BWC Board of Directors

Investment Committee Agenda

William Green Building
April 29, 2009
Level 2, Room 2
2:00 p.m. – 4:00 p.m.

Call to Order

Bob Smith, Committee Chair

Roll Call

Linda Byron, Scribe

Approve Minutes of the March 19, 2009 Meeting

Bob Smith, Committee Chair

New Business/Action Items

1. Disabled Workers' Relief Fund and Coal Workers' Pneumoconiosis Fund Large Cap Equity Separate Account Portfolios
   - Amendment of Investment Committee resolution dated March 19, 2009 regarding conversion of Large Cap Equity account of Disabled Workers' Relief Fund from passive management separate account to passive management commingled account. Vote to recommend approval to the Board of Directors
     Bob Smith, Committee Chair
     Bruce Dunn, Chief Investment Officer
   - Amendment of Investment Committee resolution dated March 19, 2009 regarding conversion of Large Cap Equity account of Coal Workers' Pneumoconiosis Fund from passive management separate account to passive management commingled account. Vote to recommend approval to the Board of Directors
     Bob Smith, Committee Chair
     Bruce Dunn, Chief Investment Officer

2. Proposed revisions to Statement of Investment Policy and Guidelines, including State Insurance Fund asset allocation recommendations of Mercer Consulting and BWC Chief Investment Officer. *Possible* Vote to recommend approval to the Board of Directors
   Bob Smith, Committee Chair
   Bruce Dunn, Chief Investment Officer
   Mercer Team

Discussion Items

1. Monthly and Fiscal Year to Date Portfolio Value Comparisons
   - March 2009/February 2009
     Bruce Dunn, Chief Investment Officer
   - March 2009/June 2008
     Bruce Dunn, Chief Investment Officer

2. CIO Report – March 2009
   Bruce Dunn, Chief Investment Officer

3. Committee Calendar
   Bob Smith, Committee Chair
   Bruce Dunn, Chief Investment Officer

Adjourn

Bob Smith, Committee Chair

<u>Next Meeting: Thursday, May 28, 2009</u>

*Not all discussion items have materials included. 5/1/2009 2:03:41 PM

DATE: April 10, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Request for Amendments**
Approved Motions
Large Cap Equity Separate Account Portfolios
Conversion to Commingled Managed Accounts
Disabled Workers' Relief Fund
Coal Workers' Pneumoconiosis Fund

Background

In a memorandum to the BWC Investment Committee and the BWC Board of Directors dated March 9, 2009, the BWC Chief Investment Officer (CIO) recommended that the Large Cap U.S. Equity portfolios currently passively managed by Northern Trust under a separate account structure for both the Disabled Workers' Relief Fund and the Coal Workers' Pneumoconiosis Fund be transferred and converted to a passively managed commingled account named the NTGI-QM Common Daily S&P 500 Index Fund – Non Lending managed by Northern Trust. The CIO made representation in this memorandum of recommendation that it was expected that this conversion action for each account would occur on or before June 30, 2009, the actual expiration date of the existing management agreement with Northern Trust.

It was discovered by the CIO shortly after the conclusion of the BWC Board of Directors meeting on March 19, 2009 that the motions approving such actions recommended by the CIO included the phrase "effective July 1, 2009" for the actual date of conversion action for each account. This date is contrary to the expectation of the CIO and believed to be an unintentional miswording of the respective two motions approved by the BWC Investment Committee on March 18, 2009 and by the BWC Board of Directors on March 19, 2009. The wording of each of these motions approved last month are attached to this Request.

Request

The CIO is requesting that amended motions be proposed for consideration on these previously recommended actions such that these account conversion actions can be executed on or before June 30, 2009, as originally intended.

MOTION OF THE INVESTMENT COMMITTEE TO RECOMMEND THE TRANSFER AND CONVERSION OF THE CURRENT DWRF FUND TO THE NORTHERN TRUST'S NTGI-QM COMMON DAILY S&P 500 INDEX FUND- NONLENDING

I MOVE THAT INVESTMENT COMMITTEE OF THE WORKERS COMPENSATION BOARD OF DIRECTORS RECOMMEND TO THE BOARD THAT IT TRANSFER AND CONVERT THE LARGE CAP U.S. EQUITY PORTFOLIO CURRENTLY PASSIVELY MANAGED BY NORTHERN TRUST FOR THE DISABLED WORKERS RELIEF FUND TO A PASSIVELY MANAGED COMMINGLED ACCOUNT NAMED THE NTGI-QM COMMON DAILY S&P 500 INDEX FUND-NONLENDING THAT IS CURRENTLY MANAGED BY NORTHERN TRUST, EFFECTIVE JULY 1, 2009, FOR THE REASONS SET FORTH IN THE MEMORANDUM OF THE CHIEF INVESTMENT OFFICER DATED MARCH 9, 2009.

MOTION OF THE INVESTMENT COMMITTEE
TO RECOMMEND THE TRANSFER AND CONVERSION OF THE CURRENT CWPF FUND TO THE NORTHERN TRUST'S NTGI-QM COMMON DAILY S&P 500 INDEX FUND- NONLENDING

I MOVE THAT INVESTMENT COMMITTEE OF THE WORKERS COMPENSATION BOARD OF DIRECTORS RECOMMEND TO THE BOARD THAT IT TRANSFER AND CONVERT THE LARGE CAP U.S. EQUITY PORTFOLIO CURRENTLY PASSIVELY MANAGED BY NORTHERN TRUST FOR THE COAL WORKERS' PNEUMOCONIOSIS FUND TO A PASSIVELY MANAGED COMMINGLED ACCOUNT NAMED THE NTGI-QM COMMON DAILY S&P 500 INDEX FUND-NONLENDING THAT IS CURRENTLY MANAGED BY NORTHERN TRUST, EFFECTIVE JULY 1, 2009, FOR THE REASONS SET FORTH IN THE MEMORANDUM OF THE CHIEF INVESTMENT OFFICER DATED MARCH 9, 2009.

MOTION OF THE BOARD OF DIRECTORS
TO TRANSFER AND CONVERT THE CURRENT DWRF FUND TO THE NORTHERN TRUST'S NTGI-QM COMMON DAILY S&P 500 INDEX FUND-NONLENDING

I MOVE THAT WORKERS COMPENSATION BOARD OF DIRECTORS ADOPT THE RECOMMENDATION OF THE INVESTMENT COMMITTEE OF THE BOARD TO TRANSFER AND CONVERT THE LARGE CAP U.S. EQUITY PORTFOLIO CURRENTLY PASSIVELY MANAGED BY NORTHERN TRUST FOR THE DISABLED WORKERS RELIEF FUND TO A PASSIVELY MANAGED COMMINGLED ACCOUNT NAMED THE NTGI-QM COMMON DAILY S&P 500 INDEX FUND-NONLENDING THAT IS CURRENTLY MANAGED BY NORTHERN TRUST, EFFECTIVE JULY 1, 2009.

MOTION OF THE BOARD OF DIRECTORS TO TRANSFER AND CONVERT THE CURRENT CWPF FUND TO THE NORTHERN TRUST'S NTGI-QM COMMON DAILY S&P 500 INDEX FUND-NONLENDING

I MOVE THAT WORKERS COMPENSATION BOARD OF DIRECTORS ADOPT THE RECOMMENDATION OF THE INVESTMENT COMMITTEE OF THE BOARD TO TRANSFER AND CONVERT THE LARGE CAP U.S. EQUITY PORTFOLIO CURRENTLY PASSIVELY MANAGED BY NORTHERN TRUST FOR THE COAL WORKERS PNEUMOCONIOSIS FUND TO A PASSIVELY MANAGED COMMINGLED ACCOUNT NAMED THE NTGI-QM COMMON DAILY S&P 500 INDEX FUND-NONLENDING THAT IS CURRENTLY MANAGED BY NORTHERN TRUST, EFFECTIVE JULY 1, 2009.

DATE: March 16, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Chief Investment Officer Recommendation**
Asset Allocation Strategy
State Insurance Fund

The BWC Chief Investment Officer (CIO) is supportive of the asset allocation mix represented as Mix 5 for the State Insurance Fund (SIF) investment portfolio that is reflected in the Mercer ALM summary dated March 19, 2009 to be presented to the BWC Investment Committee by Mercer. Mix 5 provides a broad asset allocation weighting of 70% fixed income (including cash) and 30% equity, representing a 10% shift in total invested assets from fixed income towards equities from the current 80/20 fixed income/equity target asset allocation for SIF.

As the asset mix table on page 9 of this Mercer ALM summary illustrates, Mix 5 provides a significantly higher long-term expected rate of return of 6.74% compared to the expected rate of return of 6.22% under the current 80/20 fixed income/equity implemented policy while also providing a materially lower 7.94% expected standard deviation or variability of returns versus 8.77% for the implemented policy. The powerful combination of higher expected returns and lower expected deviations of returns year-to-year results in a geometric widening of the gap in projected higher funding ratio levels for SIF between these two strategies with the passage of time. This significant trend evolving from the modeling performed by Mercer is the logical result of the combination of (1) publicly traded equities having a significantly higher expected annual rate of return (in the 3.0% to 3.4% incremental range) compared to the targeted fixed income classes (excluding high yield bonds) as well as (2) the low expected rate of return correlations (0.10 to 0.20 range) between public equity and these fixed income classes, as reflected on page 10 of the Mercer ALM summary presentation. The addition of a 10% allocation increase in equities in combination with the resulting 10% allocation decrease in fixed income for the SIF portfolio provides the very beneficial positive result of a better balanced and more diversified investment portfolio producing higher expected returns with lower projected variations of returns year-to-year when compared to the current asset allocation targeted mix.

The CIO believes the more balanced duration portfolio weighting of fixed income classes provided in Mix 5 under the Smoothed Discount Rate method (32% long duration bonds; 15% intermediate average duration bonds; 17% TIPS; 5% high yield bonds; 1% cash) is much more preferable for the SIF portfolio to either the current implemented policy (59% long duration bonds, 20% TIPS; 1% cash) or the Mixes 2 and 3 portfolio weightings (42% intermediate average duration bonds; 22% TIPS; 5% high yield bonds; 1% cash) illustrated in the Mercer ALM summary. The current target weighting of 59% long duration bonds for SIF is highly volatile and incurs large price swings for relatively small changes in interest rate levels, especially in the current low yield environment for government related debt which presently represents approximately one-half of the benchmark index market value weighting for this specific asset class sector. The SIF portfolio is very susceptible to large market value declines if longer maturity yield levels for U.S. Treasury bonds increase, which is a likely trend over the next several years as the large and growing federal budget deficit and huge federal government stimulus program will promote higher inflationary pressures and a presumed rebound in economic activity. U.S. Treasury bonds alone comprise over 40% of the Barclays long duration bond benchmark index. Higher inflation is anathema to the positive performance of long duration debt.

On the other hand, the fixed income portfolio allocation weightings provided under each of the three proposed mixes under the Static Discount Rate approach depicted in the Mercer ALM summary presentation are devoid of any long duration bonds. This is not an acceptable fixed income allocation mix in the opinion of the CIO. The estimated duration of total liabilities for SIF is approximately ten years, whereas the duration of these proposed fixed income portfolios is much less than ten years for each of these three mixes provided for consideration, creating a huge imbalance between duration of assets and liabilities for SIF. Approximately one-half of total liabilities of SIF are longer-term indemnity payments that require a reasonable similarity in duration of fixed income assets to support these future liability payment streams. The proposed fixed income portfolio represented in Mix 5 under the Smoothed Discount Rate method has an estimated duration that is approximately 3 years longer than the fixed income portfolio duration of Mixes 1-3. The fixed income asset classes consisting of long duration bonds (32%), intermediate average duration bonds (15%) and high yield bonds (5%) in the aggregate have a 53% targeted portfolio weighting in Mix 5. These fixed income asset classes would serve to support longer-term indemnity liability payments for SIF. Mix 5 has a much more suitable and balanced fixed income portfolio construct than any of these Static Discount Rate mixes for the SIF account.

The other approximate one-half of SIF liabilities are medical payments to injured workers which are highly correlated to medical costs and medical expense inflation. Under the portfolio distribution represented by Mix 5, there is a 17% weighting towards Treasury Inflation Protection Securities (TIPS) and a 30% weighting towards equity classes which are both asset classes that offer the SIF portfolio some balanced protection against rising inflationary trends. The combined 47% weighting of these asset classes in Mix 5 approximates the proportion of SIF liabilities sensitive and correlated to future inflation rates.

The CIO is supportive of a 2:1 proportion of U.S. and non-U.S. equity allocation within the 30% equity class asset allocation weighting for SIF represented by Mix 5. It is appropriate and beneficial to diversify the SIF equity assets towards ownership of foreign equities. The projected growth rates of foreign economies and their demands for goods and services in the aggregate are higher than the projected growth rates of the U.S. economy. The total market capitalization of publicly owned stocks in foreign equity markets is now comparable to the U.S. equity markets. With respect to the U.S. public equity portfolio, a shift to the Russell 3000 index benchmark recommended by Mercer from the S&P 500 index benchmark is endorsed by the CIO. This public equity benchmark change will increase the diversity of stock holdings for the SIF portfolio to include small-cap stocks and increase exposure and ownership of mid-cap stocks. This is evidenced on page 15 of the Mercer ALM summary presentation.

The portfolio asset class weightings represented in Mix 5 that includes a 5% asset allocation to alternative investments (2.5% each to private equity and private real estate) is favored by the CIO over Mix 6 that excludes any weighting for these two alternative investment asset classes. Private Equity offers high beta capital gain rates of return potential for SIF. Real Estate also offers good return potential and is an asset class that has provided inflation protection and positive correlation with inflation rates. The CIO has extensive experience over many years in the selection and management of both real estate related assets and private equity partnerships. It is the opinion of the CIO that both asset classes are likely to improve overall SIF portfolio returns and provide additional portfolio diversification and correlation to future inflation rates. It is expected that educational sessions devoted to each of these two additional asset classes, led by the investment consulting firm, would be necessary and appropriate for the Investment Committee/Board prior to implementation and execution by the BWC investment staff of any definitive investment strategy that may be approved by these committees for any such alternative investment asset class.

The CIO also recommends for consideration specific refinements in investment strategy pertaining to the management of long duration fixed income assets and TIPS assets for the SIF portfolio. In the opinion of the CIO, each of these refinements will further improve long-term rates of return for the SIF portfolio. The rationale for these specific refinements to investment strategy applicable for SIF invested assets will be addressed at an upcoming future Investment Committee meeting.

In summary, the shift in asset allocation strategy for SIF to a 30% equity weighting from the present 20% targeted level combined with a more balanced duration and credit quality fixed income portfolio that includes intermediate duration investment grade and high yield bonds (reducing the large current portfolio exposure to highly volatile long duration bonds by almost half) will result in higher long-term expected portfolio returns and lower standard deviation of returns when compared to the current implemented investment strategy for the SIF portfolio. The CIO recommends the asset allocation targets represented by Mix 5 of the Mercer ALM presentation summary.

The CIO also recommends that consideration be given for proposed modifications regarding each of the long duration and TIPS fixed income strategies. It is proposed by the CIO that these desired modifications be addressed for consideration by the Investment Committee at its next monthly meeting scheduled after any approval action taken by the Investment Committee and Board of Directors regarding a new asset allocation mix for the SIF portfolio. It is the understanding of the CIO that proposed changes applicable to the BWC Investment Policy Statement addressing any new asset allocation strategy approved by the Board would also be presented jointly by the CIO and Mercer for consideration by the Investment Committee at such scheduled meeting.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

DATE: March 19, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Guy Cooper, Rich Nuzum, Jordan Nault (Mercer)

SUBJECT: **State Insurance Fund Asset Mix Recommendation**

We are pleased to convey our strategic asset allocation recommendation for the State Insurance Fund.

Recommended Strategic Asset Allocation – Asset Mix 6		
		Current Policy Allocation
Equity Portfolio – 30% of Total		20%
20%	Russell 3000 Index Fund	0%
10%	MSCI All World Ex-US Index Fund	0%
Fixed Income Portfolio – 70% of Total		80%
32%	Long Duration Fixed Income (Indexed)	59%
17%	Treasury Inflation Protected Securities (Indexed)	20%
15%	Barclay's Aggregate Bonds (Indexed)	0%
5%	High Yield Bonds (Actively Managed)	0%
1%	Cash Equivalents	1%

This recommendation is based on our modeling of the Bureau's assets and liabilities and is supported by the following observations:

Overall Asset Mix

1. The recommended asset mix adds 10 percentage points to the Bureau's current equity allocation of 20%. Our modeling results suggest that this increment in equities will increase the probability of the Bureau achieving a funding ratio in excess of 1.25 within ten years.

2. As summarized below, our modeling results suggest that the downside risk in terms of funding ratio result for the current investment strategy is worse than the downside risk in terms of funding ratio result for the recommended strategy. In addition, the

downside risk in terms of funding ratio result for the recommended strategy is no worse than the downside risk associated with other asset mixes that we have studied.

	5% Probability	1% Probability
Current Investment Strategy	Funding Ratio will be .92 or less ten years from now	Funding Ratio will be .82 or less ten years from now
Recommended Investment Strategy	Funding Ratio will be 1.01 or less ten years from now	Funding Ratio will be .85 or less ten years from now

3. The recommended asset mix seems likely to produce the desired funding ratio results without having to immediately invest in alternative asset classes such as real estate and private equity.

Composition of Equity Portfolio

1. The current equity portfolio is confined to investments in stocks that comprise the Standard and Poor’s 500 Stock Index. The recommended equity portfolio replaces this with a mixture of the Russell 3000 Index and the MSCI All World ex-US index.

2. The Standard and Poor’s 500 Stock Index is comprised of stocks of the 500 largest publicly traded domestic companies. The Russell 3000 Index is a domestic equity index comprised of the 500 large stocks in the S&P 500 and 2500 smaller capitalization stocks. By investing in the Russell 3000, the Bureau’s equity portfolio will be better and more appropriately diversified among large and small capitalization stocks.

3. The Bureau currently is not invested in stocks of companies domiciled outside the United States. By directing a portion of the equity portfolio to non-U.S. stocks the recommended equity portfolio will achieve better diversification and better return potential.

4. A division of the equity portfolio of 2/3 invested in U.S. stocks and 1/3 in stocks outside the United States is in Mercer’s opinion an appropriate (but still conservative) division of the equity portfolio for a U.S. investor.

Realignment of the Fixed Income Portfolio

The current fixed income portfolio is, in our opinion, insufficiently diversified, overly invested in U.S. Government Bonds, and characterized by a longer duration and maturity than is likely to produce optimal results given the discount rate setting policy of the Bureau as we understand it. The recommended realignment of the fixed income portfolio is designed to address those issues.

Timing for implementing the recommended changes

In our report "Asset and Liability Projection Model Summary – State Insurance Fund" dated March 19, 2009 we suggest a phased approach to implementing the recommended asset mix. Details of this include:

1. The increase in the allocation to equities will take place in a phased and measured way. We do not propose that the Bureau invest additional large sums in either the U.S. or non-U.S. stock markets immediately. In any event, the investment staff needs to select investment management providers for the recommended mandates and this activity is unlikely to be accomplished any sooner than the fall of 2009.

2. Although the prior oversight body had adopted a target allocation to high yield bonds, a convincing case for the inclusion of high yield bonds in the fixed income portfolio has not yet been made to the current Investment Committee. We would expect to devote time to addressing this case in the balance of the year and would not expect this allocation to be implemented until more discussion and education takes place.

3. We suggest the question of whether real estate, private equity, and other alternative asset classes have a place in the investment portfolio of the State Insurance Fund be taken up again at a later date. The modeling results do not suggest a compelling, urgent case for including these asset classes, and there is much other work to be accomplished in implementing the most important aspects of the recommended strategy, without taking up alternatives in further detail at this time.

4. We have discussed other possible refinements to the fixed income strategy with the Bureau's investment staff that include:

    - Overweighting long corporate bonds and underweighting long government bonds in the Long Duration Fixed Income portion of the fixed income portfolio
    - Overweighting long maturity TIPS and underweighting shorter maturity TIPS in the TIPS portion of the portfolio

We are supportive of exploring these options but view them as refinements to be taken up after the implementation of the principal elements of the recommended investment policy is well underway.

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MARSH MERCER KROLL
MMC GUY CARPENTER OLIVER WYMAN

March 19, 2009

Asset and Liability Projection Model Summary
State Insurance Fund

Investment Committee Meeting
Ohio Bureau of Workers' Compensation

Guy M. Cooper
Jordan Nault
Rich Nuzum

Asset Mix Detail

	Static Discount Rate				Smoothed Discount Rate			
	Implemented Policy	25% Equity 75% Bond	30% Equity 70% Bond	30% Equity 70% Bond	Implemented Policy	25% Equity 75% Bond	30% Equity 70% Bond	30% Equity 70% Bond
	Current	Mix 1	Mix 2	Mix 3	Current	Mix 4	Mix 5	Mix 6
Equity : Fixed income : Alternatives	20:80:0	20:75:5	25:70:5	30:70:0	20:80:0	20:75:5	25:70:5	30:70:0
Public Equity: (US Equity : Non-US Equity)	100:0	67:33	67:33	67:33	100:0	67:33	67:33	67:33
ALLOCATION BY ASSET CLASS								
US Equity -- All Cap	20%	13.3%	16.7%	20%	20%	13.3%	16.7%	20%
Non-US Equities - World ex-U.S.		6.7%	8.3%	10%		6.7%	8.3%	10%
Total Allocation to Public Equity	**20%**	**20%**	**25%**	**30%**	**20%**	**20%**	**25%**	**30%**
US Fixed Income -- Cash (Dur 0.2)	1%	1%	1%	1%	1%	1%	1%	1%
US Fixed Income -- Intermediate (Dur 3.8)								
US Fixed Income -- Aggregate (Dur 4.5)		46%	42%	42%		16%	15%	15%
US Fixed Income -- Inflation Indexed Bond	20%	23%	22%	22%	20%	18%	17%	17%
US Fixed Income -- Long Gov/Credt (Dur 11)	59%				59%	35%	32%	32%
US Fixed Income -- High Yield		5%	5%	5%		5%	5%	5%
Total Allocation to Fixed Income	**80%**	**75%**	**70%**	**70%**	**80%**	**75%**	**70%**	**70%**
Private Equity - Total		2.5%	2.5%			2.5%	2.5%	
Real Estate - Private		2.5%	2.5%			2.5%	2.5%	
Infrastructure								
Total Allocation to Alternative Investments	**0%**	**5%**	**5%**	**0%**	**0%**	**5%**	**5%**	**0%**
STATISTICS								
Long-Term Expected Passive Annual Return	6.22%	6.43%	6.63%	6.58%	6.22%	6.55%	6.74%	6.70%
Standard Deviation of Returns	8.77%	6.08%	6.61%	6.73%	8.77%	7.64%	7.94%	8.06%
Net Asset - 2018 Most Likely (50th %-ile)	$1,341	$3,161	$3,554	$3,586	$2,002	$3,123	$3,578	$3,512
Net Asset - 2018 Upside Potential (95th %-ile)	$4,895	$7,190	$8,389	$8,432	$5,148	$6,913	$8,234	$8,286
Net Asset - 2018 Downside Risk (5th %-ile)	($1,677)	($15)	($56)	$52	($674)	$75	($8)	$73
Funding Ratio - 2011 (50th %-ile)	105%	108%	109%	109%	101%	103%	104%	104%
Funding Ratio - 2013 (50th %-ile)	108%	117%	118%	119%	109%	114%	116%	116%
Funding Ratio - 2018 (50th %-ile)	115%	135%	140%	140%	125%	138%	143%	143%
Funding Ratio - 2028 (50th %-ile)	174%	250%	271%	267%	191%	245%	269%	266%
Funding Ratio - 2011 Downside Risk (5th %-ile)	84%	90%	90%	89%	84%	85%	85%	85%
Funding Ratio - 2013 Downside Risk (5th %-ile)	85%	94%	93%	93%	87%	90%	90%	90%
Funding Ratio - 2018 Downside Risk (5th %-ile)	83%	100%	99%	101%	92%	101%	100%	101%
Funding Ratio - 2028 Downside Risk (5th %-ile)	101%	149%	146%	144%	112%	143%	142%	140%
Duration (Total Portfolio)	6.5	2.1	1.9	1.9	6.5	4.6	4.2	4.2
Duration (Fixed Income)	8.1	2.8	2.7	2.7	8.1	6.1	6.0	6.0
Duration (Equity)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liquidity (Total Portfolio)	9.4	8.8	8.7	9.2	9.4	8.8	8.8	9.2

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

Four Phases of Investment Policy Decisions

	Current Policy	Phase 1 Policy	Phase 2 Policy	Phase 3 Policy
Equity Portfolio:	20% S&P 500 Index Fund	20% Russell 3000 Index Fund 10% MSCI All World Ex-US Index Fund	20% Russell 3000 Index Fund 10% MSCI All World Ex-US Index Fund	20% Russell 3000 Index Fund 10% MSCI All World Ex-US Index Fund
Diversifiers:	None	None	None	Reconsider the value of Real Estate, Private Equity, and other alternative asset classes.
Fixed Income:	59% Long Duration Fixed Income (Indexed) 20% Treasury Inflation Protected Securities (Indexed) 1% Cash Equivalents	37% Long Duration Fixed Income (Indexed) 17% Treasury Inflation Protected Securities (Indexed) 15% Barclay's Aggregate Bonds (Indexed) 1% Cash Equivalents	32% Long Duration Fixed Income (Modified Indexed ?) 17% Treasury Inflation Protected Securities (Modified Indexed ?) 15% Barclay's Aggregate Bonds (Indexed) 5% High Yield Bonds (Active) 1% Cash Equivalents	32% Long Duration Fixed Income (Modified Indexed ?) 17% Treasury Inflation Protected Securities (Modified Indexed ?) 15% Barclay's Aggregate Bonds (Indexed) 5% High Yield Bonds (Active) 1% Cash Equivalents
Other:		The movement to the new equity policy will be implemented in a phased and measured way yet to be decided. Implementing this new policy requires 5 searches for investment managers and several transitions.	Implementing this policy calls for a 5% position in High Yield bonds (funded from the long duration bond position). We will consider possible modifications to the LDFI and TIPS strategies - overweighting long corporate bonds (and underweighting long government bonds) and overweighting long maturity TIPS (and underweighting shorter maturities). Develop strategies for DWRF and BLF	Consider active management in Fixed Income and Equity Consider Minority and Women Owned Investment Managers Develop strategies for Marine, PWRF, and SIEGF
Expected Timeline:		April 2009 - March 2010	May 2009 - December 2010	October 2009 - January 2011

The Ohio Bureau of Workers' Compensation

Ohio | Bureau of Workers' Compensation

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Statement of Investment Policy and Guidelines

Adopted by the BWC Board of Directors: April 30, 2009

Deleted: December 18, 2008

Amends Adoption of: December 18, 2008

Deleted: November 21, 2008

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

I. INVESTMENT OBJECTIVES

The primary investment objective is to manage assets to create and maintain a reasonable net asset position that has a high probability to meet identified long term liabilities. This net asset level will be achieved through an investment strategy that assumes a prudent amount of risk to earn sufficient returns to improve the level of net assets over time while keeping premium payments as reasonable and predictable as possible for the benefit of the injured workers and employers of Ohio.

Deleted: is to manage the reserve to preserve the ability of Funds to pay all disability benefits and expense obligations when due.

Deleted: 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 net assets and reserves of the Funds as required by Ohio Revised Code Section 4121.12(F).

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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.

Deleted: 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. Approve the selection and termination of all Investment Consultants.

Deleted: <#>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 criteria and procedures for the selection of the Investment Managers and General Partners.

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

ix. 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.

x. 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.

xi. 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.

Deleted: <#>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. Rules governing and responsibilities of the Investment Committee are outlined in the Investment Committee Charter.

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 the Investment Consultant 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, and scope of investment activities 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. 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.

xiv. 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 to comply with all the regulatory obligations related thereto or direct investment managers to vote the proxies related to securities held in their respective portfolios and comply with all the regulatory obligations related thereto.

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

xvi. Collect and review the current Form ADV, the document filed with the U.S. Securities and Exchange Commission to register as an investment adviser, of each Investment Manager and Investment Consultant on an annual basis and provide a summary report to the Board.

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<#> 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.¶

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. Confirm a procedural due diligence search process to include criteria and procedures to be utilized for the selection of all Investment Managers.

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

x. 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.

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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. It is the primary determinant of success in meeting long term investment objectives. 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 every three – five years, or more frequently if conditions warrant.

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

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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 a policy of rebalancing when actual asset allocations fall outside of the desired ranges as detailed in Section VI. 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 VI by any amount, a rebalancing event will be triggered.

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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.
- On a prospective basis, an investment organization which utilizes passive investment strategies, may manage up to 50% of the Funds' assets at the time it is hired. This guideline has been established to allow the BWC to take 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.

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- 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 offer the Funds a broad exposure to the return opportunities and investment characteristics associated with the U.S. domestic fixed income market. Each Fund's fixed income portfolio shall be invested in a manner that takes into consideration the duration and yield curve characteristics of its liabilities in order to preserve the reserve, provide for stable premiums and grow net assets. Passive fixed income investment mandates shall be managed to match the risk and return profile of an assigned fixed income benchmark resulting in performance with a reasonably low tracking error.

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. Passive U.S. equity investment mandates shall be managed to match the risk and return profile of an assigned U.S. equity benchmark resulting in performance with a reasonably low tracking error.

iv. **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. Passive international equity investment mandates shall be managed to match the risk and return profile of an assigned international equity benchmark resulting in performance with a reasonably low tracking error.

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.

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Deleted: **<#>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 ... [1]

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<#>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¶

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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 ex ... [2]

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 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. The Board will carefully evaluate whether remaining invested in that commingled fund is appropriate.

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2. Permission is granted to investment transition managers to use futures on financial contracts in the management of portfolio transitions and in the management of portfolio rebalancing activity. This use of financial futures by investment transition managers for these purposes will typically begin and end in short periods of time.

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Deleted: 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 stated in the definitions outlined below. Other broad classes of derivatives may be added in the future as deemed necessary and desireable by the Board.

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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. Interest-only (IOs) and principal-only (POs) instruments are prohibited.

Deleted: To qualify for investment by the Funds, CMOs must be rated AA or better and not be levered.

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.

Deleted: 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 equals or exceeds the return of each Fund's Performance Benchmark on a consistent basis. Each Fund's Performance Benchmark combines designated market and/or custom indexes for Investment Category asset classes, weighted by asset-allocation target percentages. The Performance Benchmarks for each Fund are named in Section VI. The investment category Performance Benchmarks are described in Appendix A.

~~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.

VI. TARGET ASSET MIXES AND RANGES

A. State Insurance Fund (SIF)

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

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¶
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¶
¶
<#>**COMMUNICATIONS**¶
¶ ... [3]

- 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 Board has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes with a specific performance benchmark for each asset class. The asset allocation is deemed reasonable by the Board given the risk and return objectives of the Fund within the context of the Fund's expected liabilities and the current funding ratio. Performance benchmarks have been selected to provide broadly diversified market coverage within each asset class segment.

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%~~

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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.¶

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State Insurance Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income	37%	33% - 41%	Barclays Capital U.S. Long Government / Credit Index
Indexed Barclays Capital Aggregate Fixed Income	15%	12% - 18%	Barclays Capital U.S. Aggregate Index
Indexed Treasury Inflation Protected Securities	17%	14% - 20%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**70%**		
Indexed U.S. Equity	20%	17% - 23%	Russell 3000 Stock Index
Index Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index
Total Public Equity	**30%**		
			Fund Performance Benchmark
Total State Insurance Fund	**100%**		A weighted index consisting of: 37% BC U.S. Gov/Credit Long Term Index 15% BC U.S. Aggregate Index 17% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 20% Russell 3000 Index 10% MSCI All World Ex-U.S. Index

B. 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 Board has 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%~~

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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.¶

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Disabled Workers' Relief Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income	59%	55% - 63%	Barclays Capital U.S. Long Government / Credit Index
Indexed Treasury Inflation Protected Securities	20%	17% - 23%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**80%**		
Indexed U.S. Equity	20%	17% - 23%	Standard & Poor's 500 Stock Index
Total Public Equity	**20%**		Fund Performance Benchmark
Total Disabled Workers' Relief Fund	**100%**		A weighted index consisting of: 59% BC U.S. Gov/Credit Long Term Index 20% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 20% S&P 500 Index

C. 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 Board has 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.

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			~~**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~~

Coal Workers' Pneumoconiosis Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income	59%	55% - 63%	Barclays Capital U.S. Long Government / Credit Index
Indexed Treasury Inflation Protected Securities	20%	17% - 23%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**80%**		
Indexed U.S. Equity	20%	17% - 23%	Standard & Poor's 500 Stock Index
Total Public Equity	**20%**		Fund Performance Benchmark
Total: Coal Workers' Pneumoconiosis Fund	**100%**		A weighted index consisting of: 59% BC U.S. Gov/Credit Long Term Index 20% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 20% S&P 500 Index

D. 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 Board has 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 is reflected in the following table.

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~~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.~~

Public Work-Relief Employees' Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Intermediate Duration Fixed Income	99%	NA	Barclays Capital Intermediate U.S. Government / Credit Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**100%**		
Total Public Equity	**0%**		
			Fund Performance Benchmark
Total: Public Work-Relief Employees' Fund	**100%**		A weighted index consisting of: 99% BC Intermediate U.S. Gov / Credit Index 1% 3 Month U.S. Treasury Bills

E. 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 Board has 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.

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Deleted: +/- 10% of the policy target weight.

~~Asset Class~~	~~Policy Target~~
~~***Total Fixed Income:***~~	~~***99%***~~
~~Intermediate Duration~~	~~99%~~[2]
~~***Cash Equivalents***~~	~~***1%***~~
~~***Total Equity***~~	~~***0%***~~

[2] ~~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.~~

Marine Industry Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Intermediate Duration Fixed Income	99%	94-100%	Barclays Capital Intermediate U.S. Government / Credit Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**100%**		
Total Public Equity	**0%**		
			Fund Performance Benchmark
Total: Marine Industry Fund	**100%**		A weighted index consisting of: 99% BC Intermediate U.S. Gov/Credit Index 1% 3 Month U.S. Treasury Bills

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 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.

Self Insured Employers Guarantee Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Cash and Cash Equivalents	100%	NA	3 Month U.S. Treasury Bills
Total Fixed Income	**100%**		
Total Public Equity	**0%**		
			Fund Performance Benchmark
Total: Self Insured Employers Guarantee Fund	**100%**		A weighted index consisting of: 100% 3 Month U.S. Treasury Bills

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Deleted: The allowable range for all target weights is +/- 10% of the policy target weight.

VII. INVESTMENT POLICY STATEMENT REVIEW

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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.

VIII. 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.

APPENDIX A – Investment Category Performance Benchmarks

I. Barclays Capital U.S. Aggregate Index

The Barclays Capital U.S. Aggregate Index consists of taxable fixed income securities that are SEC-registered and U.S. dollar denominated. The index covers the broad U.S. investment grade fixed coupon rate bond market with index components for government and corporate securities, residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities. Government and corporate securities include non-U.S. issuers, although non-U.S. issuers represent only a small portion of the index. Each security in the index must have at least one year to final maturity regardless of call features. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

II. Barclays Capital U.S. Long Government/Credit Index

The Barclays Capital U.S. Long Government/Credit Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. treasury securities, U.S. federal agency securities, U.S. municipal securities, non-U.S. government securities and both U.S. and non-U.S. corporate securities. Non-U.S. issuers represent only a small portion of the index. Each security in the index must have a final maturity of at least ten years. The index is a component of the broad Barclays Capital U.S. Aggregate Index. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between ten and twelve years which is considered to be long-term in duration.

III. Barclays Capital U.S. Intermediate Government/Credit Index

The Barclays Capital U.S. Intermediate Government/Credit Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. treasury securities, U.S. federal agency securities, U.S. municipal securities, non-U.S. government securities and both U.S. and non-U.S. corporate securities. Non-U.S. issuers represent only a small portion of the index. Each security in the index must have a final maturity of at least one year and less than ten years. The index is a component of the broad Barclays Capital U.S. Aggregate Index. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

IV. Barclays Capital U.S. Treasury: U.S. TIPS Index

The Barclays Capital U.S. Treasury: U.S. TIPS Index consists of all publicly issued U.S. dollar denominated Inflation-Protection securities (TIPS) issued by the U.S. Treasury that have at least one year to final maturity. The principal value of a TIPS increases with inflation and decreases with deflation, as measured by changes in the urban, non-seasonally adjusted consumer price index (CPI-U) calculated by the Bureau of Labor Statistics. The CPI-U index is a measure of the average change in prices paid by urban consumers for a fixed basket of goods and services. The principal value of a

TIPS security is adjusted by a published index ratio reflecting the changes in the reference CPI-U index. TIPS securities have a stated fixed coupon rate of interest payable semi-annually that is applied to the inflation-adjusted principal value. Over the past several years, approximately one-third of the weighted market value of the index has been represented by issues in each of the maturity ranges of one-to-five years, five-to-ten years, and in excess of ten years. The index is considered to be intermediate-term in duration.

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V. S&P 500 Index

The S&P 500 Index is a market capitalization weighted equity index maintained by Standard & Poors that seeks to be a benchmark of the U.S. large cap universe of stocks. S&P first identifies important industry categories and allocates a representative sample of stocks to each group. The companies chosen to be in the S&P 500 generally have the largest market values within their industry group. The industry categories are grouped into ten sectors: consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, telecommunication services, and utilities. It is calculated on a total return basis with all dividends reinvested.

VI. Russell 3000 Index

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S., and represents 98% of the U.S. equity market. The Russell 3000 is comprised of stocks within the Russell 1000 and Russell 2000 Indices. Furthermore, the Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. It is calculated on a total return basis with all dividends reinvested.

VII. MSCI All Country World Index Ex U.S.

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The MSCI All Country World Index Ex U.S. is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex U.S. includes both developed and emerging markets. The index attempts to replicate the industry composition of each local market and includes representative sampling of large, medium, and small capitalization companies. The index is calculated with net dividends reinvested in U.S. dollars.

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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%***

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

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.

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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

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.

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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.

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

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.

The Ohio Bureau of Workers' Compensation

Ohio | Bureau of Workers' Compensation

Statement of Investment Policy and Guidelines

Adopted by the BWC Board of Directors: April 30, 2009

Amends Adoption of: December 18, 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 assets to create and maintain a reasonable net asset position that has a high probability to meet identified long term liabilities. This net asset level will be achieved through an investment strategy that assumes a prudent amount of risk to earn sufficient returns to improve the level of net assets over time while keeping 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 net assets 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.

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. Approve the selection and termination of all Investment Consultants.

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

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

ix. 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.

x. 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.

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

The 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. Rules governing and responsibilities of the Investment Committee are outlined in the Investment Committee Charter.

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 the Investment Consultant 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, and scope of investment activities 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. 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.

xiv. 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 to comply with all the regulatory obligations related thereto or direct investment managers to vote the proxies related to securities held in their respective portfolios and comply with all the regulatory obligations related thereto.

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

xvi. Collect and review the current Form ADV, the document filed with the U.S. Securities and Exchange Commission to register as an investment advisor, 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. Confirm a procedural due diligence search process to include criteria and procedures to be utilized for the selection of all Investment Managers.

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

x. 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. It is the primary determinant of success in meeting long term investment objectives. 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 every three – five years, or more frequently if conditions warrant.

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

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 a policy of rebalancing when actual asset allocations fall outside of the desired ranges as detailed in Section VI. 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 VI 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.
- On a prospective basis, an investment organization which utilizes passive investment strategies, may manage up to 50% of the Funds' assets at the time it is hired. This guideline has been established to allow the BWC to take 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 offer the Funds a broad exposure to the return opportunities and investment characteristics associated with the U.S. domestic fixed income market. Each Fund's fixed income portfolio shall be invested in a manner that takes into consideration the duration and yield curve characteristics of its liabilities in order to preserve the reserve, provide for stable premiums and grow net assets. Passive fixed income investment mandates shall be managed to match the risk and return profile of an assigned fixed income benchmark resulting in performance with a reasonably low tracking error.

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. Passive U.S. equity investment mandates shall be managed to match the risk and return profile of an assigned U.S. equity benchmark resulting in performance with a reasonably low tracking error.

iv. **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. Passive international equity investment mandates shall be managed to match the risk and return profile of an assigned international equity benchmark resulting in performance with a reasonably low tracking error.

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 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. The Board will carefully evaluate whether remaining invested in that commingled fund is appropriate.

2. Permission is granted to investment transition managers to use futures on financial contracts in the management of portfolio transitions and in the management of portfolio rebalancing activity. This use of financial futures by investment transition managers for these purposes will typically begin and end in short periods of time.

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 stated in the definitions outlined below. 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. 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.

   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 equals or exceeds the return of each Fund's Performance Benchmark on a consistent basis. Each Fund's Performance Benchmark combines designated market and/or custom indexes for Investment Category asset classes, weighted by asset-allocation target percentages. The Performance Benchmarks for each Fund are named in Section VI. The investment category Performance Benchmarks are described in Appendix A.

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.

VI. 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 Board has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes with a specific performance benchmark for each asset class. The asset allocation is deemed reasonable by the Board given the risk and return objectives of the Fund within the context of the Fund's expected liabilities and the current funding ratio. Performance benchmarks have been selected to provide broadly diversified market coverage within each asset class segment.

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.

State Insurance Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income	37%	33% - 41%	Barclays Capital U.S. Long Government / Credit Index
Indexed Barclays Capital Aggregate Fixed Income	15%	12% - 18%	Barclays Capital U.S. Aggregate Index
Indexed Treasury Inflation Protected Securities	17%	14% - 20%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**70%**		
Indexed U.S. Equity	20%	17% - 23%	Russell 3000 Stock Index
Index Non-U.S. Equity	10%	7% - 13%	MSCI All World ex-U.S. Index
Total Public Equity	**30%**		
			Fund Performance Benchmark
Total State Insurance Fund	**100%**		A weighted index consisting of: 37% BC U.S. Gov/Credit Long Term Index 15% BC U.S. Aggregate Index 17% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 20% Russell 3000 Index 10% MSCI All World Ex-U.S. Index

B. 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 Board has 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.

Disabled Workers' Relief Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income	59%	55% - 63%	Barclays Capital U.S. Long Government / Credit Index
Indexed Treasury Inflation Protected Securities	20%	17% - 23%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**80%**		
Indexed U.S. Equity	20%	17% - 23%	Standard & Poor's 500 Stock Index
Total Public Equity	**20%**		Fund Performance Benchmark
Total Disabled Workers' Relief Fund	**100%**		A weighted index consisting of: 59% BC U.S. Gov/Credit Long Term Index 20% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 20% S&P 500 Index

C. 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 Board has 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.

Coal Workers' Pneumoconiosis Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income	59%	55% - 63%	Barclays Capital U.S. Long Government / Credit Index
Indexed Treasury Inflation Protected Securities	20%	17% - 23%	Barclays Capital U.S. Treasury: U.S. TIPS Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**80%**		
Indexed U.S. Equity	20%	17% - 23%	Standard & Poor's 500 Stock Index
Total Public Equity	**20%**		Fund Performance Benchmark
Total: Coal Workers' Pneumoconiosis Fund	**100%**		A weighted index consisting of: 59% BC U.S. Gov/Credit Long Term Index 20% BC U.S. TIPS Index 1% 3 Month U.S. Treasury Bills 20% S&P 500 Index

D. 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 Board has 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.

Public Work-Relief Employees' Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Intermediate Duration Fixed Income	99%	NA	Barclays Capital Intermediate U.S. Government / Credit Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**100%**		
Total Public Equity	**0%**		
			Fund Performance Benchmark
Total: Public Work-Relief Employees' Fund	**100%**		A weighted index consisting of: 99% BC Intermediate U.S. Gov / Credit Index 1% 3 Month U.S. Treasury Bills

E. 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 Board has 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.

Marine Industry Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Intermediate Duration Fixed Income	99%	94-100%	Barclays Capital Intermediate U.S. Government / Credit Index
Cash and Cash Equivalents	1%	0 - 6%	3 Month U.S. Treasury Bills
Total Fixed Income	**100%**		
Total Public Equity	**0%**		
			Fund Performance Benchmark
Total: Marine Industry Fund	**100%**		A weighted index consisting of: 99% BC Intermediate U.S. Gov/Credit Index 1% 3 Month U.S. Treasury Bills

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 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.

Self Insured Employers Guarantee Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Cash and Cash Equivalents	100%	NA	3 Month U.S. Treasury Bills
Total Fixed Income	**100%**		
Total Public Equity	**0%**		
			Fund Performance Benchmark
Total: Self Insured Employers Guarantee Fund	**100%**		A weighted index consisting of: 100% 3 Month U.S. Treasury Bills

VII. INVESTMENT POLICY STATEMENT REVIEW

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.

VIII. 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.

APPENDIX A – Investment Category Performance Benchmarks

I. Barclays Capital U.S. Aggregate Index

The Barclays Capital U.S. Aggregate Index consists of taxable fixed income securities that are SEC-registered and U.S. dollar denominated. The index covers the broad U.S. investment grade fixed coupon rate bond market with index components for government and corporate securities, residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities. Government and corporate securities include non-U.S. issuers, although non-U.S. issuers represent only a small portion of the index. Each security in the index must have at least one year to final maturity regardless of call features. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

II. Barclays Capital U.S. Long Government/Credit Index

The Barclays Capital U.S. Long Government/Credit Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. treasury securities, U.S. federal agency securities, U.S. municipal securities, non-U.S. government securities and both U.S. and non-U.S. corporate securities. Non-U.S. issuers represent only a small portion of the index. Each security in the index must have a final maturity of at least ten years. The index is a component of the broad Barclays Capital U.S. Aggregate Index. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between ten and twelve years which is considered to be long-term in duration.

III. Barclays Capital U.S. Intermediate Government/Credit Index

The Barclays Capital U.S. Intermediate Government/Credit Index consists of taxable fixed income securities that are publicly issued and U.S. dollar denominated. The index includes fixed coupon rate U.S. treasury securities, U.S. federal agency securities, U.S. municipal securities, non-U.S. government securities and both U.S. and non-U.S. corporate securities. Non-U.S. issuers represent only a small portion of the index. Each security in the index must have a final maturity of at least one year and less than ten years. The index is a component of the broad Barclays Capital U.S. Aggregate Index. Each security must be rated investment-grade (Baa3/BBB- or higher) in quality by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only one of the three ratings agencies rates a security, the rating must be investment grade. The index typically has a weighted average duration between three and five years which is considered to be intermediate-term in duration.

IV. Barclays Capital U.S. Treasury: U.S. TIPS Index

The Barclays Capital U.S. Treasury: U.S. TIPS Index consists of all publicly issued U.S. dollar denominated Inflation-Protection securities (TIPS) issued by the U.S. Treasury that have at least one year to final maturity. The principal value of a TIPS increases with inflation and decreases with deflation, as measured by changes in the urban, non-seasonally adjusted consumer price index (CPI-U) calculated by the Bureau of Labor Statistics. The CPI-U index is a measure of the average change in prices paid by urban consumers for a fixed basket of goods and services. The principal value of a TIPS security is adjusted by a published index ratio reflecting the changes in the reference CPI-U index. TIPS securities have a stated fixed coupon rate of interest payable semi-annually that is applied to the inflation-adjusted principal value. Over the past several years, approximately one-third of the weighted market value of the index has been represented by issues in each of the maturity ranges of one-to-five years, five-to-ten years, and in excess of ten years. The index is considered to be intermediate-term in duration.

V. S&P 500 Index

The S&P 500 Index is a market capitalization weighted equity index maintained by Standard & Poors that seeks to be a benchmark of the U.S. large cap universe of stocks. S&P first identifies important industry categories and allocates a representative sample of stocks to each group. The companies chosen to be in the S&P 500 generally have the largest market values within their industry group. The industry categories are grouped into ten sectors: consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, telecommunication services, and utilities. It is calculated on a total return basis with all dividends reinvested.

VI. Russell 3000 Index

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S., and represents 98% of the U.S. equity market. The Russell 3000 is comprised of stocks within the Russell 1000 and Russell 2000 Indices. Furthermore, the Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. It is calculated on a total return basis with all dividends reinvested.

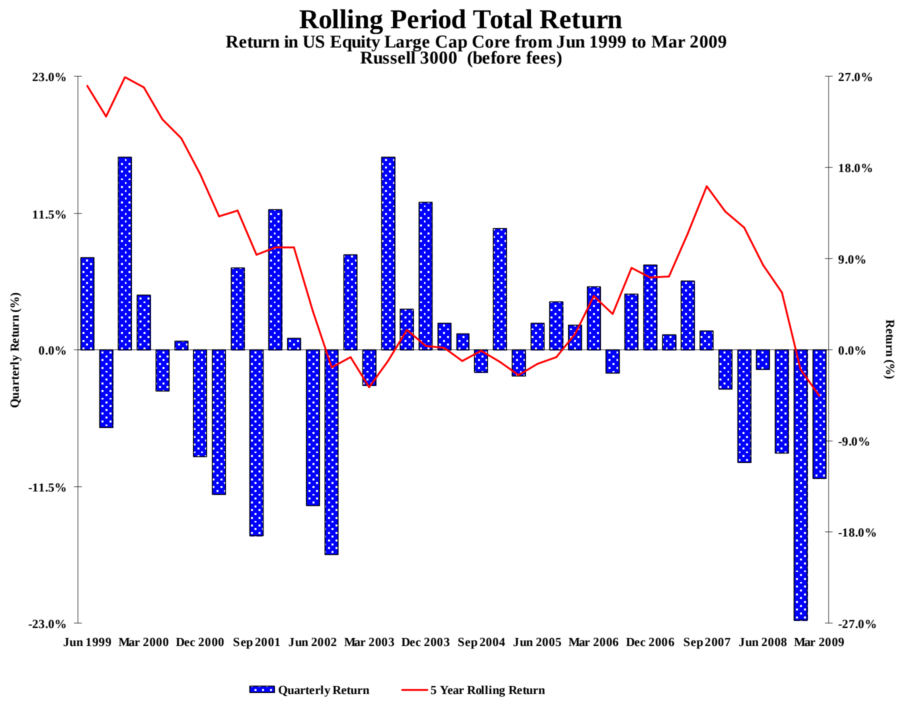
VII. MSCI All Country World Index Ex U.S.

The MSCI All Country World Index Ex U.S. is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex U.S. includes both developed and emerging markets. The index attempts to replicate the industry composition of each local market and includes representative sampling of large, medium, and small capitalization companies. The index is calculated with net dividends reinvested in U.S. dollars.

Russell 3000 Performance & Characteristics
As of March 31, 2009

Performance

3-Mo	1-Yr	2-Yrs	3-Yrs	5-Yrs	2008	2007	2006	2005
-10.80%	-38.20%	-23.81%	-13.55%	-4.59%	-37.31%	5.14%	15.72%	6.12%



Characteristics

Number of Holdings	3000
Median Market Cap ($M)	498
Weighted Market Cap ($M)	57,269
P/E Ratio	11.20
P/B Ratio	1.69
Yield	2.66
Earnings Growth	15.31

Sector Allocation

Sector	Weight
Technology	18.2%
Health Care	14.8%
Consumer Discretionary	9.6%
Consumer Staples	11.5%
Energy	11.8%
Materials and Processing	3.7%
Producer Durables	10.3%
Telecom Services	3.7%
Financial Services	12.0%
Utilities	4.4%
Other	0.0%

Top 10 Holdings

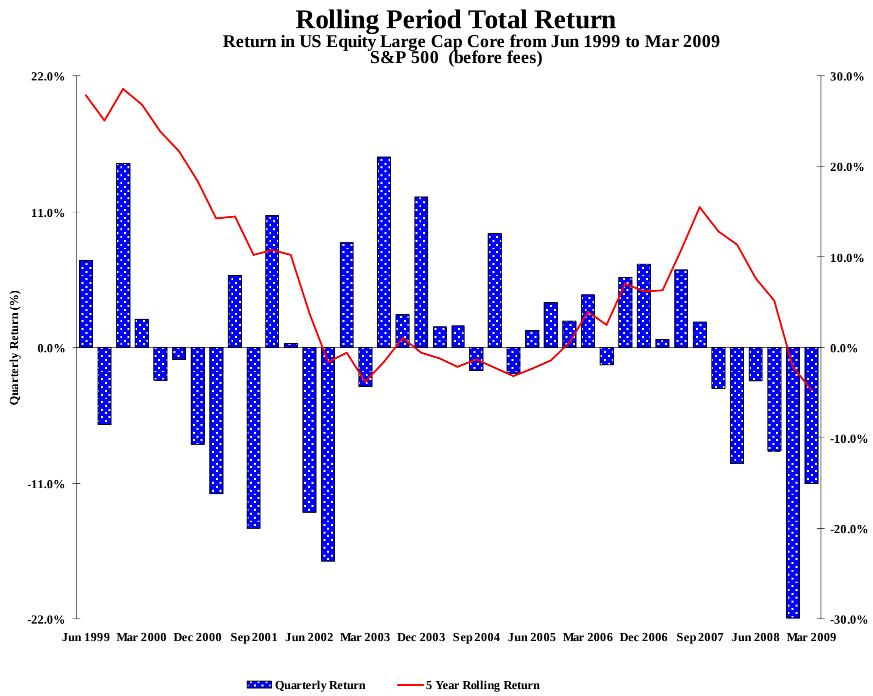
Security	Weight
Exxon Mobil Corp.	4.0%
AT&T Inc.	1.8%
Johnson & Johnson	1.8%
Microsoft Corp.	1.8%
Procter & Gamble Co.	1.7%
Chevron Corp.	1.7%
Intl Business Machines Corp.	1.6%
Wal-Mart Stores Inc.	1.4%
General Electric Co.	1.3%
Coca Cola Co.	1.2%

Source: Mercer, Russell Investments

S&P 500 Performance & Characteristics
As of March 31, 2009

Performance

3-Mo	1-Yr	2-Yrs	3-Yrs	5-Yrs	2008	2007	2006	2005
-11.01%	-38.09%	-23.34%	-13.06%	-4.76%	-37.00%	5.49%	15.80%	4.91%



Characteristics

Number of Holdings	500
Median Market Cap ($M)	5,459
Weighted Market Cap ($M)	66,869
P/E Ratio	28.3
P/B Ratio	0.6
Yield	2.8
Earnings Growth	16.2

Sector Allocation

Sector	Weight
Technology	18.0%
Health Care	15.3%
Consumer Discretionary	8.8%
Consumer Staples	12.8%
Energy	13.0%
Materials and Processing	3.3%
Producer Durables	9.7%
Telecom Services	4.0%
Financial Services	10.8%
Utilities	4.3%
Other	0.0%

Top 10 Holdings

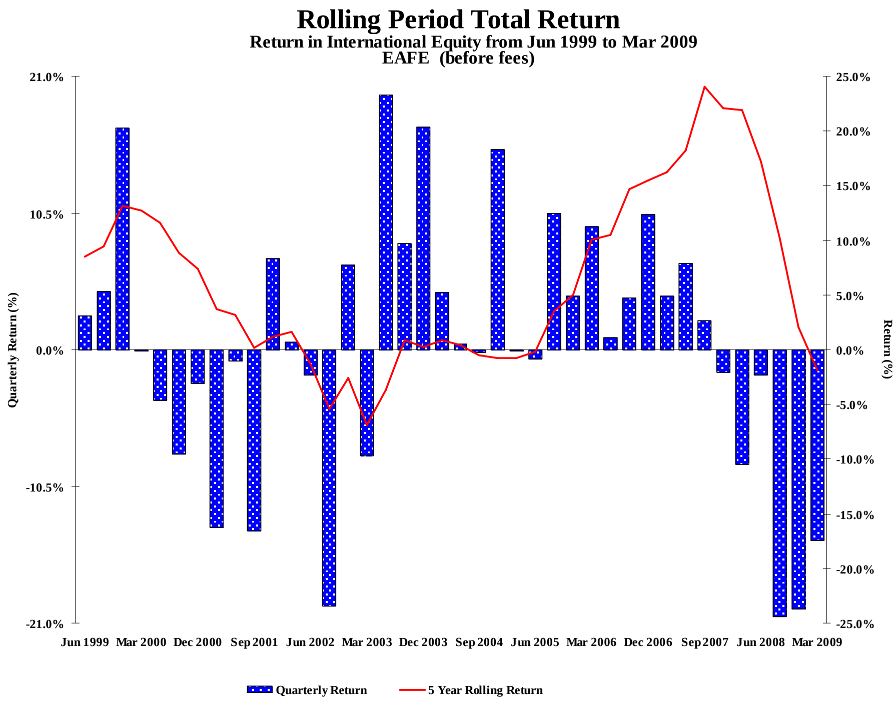
Security	Weight
Exxon Mobil Corp.	4.9%
AT&T Inc.	2.1%
Johnson & Johnson	2.1%
Microsoft Corp.	2.0%
Procter & Gamble Co.	2.0%
Chevron Corp.	2.0%
Intl Business Machines Corp.	1.9%
Wal-Mart Stores Inc.	1.7%
General Electric Co.	1.5%
JP Morgan Chase & Co.	1.4%

Source: Mercer, Standard & Poor’s

MSCI EAFE Performance & Characteristics
As of March 31, 2009

Performance

3-Mo	1-Yr	2-Yrs	3-Yrs	5-Yrs	2008	2007	2006	2005
-14.65%	-46.69%	-27.82%	-14.33%	-1.93%	-43.06%	11.63%	26.86%	14.02%



Characteristics

Number of Holdings	982
Median Market Cap ($M)	3,908
Weighted Market Cap ($M)	35,296
P/E Ratio	10.8
P/B Ratio	1.1
Yield	4.9
Earnings Growth	11.9

Top 10 Holdings

Security	Weight
Nestle S.A.	1.9%
BP PLC	1.9%
Total S.A.	1.6%
HSBC Holdings PLC	1.5%
Roche Holding Ltd.	1.4%
Vodafone Group PLC	1.4%
Novartis AG	1.4%
Toyota Motor Corp.	1.3%
Telefonica S.A.	1.3%
Glaxosmithkline PLC	1.2%

Sector Allocation

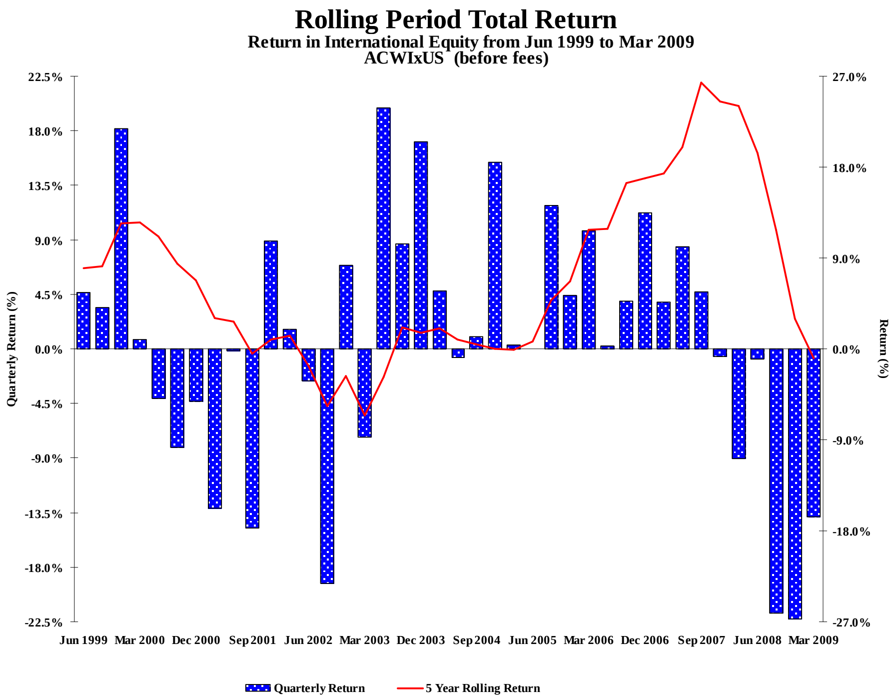
Sector	Weight
Technology	5.4%
Health Care	9.6%
Consumer Discretionary	10.1%
Consumer Staples	10.5%
Energy	9.2%
Materials and Processing	8.6%
Producer Durables	11.3%
Telecom Services	6.8%
Financial Services	21.5%
Utilities	7.0%
Other	0.0%

Source: Mercer, MSCI Barra

MSCI ACWI ex-U.S. Performance & Characteristics
As of March 31, 2009

Performance

3-Mo	1-Yr	2-Yrs	3-Yrs	5-Yrs	2008	2007	2006	2005
-13.84%	-48.11%	-27.05%	-13.81%	-0.96%	-45.24%	17.12%	27.16%	17.11%



Characteristics

Number of Holdings	1840
Median Market Cap ($M)	3,069
Weighted Market Cap ($M)	31,714
P/E Ratio*	8.0
P/B Ratio	0.8
Yield	4.5
Earnings Growth	15.7

Top 10 Holdings

Security	Weight
Nestle S.A.	1.4%
BP PLC	1.4%
Total S.A.	1.2%
HSBC Holdings PLC	1.1%
Roche Holding Ltd.	1.1%
Vodafone Group PLC	1.0%
Novartis AG	1.0%
Toyota Motor Corp.	1.0%
Telfonica S.A.	0.9%
Glaxosmithkline PLC	0.9%

Sector Allocation

Sector	Weight
Technology	6.6%
Health Care	7.6%
Consumer Discretionary	8.6%
Consumer Staples	9.0%
Energy	11.8%
Materials and Processing	10.4%
Producer Durables	10.1%
Telecom Services	7.6%
Financial Services	22.2%
Utilities	6.0%
Other	0.0%

Source: Mercer, MSCI Barra

* As of April 9, 2009 The P/E Ratio as of March 31, 2009 was unavailable. The reported P/E Ratio is from February 27, 2009 and is for illustrative purposes only.

International Country Allocation
As of March 31, 2009

Country	ACWI ex US	EAFE
Japan	17.88%	24.33%
UK	15.19%	20.67%
France	7.85%	10.68%
Switzerland	6.02%	8.19%
Germany	5.94%	8.09%
Australia	5.06%	6.88%
Spain	3.16%	4.30%
Italy	2.46%	3.35%
Netherlands	1.71%	2.32%
Hong Kong	1.68%	2.29%
Sweden	1.66%	2.26%
Finland	0.92%	1.25%
Singapore	0.85%	1.16%
Belgium	0.69%	0.94%
Denmark	0.63%	0.86%
Norway	0.54%	0.73%
Greece	0.36%	0.49%
Portugal	0.27%	0.37%
Austria	0.25%	0.34%
Ireland	0.25%	0.33%
New Zealand	0.07%	0.10%
Argentina	0.08%	0.07%

Country	ACWI ex US	EAFE
Canada	6.91%	0.00%
China	3.69%	0.00%
Brazil	2.81%	0.00%
South Korea	2.60%	0.00%
Taiwan	2.27%	0.00%
South Africa	1.53%	0.00%
India	1.23%	0.00%
Russia	1.19%	0.00%
Mexico	0.88%	0.00%
Israel	0.69%	0.00%
Malaysia	0.57%	0.00%
Chile	0.29%	0.00%
Indonesia	0.28%	0.00%
Thailand	0.25%	0.00%
Turkey	0.25%	0.00%
Poland	0.21%	0.00%
Peru	0.14%	0.00%
Czech Republic	0.13%	0.00%
Colombia	0.11%	0.00%
Egypt	0.11%	0.00%
Philippines	0.10%	0.00%
Morocco	0.09%	0.00%
Hungary	0.08%	0.00%
Jordan	0.04%	0.00%
Pakistan	0.02%	0.00%

Source: Mercer, MSCI Barra

BARCLAYS CAPITAL U.S. AGGREGATE INDEX

As of March 31, 2009

Portfolio Characteristics	
Number of Issues	9,003
Avg. Maturity (Yrs)	5.73
Avg. Yield to Maturity (%)	4.06
Avg. Modified Adj Duration (Yrs)	3.73
Avg. Quality	AA1/AA2

Ratings	(MV) %Index
Aaa	80.47
Aa	3.75
A	8.92
Baa	6.86
	100.00%

ASSET SECTOR	(MV) % Index	
U.S. Treasury	26.17	
U.S. Agencies	9.98	
MBS Pass-Thrus:	38.71	
FNMA		19.54%
FHLMC		14.14
GNMA		5.03
Commercial MBS	3.25	
Asset-Backed (ABS)	0.55	
Taxable Municipals	0.20	
U.S. Corporates:	14.88	
Industrials		7.50%
Financials		5.44
Utilities		1.94
Non-U.S. Credits:	6.26	
Corporates		2.54%
Agency/Local Govt.		1.65
Supranationals		1.08
Sovereigns		1.01
	100.00%	

Top Credit Holdings	(MV) % Index
General Electric	0.77
Bank America	0.69
JP Morgan	0.63
European Investment Bank	0.56
Goldman Sachs	0.53
KFW Intl. Finance	0.53
Citigroup	0.51
Wells Fargo	0.49
Morgan Stanley	0.46
AT&T	0.46

FNMA: Federal National Mortgage Association (Fannie Mae)
FHLMC: Federal Home Loan Mortgage Corp. (Freddie Mac)
GNMA: Government National Mortgage Association (Ginnie Mac)

Asset Backed securities include securitization pools on credit card receivables, auto loan receivables, home equity loans, and utility stranded cost recoveries.

Source: Barclays Capital Indices

BARCLAYS CAPITAL U.S. INTERMEDIATE GOVERNMENT/CREDIT INDEX

As of March 31, 2009

Portfolio Characteristics	
Number of Issues	3,419
Avg. Maturity (Yrs)	4.49
Avg. Yield to Maturity (%)	3.41
Avg. Modified Adj Duration (Yrs)	3.84
Avg. Quality	AA1/AA2

Ratings	**(MV) %Index**
Aaa	69.24
Aa	6.06
A	14.39
Baa	10.31
	100.00%

ASSET SECTOR	**(MV) % Index**	
U.S. Treasury	45.66	
U.S. Agencies	19.67	
Taxable Municipals	0.09	
U.S. Corporates:	24.11	
Industrials		11.43%
Financials		9.98
Utilities		2.69
Non-U.S. Credits:	10.50	
Corporates		3.87%
Agency/Local Govt.		3.12
Supranationals		2.20
Sovereigns		1.33
	100.00%	

Top Credit Holdings	**(MV) % Index**
Bank America	1.38
General Electric	1.37
JP Morgan	1.20
European Investment Bank	1.17
KFW Intl. Finance	1.10
Goldman Sachs	0.97
Citigroup	0.97
Morgan Stanley	0.95
Wells Fargo	0.92
AT&T	0.56
HSBC	0.43
Credit Suisse	0.40
Verizon	0.39
Italy	0.38
American Express	0.33

Source: Barclays Capital Indices

BARCLAYS CAPITAL U.S. LONG GOVERNMENT/CREDIT INDEX

As of March 31, 2009

Portfolio Characteristics	
Number of Issues	1,139
Avg. Maturity (Yrs)	21.32
Avg. Yield to Maturity (%)	5.61
Avg. Modified Adj Duration (Yrs)	11.43
Avg. Quality	AA2/AA3

Ratings	**(MV) %Index**
Aaa	52.66
Aa	8.23
A	20.25
Baa	18.86
	100.00%

ASSET SECTOR	**(MV) % Index**	
U.S. Treasury	44.89	
U.S. Agencies	6.88	
Taxable Municipals	1.62	
U.S. Corporates:	33.99	
Industrials		20.38%
Financials		7.12
Utilities		6.49
Non-U.S. Credits:	12.62	
Corporates		6.86%
Sovereigns		3.67
Agency/Local Govt.		1.63
Supranationals		0.46
	100.00%	

Top Credit Holdings	**(MV) % Index**
Brazil	1.89
AT&T	1.89
General Electric	1.22
Verizon	1.13
Mexico	0.84
Wal-Mart	0.75
Goldman Sachs	0.75
Comcast	0.72
HSBC	0.68
Illinois	0.66
JP Morgan	0.65
Conoco Phillips	0.65
Mid American Energy	0.64
Wells Fargo	0.58
AOL Time Warner	0.57
Citigroup	0.55
Time Warner Cable	0.55
Italy	0.49
Altria Group	0.45
IBM	0.45

Source: Barclays Capital Indices

BARCLAYS CAPITAL U.S. TREASURY
U.S. TIPS INDEX

As of March 31, 2009

Portfolio Characteristics

Number of Issues	27
Avg. Maturity (Yrs)	9.02
Avg. Modified Adj Duration (Yrs)	5.61
Avg. Coupon Rate (%)	2.22
Avg. Quality	AAA

MATURITY RANGE	**Issue Count**	**(MV) % Index**
1-3 Years	4	14.44
3-5 Years	5	21.18
5-7 Years	4	16.68
7-10 Years	6	18.15
10-20 Years	6	22.26
20-30 Years	2	7.29
	27	100.00%
1-5 Years	9	35.62
5-10 Years	10	34.83
10-30 Years	8	29.55
	27	100.00%

Source: Barclays Capital Indices

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

Asset Sector	Market Value March 31, 2009	% Assets	Market Value Feb. 28, 2009	% Assets	Increase (Decrease) Prior Month-End	% Change	Market Value June 30, 2008	% Assets	Increase (Decrease) Prior Fiscal Year-End	% Change
Bonds	$13,183,262,041	79.6%	12,857,176,832	80.0%	$326,085,209	2.5%	$13,917,829,156	79.8%	(734,567,115)	-5.3%
Equity	2,707,607,691	16.3%	2,482,308,498	15.4%	225,299,193	9.1%	3,185,174,964	18.3%	(477,567,273)	-15.0%
Net Cash - OIM	57,808,186	0.3%	19,566,515	0.1%	38,241,671	195.4%	31,217,754	0.2%	26,590,432	85.2%
Net Cash - Operating	566,703,338	3.4%	660,414,125	4.1%	(93,710,787)	-14.2%	202,328,872	1.2%	364,374,466	180.1%
Net Cash - MIF, PWRF, SIEGF	54,999,630	0.3%	52,999,790	0.3%	1,999,840	3.8%	95,980,364	0.6%	(40,980,734)	-42.7%
Total Net Cash	679,511,154	4.1%	732,980,430	4.6%	(53,469,276)	-7.3%	329,526,990	1.9%	349,984,164	106.2%
Total Invested Assets	$16,570,380,886	100%	$16,072,465,760	100%	$497,915,126	3.1%	$17,432,531,110	100%	($862,150,224)	-4.9%

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.

March 2009/February 2009 Comparisons

- Net investment income in March 2009 was $585 million representing a monthly net portfolio return of +3.7% (unaudited).
- Bond market value increase of $326.1 mm comprised of $68.4 mm in interest income, $297.8 mm in net realized/unrealized gains ($42.8 mm net realized loss), offset by $40.1 mm in OIM net bond sales (increasing OIM cash balances accordingly), representing a monthly net return of +2.9% (unaudited).
- Equity market value increase of $225.3 mm comprised of $5.0 mm of dividend income, $212.6 mm in net realized/unrealized gains ($13.7 mm net realized loss), $6.0 mm in portfolio rebalancing purchases directed to OIM, and $1.7 mm in OIM net stock purchases (decreasing OIM cash balances accordingly), representing a monthly net return of +8.7% (unaudited).
- Net cash balances decreased $53.5 mm in March 2009 largely due to decreased operating cash balances ($93.7 mm) offset by increased OIM cash balances ($38.2 mm). JPMorgan US Govt. money market fund had 30-day average yield of 0.50% for March 2009 (0.62% for Feb. 09) and 7-day average yield of 0.46% on 3/31/09 (0.62% on 2/28/09).

March 2009/June 2008 FYTD Comparisons

- Net investment income FYTD of a negative $947 million comprised of $521 mm of investment income, $1,465 mm of net realized/unrealized losses ($224 million net realized loss) and $4 mm in fees, representing a FYTD net portfolio return of -5.4% (unaudited).
- Bond market value decrease of $735 mm FYTD comprised of $453 mm in interest income, $199 mm of net realized/unrealized losses ($138 mm net realized loss), $963 mm in net OIM redemptions and $26mm in lower OIM cash balances, representing a FYTD net return of +1.8% (unaudited).
- Equity market value decrease of $478 mm FYTD comprised largely of $55 mm in dividend income, $1,266 mm in realized/unrealized losses ($86 mm net realized loss), $12 mm in OIM redemptions and $1 mm in lower OIM cash balances, offset by $750 mm in portfolio rebalancing purchases directed to OIM, representing a FYTD net return of -36.0% (unaudited).

BWC Invested Assets
Estimated and Unaudited
As of April 28, 2009

Apr09 MV Decrease Bonds............ - $155 million (-1.2% return)
Apr09 MV Increase Equities............+$ 208 million (+7.1% return)

Apr09 MV Increase Bonds+Equities + $53 million ($+48 mm SIF only)
(+0.3% portfolio return including Cash)

BWC Net Assets 6/30/08.................	$2,503 million	
BWC Net Assets 12/31/08.................	$2,312 million	(-$191 mm FYTD)
BWC Net Assets 1/31/09.................	$1,447 million	(-$1,056 mm FYTD)
BWC Net Assets 2/28/09.................	$ 940 million	(-$1,563 mm FYTD)
BWC Net Assets 3/31/09.................	$1,523 million	(-$980 mm FYTD)

BWC Asset Allocation MV 4/28/09

Bonds*............	$12,920 million	78.3%
Equities*............	3,159 million	19.2%
Cash.....................	415 million	2.5%
TOTAL...........	$16,494 million	100.0%

* includes nominal cash held by outside managers

Portfolio Return Calendar 2008..........-2.3% (-$444 million net inv. income)

Fiscal Year 2009 YTD

Portfolio Return July-Dec08............	-0.7%	(-$149 million net inv. income)
Portfolio Return Jan09....................	-5.0%	(-$868 million net inv. income)
Portfolio Return Feb09...................	-3.3%	(-$515 million net inv. income)
Portfolio Return Mar09..................	+3.7%	(+$585 million net inv. income)

Portfolio Return FY09 thru Mar09 ..... -5.4% (-$947 million net inv. income)
(returns above not additive)

Portfolio Return Apr09 MTD...... ... +0.3%

Prepared by: Bruce Dunn, CFA
BWC Chief Investment Officer

INVESTMENT DIVISION

TO:	Marsha Ryan, Administrator BWC Investment Committee BWC Board of Directors
FROM:	Bruce Dunn, CFA, Chief Investment Officer
DATE:	April 21, 2009
SUBJECT:	CIO Report March, 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 recently completed an asset-liability study and related investment strategy recommendations for the State Insurance Fund that was presented to the BWC Investment Committee in March, 2009 and to be reviewed for possible vote by the Investment Committee at its April 29, 2009 meeting. The BWC Investment Division has provided considerable support to Mercer in terms of background and information necessary for Mercer to complete its asset-liability study of the Bureau and its investment strategy recommendations. The Investment Division has also assisted Mercer in developing a new proposed Investment Policy Statement reflecting the proposed new investment strategy for the State Insurance Fund that is being presented for consideration to the Investment Committee and Board of Directors at their respective April, 2009 meetings. The BWC Investment Division will also provide whatever support is needed by Mercer in terms of background and information necessary for Mercer to perform and complete asset-liability studies and investment strategy recommendations for each of the ancillary funds of the Bureau.

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.

Strategic Goal Two – INVESTMENT STAFF

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 Web Methods 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 will also be 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.

The Bureau contracted with one of its transition managers in February, 2009 for the purpose of attempting to sell all remaining marketable miscellaneous securities assets. During the month of February, 2009, a total of nine issues were sold for aggregate proceeds of approximately $1.6 million. These sales resulted in a net realized loss of approximately $200,000. It was confirmed by the transition manager that the transition manager was unable to find or determine any market value for certain remaining identified miscellaneous securities assets. With this confirmation, it was determined by the BWC Fiscal & Planning Division with support by the BWC Investment Division that certain identified miscellaneous asset issues were permanently impaired. In accordance with GASB 10, the book value of these assets were written down by $12,370,994 which resulted in a reported realized loss of this amount for the month of February. Since these securities already had an extremely low carrying market value, this write-down of cost basis book value did not impact the Bureau's net asset level for the month. An unrealized loss amount was instead converted to a realized loss. One additional small miscellaneous securities issue was sold in March for proceeds of approximately $15,000 with a modest realized loss on sale. One remaining small miscellaneous asset holding was also sold earlier this month for total proceeds of approximately $4,000.

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. An additional cash distribution of $1.0 million was received by the Bureau in February, 2009 shortly after a legal settlement negotiation was concluded regarding a potential legal claims payment. As a result of this significant coin fund distribution, the Bureau has now received a total of approximately $54.5 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.

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 with resulting cash distributions to its investors expected 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.

Compliance

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

Portfolio Rebalancing Action

At the end of the first quarter 2009 ending 3/31/09, each investment asset class mandate for each BWC trust fund portfolio was within its defined portfolio weighting target range per the BWC Investment Policy Statement with the exception of Large Cap Equities for the State Insurance Fund (SIF). SIF Large Cap Equities ended the first quarter at a 16.36% market value portfolio weighting which was below the defined policy target range of 17-23% and its 20% target weighting. As a result of this position, the BWC CIO called a meeting of the four-member Portfolio Rebalancing Committee of the Bureau on April 8, 2009. This Committee consists of the CIO, BWC Administrator, BWC Chief Operating Officer and the BWC Chief Fiscal & Planning Officer. At this meeting, the CIO presented a portfolio rebalancing strategy recommendation for SIF to the Committee for consideration. After the CIO provided background information and the rationale for such recommended rebalancing strategy, the recommended strategy was discussed and then approved by the Portfolio Rebalancing Committee.

The first table that follows illustrates the rebalancing strategy executed on April 8, 2009, the day the Portfolio Rebalancing Committee approved such rebalancing actions. The second table illustrates the similar rebalancing action that would have been required based on actual quarter-end market value weightings.

($millions)	% Target	% Policy Range	MV 4/07/09	% MV	Rebalance Action	Adjusted MV 4/07/09	% MV
LDFI	59	55-63	$ 8,678	57.72%		$ 8,678	57.72%
TIPS	20	17-23	3,300	21.95%	$ (160)	3,140	20.89%
Equity	20	17-23	2,541	16.90%	240	2,781	18.50%
Cash	1	0-6	515	3.43%	(80)	435	2.89%
TOTAL	100		$ 15,034	100.00%		$ 15,034	100.00%

($millions)	% Target	% Policy Range	MV 3/31/09	% MV	ProForma Rebalance	Adjusted MV 3/31/09	% MV
LDFI	59	55-63	$ 8,796	57.96%		$ 8,796	57.96%
TIPS	20	17-23	3,343	22.03%	$ (245)	3,098	20.42%
Equity	20	17-23	2,483	16.36%	325	2,808	18.50%
Cash	1	0-6	553	3.64%	(80)	473	3.12%
TOTAL	100		$ 15,175	100.00%		$ 15,175	100.00%

The portfolio rebalancing strategy approved for SIF included investing $240 million in the separate account S&P 500 indexed fund managed by Northern Trust to achieve the targeted 18.50% asset allocation for this asset class consistent with the BWC rebalancing policy. This $240 million was initially drawn from the SIF operating cash account which totalled $515 million on 4/07/09 or 3.43% of total SIF portfolio assets versus a prescribed average cash target of 1.0% per the IPS. The rebalancing strategy implemented also included the sale of $160 million in market value of TIPS from the TIPS portfolio managed by State Street. The difference of $80 million between the $240 million invested in equities and $160 million of TIPS sold represents the level of operating cash funds that the Chief Fiscal & Planning Officer was comfortable in permanently releasing from SIF operating cash balances based upon projections of weekly operating cash balances through the remainder of 2Q09 ending 6/30/09. As a reminder, a total of $110 million in cash interest payments generated from the State Street LDFI bond portfolio was redeemed at the end of both January and February of this year as a precautionary action to further build up additional liquidity for SIF as protection to offset against possible lower than anticipated premium payments due in 1Q09. As a result, a total of $80 million of this $110 million additional cash build up was ultimately redirected to equities with the portfolio rebalance executed. This resulted in $80 million less of TIPS sold than would otherwise be required.

The SIF TIPS asset class was targeted for sale by the CIO because it was the non-cash asset class that had the highest deviation above its target ownership allocation. TIPS had a market value portfolio weighting of 22.03% on 3/31/09 and 21.95% on 4/07/09 versus its 20.0% target weight, whereas the SIF Long Duration Fixed Income (LDFI) asset class mandate had a market value weighting of 57.72% on 4/07/09 or more than 1% <u>below</u> its target weight of 59.0%.

Since the equity asset class market value improved between 3/31/09 and 4/07/09 and both bond asset classes declined in market value over the same period, the SIF portfolio rebalancing actions were accomplished on 4/08/09 with $85 million less on both the sale and purchase of the respective asset classes. The State Street TIPS portfolio manager sold the TIPS holdings in a very efficient manner and obtained good value as the TIPS market had a positive tone and strong bids on the day of sale. A total of $160.2 million in proceeds (including accrued interest) were obtained from the TIPS sales. The unaudited net realized loss from these aggregate TIPS sales was $2.1 million.

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 issued an RFP for transition manager services on February 19, 2009 and intends to complete a new search for transition managers in May, 2009 in advance of the need for specific identified transition manager services. The Transition Manager RFP blackout period commenced on the RFP issuance date February 19, 2009 as communicated to the BWC Board of Directors by the Board Liaison.

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.

Quarterly Investment Manager Meetings Summary (Covering Fourth Quarter 2008 Period)

Northern Trust (Passive Large Cap U.S. Equity)

The BWC investment staff met with the portfolio manager and two relationship managers on February 10, 2009 at the Investment Division offices. The total return of the State Insurance Fund portfolio was -21.85% for 4Q08 versus -21.94% for the benchmark S&P 500 index, while 4Q08 total returns of the Disabled Workers Fund and Coal Workers Fund portfolios were -21.82% and -21.83%, respectively. This quarterly outperformance to the benchmark index was mostly attributable to cash reinvestment drag during a period of significant negative returns where cash holdings have a favorable impact on returns.

The Northern Trust relationship managers discussed the rationale for the recent decision made by Northern Trust to consolidate most investment management activities back to its Chicago headquarters. This will result in a reduction in portfolio management staff in London and the elimination of portfolio managers and the trading desk in New York, with some New York portfolio managers offered positions in Chicago. For example, the head of quantitative equity management (Chad Rakvin) for Northern Trust, who oversees the Chicago-based S&P 500 indexed portfolio management team servicing the BWC portfolios, will be relocating to Chicago from New York. Certain actively managed international equity mandates managed from London are being eliminated which represented less than $200 million in assets under management. There will also be less emphasis on securities lending activities related to Northern Trust managed funds due to recent losses incurred by certain of its managed funds. Because Northern Trust is a major custodian bank, securities lending income had been utilized by Northern Trust to improve pricing of management fees to clients, but Northern Trust management is now acknowledging with this curtailment of securities lending activity that this common custodian model is no longer applicable in this challenging credit market environment for securitized product and increasing counterparty risks. Approximately 70-80% of investment mandates offered by Northern Trust now have a non-securities lending strategy option compared to only 45% of mandates offered as recently as two years ago. The relationship manager indicated that most clients of Northern Trust are continuing to maintain their funds with securities lending strategies as securities lending income levels remain high. With respect to the S&P 500 indexed commingled master fund recently offered to the Bureau for its ancillary funds by Northern Trust, this fund currently has $4 billion in assets in the securities lending portion of the fund and $500 million in the non-securities lending portion which is the portion to be utilized by the Disabled Workers Fund and Coal Workers Fund upon conversion from the existing separate accounts sometime in the second quarter of 2009.

Northern Trust also recently announced the hire of a new chief investment officer to replace its retiring CIO. This individual (Robert Browne) was formerly with Invesco and has a strong fixed income background in active management. Northern Trust accepted $1.5 billion in TARP funds from the federal government last fall due to its low cost of capital terms, not because the firm actually needed the capital as Northern Trust is one of the best capitalized major banks in the nation. However, top management is now giving serious consideration to paying back these TARP funds this year due to federal government restrictions on employee bonuses and intrusion in the management of its business.

PM Brent Reeder indicated there were a total of 37 add/delete changes in the S&P 500 index in calendar year 2008 which represented a turnover of 7% for the year as compared to a 5% turnover in 2007. The S&P 500 index had a negative return of 37.0% in 2008, its worse annual return since 1937. PM mentioned that S&P has an official position of requiring a $4 billion minimum market capitalization for a company to qualify for inclusion in the index but that with the significant decline in the index recently, there are approximately 100 companies in the index that are below this $4 billion market cap threshold. PM indicated S&P will not remove these names from the index, partly because there are nowhere near 100 new companies with common equity market cap levels that are eligible to replace them.

There has also been a trend for companies to switch their incorporation domicile outside the U.S. for taxation purposes. PM indicated S&P is taking a strong stance to remove these stocks from the index as a requirement for eligibility in its bellwether index is U.S. incorporation. Recent examples include Schlumberger, Tyco, Transocean and ACE. PM is of the opinion another 10-12 companies in the index may reincorporate outside the U.S. having a combined market weighting representation of between 1% and 1.2% of the index. PM also sees dividend levels continuing to decline in 2009 in the S&P 500 index. This trend has recently accelerated in the banking and insurance sectors with an increased emphasis by these types of firms to preserve and/or build capital positions.

<u>State Street Global Advisors</u> (Passive Long Duration Fixed Income; Passive TIPS)

The BWC investment staff met with the State Street Global Advisors (SSGA) primary relationship manager, the LDFI portfolio manager and a portfolio manager in the SSGA global fixed income team on February 11, 2009 at the Investment Division offices.

The total return for the State Insurance Fund LDFI portfolio in 4Q08 was a very strong 13.41% reported by SSGA versus 13.06% for the benchmark index. Total 4Q08 returns of the Disabled Workers and Coal Workers LDFI portfolios reported by SSGA were 13.59% and 13.58%, respectively. Approximately 2/3 of the over 1,100 issues in the benchmark index are presently owned in the SIF LDFI portfolio compared to approximately ½ of benchmark issues being owned by the much smaller two ancillary fund LDFI portfolios. This difference of approximately 150 more issues owned in the SIF LDFI portfolio compared to the ancillaries is primarily in more corporate credit issues owned, although the overall percentage ownership of credit versus government issues is virtually the same for all three funds. The excess performance of the three BWC accounts versus the LDFI benchmark index over 4Q08 was attributable to an overweight in Treasuries and U.S. Agency debt of about 1.75% versus the benchmark and a similar underweight to credit issues to the benchmark index. These weighting differentials resulted in outperformance versus the index for the 4Q08 because U.S. government debt outperformed credit debt during 4Q08 due to investor fears over the fragility of the U.S. financial system and a consequent flight to safety and top quality debt. Certain weightings within the corporate sector also accounted for some outperformance of the portfolios to the credit portion of the benchmark index in 4Q08. LDFI PM indicated that the bond broker-dealer community has shrunk and remaining dealers are still cautious in carrying much bond inventory, although he is beginning to observe signs of improvement. The new issue corporate bond market is vibrant so far in 2009 and the LDFI PM has been able to use the new issue corporate markets to narrow the underweighting in corporate credits in 1Q09 as availability in the bond denominations desired for SIF LDFI portfolio has improved perceptibly over last several months. PM also indicated it is more costly for investors to gain exposure to credit default swaps and regulations associated with swap contracts are getting stricter. As a result, investors desiring credit exposure have a refocus on buying actual cash bonds again, especially investors such as corporate pension funds embracing Liability Driven Investing (LDI) strategies. These LDI buyers have a strong preference for corporate credit bonds over Treasuries because of their significantly higher yields offered in the current market.

Contrasted with the very strong positive performance of the BWC LDFI portfolios for 4Q08, the TIPS portfolios managed by SSGA continued its negative performance of 3Q08 (-3.54%) with a further negative 3.48% rate of return in 4Q08 for each if the State Insurance Fund, Disabled Workers Fund and Coal Workers Fund portfolios which exactly matched the benchmark index return for the final quarter of 2008. The Lehman/Barclays U.S. TIPS index had a negative total return of -2.35% for the full year 2008 which was the first negative total return year for this U.S. TIPS index in its twelve-month history. This index suffered significant negative performance of -8.05% for Oct-Nov 2008 before having a strong snapback of +4.96% return for December 2008. The SSGA PM attributed the negative performance of TIPS in 4Q08 to a combination of technical selling pressure by hedge funds and other investors forced to deleverage positions sparked by the Lehman bankruptcy on 9/15/08 and its aftermath, widespread deflation fears weighing on the market which reduced inflation risk premiums, and a strong preference to own on-the-run nominal treasuries which created a nominal yield premium. Inflation breakevens for TIPS have declined significantly and reflect deflation expectations over the next several years out showing negative inflation breakevens out to 2013 due to the weak economy and the recent downturn in commodity prices. SSGA is seeing higher buying interest in TIPS so far in 1Q09 when real yield levels on TIPS rise above 3%, especially for LDI investors and pension fund accounts. The massive government stimulus programs increase the risk towards rising price levels in the future. The SSGA global bond PM indicated there is a dearth of TIPS supply in long maturities currently and large demand by LDI investors going unsatisfied. The SSGA PM is very positive on the prospects of U.S. TIPS outperforming nominal treasuries in 2009 unless there is a relapse of investor fear arising from additional major financial firm crises.

The State Street representatives also provided an update on corporate matters at SSGA and its parent companies. The parent holding company, State Street Corporation, had a strong year in 2008 with respect to revenue growth (up 28%) and operating return on equity at 19%. State Street Bank & Trust is reducing its off-balance sheet balances of asset-backed commercial paper sponsored conduits which were at $22.6 billion at month-end Jan09, down from a peak of $28 billion. This program arose largely to accommodate product needs of the bank's institutional clients, primarily mutual funds, who need commercial paper investments. This bank sponsored conduit program is expected to be reduced in a measured basis without incurring significant realized losses as the underlying collateral supporting the program has been severely stressed-tested and is sufficiently secured in the opinion of top management. The parent bank has implemented two rounds of cost reduction programs in recent months, including reductions in employment. The core indexed asset management area servicing BWC at SSGA has not been affected by these cutbacks and is not expected to be impacted in the future. The SSGA CEO recently indicated to employees that SSGA is now at its desired functional level and that future material cuts in employee count is not likely. This State Street team visiting BWC also made the point that State Street Bank & Trust has gained market share in 2008 in terms of custody clients as there has been a flight to quality towards large custodians. The SSGA relationship manager indicated that no losses on securities lending pools managed by SSGA have been incurred by SSGA but, nevertheless, the restraints previously imposed on clients to withdraw funds continues unless the client is willing to accept the collateral assets rather than cash on withdrawal. This provision is required in order to protect and preserve value to all existing securities lending clients having an interest in its securities lending pools. When questioned, the relationship manager indicated there has not been any significant client departure from SSGA in recent months. The relationship manager also stated there is a desire by top management of the parent bank to pay back the $2 billion in TARP funds received from the federal government.

Barclays Global Investors (Passive Long Duration Fixed Income)

The BWC investment staff met with the Barclays Global Investors (BGI) fixed income strategist and the primary BGI relationship manager on February 12, 2009 at the Investment Division offices. Performance for 4Q08 for the State Insurance Fund LDFI portfolio managed by BGI had a total return of 13.05% as reported by BGI compared to 13.06% for the benchmark index returns.

The BGI relationship manager discussed recent developments involving parent Barclays Capital and Barclays Bank in the U.K. Unlike its major U.K. based banking competitors, Barclays Bank is resisting any public aid for recapitalization purposes from the U.K. government in order to maintain its independence. Tier I and Tier II capital ratios of Barclays Bank remain high and 4Q08 earnings announced by parent Barclays Capital the week of this meeting were at the high end of expectations. Most of its off-balance sheet assets (approx 8 billion U.K. pounds) have a market value near cost. Barclays has strong relationships with Middle Eastern and Asian sovereign wealth funds who have existing ownership interests and are capable of providing additional capital support if necessary. Barclays recently announced its intent to sell most or all of its rapidly growing and leading market share business in exchange traded funds named iShares (a subsequent announcement was made on April 9 that the iShares ETF business was being sold for $4.4 billion to U.K. hedge fund CVC Capital Partners, representing a net gain on sale of $2.2 billion with Barclays retaining a commercial interest in iShares if performance–related hurdles are met, with Barclays Bank providing $3.1 billion in debt financing for the transaction).

The November 15, 2008 completed purchase of the investment banking and trading operations of Lehman Brothers by Barclays Capital is turning out to be very positive, making Barclays Capital a bulge bracket firm and enhancing an already strong securities trading network. BGI announced a 9% headcount reduction or 350 people in mid-January 2009 focused on closing peripheral businesses such as some active equity funds and an operation geared to small pension funds outsourcing investment management to BGI. BGI is refocusing on the core of its investment management business which is quantitative management. Total assets actively managed by BGI were slightly less than $300 billion out of over $1.7 trillion in total assets under management. The relationship manager indicated no losses have been incurred on BGI managed funds from securities lending and that Barclays Bank provides a backstop support to absorb losses. He also mentioned there has been no material flight of assets from BGI securities lending funds, unlike some competitors, and that BGI has largely removed the restricted liquidation of securities lending related funds by clients that had to be imposed for 5-6 weeks from Dec08 to Jan09. The majority of securities lending assets are owned by public pension plans who are stable clients of BGI.

The BGI fixed income strategist mentioned that the acquisition of some businesses of Lehman Brothers has given BGI more diversification into global fixed income, especially with U.S. clients. BGI had very good 2008 performance in active managed fixed income funds as BGI exited many securitized sectors in 2007 before these sectors declined materially in value as its own research suggested selling these sectors. Strategist believes credit markets will lead the economic recovery with high yield spreads being a good leading indicator. Yield spreads of credit bonds to Treasuries are showing some improvement led by the more liquid credit issues. There has been a growing appetite by institutional investors for investment-grade credit issues since year-end 2008 but this sector is still difficult to buy in large block size as broker-dealers still cautious in growing carried inventory and positioning credit bonds. BGI fixed income strategist expects to see tightening in credit spreads to Treasuries in 2009, perhaps over 100 basis points on average from the current wide average of more than 400 basis points. For its indexed managed funds including for the BWC SIF managed account, BGI is receiving good allocations from dealers on the heavy volume of new corporate issues now coming to market that are new additions to the LDFI benchmark index. Both BGI representatives indicated that the Lehman bond index business has been absorbed seamlessly by Barclays Capital and that this benchmark index business is both important and exciting to the firm.

12-month Investment Committee Calendar

Date	October	Notes
10/29/2009	1. Investment class performance/value annual report [ORC 4121.12(F)(12)], possible vote 2. DWRF and Black Lung Asset/Liability report and recommendation, second review, possible vote 3. Custodian annual review 4. Mercer Alternative Asset classes education	
	November	
11/19/2009	1. Investment Consultant Performance Report 3Q09 2. Mercer Alternative Asset classes education	
Date	**December**	
12/17/2009		
Date	**January 2010**	
TBD		
	February 2010	
TBD	1. Investment Consultant Performance Report 4Q09	
	March 2010	
TBD		