
Cash Equivalents	***1%***	***0-6%***	***NA***	***NA***
Total Equity	***20%***	***17-23%***	***12%***	***8%***
U.S. Equity				
Large Cap	12%	9-15%	12%	0%
Small/Mid Cap	3%	2-4%	0%	3%
Alternative Investments	0%	NA	NA	NA
Non-U.S. Equity	5%	4-6%	0%	5%

[1] Alternative Investments includes private equity and the coin fund. This asset class targets will be combined with that of Small/Mid Cap U.S. Equity until a final determination has been made regarding the potential liquidation of these assets

B. Coal Workers' Pneumoconiosis Fund (CWPF)

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

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

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

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

The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table

			Management Style	
Asset Class	Policy Target	Policy Range	Passive	Active
Total Fixed Income:	***79%***	***76-82%***	***74%***	***5%***
Long Duration	54%	51-57%	54%	0%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
Cash Equivalents	***1%***	***0-6%***	***NA***	***NA***
Total Equity	***20%***	***17-23%***	***20%***	***0%***
U.S. Equity	20%			
Large Cap	17%	9-15%	17%	0%
Small/Mid Cap	3%	2-4%	3%	0%
Alternative Investments	0%	NA	NA	NA
Non-U.S. Equity	0%	NA	NA	NA

C. Marine Industry Fund (MIF)

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

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

The actual liabilities of the Fund may vary from the expectations at the time premiums are set due to future changes in the discount rate, unanticipated medical inflation, and/or actual claim experience that differs from actuarial expectations. In order to protect the Fund against adverse changes in the Fund's assets relative to its liabilities, the Board has adopted a policy to invest the reserves primarily in a fixed income portfolio that will approximate the duration and yield curve characteristics of the liabilities[2] as measured by the Fund's actuary and Consultant on an annual basis, or more frequently if conditions warrant. A portion of the reserve and surplus may also be invested in equity, inflation-protected, or other securities in order to protect the reserve against unexpected medical inflation and adverse claims experience and/or for the purpose of growing the surplus.

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

The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	Policy Target
Total Fixed Income:	***99%***
Intermediate Duration	99%[3]
Cash Equivalents	***1%***
Total Equity	***0%***

[2] Expected to be implemented by December 31, 2006

[3] Approval to invest the assets of the MIF on an interim basis in the institutional money market fund that is currently utilized for BWC's cash balance assets was passed in the April 26, 2007 Workers' Compensation Oversight Commission meeting.

D. Disabled Workers' Relief Fund (DWRF)

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

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

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

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

The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is reflected in the following table

			Management Style	
Asset Class	Policy Target	Policy Range	Passive	Active
Total Fixed Income:	***79%***	***76-82%***	***47%***	***32%***
Long Duration	54%	51-57%	27%	27%
High Yield	5%	4-6%	0%	5%
Inflation-Protected Securities	20%	17-23%	20%	0%
Cash Equivalents	***1%***	***0-6%***	***NA***	***NA***
Total Equity	***20%***	***17-23%***	***12%***	***8%***
U.S. Equity	15%			
Large Cap	12%	9-15%	12%	0%
Small/Mid Cap	3%	2-4%	0%	3%
Alternative Investments	0%	NA	NA	NA
Non-U.S. Equity	5%	4-6%	0%	5%

E. Public Work-Relief Employees' Fund (PWRF)

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

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

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

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

The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	Policy Target
Total Fixed Income:	***99%***
Intermediate Duration	99%[1]
Cash Equivalents	***1%***
Total Equity	***0%***

[1] Approval to invest the assets of the PWRF on an interim basis in the institutional money market fund that is currently utilized for BWC's cash balance assets was passed in the April 26, 2007 Workers' Compensation Oversight Commission meeting.

F. Self Insured Employers Guarantee Fund (SIEGF)

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

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

The table below highlights the general asset classes approved for investment and the strategic target weights. The allowable range for all target weights is +/- 10% of the policy target weight.

Asset Class	Policy Target
Total Fixed Income:	***0%***
Cash Equivalents	***100%***
Total Equity	***0%***

VIII. REVIEW PROCEDURES

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

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

IX. FAIR CONSIDERATION / PUBLIC INTEREST POLICY

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

Qualified Ohio Managers - Criteria

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

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

Minority Managers – Criteria

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

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

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

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