BWC Board of Directors

Investment Committee Agenda

William Green Building
May 28, 2009
Level 2, Room 2
12:00 p.m. – 2:00 p.m.

Call to Order
Bob Smith, Committee Chair

Roll Call
Linda Byron, Scribe

Approve Minutes of the April 29, 2009 Meeting
Bob Smith, Committee Chair

Review and Approve Agenda*
Bob Smith, Committee Chair

New Business/ Action Items

1. Transition Management RFP Summary
   - Finalist Firms Identification/Selection
     Bob Smith, Committee Chair
     Bruce Dunn, Chief Investment Officer
     Lee Damsel, Director of Investments
     Guy Cooper, Mercer Consultant

   Vote to recommend approval to the Board of Directors

2. Passive Indexed Investment Manager Master RFP (5 mandates)
   - Proposed Investment Manager RFP Issuance and Timeline
     Bob Smith, Committee Chair
     Bruce Dunn, Chief Investment Officer
     Lee Damsel, Director of Investments
     Mercer Team

   Possible Vote to recommend RFP issuance approval to the Board of Directors

3. Proposed Investment Policy Statement regarding Long Duration Fixed Income benchmark index – First Review
   State Insurance Fund
   - Mercer Long Duration Fixed Income Credit Tilt Portfolio Modeling – Summary of Results
     Bob Smith, Committee Chair
     Mercer Team
   - CIO Report on proposed Long Duration Fixed income benchmark index change
     Bruce Dunn, Chief Investment Officer

   Possible Vote on changing the State Insurance Fund long duration fixed income benchmark index of the Investment Policy Statement to recommend approval to the Board of Directors

4. New Asset Allocation Implementation Strategy
   State Insurance Fund
   - Redeem Cash Interest Income monthly from fixed income managers to reinvest in equities until new equities mandates are completed
     Bob Smith, Committee Chair
     Bruce Dunn, Chief Investment Officer

   Vote to redeem monthly fixed income cash interest income to reinvest in equities to recommend approval to the Board of Directors

   - Proposed Asset Allocation Implementation Transition Strategy Options – First Review
     Bob Smith, Committee Chair
     Bruce Dunn, Chief Investment Officer
     Lee Damsel, Director of Investments
     Mercer Team

   Possible Vote on an asset allocation transition implementation strategy to recommend approval to the Board of Directors

Discussion Items

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

2. Portfolio Performance
   - Mercer Quarterly Report – First Quarter 2009
     Mercer Team

3. CIO Report – April 2009
   Bruce Dunn, Chief Investment Officer

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

Adjourn

Bob Smith, Committee Chair

<u>Next Meeting: June 18, 2009</u>

* Not all agenda items may have materials
** Agenda subject to change

STATE INSURANCE FUND

Asset Allocation Change Implementation

May 28, 2009
BWC Investment Division

Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation

State Insurance Fund
Asset Allocation Change
(without Credit Tilt)

LEGACY PORTFOLIO

	Target	$ Billions
U.S. Long Govt/Credit	59%	$ 8.85
Total LDFI	59%	$ 8.85
U.S. TIPS	20%	$ 3.00
Cash	1%	$ 0.15
Total Fixed Income	80%	$ 12.00
S&P 500	20%	$ 3.00
Total Equity	20%	$ 3.00
Total Assets	100%	$ 15.00

TARGET PORTFOLIO

	Target	$ Billions
U.S. Long Govt/Credit	37%	$ 5.55
Total LDFI	37%	$ 5.55
U.S. TIPS	17%	$ 2.55
U.S. Aggregate	15%	$ 2.25
Cash	1%	$ 0.15
Total Fixed Income	70%	$ 10.50
Russell 3000	20%	$ 3.00
MSCI ACWI ex-U.S.	10%	$ 1.50
Total Equity	30%	$ 4.50
Total Assets	100%	$ 15.00

Assumes a $15 billion portfolio market value for illustration purposes

Actual portfolio market value approximately $15.1 billion on 4/30/09

Ohio Bureau of Workers' Compensation

State Insurance Fund
Asset Allocation Change
(with Credit Tilt)

LEGACY PORTFOLIO

	Target	$ Billions
U.S. Long Govt	*30%	$ 4.50
U.S. Long Credit	*29%	$ 4.35
Total LDFI	59%	$ 8.85
U.S. TIPS	20%	$ 3.00
Cash	1%	$ 0.15
Total Fixed Income	80%	$ 12.00
S&P 500	20%	$ 3.00
Total Equity	20%	$ 3.00
Total Assets	100%	$ 15.00

TARGET PORTFOLIO

	Target	$ Billions
U.S. Long Govt	9%	$ 1.35
U.S. Long Credit	28%	$ 4.20
Total LDFI	37%	$ 5.55
U.S. TIPS	17%	$ 2.55
U.S. Aggregate	15%	$ 2.25
Cash	1%	$ 0.15
Total Fixed Income	70%	$ 10.50
Russell 3000	20%	$ 3.00
MSCI ACWI ex-U.S.	10%	$ 1.50
Total Equity	30%	$ 4.50
Total Assets	100%	$ 15.00

Assumes a $15 billion portfolio market value for illustration purposes

Actual portfolio market value approximately $15.1 billion on 4/30/09

*approximate subdivided breakdown - not an actual target

State Insurance Fund
Asset Allocation Transitions
Implementation Priorities
(without Credit Tilt)

Priority	Legacy Portfolio Source	Target Portfolio Mandate
1 July/ Aug	U.S. Long Government/Credit **[15% - - - - > $2,250,000,000]** (1% in-kind transfer)	U.S. Aggregate Fixed Income **[15% - - - - > $2,250,000,000]**
2 Aug/ Nov	U.S. Long Government/Credit **[7% - - - - > $1,050,000,000]** U.S. TIPS **[3% - - - - > $450,000,000]**	ACWI ex-U.S. Equity **[10% - - - - > $1,500,000,000]** (1% in-kind transfer)
3 Sept	S&P 500 Equity **[20% - - - - > $3,000,000,000]**	Russell 3000 Equity **[20% - - - - > $3,000,000,000]**
4 Dec	U.S. Long Government/Credit **[37% - - - - > $5,550,000,000]**	U.S. Long Government/Credit **[37% - - - - > $5,550,000,000]**
5 Jan 2010	U.S. TIPS **[17% - - - - > $2,550,000,000]**	U.S. TIPS **[17% - - - - > $2,550,000,000]**

Priority dates for implementation assumes "21st Century Transition" strategy execution described herein

State Insurance Fund
Asset Allocation Transitions
Implementation Priorities
(with Credit Tilt)

Priority	Legacy Portfolio Source	Target Portfolio Mandate
1 July/ Aug	U.S. Long Government [14% ----> $2,100,000,000] (1% in-kind transfer)	U.S. Aggregate Fixed Income [15% ----> $2,250,000,000]
	U.S. Long Credit [1% ----> $150,000,000] (1% in-kind transfer)	
2 Aug/ Nov	U.S. Long Government [7% ----> $1,050,000,000]	ACWI ex-U.S. Equity [10% ----> $1,500,000,000] (1% in-kind transfer)
	U.S. TIPS [3% ----> $450,000,000]	
3 Sept	S&P 500 Equity [20% ----> $3,000,000,000]	Russell 3000 Equity [20% ----> $3,000,000,000]
4 Dec	U.S. Long Government [9% ----> $1,350,000,000] (1% in-kind transfer)	U.S. Long Government [9% ----> $1,350,000,000] (1% in-kind transfer)
	U.S. Long Credit [28% ----> $4,200,000,000]	U.S. Long Credit [28% ----> $4,200,000,000]
5 Jan 2010	U.S. TIPS [17% ----> $2,550,000,000]	U.S. TIPS [17% ----> $2,550,000,000]

Priority dates for implementation assumes "21st Century Transition" strategy execution described herein

ALTERNATIVE TRANSITION IMPLEMENTATION STRATEGY OPTIONS
STATE INSURANCE FUND TIMELINES

2009	Traditional Transition	1990's Transition	21st Century Transition
July	•Issue Master RFP •Begin mandate search for permanent investment managers: Mandate 1. Barclays U.S. Aggregate Index 2. MSCI ACW ex-U.S. Index 3. Russell 3000 Index 4. Barclays U.S. Long Gov./Credit Index 5. Barclays U.S. TIPS Index	•Issue Master RFP •Begin mandate search for permanent investment managers: Mandate 1. Barclays U.S. Aggregate Index 2. MSCI ACW ex-U.S. Index 3. Russell 3000 Index 4. Barclays U.S. Long Gov./Credit Index 5. Barclays U.S. TIPS Index	•Issue Master RFP •Begin mandate search for permanent investment managers: Mandate 1. Barclays U.S. Aggregate Index 2. MSCI ACW ex-U.S. Index 3. Russell 3000 Index 4. Barclays U.S. Long Gov./Credit Index 5. Barclays U.S. TIPS Index
July/August			•Hire Transition Managers (TM) to effect Mandates 1 without Futures •Hire TM to initiate Mandate 2 with possible monthly incremental staging of purchases with Futures as necessary
September	•Select/approve Mandate 1 managers	•Select/approve Mandate 1 managers	•Hire TM to effect Mandate 3 with Futures as necessary •Select/approve Mandate 1 managers
October	•Contract Mandate 1 managers •Hire TM to effect Mandate 1 without Futures •Select/approve Mandates 2 + 3 managers	•Contract Mandate 1 managers •Hire TM to effect Mandate 1 with Futures as necessary •Select/approve Mandates 2 + 3 managers	•Contract Mandate 1 managers •Existing TM quickly cedes/transfers Mandate 1 to target managers •Select/approve Mandates 2 + 3 managers
November	•Contract Mandates 2 + 3 managers •Hire TM to effect Mandates 2 + 3 without Futures •Select/approve Mandate 4 managers	•Contract Mandates 2 + 3 managers •Hire TM to effect Mandates 2 + 3 with Futures as necessary •Select/approve Mandate 4 managers	•Contract Mandates 2 + 3 managers •Existing TM quickly cedes/transfers Mandates 2 + 3 to target managers •Select/approve Mandate 4 managers
December	•Contract Mandate 4 managers •Hire TM to effect Mandate 4 without Futures •Select/approve Mandate 5 managers	•Contract Mandate 4 managers •Hire TM to effect Mandate 4 with Futures as necessary •Select/approve Mandate 5 managers	•Contract Mandate 4 managers •Hire TM to effect Mandate 4 with Futures as necessary •Select/approve Mandate 5 managers
January 2010	•Contract Mandate 5 managers •Hire TM to effect Mandate 5 without Futures	•Contract Mandate 5 managers •Hire TM to effect Mandate 5 with Futures as necessary	•Contract Mandate 5 managers •Hire TM to effect Mandate 5 with Futures as necessary
May 2009 to Completion	Redeem all monthly bond cash interest received to reinvest in equities until Mandates 1 + 2 + 3 are completed and/or to Fund TM's **(estimated at $62mm May; $29mm June; $49mm July)**	Redeem all monthly bond cash interest received to reinvest in equities until Mandates 1 + 2 + 3 are completed and/or to Fund TM's **(estimated at $62mm May; $29mm June; $49mm July)**	Redeem all monthly bond cash interest received to reinvest in equities until Mandates 1 + 2 + 3 are completed and/or to Fund TM's **(estimated at $62mm May; $29mm June; $49mm July)**

ALTERNATIVE TRANSITION IMPLEMENTATION STRATEGY OPTIONS
STATE INSURANCE FUND
SUMMARY

Traditional Transition

- prolongs the use of old asset allocation mix and very long duration and high price volatility of the fixed income portfolio
- start of new asset allocation mix implementation postponed 4-6 months until 4Q09 time period at earliest
- respective transition management activities occur only after selection and contracting of each new target investment manager
- no use of futures/derivatives by transition managers further delays full exposure to three new priority investment mandates (comprising targeted 45% of new portfolio asset allocation mix) until each transition is completed with trading of only physical securities
- trading execution by transition managers of physical securities only may take many additional weeks to complete, thereby prolonging further delay before full exposure to new mandates attained and delivery of assets to new target managers occurs

1990's Transition

- prolongs the use of old asset allocation mix and very long duration and high price volatility of the fixed income portfolio
- start of new asset allocation mix implementation postponed 4-6 months until 4Q09 time period at earliest
- respective transition management activities occur only after selection and contracting of each new target investment manager
- use of futures/derivatives by experienced transition managers can achieve desired exposure quickly to three new priority mandates comprising aggregate 45% of new portfolio with acceptable tracking error once new target investment managers are contracted

ALTERNATIVE TRANSITION IMPLEMENTATION STRATEGY OPTIONS
STATE INSURANCE FUND
SUMMARY

21st Century Transition

- can achieve almost immediate exposure to new asset allocation and the desired reduction of the current very long duration and high price volatility of the fixed income portfolio by means of effective combinations of physical securities and futures/derivatives positions managed by experienced transition managers

- can easily implement an effective strategy for staging periodic incremental increases in total equity exposure from 20% to 30% of portfolio by a chosen transition manager funded from bond sales well before new target equity managers are identified and contracted in 4Q08 at earliest

- pressure to execute large transitions over a condensed period of time in 4Q09 to finally achieve delayed new asset allocation targets is largely eliminated, as experienced transition managers contracted and engaged in 3Q09 are able to attain new asset allocation mix with acceptable tracking error through effective combinations of physical securities and derivatives positions funded from legacy portfolios

Ohio Bureau of Workers' Compensation

State Insurance Fund
1st Priority Transition Implementation Timeline

Sell $2.25 billion Long Duration Fixed Income
Buy $2.25 billion U.S. Aggregate Fixed Income
(Mandate 1)

2009	Traditional Transition	1990's Transition	21st Century Transition
July	•Issue Master RFP	•Issue Master RFP	•Issue Master RFP •Hire transition manager (TM) to quickly effect desired investment exposure to U.S. Aggregate fixed income index
July/August			•TM to sell up to $2.25 billion physical LDFI bonds timed with U.S. Aggregate index physical bond purchases up to $2.25 billion as follows: U.S. Treasuries – 26% ($585mm) U.S. Agencies – 11% ($250mm) [5% UST + Agencies in-kind] MBS Pass-Thru TBAs – 39% ($875mm) Credit – 20% [5% in-kind] ($450mm) ABS/CMBS – 4% ($90mm) All physical bond purchases of Govts and MBS (76%) executed by TM in 2-3 days; remaining Credit and ABS physical bonds purchased over estimated 4-6 weeks
September	•Select/approve U.S. Aggregate fixed income target managers	•Select/approve U.S. Aggregate fixed income target managers	•Select/approve U.S. Aggregate fixed income target managers
October	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Existing TM quickly cedes/transfers purchased benchmark assets to target managers
November/ December	•TM executes July/Aug trading activity described in 21st Century Transition •TM cedes/transfers purchased benchmark assets to target managers	•TM executes July/Aug trading activity described in 21st Century Transition •TM cedes/transfers purchased benchmark assets to target managers	

State Insurance Fund
2nd Priority Transition Implementation Timeline

Sell $1.05 billion Long Duration Fixed Income (First step if purchases staged)
Buy $450 million TIPS (Second step if purchases staged)
Buy $1.5 billion ACWI ex-U.S. Foreign Equities
(Mandate 2)

2009	Traditional Transition	1990's Transition	21st Century Transition
July	•Issue Master RFP	•Issue Master RFP	•Issue Master RFP •Hire transition manager (TM) to effect desired investment exposure to ACWI ex-U.S. equity index as quickly as BWC desires
August - or- Aug/November*			•TM to first sell up to $1.05 billion physical LDFI bonds and then sell up to $450 million TIPS timed with tracking ACWI ex-U.S. derivative contracts purchased as follows: A. Futures index contracts of following developed nation foreign stock exchanges: Japan, UK, Germany, France, Spain, Italy, Eurostock, Australia, Hong Kong, Canada; B. Forward currency contracts of Euro, Japanese yen, UK pound, Canadian dollar, Australian dollar, Hong Kong dollar; (Combination of A+B above = 80%.....$1.2 billion notional) C. Emerging markets NYSE–listed exchange traded fund (EEM) (20%.....$300 million) The above derivative contracts and ETF are much more efficient for TM to employ than purchases of physical company securities to temporarily track benchmark index
October	•Select/approve ACWI ex-U.S. equity index target managers	•Select/approve ACWI ex-U.S. equity index target managers	•Select/approve ACWI ex-U.S. equity index target managers
November	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Existing TM quickly executes unit exchange with passive target managers
December	•TM executes physical bond sales and delivers cash proceeds to passive target managers	•TM executes 21st Century Transition strategy steps to quickly establish target benchmark index exposure and then executes unit exchange with passive target managers	

***If purchases staged in periodic increments**

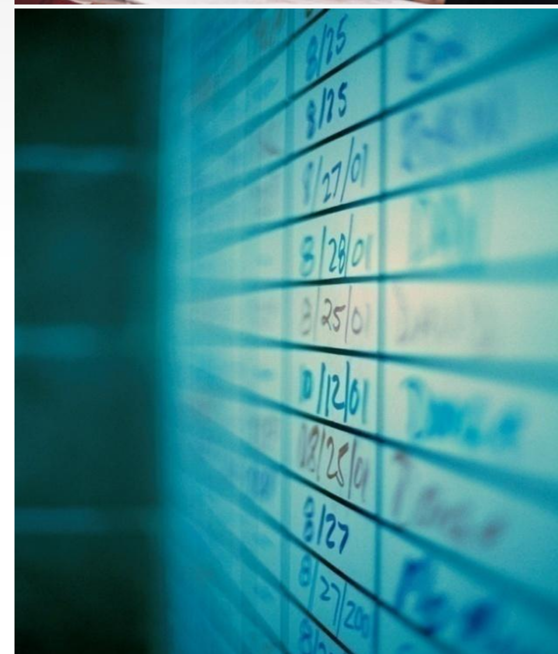
Ohio Bureau of Workers' Compensation

State Insurance Fund
3rd Priority Transition Implementation Timeline

Sell $3.0 billion S&P 500 equities
Buy $3.0 billion Russell 3000 equities
(Mandate 3)

2009	Traditional Transition	1990's Transition	21st Century Transition
July	•Issue Master RFP	•Issue Master RFP	•Issue Master RFP •Hire transition manager (TM) to quickly effect desired investment exposure to Russell 3000 equity index
July/August			•TM to not sell any of $3.0 billion S&P 500 physical stocks. •TM to utilize following futures contracts to obtain desired Russell 3000 index investment exposure: A. Buy futures index contracts of: Russell 2000 index (8%... $240mm notional) S&P Midcap 400 index (7%..$210mm notional) B. Sell S&P 500 index futures contracts (15%......$450mm notional amount a fraction of $3.0 billion physical S&P 500 stocks all retained during transition)
October	•Select/approve Russell 3000 index equity target managers	•Select/approve Russell 3000 index equity target managers	•Select/approve Russell 3000 index equity target managers
November	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Existing TM unwinds futures contracts and executes some S&P 500 stock sales and delivers remaining stock positions in-kind to passive target managers
December	•TM executes some S&P 500 stock sales and delivers remaining stock positions to passive target managers	•TM executes 21st Century Transition strategy steps of July/Aug. and then executes necessary physical trades to deliver optimal stock positions to passive target managers	

BWC Investment Division
Index Manager RFP Timeline



May 28, 2009
BWC Investment Division

Ohio | Bureau of Workers' Compensation

Index Manager RFP Timeline
2009

May	June	July	August	September	October	November	December
Draft Index Manager RFP SIF: • U.S. Long Government/ Credit Index • U.S. TIPS • U.S. Aggregate Bond Index • Russell 3000 Index •MSCI ACWI ex-US Index Ancillaries: • U.S Long Government/ Credit Index • U.S. TIPS • S&P 500	Advertisement for RFP	RFP Issue Date (Blackout Period begins)	RFP Proposals Due				
			Evaluation Committee Review of proposals	Evaluation Committee Review of proposals On-site visits Finalists Identified	Evaluation Committee Review of proposals On-site visits Finalists Identified	Evaluation Committee Review of proposals On-site visits Finalists Identified	Evaluation Committee Review of proposals Finalists Identified
				One mandate approved by BOD	Two mandates approved by BOD	One mandate approved by BOD	One mandate approved by BOD

Issuance

Evaluation

Approval

DATE: May 28, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Asset Allocation Change Implementation Recommendation**
Monthly Fixed Income Interest Income Redemption/Reinvestment in Equities
State Insurance Fund

Upon recommendation by the BWC Investment Committee, the BWC Board of Directors approved a new Investment Policy Statement of the Bureau on April 30, 2009 that included a new investment portfolio asset allocation mix for the State Insurance Fund (SIF) portfolio. An important change to the SIF asset allocation targets reflected in the new IPS was a reduction in the fixed income target to 70% from 80%, with this 10% fixed income ownership reduction redirected to the equities asset class which increased from 20% to 30%.

It is recommended by the CIO that a first step in executing a 10% portfolio allocation weighting shift for SIF from fixed income to equities would be the redemption of monthly bond cash interest received from each passive index managed fixed income account, with all such redemption proceeds to be redirected to equities investments. The monthly redemptions of bond cash interest received is an efficient action that does not require each fixed income manager to sell securities and incur transaction costs in order to reduce the SIF fixed income allocation per the new IPS. In order to minimize tracking error (performance variation) to the respective fixed income benchmark indices, it is recommended by the CIO that monthly cash interest income received from each SIF fixed income account be redeemed on the last trading day of each month and be redirected and reinvested in an appropriate SIF equity mandate managed by an approved BWC investment manager.

There are three fixed income accounts of SIF currently under separate account management from which monthly cash interest income would be redeemed. These accounts, with approximate current market values, consist of Long Duration Fixed Income passive indexed portfolios managed by State Street ($7.0 billion) and Barclays ($1.5 billion) as well as the passive indexed TIPS portfolio managed by State Street ($3.1 billion). Based on recent projections, it is estimated that approximately **$140 million** in cash interest income will be received in the three months May through July 2009 ($62mm May; $29mm June; $49mm July).

Until such time as a transition manager is contracted by BWC to begin to effect the transition to the ACWI ex-U.S. equity benchmark index with funding from bond sales, all cash interest redeemed from these three fixed income accounts would be reinvested in the passive indexed S&P 500 account managed by Northern Trust. Once the transition manager is contracted by BWC to purchase assets consistent with the SIF portfolio objective to obtain investment exposure to the target ACWI ex-U.S. benchmark index, all future redemptions of cash interest income from the SIF fixed income managers could then be applied to help fund the transition manager to build the desired exposure to the ACWI ex-U.S. benchmark.

This recommended program to redeem such monthly cash interest income would be discontinued once both the respective target weightings of the two new SIF equity mandates (Russell 3000 index at 20% target weight and ACWI ex-U.S. index at 10% target weight) are achieved.

DATE: May 28, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Asset Allocation Change Implementation Recommendation**
Sell Long Duration Fixed Income/Buy Barclays U.S. Aggregate Fixed Income
State Insurance Fund

Background

Reference is made by the CIO to a report dated May 28, 2009 submitted by the BWC Investment Division to the BWC Investment Committee of the Board of Directors addressing proposed Asset Allocation Change Implementation priorities and transition options pertaining to the new asset allocation targets for the State Insurance Fund. This referenced report identifies the five distinct portfolio mandates approved for the State Insurance Fund (SIF) by the BWC Board of Directors on April 30, 2009. In the opinion of the CIO and supported by the BWC Investment Division, the highest priority new asset allocation mandate for SIF is to achieve a 15% portfolio weighting to the Barclays U.S. Aggregate fixed income benchmark index for the dual purpose of reducing the duration and consequent price volatility of the SIF fixed income portfolio as well as to significantly increase its diversification by bond market sectors and credit exposure.

An implementation strategy to achieve this highest priority asset allocation transition is provided by the CIO in the referenced report. It is the desire of the CIO to execute this transition with an approved transition manager over the timeframe outlined on page eight of the referenced report for what is termed as the 21st Century transition strategy option. This estimated $2.25 billion transition would involve the sale of long U.S. government bonds from the current SIF passive indexed long duration fixed income portfolios as proceeds are needed by the transition manager to fund the purchase of bond investments to closely replicate the performance of the Barclays U.S. Aggregate index. This strategy is specifically laid out on this page eight of the referenced report and would not involve the use of futures contracts by the transition manager. The use of Mortgage Backed Securities Pass-Thru TBA contracts (To Be Announced mortgage pools) for future delivery of Ginnie Mae, Fannie Mae and Freddie Mac residential mortgage-backed securities (all rated “AAA”) would be employed by the transition manager as the most efficient strategy exercised to obtain the large requisite exposure of mortgage-backed pass-through securities in the target benchmark index. TBA’s are defined as a derivative in the BWC Investment Policy Statement and are a permitted investment class if confined to these three identified U.S. government agency issuers.

Recommendation

It is the recommendation of the CIO that the BWC investment staff be given approval to implement what is deemed to be the highest priority transition mandate described herein and as outlined on page eight of the referenced report under what is termed the 21st Century Transition strategy option, beginning in July, 2009.

STATE INSURANCE FUND
Asset Allocation Change Implementation

May 28, 2009
BWC Investment Division

Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation

State Insurance Fund
Asset Allocation Change
(without Credit Tilt)

LEGACY PORTFOLIO

	Target	$ Billions
U.S. Long Govt/Credit	59%	$ 8.85
Total LDFI	59%	$ 8.85
U.S. TIPS	20%	$ 3.00
Cash	1%	$ 0.15
Total Fixed Income	80%	$ 12.00
S&P 500	20%	$ 3.00
Total Equity	20%	$ 3.00
Total Assets	100%	$ 15.00

TARGET PORTFOLIO

	Target	$ Billions
U.S. Long Govt/Credit	37%	$ 5.55
Total LDFI	37%	$ 5.55
U.S. TIPS	17%	$ 2.55
U.S. Aggregate	15%	$ 2.25
Cash	1%	$ 0.15
Total Fixed Income	70%	$ 10.50
Russell 3000	20%	$ 3.00
MSCI ACWI ex-U.S.	10%	$ 1.50
Total Equity	30%	$ 4.50
Total Assets	100%	$ 15.00

Assumes a $15 billion portfolio market value for illustration purposes

Actual portfolio market value approximately $15.1 billion on 4/30/09

State Insurance Fund
Asset Allocation Change
(with Credit Tilt)

LEGACY PORTFOLIO

	Target	$ Billions
U.S. Long Govt	*30%	$ 4.50
U.S. Long Credit	*29%	$ 4.35
Total LDFI	59%	$ 8.85
U.S. TIPS	20%	$ 3.00
Cash	1%	$ 0.15
Total Fixed Income	80%	$ 12.00
S&P 500	20%	$ 3.00
Total Equity	20%	$ 3.00
Total Assets	100%	$ 15.00

TARGET PORTFOLIO

	Target	$ Billions
U.S. Long Govt	9%	$ 1.35
U.S. Long Credit	28%	$ 4.20
Total LDFI	37%	$ 5.55
U.S. TIPS	17%	$ 2.55
U.S. Aggregate	15%	$ 2.25
Cash	1%	$ 0.15
Total Fixed Income	70%	$ 10.50
Russell 3000	20%	$ 3.00
MSCI ACWI ex-U.S.	10%	$ 1.50
Total Equity	30%	$ 4.50
Total Assets	100%	$ 15.00

Assumes a $15 billion portfolio market value for illustration purposes

Actual portfolio market value approximately $15.1 billion on 4/30/09

*approximate subdivided breakdown - not an actual target

State Insurance Fund
Asset Allocation Transitions
Implementation Priorities
(without Credit Tilt)

Priority	Legacy Portfolio Source	Target Portfolio Mandate
1 July/ Aug	U.S. Long Government/Credit **[15% ----> $2,250,000,000]** (2% in-kind transfer)	U.S. Aggregate Fixed Income **[15% ----> $2,250,000,000]**
2 Aug/ Nov	U.S. Long Government/Credit **[7% ----> $1,050,000,000]**	ACWI ex-U.S. Equity **[10% ----> $1,500,000,000]**
	U.S. TIPS **[3% ----> $450,000,000]**	
3 Sept	S&P 500 Equity **[20% ----> $3,000,000,000]** (17% in-kind transfer)	Russell 3000 Equity **[20% ----> $3,000,000,000]**
4 Dec	U.S. Long Government/Credit **[37% ----> $5,550,000,000]** (all 37% in-kind transfer)	U.S. Long Government/Credit **[37% ----> $5,550,000,000]**
5 Jan 2010	U.S. TIPS **[17% ----> $2,550,000,000]** (all 17% in-kind transfer)	U.S. TIPS **[17% ----> $2,550,000,000]**

Priority dates for implementation assumes "21st Century Transition" strategy execution described herein

State Insurance Fund
Asset Allocation Transitions
Implementation Priorities
(with Credit Tilt)

Priority	Legacy Portfolio Source	Target Portfolio Mandate
1 July/ Aug	U.S. Long Government **[14% ----> $2,100,000,000]** (1% in-kind transfer)	U.S. Aggregate Fixed Income **[15% ----> $2,250,000,000]**
	U.S. Long Credit **[1% ----> $150,000,000]** (1% in-kind transfer)	U.S. Aggregate Fixed Income
2 Aug/ Nov	U.S. Long Government **[7% ----> $1,050,000,000]**	ACWI ex-U.S. Equity **[10% ----> $1,500,000,000]**
	U.S. TIPS **[3% ----> $450,000,000]**	ACWI ex-U.S. Equity
3 Sept	S&P 500 Equity **[20% ----> $3,000,000,000]** (17% in-kind transfer)	Russell 3000 Equity **[20% ----> $3,000,000,000]**
4 Dec	U.S. Long Government **[9% ----> $1,350,000,000]** (all 9% in-kind transfer)	U.S. Long Government **[9% ----> $1,350,000,000]** (1% in-kind transfer)
	U.S. Long Credit **[28% ----> $4,200,000,000]** (all 28% in-kind transfer)	U.S. Long Credit **[28% ----> $4,200,000,000]**
5 Jan 2010	U.S. TIPS **[17% ----> $2,550,000,000]** (all 17% in-kind transfer)	U.S. TIPS **[17% ----> $2,550,000,000]**

Priority dates for implementation assumes "21st Century Transition" strategy execution described herein

ALTERNATIVE TRANSITION IMPLEMENTATION STRATEGY OPTIONS
STATE INSURANCE FUND TIMELINES

2009	Traditional Transition	1990's Transition	21st Century Transition
July	•Issue Master RFP •Begin mandate search for permanent investment managers: Mandate 1. Barclays U.S. Aggregate Index 2. MSCI ACW ex-U.S. Index 3. Russell 3000 Index 4. Barclays U.S. Long Gov./Credit Index 5. Barclays U.S. TIPS Index	•Issue Master RFP •Begin mandate search for permanent investment managers: Mandate 1. Barclays U.S. Aggregate Index 2. MSCI ACW ex-U.S. Index 3. Russell 3000 Index 4. Barclays U.S. Long Gov./Credit Index 5. Barclays U.S. TIPS Index	•Issue Master RFP •Begin mandate search for permanent investment managers: Mandate 1. Barclays U.S. Aggregate Index 2. MSCI ACW ex-U.S. Index 3. Russell 3000 Index 4. Barclays U.S. Long Gov./Credit Index 5. Barclays U.S. TIPS Index
July/August			•Hire Transition Managers (TM) to effect Mandates 1 without Futures •Hire TM to initiate Mandate 2 with possible monthly incremental staging of purchases with Futures as necessary
September	•Select/approve Mandate 1 managers	•Select/approve Mandate 1 managers	•Hire TM to effect Mandate 3 with Futures as necessary •Select/approve Mandate 1 managers
October	•Contract Mandate 1 managers •Hire TM to effect Mandate 1 without Futures •Select/approve Mandates 2 + 3 managers	•Contract Mandate 1 managers •Hire TM to effect Mandate 1 with Futures as necessary •Select/approve Mandates 2 + 3 managers	•Contract Mandate 1 managers •Existing TM quickly cedes/transfers Mandate 1 to target managers •Select/approve Mandates 2 + 3 managers
November	•Contract Mandates 2 + 3 managers •Hire TM to effect Mandates 2 + 3 without Futures •Select/approve Mandate 4 managers	•Contract Mandates 2 + 3 managers •Hire TM to effect Mandates 2 + 3 with Futures as necessary •Select/approve Mandate 4 managers	•Contract Mandates 2 + 3 managers •Existing TM quickly cedes/transfers Mandates 2 + 3 to target managers •Select/approve Mandate 4 managers
December	•Contract Mandate 4 managers •Hire TM to effect Mandate 4 without Futures •Select/approve Mandate 5 managers	•Contract Mandate 4 managers •Hire TM to effect Mandate 4 with Futures as necessary •Select/approve Mandate 5 managers	•Contract Mandate 4 managers •Hire TM to effect Mandate 4 with Futures as necessary •Select/approve Mandate 5 managers
January 2010	•Contract Mandate 5 managers •Hire TM to effect Mandate 5 without Futures	•Contract Mandate 5 managers •Hire TM to effect Mandate 5 with Futures as necessary	•Contract Mandate 5 managers •Hire TM to effect Mandate 5 with Futures as necessary
May 2009 to Completion	Redeem all monthly bond cash interest received to reinvest in equities until Mandates 1 + 2 + 3 are completed and/or to Fund TM's **(estimated at $62mm May; $29mm June; $49mm July)**	Redeem all monthly bond cash interest received to reinvest in equities until Mandates 1 + 2 + 3 are completed and/or to Fund TM's **(estimated at $62mm May; $29mm June; $49mm July)**	Redeem all monthly bond cash interest received to reinvest in equities until Mandates 1 + 2 + 3 are completed and/or to Fund TM's **(estimated at $62mm May; $29mm June; $49mm July)**

ALTERNATIVE TRANSITION IMPLEMENTATION STRATEGY OPTIONS
STATE INSURANCE FUND
SUMMARY

Traditional Transition

- prolongs the use of old asset allocation mix and very long duration and high price volatility of the fixed income portfolio
- start of new asset allocation mix implementation postponed 4-6 months until 4Q09 time period at earliest
- respective transition management activities occur only after selection and contracting of each new target investment manager
- no use of futures/derivatives by transition managers further delays full exposure to three new priority investment mandates (comprising targeted 45% of new portfolio asset allocation mix) until each transition is completed with trading of only physical securities
- trading execution by transition managers of physical securities only may take many additional weeks to complete, thereby prolonging further delay before full exposure to new mandates attained and delivery of assets to new target managers occurs

1990's Transition

- prolongs the use of old asset allocation mix and very long duration and high price volatility of the fixed income portfolio
- start of new asset allocation mix implementation postponed 4-6 months until 4Q09 time period at earliest
- respective transition management activities occur only after selection and contracting of each new target investment manager
- use of futures/derivatives by experienced transition managers can achieve desired exposure quickly to three new priority mandates comprising aggregate 45% of new portfolio with acceptable tracking error once new target investment managers are contracted

ALTERNATIVE TRANSITION IMPLEMENTATION STRATEGY OPTIONS
STATE INSURANCE FUND
SUMMARY

21st Century Transition

- can achieve almost immediate exposure to new asset allocation and the desired reduction of the current very long duration and high price volatility of the fixed income portfolio by means of effective combinations of physical securities and futures/derivatives positions managed by experienced transition managers

- can easily implement an effective strategy for staging periodic incremental increases in total equity exposure from 20% to 30% of portfolio by a chosen transition manager funded from bond sales well before new target equity managers are identified and contracted in 4Q09 at earliest

- pressure to execute large transitions over a condensed period of time in 4Q09 to finally achieve delayed new asset allocation targets is largely eliminated, as experienced transition managers contracted and engaged in 3Q09 are able to attain new asset allocation mix with acceptable tracking error through effective combinations of physical securities and derivatives positions funded from legacy portfolios

State Insurance Fund
1st Priority Transition Implementation Timeline

Sell $2.25 billion Long Duration Fixed Income
Buy $2.25 billion U.S. Aggregate Fixed Income
(Mandate 1)

2009	Traditional Transition	1990's Transition	21st Century Transition
July	•Issue Master RFP	•Issue Master RFP	•Issue Master RFP •Hire transition manager (TM) to quickly effect desired investment exposure to U.S. Aggregate fixed income index
July/August			•TM to sell up to $2.25 billion physical LDFI bonds timed with U.S. Aggregate index physical bond purchases up to $2.25 billion as follows: U.S. Treasuries – 26% ($585mm) U.S. Agencies – 11% ($250mm) [5% UST + Agencies in-kind] MBS Pass-Thru TBAs – 39% ($875mm) Credit – 20% [5% in-kind] ($450mm) ABS/CMBS – 4% ($90mm) All physical bond purchases of Govts and MBS (76%) executed by TM in 2-3 days; remaining Credit and ABS physical bonds purchased over estimated 4-6 weeks
September	•Select/approve U.S. Aggregate fixed income target managers	•Select/approve U.S. Aggregate fixed income target managers	•Select/approve U.S. Aggregate fixed income target managers
October	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Existing TM quickly cedes/transfers purchased benchmark assets to target managers
November/ December	•TM executes July/Aug trading activity described in 21st Century Transition •TM cedes/transfers purchased benchmark assets to target managers	•TM executes July/Aug trading activity described in 21st Century Transition •TM cedes/transfers purchased benchmark assets to target managers	

Ohio Bureau of Workers' Compensation

State Insurance Fund
2nd Priority Transition Implementation Timeline

Sell $1.05 billion Long Duration Fixed Income (First step if purchases staged)
Sell $450 million TIPS (Second step if purchases staged)
Buy $1.5 billion ACWI ex-U.S. Foreign Equities
(Mandate 2)

2009	Traditional Transition	1990's Transition	21St Century Transition
July	•Issue Master RFP	•Issue Master RFP	•Issue Master RFP •Hire transition manager (TM) to effect desired investment exposure to ACWI ex-U.S. equity index as quickly as BWC desires
August - or- Aug/November*			•TM to first sell up to $1.05 billion physical LDFI bonds and then sell up to $450 million TIPS timed with tracking ACWI ex-U.S. derivative contracts purchased as follows: A. Futures index contracts of following developed nation foreign stock exchanges: Japan, UK, Germany, France, Spain, Italy, Eurostock, Australia, Hong Kong, Canada; B. Forward currency contracts of Euro, Japanese yen, UK pound, Canadian dollar, Australian dollar, Hong Kong dollar; (Combination of A+B above = 80%.....$1.2 billion notional) C. Emerging markets NYSE–listed exchange traded fund (EEM) (20%.....$300 million) The above derivative contracts and ETF are much more efficient for TM to employ than purchases of physical company securities to temporarily track benchmark index
October	•Select/approve ACWI ex-U.S. equity index target managers	•Select/approve ACWI ex-U.S. equity index target managers	•Select/approve ACWI ex-U.S. equity index target managers
November	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Existing TM quickly executes unit exchange with passive target managers
December	•TM executes physical bond sales and delivers cash proceeds to passive target managers	•TM executes 21st Century Transition strategy steps to quickly establish target benchmark index exposure and then executes unit exchange with passive target managers	

***If purchases staged in periodic increments**

Ohio | Bureau of Workers' Compensation

State Insurance Fund
3rd Priority Transition Implementation Timeline

Sell $3.0 billion S&P 500 equities
Buy $3.0 billion Russell 3000 equities
(Mandate 3)

2009	Traditional Transition	1990's Transition	21st Century Transition
July	•Issue Master RFP	•Issue Master RFP	•Issue Master RFP •Hire transition manager (TM) to quickly effect desired investment exposure to Russell 3000 equity index
July/August			•TM to not sell any of $3.0 billion S&P 500 physical stocks. •TM to utilize following futures contracts to obtain desired Russell 3000 index investment exposure: A. Buy futures index contracts of: Russell 2000 index (8%... $240mm notional) S&P Midcap 400 index (7%..$210mm notional) B. Sell S&P 500 index futures contracts (15%......$450mm notional amount a fraction of $3.0 billion physical S&P 500 stocks all retained during transition)
October	•Select/approve Russell 3000 index equity target managers	•Select/approve Russell 3000 index equity target managers	•Select/approve Russell 3000 index equity target managers
November	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Hire TM to effect this mandate	•Contract with target managers •Existing TM unwinds futures contracts and executes some S&P 500 stock sales and delivers remaining stock positions in-kind to passive target managers
December	•TM executes some S&P 500 stock sales and delivers remaining stock positions to passive target managers	•TM executes 21st Century Transition strategy steps of July/Aug. and then executes necessary physical trades to deliver optimal stock positions to passive target managers	

BWC Invested Assets
Estimated and Unaudited
As of May 27, 2009

May09 MV Decrease Bonds…………. .- $184 million (-1.4% return)
May09 MV Increase Equities…………+$ 83 million (+2.6% return)

May09 MV Decrease Bonds+Equities…- $101 million ($-92 mm SIF only)
(-0.6% 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 3/31/09……………..$1,523 million (-$980 mm FYTD)
BWC Net Assets 4/30/09……………..$1,543 million (-$960 mm FYTD)

BWC Asset Allocation MV 5/27/09

Bonds*…………	$12,704 million	77.0%
Equities*………….	3,307 million	20.0%
Cash……………….	489 million	3.0%
TOTAL………...	$16,500 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 Jan-Mar09………… -4.8% (-$798 million net inv. income)
Portfolio Return Apr09………………. +0.5% (+$85 million net inv. income)
Portfolio Return FY09 thru Apr09 ….. -4.9% (-$862 million net inv. income)
(returns above not additive)
Portfolio Return Jan-Apr09………….. -4.3%

Portfolio Return May09 MTD………. -0.6%

Prepared by: Bruce Dunn, CFA
BWC Chief Investment Officer

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

Asset Sector	Market Value April 30, 2009	% Assets	Market Value March 31, 2009	% Assets	Increase(Decrease) Prior Month-End	% Change	Market Value June 30, 2008	% Assets	Increase (Decrease) Prior Fiscal Year-End	% Change
Bonds	$12,857,156,267	77.9%	$13,183,262,041	79.6%	(326,105,774)	-2.5%	$13,917,829,156	79.8%	(1,060,672,889)	-7.6%
Equity	3,219,237,883	19.5%	2,707,607,691	16.3%	511,630,192	18.9%	3,185,174,964	18.3%	34,062,919	1.1%
Net Cash - OIM	36,483,215	0.2%	57,808,186	0.3%	(21,324,971)	-36.9%	31,217,754	0.2%	5,265,461	16.9%
Net Cash - Operating	343,208,883	2.1%	567,162,031	3.4%	(223,953,147)	-39.5%	202,328,872	1.2%	140,880,011	69.6%
Net Cash - SIEGF	55,276,938	0.3%	54,540,937	0.3%	736,000	1.3%	95,980,364	0.6%	(40,703,426)	-42.4%
Total Net Cash	434,969,036	2.6%	679,511,154	4.1%	(244,542,119)	-36.0%	329,526,990	1.9%	105,442,046	32.0%
Total Invested Assets	$16,511,363,186	100%	$16,570,380,886	100%	($59,017,701)	-0.4%	$17,432,531,110	100%	($921,167,924)	-5.3%

OIM: Outside Investment Managers
MIF: Marine Industry Fund; **PWRE**: Public Work-Relief Employees' Fund; **SIEGF**: Self-Insured Employers' Guaranty Fund
Beginning with March 2009 the cash for MIF and PWRE has been included in Net Cash - Operating due to the funding of the IDFI (bond index) accounts.
June 30, 2008 Net Cash - SIEGF balance includes PWRE and MIF cash balances.

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.

April 2009/March 2009 Comparisons

- Net investment income in April 2009 was $85 million representing a monthly net portfolio return of +0.5% (unaudited).
- Bond market value decrease of $326.1 mm comprised of $70.1 mm in interest income, $257.3 mm in net realized/unrealized losses ($19.0 mm net realized loss) and $160 mm in OIM rebalancing redemptions, offset by $21.1 mm in OIM net bond purchases (decreasing OIM cash balances accordingly), representing a monthly net return of -1.4% (unaudited).
- Equity market value increase of $511.6 mm comprised of $4.8 mm of dividend income, $266.9 mm in net realized/unrealized gains ($1.1 mm net realized gain), $240 mm in portfolio rebalancing purchases directed to OIM, offset by $0.1 mm in OIM net stock sales (increasing OIM cash balances), representing a monthly net return of +9.4% (unaudited).
- Net cash balances decreased $244.5 mm in April 2009 largely due to decreased operating cash balances ($224.0 mm), of which $80 mm was used for OIM rebalancing purchases, and by decreased OIM cash balances ($21.3 mm). JPMorgan US Govt. money market fund had 30-day average yield of 0.41% for April 2009 (0.50% for Mar. 09) and 7-day average yield of 0.37% on 4/30/09 (0.46% on 3/31/09).

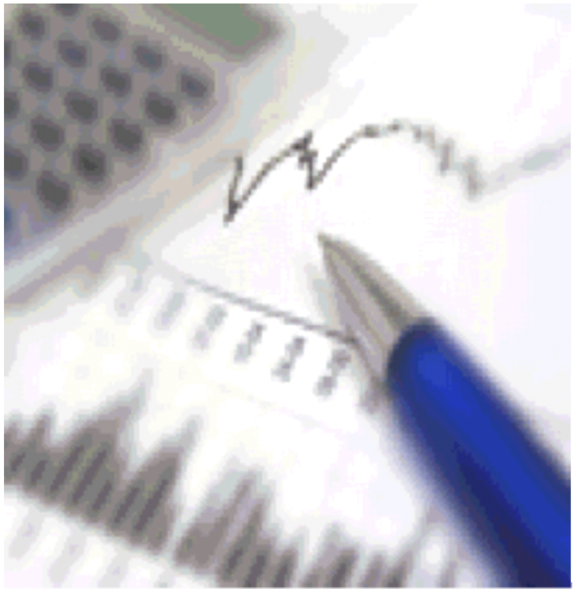
April 2009/June 2008 FYTD Comparisons

- Net investment income FYTD of a negative $862 million comprised of $597 mm of investment income, $1,455 mm of net realized/unrealized losses ($242 million net realized loss) and $4 mm in fees, representing a FYTD net portfolio return of -4.9% (unaudited).
- Bond market value decrease of $1,061 mm FYTD comprised of $523 mm in interest income, $456 mm of net realized/unrealized losses ($157 mm net realized loss), $1,123 mm in net OIM redemptions and $5 mm in lower OIM cash balances, representing a FYTD net return of +0.3% (unaudited).
- Equity market value increase of $34 mm FYTD comprised largely of $60 mm in dividend income, $999 mm in realized/unrealized losses ($85 mm net realized loss) and $990 mm portfolio rebalancing purchases directed to OIM, offset by $12 mm in redemptions and $10 mm in higher OIM cash balances, representing a FYTD net return of -30.3% (unaudited).

MERCER

Consulting. Outsourcing. Investments.

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



Ohio Bureau of Workers Compensation (Ohio BWC)

Performance Summary Board Report

First Quarter 2009

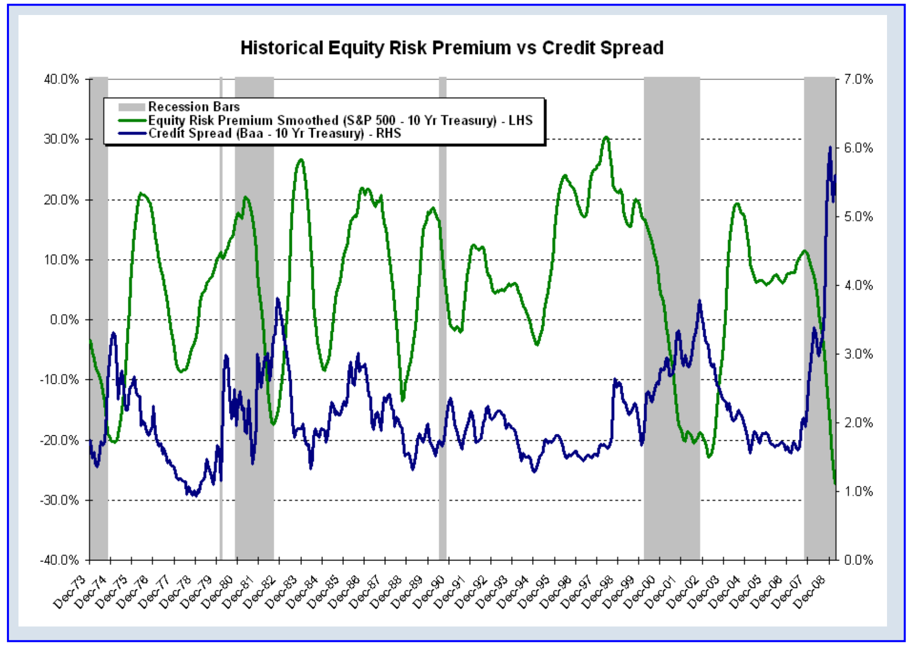
Services provided by Mercer Investment Consulting, Inc.

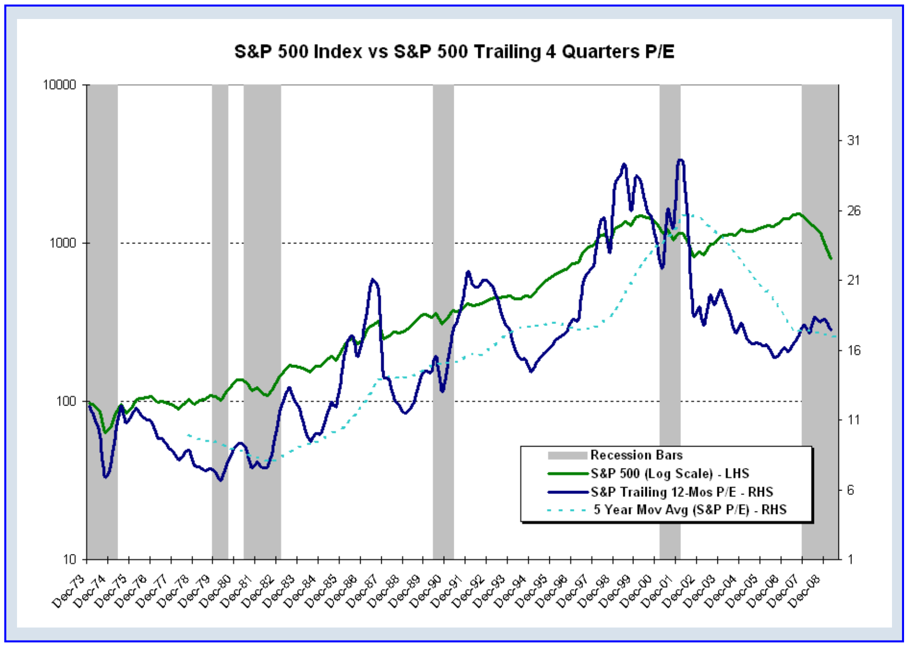
Table of Contents

Market Environment

Equity Risk Premium vs Credit Spreads

- During major market corrections, credit spread widens while realized equity risk premium falls
- S&P 500 Earnings – Only negative reported operating earnings in 20 years occurred in the 4Q08 (-$.09 per share)





S&P 500 vs Trailing 12-Month P/E

- The most recent P/E levels are above the 5-year moving average line and continue to trend upward, but still below the 2000 – 2002 dot-com bust levels
- First quarter of 2009 was the worst quarter for dividends since 1955; shareholder payments were reduced by $77 billion

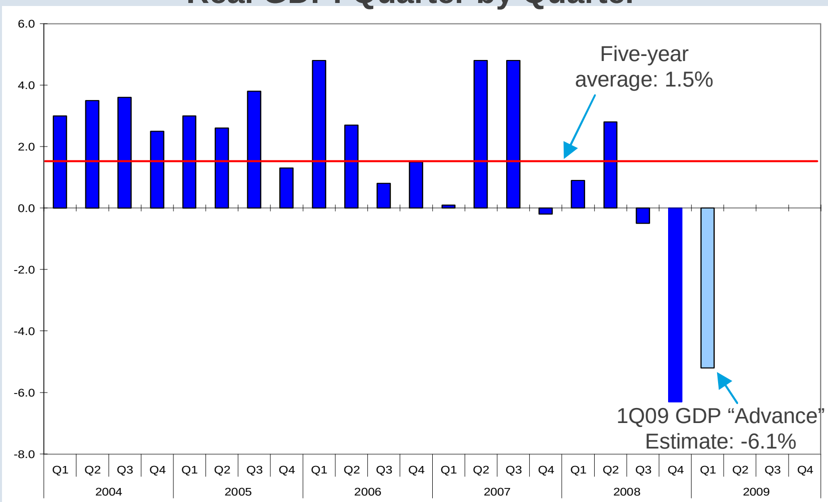
- The US government and the Federal Reserve have spent, lent or committed $12.8 trillion, an amount that approaches the value of everything produced in the country last year, to stem the longest recession since the 1930s
- The combined commitment has increased by 73 percent since November, when Bloomberg first estimated the funding, loans and guarantees at $7.4 trillion
- The New pledges from the Fed, the Treasury Department and the Federal Deposit Insurance Corp. include $1 trillion for the Public Private Investment Program, designed to help investors buy distressed loans and other assets from US banks
  - The money works out to $42,105 for every man, woman and child in the US
  - 14 times the $899.8 billion of currency in circulation
  - The nation's gross domestic product was $14.2 trillion in 2008

Source: Bloomberg

U.S. Government Programs	Maximum Amount	Current Amount
Federal Reserve	**$7,765.6**	**$1,683.42**
Primary Credit Discount	$110.7	$61.3
Secondary Credit	0.2	1.0
Primary dealer and others	147.0	20.2
ABCP Liquidity	152.1	6.9
AIG Credit	60.0	43.2
Net Portfolio CP Funding	1,800.0	241.3
Maiden Lane (Bear Stearns)	29.5	28.8
Maiden Lane II (AIG)	22.5	18.5
Maiden Lane III (AIG)	30.0	24.0
Term Securities Lending	250.0	88.6
Term Auction Facility	900.0	468.6
Securities lending overnight	10.0	4.4
Term Asset-Backed Loan Facility	900.0	4.7
Currency Swaps/Other Assets	606.0	377.9
MMIFF	540.0	0.0
GSE Debt Purchases	600.0	50.4
GSE Mortgage-Backed Securities	1,000.0	236.2
Citigroup Bailout Fed Portion	220.4	0.0
Bank of America Bailout	87.2	0.0
Commitment to Buy Treasuries	300.0	7.5
Federal Deposit Insurance Corporation	**2,038.5**	**357.5**
Public-Private Investment	500.0	0.0
FDIC Liquidity Guarantees*	1,400.0	316.5
Loan Guarantee to Lending arm of General Electric	126.0	41.0
Loan Guarantee to Citigroup	10.0	0.0
Loan Guarantee to Bank of America	2.5	0.0
Treasury Department	**2,694.0**	**1,833.5**
Troubled Asset Relief Program (TARP)	700.0	599.5
Tax breaks for banks	29.0	29.0
Stimulus Package (Obama)	787.0	787.0
Stimulus Package (Bush)	168.0	168.0
Fannie Mae / Freddie Mac Bailout	400.0	200.0
Student Loan Purchase	60.0	0.0
Line of Credit for FDIC*	500.0	0.0
Treasury Exchange Stabilization	50.0	50.0
Federal Housing Administration	**300.0**	**300.0**
Hope For Homeowners	300.0	300.0
Total	**$12,798.1**	**$4,174.4**

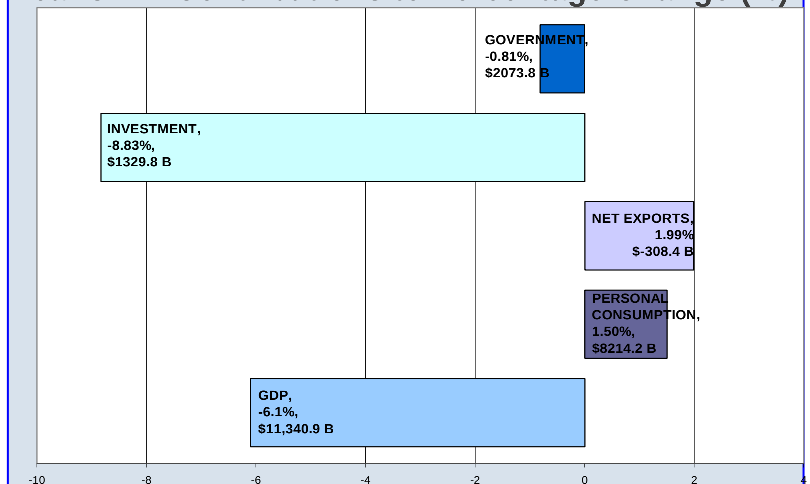
FDIC's commitment to guarantee lending under the Legacy Loan Program and the Legacy Asset Program includes a $500 billion line of credit from the US Treasury

Real GDP: Quarter by Quarter



Source: Bureau of Economic Analysis and Federal Reserve Philadelphia

Real GDP: Contributions to Percentage Change (%)

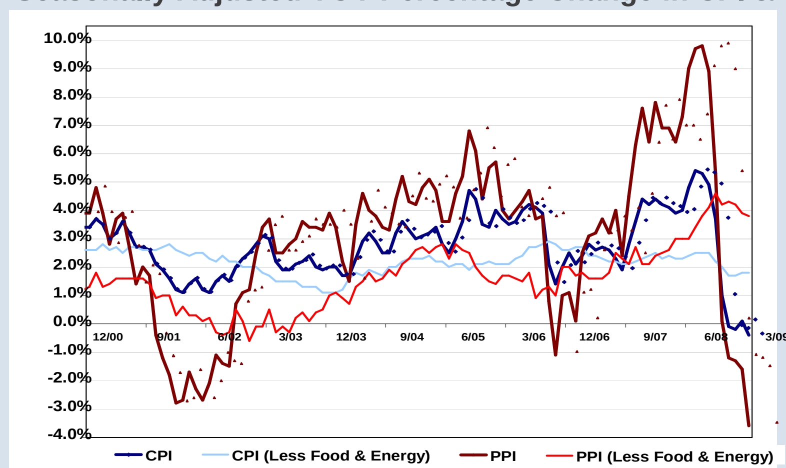


Source: Bureau of Economic Analysis based on advance GDP estimates, $ estimates based on 2000 Chain Dollars

Civilian Unemployment Rate

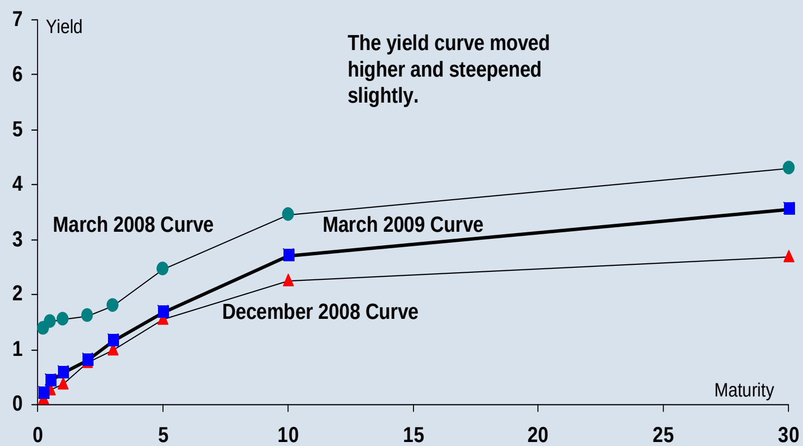
Source: Bureau of Labor Statistics

Seasonally Adjusted YOY Percentage Change in CPI &



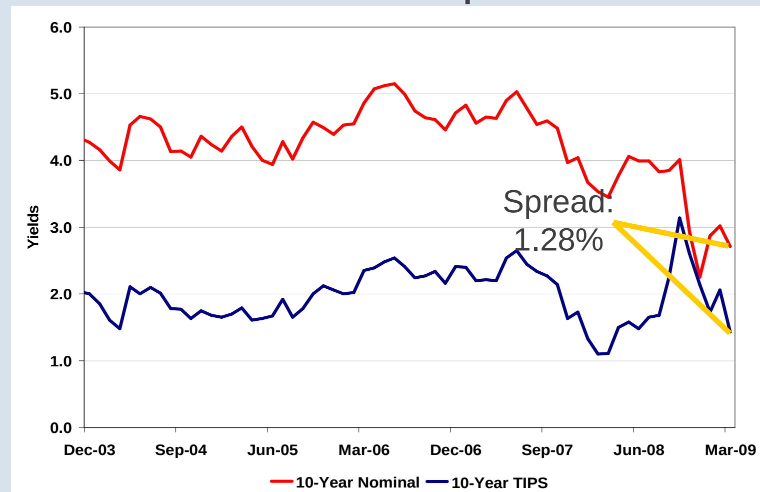
Source: Bureau of Labor Statistics. CPI-All Consumers. PPI-Finished Goods

Treasury Yield Curves



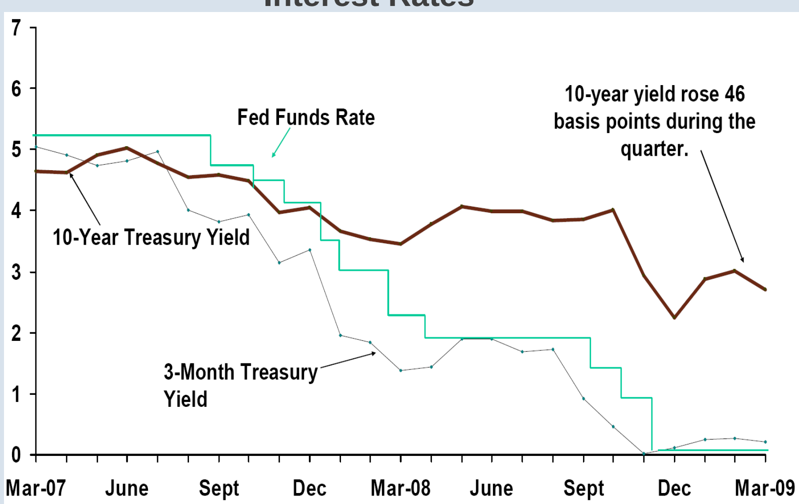
Source: Bloomberg and US Department of Treasury

10-Year Inflation Expectations



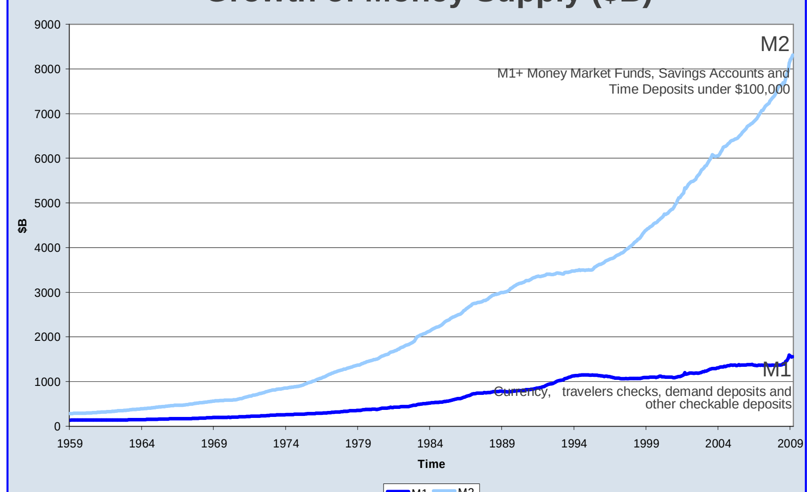
Source: Federal Reserve

Interest Rates



Source: Federal Reserve Bank of New York and the Treasury Department

Growth of Money Supply ($B)

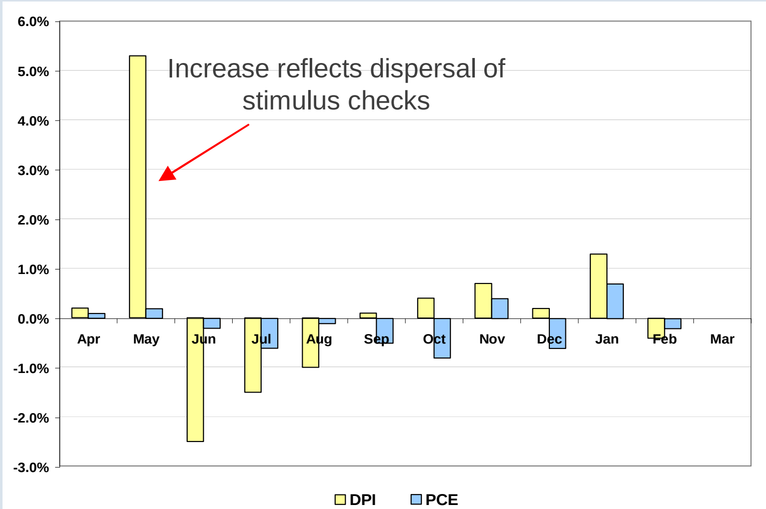


Source: Federal Reserve, H6, as of the latest data available for periods ending 3/31/2009 seasonally adjusted

US Capital Markets and Macroeconomic Conditions

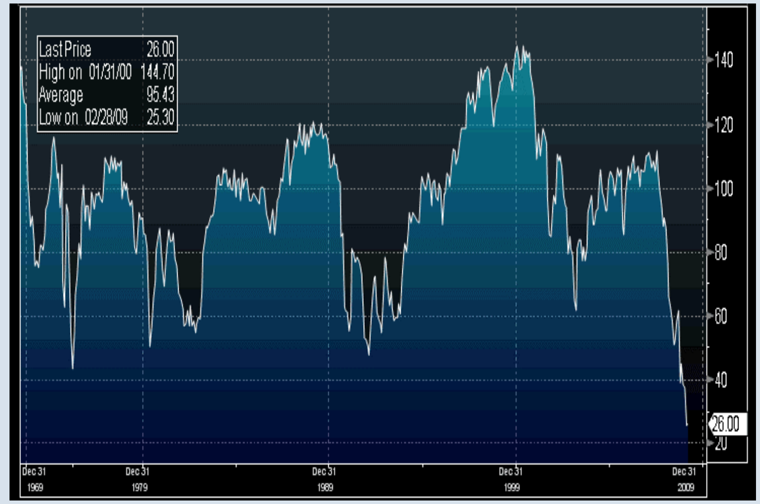
Fragility of US Consumers

Seasonally Adjusted Real DPI and PCE Monthly Changes



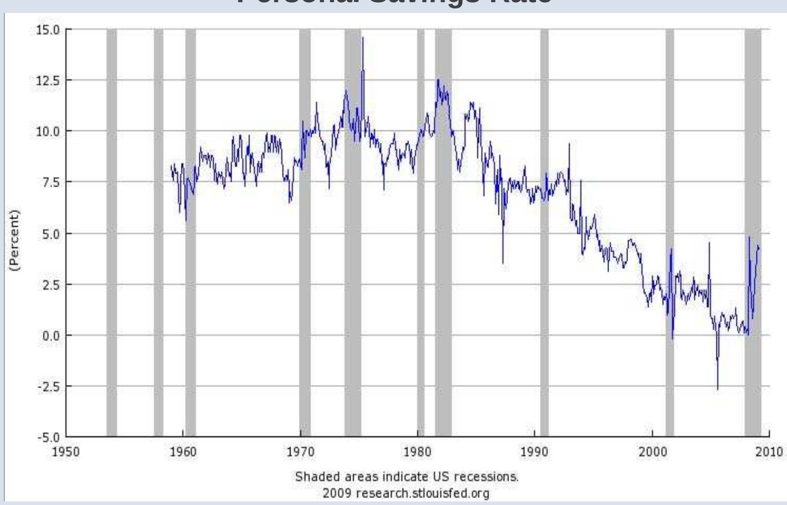
Source: Bureau of Economic Analysis

Consumer Confidence Index



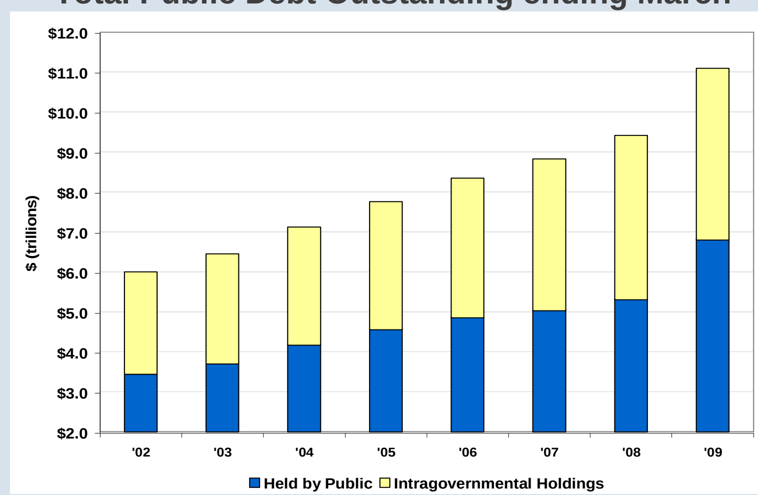
Source: Bloomberg and Conference Board

Personal Savings Rate*



**Personal Savings Rate (BEA/NIPA Estimate) Source: St. Louis Federal Reserve*

Total Public Debt Outstanding ending March



Source: www.treasurydirect.gov

Domestic Equity: Style and Market Capitalization Comparison

1Q2009 Returns

	Growth	Core	Value
Large	-4.1%	-10.5%	-16.8%
Mid	-3.4%	-9.0%	-14.7%
Small	-9.7%	-15.0%	-19.6%

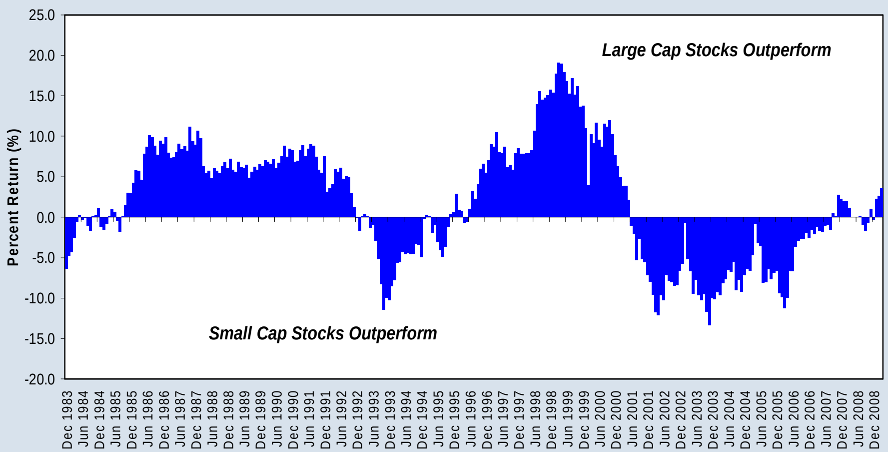
1 Year Returns

	Growth	Core	Value
Large	-34.3%	-38.3%	-42.4%
Mid	-39.6%	-40.8%	-42.5%
Small	-36.4%	-37.5%	-38.9%

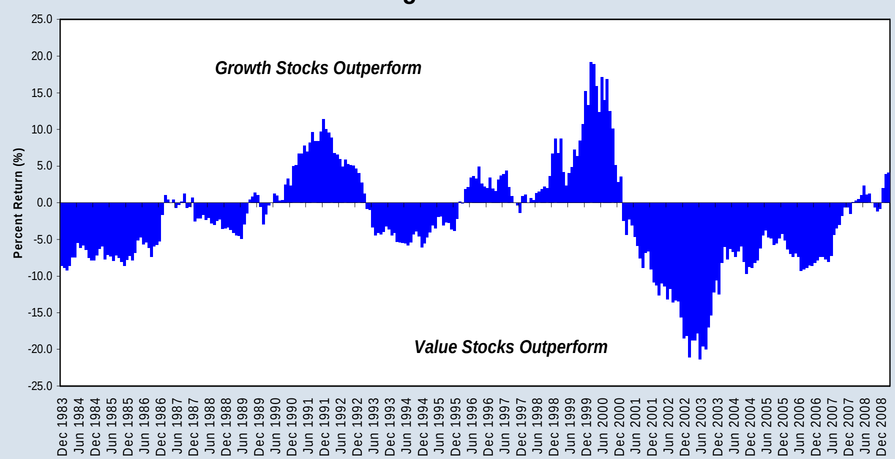
3 Year Returns

	Growth	Core	Value
Large	-11.3%	-13.2%	-15.4%
Mid	-14.9%	-15.5%	-16.7%
Small	-16.2%	-16.8%	-17.5%

Russell 1000 Index Minus Russell 2000 Index for Rolling Three-Year Periods

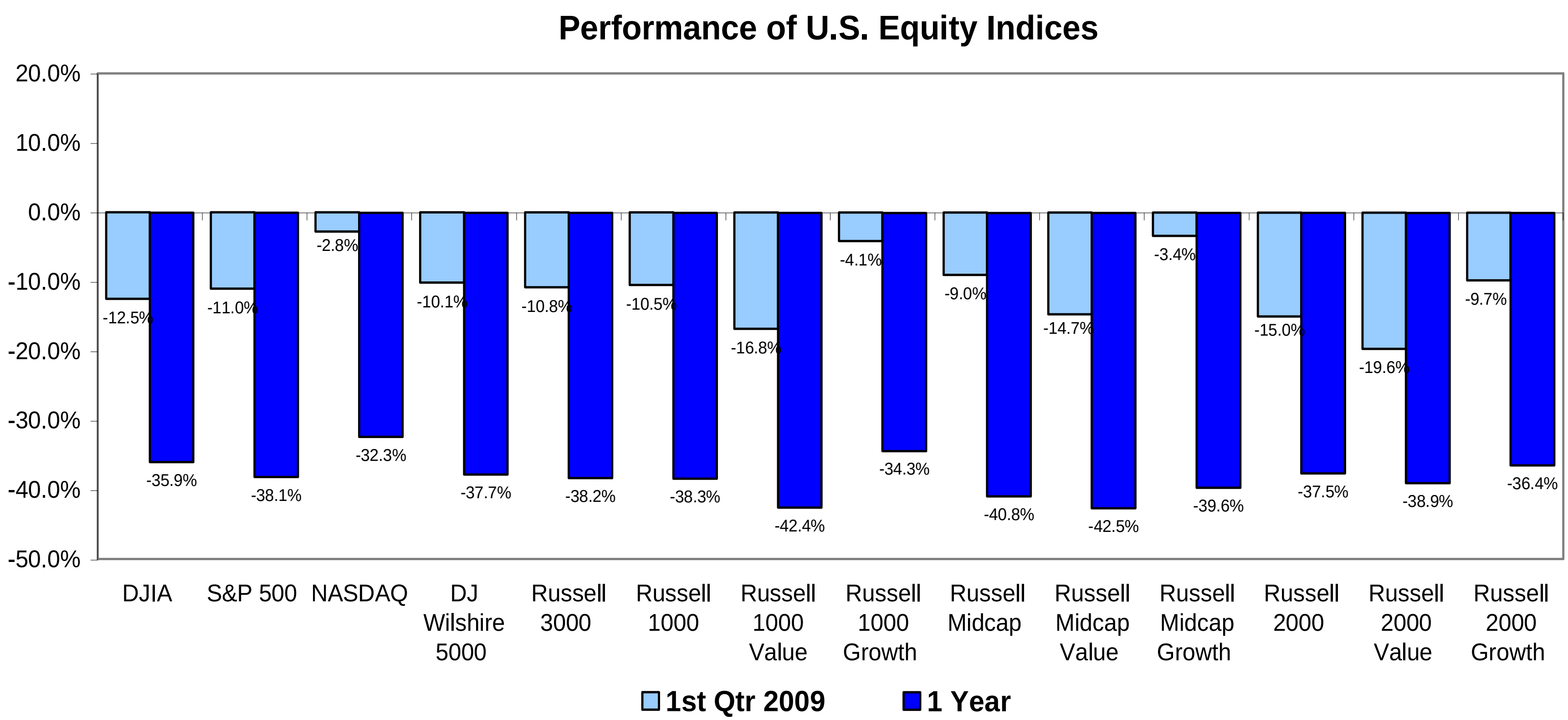


Russell 1000 Growth Index Minus Russell 1000 Value Index for Rolling Three-Year Periods



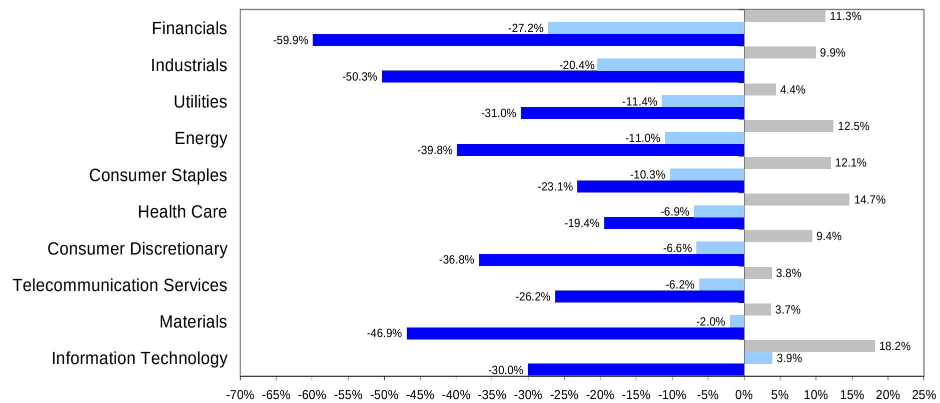
Growth and Value Posted Losses

- Following the first quarter, the US remains in a deep recession with unemployment continuing to increase; US stocks once again fell across all market caps (large, mid, small) and investment styles (value, core, growth)
- Reversing the trend from 4Q of 2008, growth-oriented stocks outperformed their value counterparts across all market caps
- Large-cap equities outperformed small-cap equities; however mid-cap equities performed the best

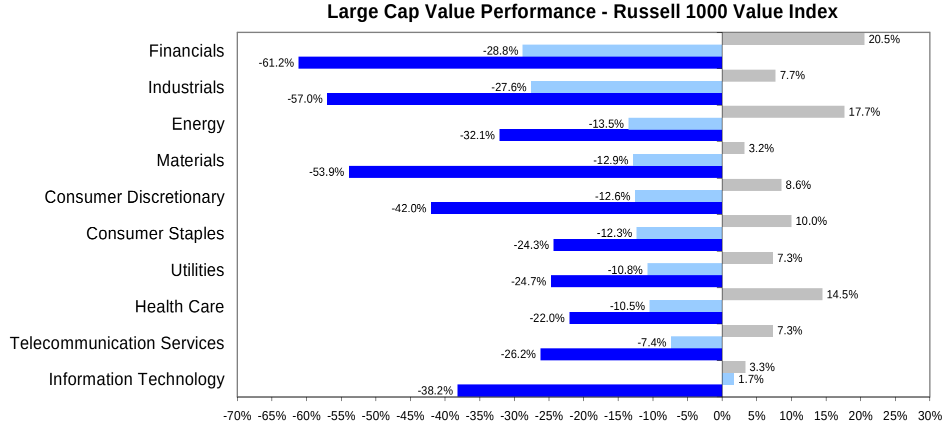


- Nine out of 10 sectors of the Russell 1000 and Russell 1000 Value indices and 7 out of 10 sectors in the Russell 1000 Growth index reported negative returns for the quarter
- Once again, financials was the hardest-hit sector in the large-cap space because of continued write-downs and an ongoing credit crisis

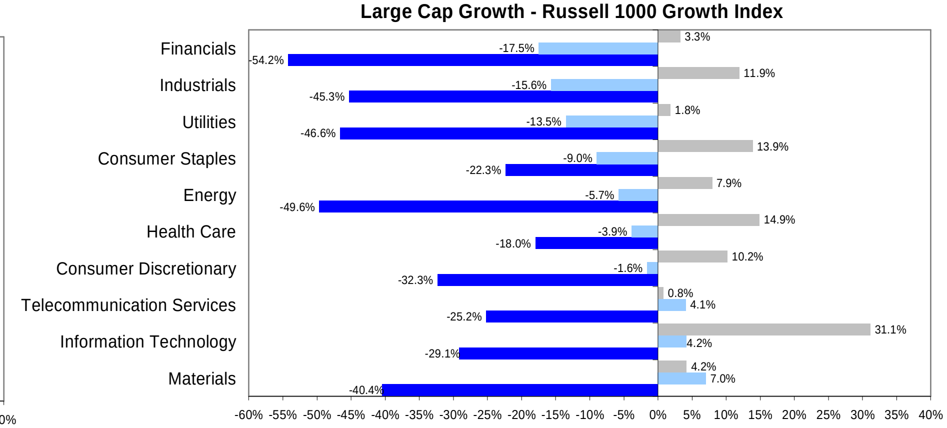
Large Cap Core Performance - Russell 1000 Index



Large Cap Value Performance - Russell 1000 Value Index



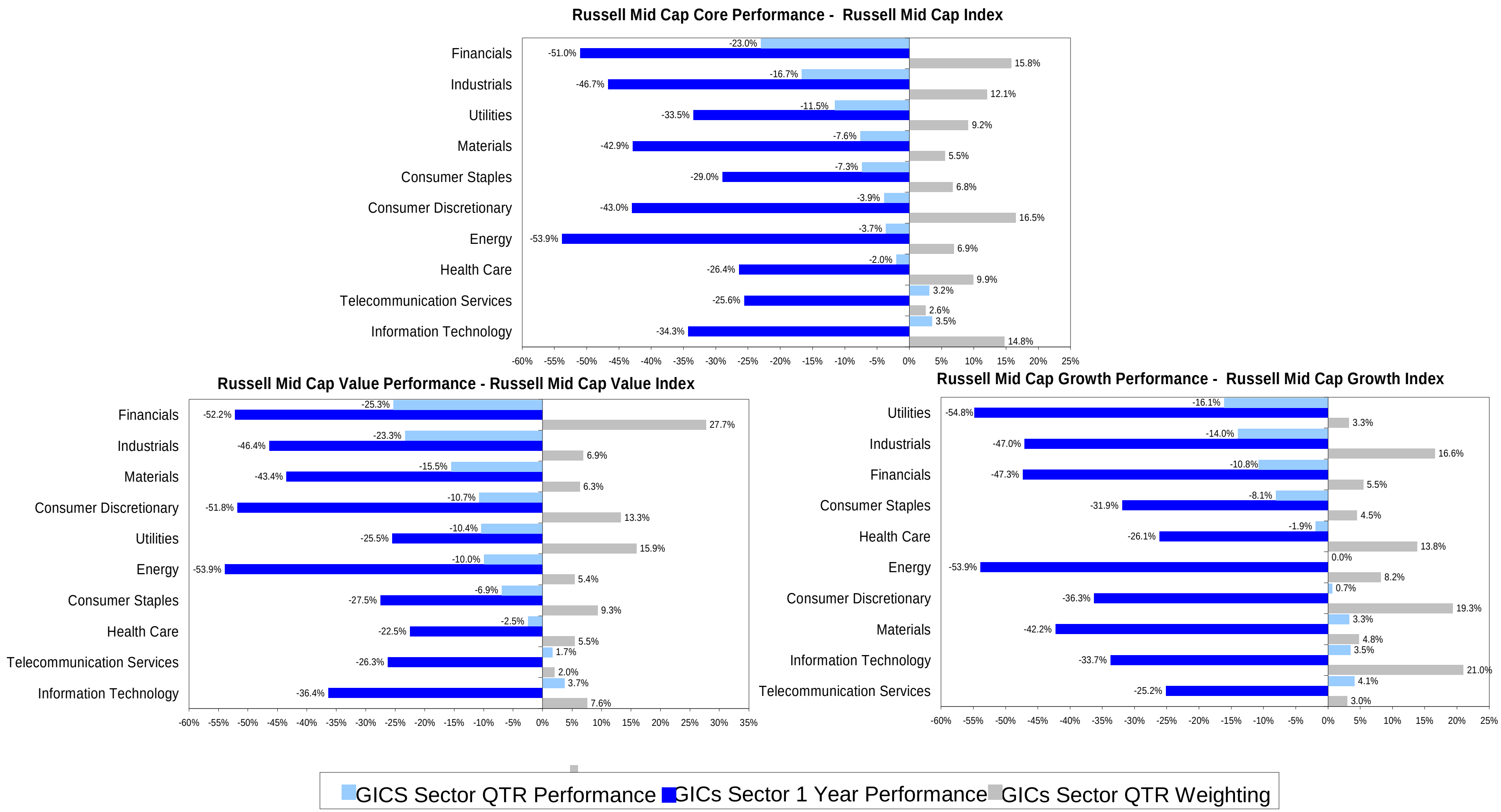
Large Cap Growth - Russell 1000 Growth Index



GICS Sector QTR Performance | GICs Sector 1 Year Performance | GICs Sector QTR Weighting

Mid Cap Stocks Fared the Best during the First Quarter

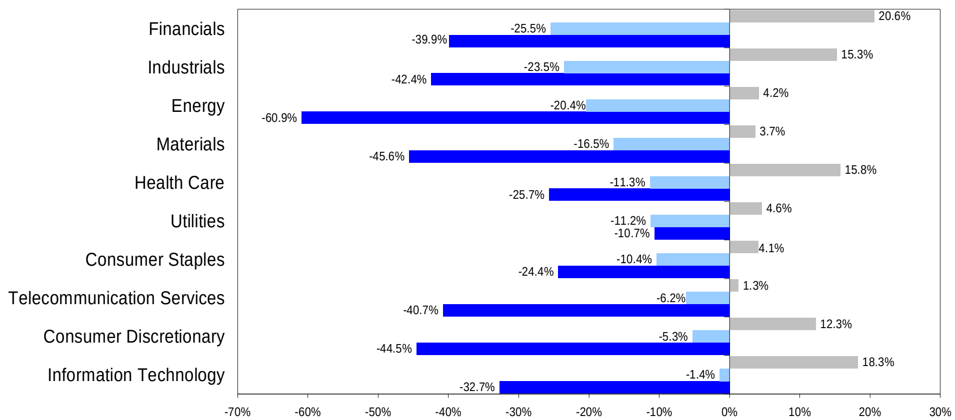
- Information technology and telecommunication sectors were among the only positive-performing sectors across the Russell Mid Cap, Mid Cap Growth, and Mid Cap Value Indices



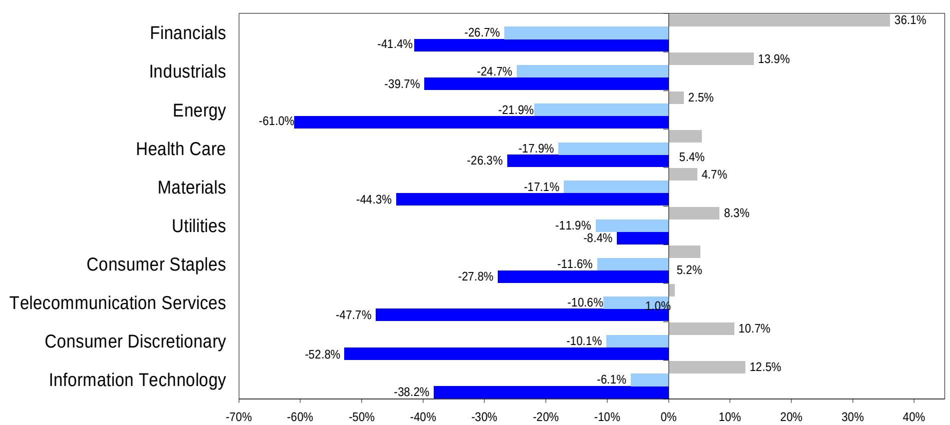
Small-Cap Stocks Finish Last

- For the quarter, small cap growth stocks outperform small cap value stocks -9.7% compared to -19.6% respectively

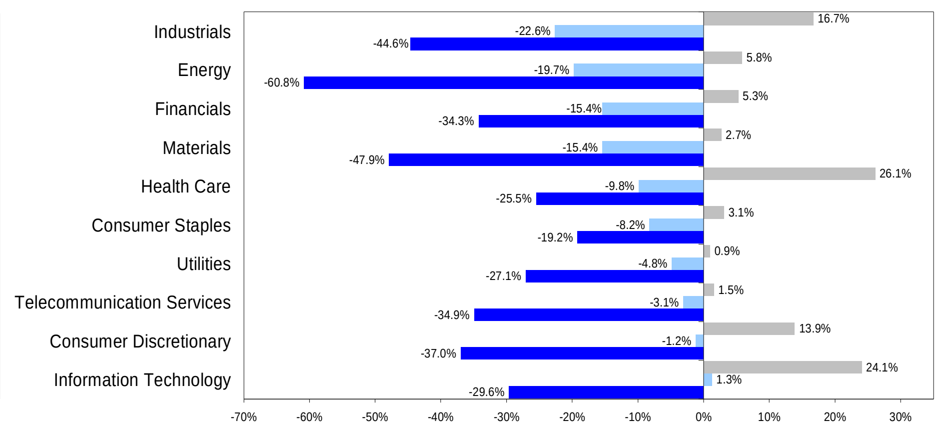
Small Cap Core Performance - Russell 2000 Index



Small Cap Value Performance - Russell 2000 Value Index



Small Cap Growth Performance - Russell 2000 Growth Index

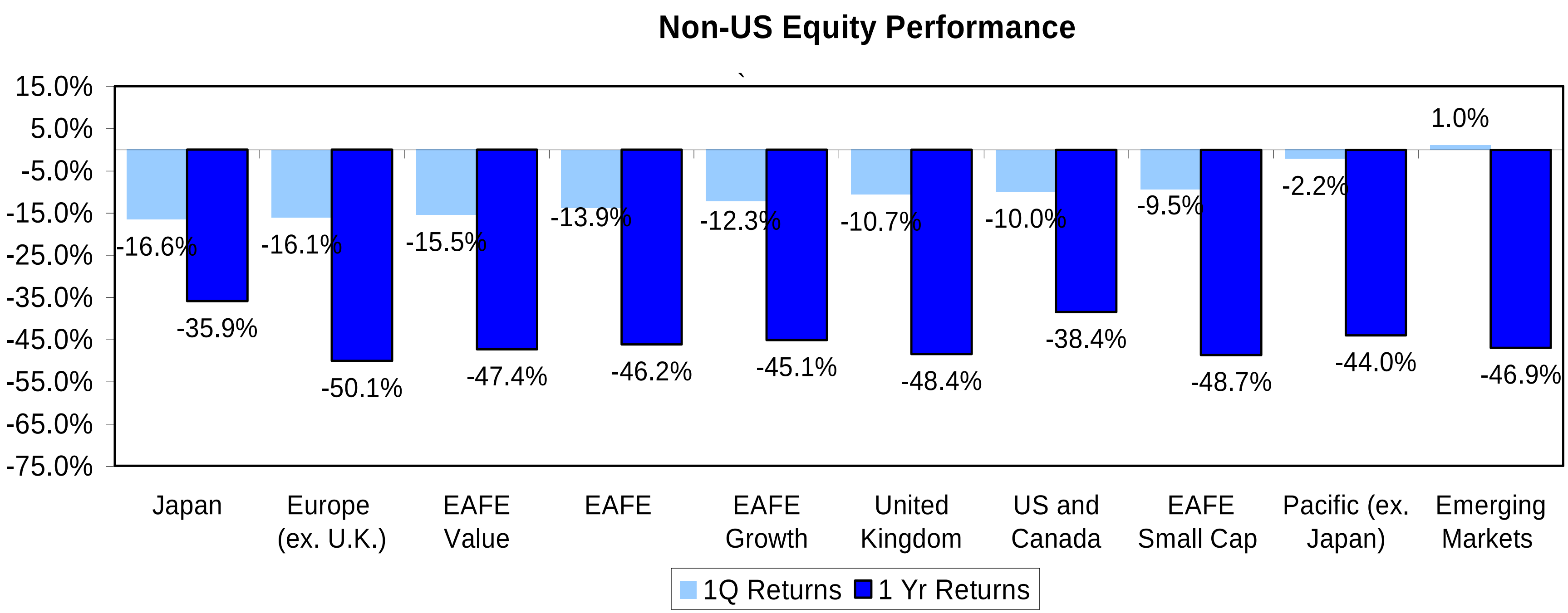


GICS Sector QTR Performance GICs Sector 1 Year Performance GICs Sector QTR Weighting

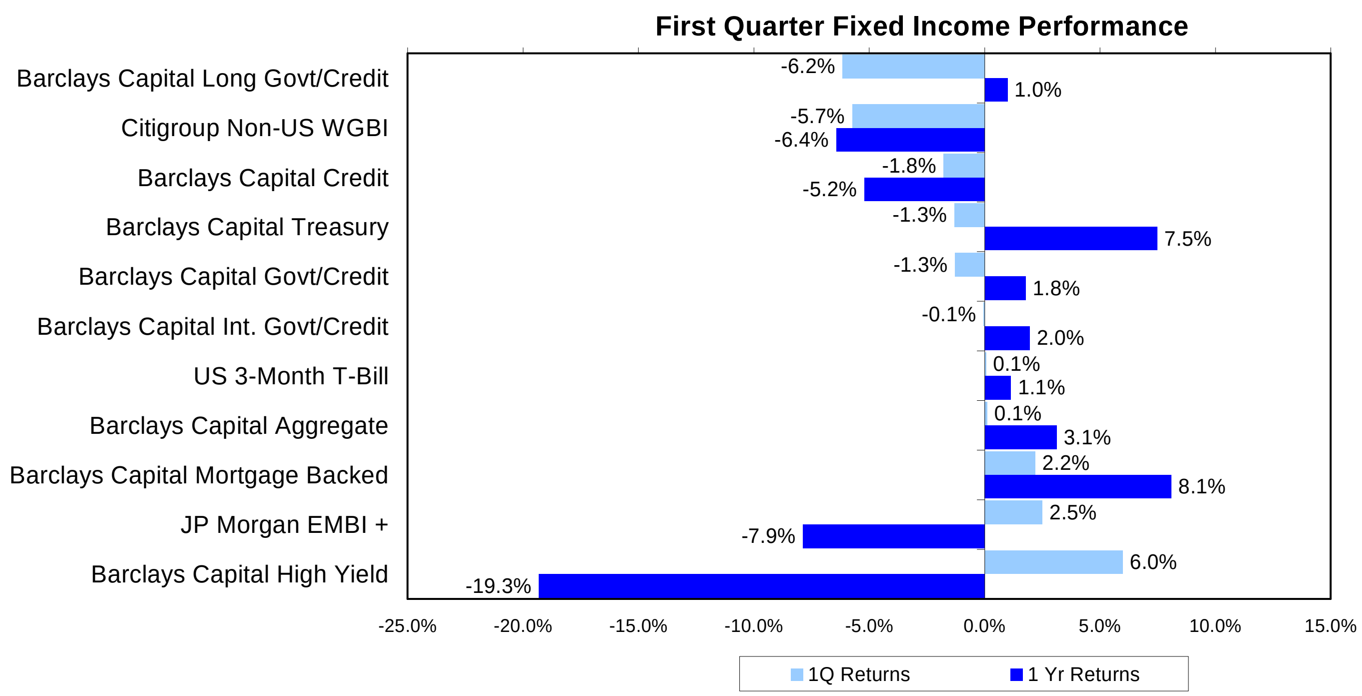
Mercer Investment Consulting, Inc.

Developed Markets: Non-US Equities Continued to Post Losses

- MSCI EAFE declined 13.9% (gross) in the first quarter
  - In local currency terms, MSCI EAFE declined 10.0% for the quarter
- Japan, which represents 24.3% of the index, posted a -16.6% return. In local currency terms, Japan posted a -9.1% loss
- The UK, which represents 20.7% of the index, posted a -10.7% return. In local currency terms, UK posted a -10.4% loss



- Volatility soars as the market responds to various policy actions related to the current crisis
- Barclays Aggregate Index finished slightly up, 12 bps for the quarter, after being down for the first two months of the year
  - Flight to quality stalled as treasuries fell in January and February but regained in March, finishing the quarter down 1.3%
  - Corporates was the worst-performing sector, losing 1.9% for the quarter
  - MBS and ABS had the strongest performance, with quarter returns of 2.2% and 7.6% respectively
- Barclays US High Yield Index experienced high volatility through the quarter but finished up 6.0%
  - A strong January rally of 6.0% was followed by February losing 3.1% and March gaining 3.2%



Market Returns Summary
For Periods Ending March 31, 2009

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
Equity	S&P 500	-11.0	-11.0	-38.1	-13.1	-4.8	-3.0
	Russell 1000 Value	-16.8	-16.8	-42.4	-15.4	-4.9	-0.6
	Russell 1000 Growth	-4.1	-4.1	-34.3	-11.3	-4.4	-5.3
	Russell MidCap	-9.0	-9.0	-40.8	-15.5	-3.5	2.3
	Russell MidCap Value	-14.7	-14.7	-42.5	-16.7	-3.8	3.1
	Russell MidCap Growth	-3.4	-3.4	-39.6	-14.9	-3.9	-0.9
	Russell 2000	-15.0	-15.0	-37.5	-16.8	-5.2	1.9
	Russell 2000 Value	-19.6	-19.6	-38.9	-17.5	-5.3	4.9
	Russell 2000 Growth	-9.7	-9.7	-36.4	-16.2	-5.4	-1.6
	Russell 3000	-10.8	-10.8	-38.2	-13.6	-4.6	-2.3
	*Mercer Large Cap Value Equity Peer Group median***	-12.2	-12.2	-38.3	-12.9	-3.2	1.6
	*Mercer Large Cap Growth Equity Peer Group median***	-4.3	-4.3	-34.5	-11.1	-3.0	-1.7
	*Mercer Small Cap Value Equity Peer Group median***	-14.3	-14.3	-37.1	-15.4	-3.3	7.4
	*Mercer Small Cap Growth Equity Peer Group median***	-8.1	-8.1	-36.7	-16.1	-4.6	2.3
Fixed Income	Citigroup 3-Month T-Bill	0.0	0.0	1.1	3.4	3.1	3.2
	Barclays Capital Int. Govt/Credit	-0.1	-0.1	2.0	5.6	3.7	5.4
	Barclays Capital Govt/Credit	-1.3	-1.3	1.8	5.5	3.7	5.6
	Barclays Capital Aggregate	0.1	0.1	3.1	5.8	4.1	5.7
	Barclays Capital Intermediate Government	-0.1	-0.1	6.0	7.6	4.8	5.8
	Barclays Capital Long Govt/Credit	-6.2	-6.2	1.0	4.9	3.9	6.3
	Barclays Capital Mortgages	2.2	2.2	8.1	7.6	5.6	6.2
	Barclays Capital TIPS	5.5	5.5	-2.0	5.7	4.1	7.3
	Barclays Capital High Yield	6.0	6.0	-19.3	-4.7	-0.1	2.6
	*Mercer Core Fixed Income Peer Group median***	0.6	0.6	1.0	4.6	3.6	5.6
International	MSCI EAFE	-13.9	-13.9	-46.2	-14.1	-1.8	-0.5
	MSCI Emerging Markets	1.0	1.0	-46.9	-7.9	6.3	8.1
	Citigroup Non-US Govt Bond	-5.7	-5.7	-6.4	7.4	4.4	5.5
	Citigroup Non-US Govt Bond - Hedged	0.1	0.1	5.8	5.7	5.0	5.2
	*Mercer International Equity Universe median***	-12.3	-12.3	-45.5	-13.2	-0.7	2.1
Miscellaneous	NCREIF Property Index***	-8.3	-8.3	-6.5	8.1	11.7	10.5
	FTSE NAREIT	-31.9	-31.9	-58.2	-25.0	-8.6	3.9
	Merrill Lynch Inv. Grade Convertible	3.7	3.7	-10.2	-0.2	1.0	2.8
	Goldman Sachs Commodity Index	-10.6	-10.6	-56.5	-18.2	-6.3	5.0
Inflation	CPI	0.5	0.5	-0.4	2.1	2.6	2.6

Index at 12/31/08	**Dow Jones**	**NASDAQ**	**S&P 500**	**Russell 2000**	**Wilshire 5000**
	8,776.39	1,577.03	903.25	499.45	9,087.17
Index at 3/31/09	**Dow Jones**	**NASDAQ**	**S&P 500**	**Russell 2000**	**Wilshire 5000**
	7,608.92	1,528.59	797.87	422.75	8,113.14

* Annualized
** Preliminary
*** The NCREIF Property returns are one quarter in arrears.

Executive Summary

All Funds Composite

At the end of the first quarter, the All Funds Composite held a balance of $16.56 billion, representing a decrease of $509.8 million over the previous quarter's balance of $17.07 billion.

During the first quarter, the All Funds Composite returned -4.8%. Over the trailing one- and three-year periods the All Funds Composite has returned -6.8% and 1.3%, respectively. Since inception, the All Funds Composite has returned 2.6%.

State Insurance Fund Total

The State Insurance Fund (SIF) held approximately $15.17 billion at the end of the first quarter representing a decrease of $440.4 million over the previous quarter's balance.

The State Insurance Fund's first quarter performance closely mirrored that of the All Funds Composite. During the first quarter, the State Insurance Fund returned -4.8% and trailed the interim policy benchmark by 10 basis points. Over the trailing one-year period, the State Insurance Fund beat the interim policy policy benchmark by 160 basis points.

At the end of the first quarter, the State Insurance Fund held an overweight exposure to Treasury Inflation Protected Securities fixed income and short term investments at the expense of large cap domestic equity and long duration fixed income.

Public Equity Portfolio (Northern Trust)

The Northern Trust Global Large Cap S&P 500 Index Fund (NT S&P 500 Index) returned -11.0% over the first quarter and approximated the returns of the S&P 500 Index.

The Northern Trust Global Large Cap S&P 500 Index Fund is held in the State Insurance Fund (SIF), the Disabled Workers Retirement Fund (DWRF), and the Black Lung Fund (BLF).

At the end of the quarter, approximately 16.4% of the Ohio BWC's assets were allocated to the NT S&P 500 Index Fund.

Fixed Income

Barclays Long Duration

The Barclays Long Duration Portfolio is solely held by the State Insurance Fund. The Barclays Long Duration Fixed Income Fund returned -6.1%, over the first quarter and outperformed the returns of the Barclays Capital U.S. Gov/ Credit Long Term Index by 10 basis points. The Barclays Fund also ranked in the bottom half of the Mercer Institutional US Fixed Long Duration Universe (which is in line with our expectations for a passively managed strategy).

At the end of the quarter, Barclays represented 9.5% or $1.57 billion of the All Funds Composite's balance.

State Street Long Duration

The State Street Long Duration Fixed Income Fund held $7.99 billion at the end of the first quarter, representing 48.3% of the All Fund's total balance. The State Street Long Duration strategy is held in the State Insurance Fund (SIF), the Disabled Workers Retirement Fund (DWRF), and the Black Lung Fund (BLF). During the first quarter, the portfolio returned -6.1% in the SIF Portfolio, -6.1% in the DWRF Portfolio and -5.9% in the BLF Portfolio; all outperformed the Barclays Capital U.S. Gov/Credit Long Term Index which returned -6.2% during the quarter.

State Street Intermediate Duration

The State Street Intermediate Duration Fixed Income Fund held a total balance of $39.56 million at the end of the first quarter. The Intermediate Duration strategy is held in both the Public Worker's Relief Fund (PWRF) and Marine Insurance Fund (MIF). Since this strategy was added in February 2009, a full quarter of performance is unavailable at this time. The Intermediate Duration Fixed Income funds' first full quarter of performance will be shown in Mercers' next performance report for the period ending June 30, 2009.

State Street TIPS Index

The State Street TIPS Fund is held in the State Insurance Fund (SIF), the Disabled Workers Retirement Fund (DWRF), and the Black Lung Fund (BLF). The TIPS Fund returned 4.3% during the quarter in all of the aforementioned portfolios. The Fund trailed the Barclays Capital US TIPS Index by 120 basis points during the first quarter. This divergence was primarily due to valuation differences between the manager and the index.

At the end of the first quarter, the TIPS Total held approximately $3.62 billion or 21.9% of the All Funds Composite's balance.

*Private Equity**

As of December 31, 2008, the Ohio BWC's total private equity portfolio had an estimated net annualized internal rate of return (IRR) of 2.07%, which was below the median IRR of 5.30% (calculated using Venture Xpert's IRR data by vintage year for all private equity weighted according to the BWC's weighted average allocation by vintage year).

During the fourth quarter in 2008, the BWC did not receive any distributions from the total private equity portfolio.

It is important to note that to date, the Ohio BWC has liquidated the vast majority of its private equity portfolio. Therefore, the reported performance (IRRs) for the BWC's Private Equity Partnerships will also reflect the recent demand and supply characteristics of the secondary market in addition to all recent (to December 31, 2008) and historical contributions and distributions:

- The buyout fund's composite IRR (as of December 31, 2008) was 14.08% as compared to a 6.90% median IRR for buyout funds with similar vintage years.
- The Ohio BWC's fund-of-fund composite IRR (as of December 31, 2008) was 3.22% as compared to a -4.31% median IRR for fund-of-funds with similar vintage years.
- The BWC's mezzanine fund composite IRR (as of December 31, 2008) was -1.46% as compared to a 7.20% median IRR for mezzanine funds with similar vintage years.
- The BWC's venture capital partnerships had an overall composite level IRR of -11.66% at the end of the fourth quarter in 2008 and trailed the 4.40% median IRR for venture capital funds with similar vintage years.

At this time, the Ohio BWC has closed their positions in private equity.

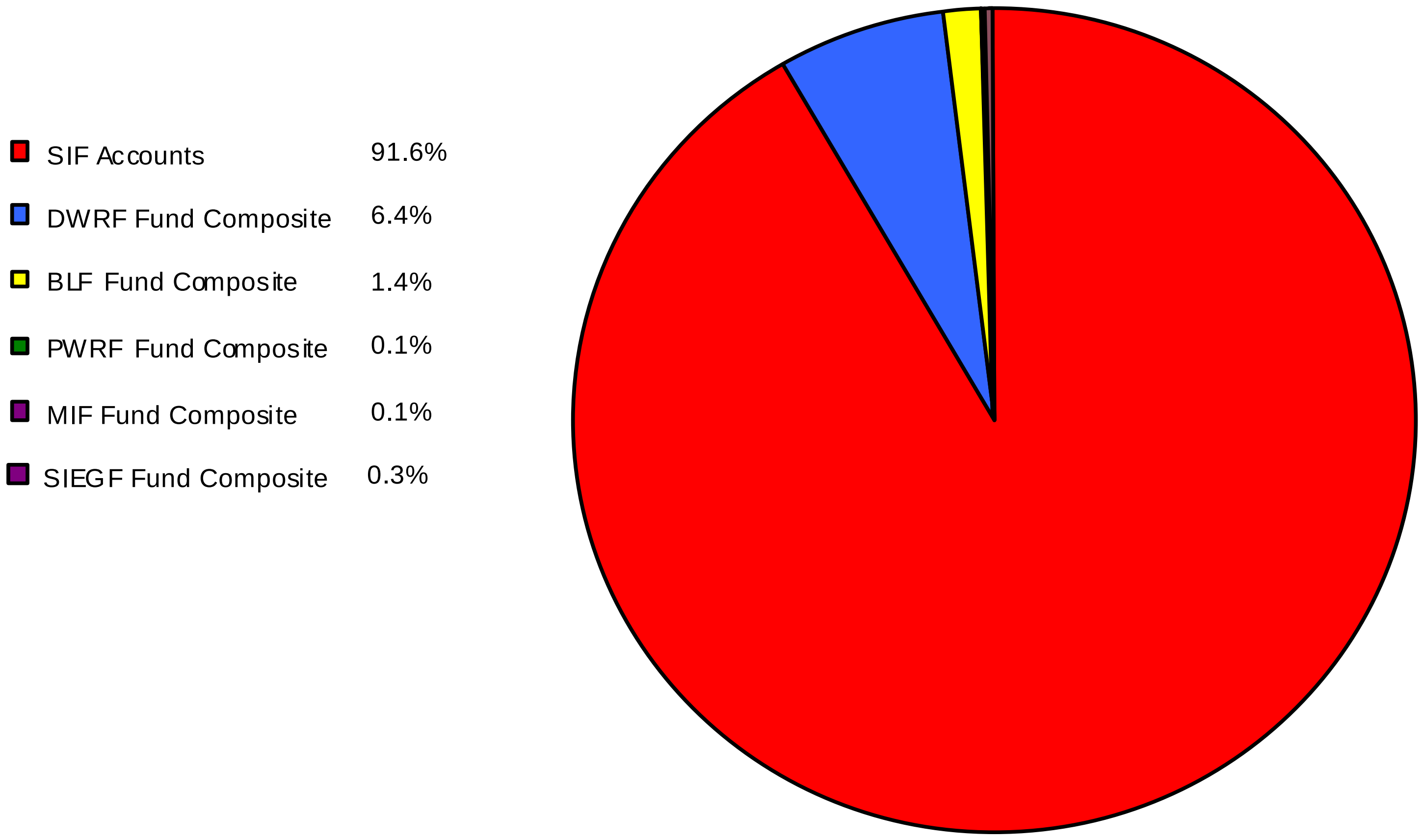
* Please note that private equity performance is reported with a lag of one quarter.

Asset Allocation and Performance

Ohio Bureau of Workers Compensation (Ohio BWC)

Asset Allocation

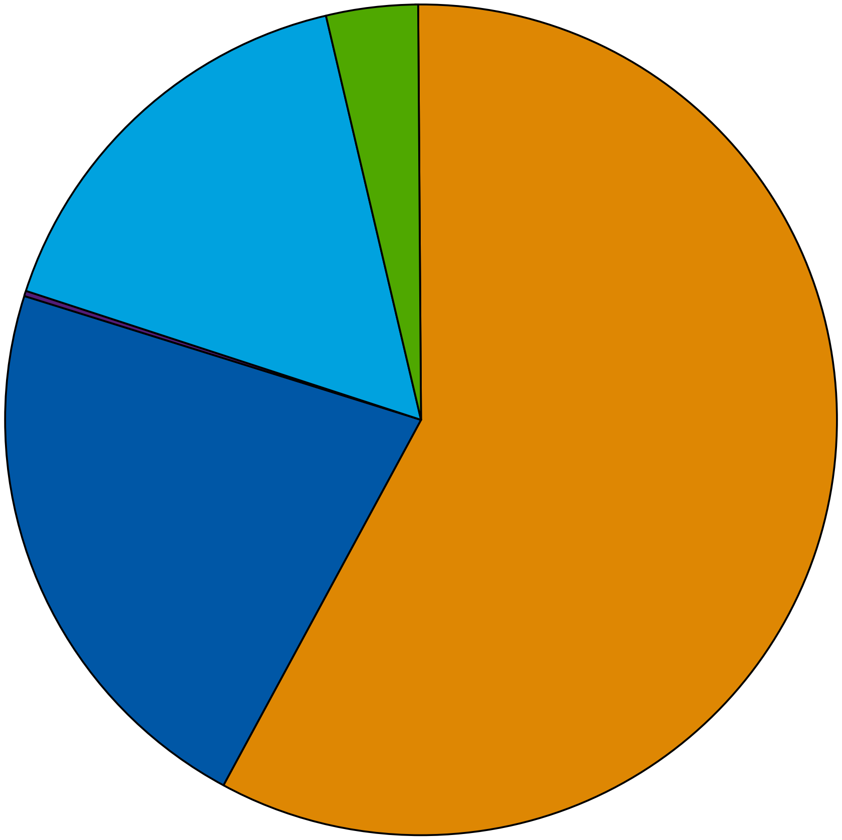
As of March 31, 2009*



Total Market Value
$16,556,370,924

* Numbers may not add up to 100% due to rounding.

As of March 31, 2009*



Long Duration Fixed Income	49.8%
TIPS Fixed Income	9.8%
Int. Duration Fixed Income	18.7%
Large Cap Domestic Equity	12.2%
Short Term Investments	0.0%

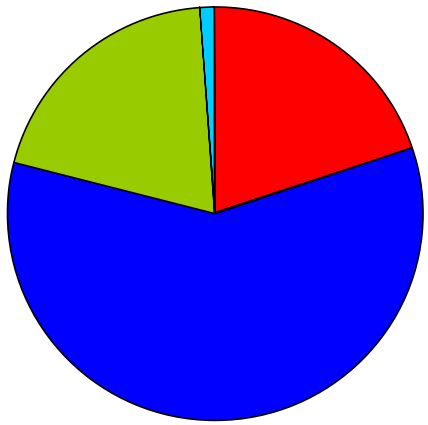
Total Market Value
$16,556,370,924

* Numbers may not add up to 100% due to rounding.

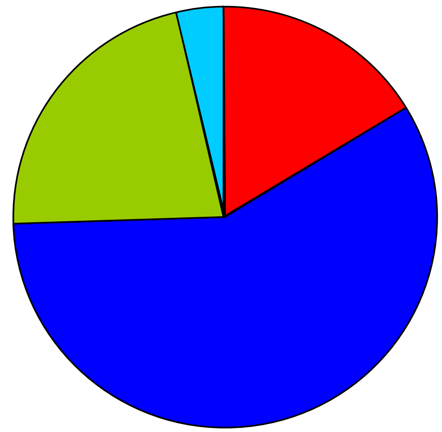
Asset Allocation – State Insurance Fund

Interim Policy

Large Domestic Equity	20.0%
Long Duration	59.0%
TIPS	20.0%
Short Term Investments	1.0%



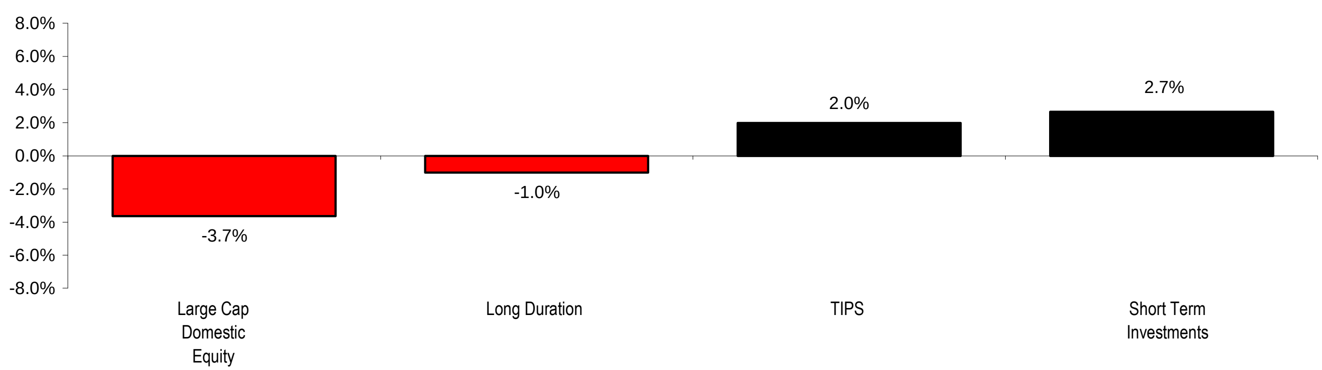
As of March 31, 2009



Large Domestic Equity	16.3%
Long Duration	58.0%
TIPS	22.0%
Short Term Investments	3.7%

Total Market Value
$15,171,032,864

Asset Allocation vs. Long Term Policy



Total Plan Performance

Name	Current Market Value	Current Allocation	Ending March 31, 2009: 3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception: Return	Since
Total Fund	**$16,556,370,924**	**100.0%**	**-4.8%**	**--**	**-6.8%**	**--**	**1.3%**	**--**	**--**	**--**	**2.6%**	**Jun-05**
SIF Fund Composite	**$15,171,032,864**	**91.6%**	**-4.8%**	**--**	**-6.8%**	**--**	**1.3%**	**--**	**--**	**--**	**2.6%**	**Jun-05**
SIF Interim Policy Benchmark			*-4.7%*	*--*	*-8.4%*	*--*	*--*	*--*	*--*	*--*	*--*	*Jun-05*
SIF Bond Composite	**$12,132,545,906**	**73.3%**	**-3.5%**	**--**	**0.6%**	**--**	**--**	**--**	**--**	**--**	**4.6%**	**Dec-06**
SIF LDFI Composite	**$8,797,295,908**	**53.1%**	**-6.1%**	**68**	**1.4%**	**36**	**--**	**--**	**--**	**--**	**3.9%**	**Mar-07**
Barclays Capital LT Govt/Credit			*-6.2%*	*69*	*1.0%*	*39*	*4.9%*	*42*	*3.9%*	*59*	*3.6%*	*Mar-07*
Mercer Instl US Fixed Long Duration Median			*-5.5%*		*0.5%*		*4.6%*		*4.0%*		*3.0%*	*Mar-07*
SSGA LDFI	$7,222,672,649	43.6%	-6.1%	68	1.4%	36	--	--	--	--	4.0%	Mar-07
Barclays Capital LT Govt/Credit			*-6.2%*	*69*	*1.0%*	*39*	*4.9%*	*42*	*3.9%*	*59*	*3.6%*	*Mar-07*
Mercer Instl US Fixed Long Duration Median			*-5.5%*		*0.5%*		*4.6%*		*4.0%*		*3.0%*	*Mar-07*
BGI LDFI	$1,574,623,260	9.5%	-6.1%	68	1.1%	37	--	--	--	--	3.6%	Mar-07
Barclays Capital LT Govt/Credit			*-6.2%*	*69*	*1.0%*	*39*	*4.9%*	*42*	*3.9%*	*59*	*3.6%*	*Mar-07*
Mercer Instl US Fixed Long Duration Median			*-5.5%*		*0.5%*		*4.6%*		*4.0%*		*3.0%*	*Mar-07*
SIF TIPS Composite	**$3,335,249,998**	**20.1%**	**4.3%**	**--**	**-2.1%**	**--**	**--**	**--**	**--**	**--**	**6.5%**	**Jan-07**
Barclays Capital US Tips			*5.5%*	*--*	*-2.0%*	*--*	*5.7%*	*--*	*4.2%*	*--*	*6.6%*	*Jan-07*
SSGA TIPS Index	$3,335,249,998	20.1%	4.3%	--	-2.1%	--	--	--	--	--	6.5%	Jan-07
Barclays Capital US Tips			*5.5%*	*--*	*-2.0%*	*--*	*5.7%*	*--*	*4.2%*	*--*	*6.6%*	*Jan-07*

Ohio Bureau of Workers Compensation (Ohio BWC)

Performance Summary (Net of Fee)

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Inception Since
			Ending March 31, 2009								Inception	
SIF Equity Composite	**$2,488,056,189**	**15.0%**	**-10.8%**	**--**	**-37.7%**	**--**	**--**	**--**	**--**	**--**	**-20.6%**	**Dec-06**
Wilshire 5000 (Float-Adjusted)			*-10.6%*	--	*-38.0%*	--	*-13.3%*	--	*-4.4%*	--	*-20.7%*	*Dec-06*
SIF Public Equity Composite	**$2,480,258,831**	**15.0%**	**-11.0%**	**66**	**-38.0%**	**64**	**--**	**--**	**--**	**--**	**-22.0%**	**Jan-07**
S&P 500 Index (Total Return)			*-11.0%*	*68*	*-38.1%*	*65*	*-13.1%*	*65*	*-4.8%*	*81*	*-22.1%*	*Jan-07*
Mercer Instl US Equity Large Cap Core Median			*-10.1%*		*-36.9%*		*-12.4%*		*-3.4%*		--	*Jan-07*
Northern Trust Global Large Cap S&P 500 Index	$2,480,258,831	15.0%	-11.0%	66	-38.0%	64	--	--	--	--	-28.4%	Jul-07
S&P 500 Index (Total Return)			*-11.0%*	*68*	*-38.1%*	*65*	*-13.1%*	*65*	*-4.8%*	*81*	*-28.6%*	*Jul-07*
Mercer Instl US Equity Large Cap Core Median			*-10.1%*		*-36.9%*		*-12.4%*		*-3.4%*		--	*Jul-07*
Miscellaneous Transition Mgmt. BGI	$1,623,337	0.0%	--	--	--	--	--	--	--	--	--	Feb-09
Miscellaneous Holding Account	$5,163,811	0.0%	104.0%	--	82.3%	--	--	--	--	--	42.1%	Nov-06
Transition Account	$1,010,209	0.0%	-4.8%	--	-17.0%	--	--	--	--	--	-12.8%	Dec-07
SIF Cash Composite	**$550,430,769**	**3.3%**	**0.2%**	**--**	**1.7%**	**--**	**4.8%**	**--**	**--**	**--**	**4.7%**	**Jun-05**
Merrill Lynch 91 Day T-Bill			*0.1%*	--	*1.0%*	--	*3.4%*	--	*3.2%*	--	*3.5%*	*Jun-05*
BWC Main Cash Account	$550,430,769	3.3%	0.2%	--	1.7%	--	4.9%	--	--	--	4.7%	Jun-05
Merrill Lynch 91 Day T-Bill			*0.1%*	--	*1.0%*	--	*3.4%*	--	*3.2%*	--	*3.5%*	*Jun-05*

Ohio Bureau of Workers Compensation (Ohio BWC)

Performance Summary (Net of Fee)

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
			Ending March 31, 2009								Inception	
DWRF Composite	**$1,064,617,577**	**6.4%**	**-4.8%**	**--**	**-6.6%**	**--**	**--**	**--**	**--**	**--**	**-0.3%**	**Dec-06**
DWRF Policy Benchmark			*-4.7%*	*--*	*-8.4%*	*--*	*--*	*--*	*--*	*--*	*--*	*Dec-06*
DWRF Miscellaneous Transition Mgmt. BGI	$913	0.0%	--	--	--	--	--	--	--	--	--	Mar-09
DWRF SSGA LDFI	$634,256,377	3.8%	-6.1%	68	1.5%	35	--	--	--	--	3.5%	Oct-07
Barclays Capital LT Govt/Credit			*-6.2%*	*69*	*1.0%*	*39*	*4.9%*	*42*	*3.9%*	*59*	*2.8%*	*Oct-07*
Mercer Instl US Fixed Long Duration Median			*-5.5%*		*0.5%*		*4.6%*		*4.0%*		*--*	*Oct-07*
DWRF SSGA TIPS	$237,932,339	1.4%	4.3%	1	-2.1%	1	--	--	--	--	4.7%	Oct-07
Barclays Capital US Tips			*5.5%*	*1*	*-2.0%*	*1*	*5.7%*	*1*	*4.2%*	*2*	*4.9%*	*Oct-07*
Mercer Instl US Equity Large Cap Core Median			*-10.1%*		*-36.9%*		*-12.4%*		*-3.4%*		*--*	*Oct-07*
DWRF NT S&P 500	$188,733,453	1.1%	-10.8%	64	-37.8%	61	--	--	--	--	-33.3%	Sep-07
S&P 500 Index (Total Return)			*-11.0%*	*68*	*-38.1%*	*65*	*-13.1%*	*65*	*-4.8%*	*81*	*-33.5%*	*Sep-07*
Mercer Instl US Equity Large Cap Core Median			*-10.1%*		*-36.9%*		*-12.4%*		*-3.4%*		*-32.4%*	*Sep-07*
Disabled Workers Retirement	$3,694,495	0.0%	0.2%	--	2.0%	--	5.2%	--	--	--	4.4%	Jun-05
Merrill Lynch 91 Day T-Bill			*0.1%*	*--*	*1.0%*	*--*	*3.4%*	*--*	*3.2%*	*--*	*3.5%*	*Jun-05*
BLF Composite	**$226,186,312**	**1.4%**	**-4.6%**	**--**	**-7.0%**	**--**	**--**	**--**	**--**	**--**	**-0.5%**	**Dec-06**
BLF Policy Benchmark			*-4.7%*	*--*	*-8.4%*	*--*	*--*	*--*	*--*	*--*	*--*	*Dec-06*
Black Lung SSGA LDFI	$135,086,242	0.8%	-5.9%	65	1.6%	35	--	--	--	--	3.6%	Oct-07
Barclays Capital LT Govt/Credit			*-6.2%*	*69*	*1.0%*	*39*	*4.9%*	*42*	*3.9%*	*59*	*2.8%*	*Oct-07*
Mercer Instl US Fixed Long Duration Median			*-5.5%*		*0.5%*		*4.6%*		*4.0%*		*--*	*Oct-07*
Black Lung SSGA TIPS	$49,836,723	0.3%	4.3%	--	-2.2%	--	--	--	--	--	4.7%	Oct-07
Barclays Capital US Tips			*5.5%*	*--*	*-2.0%*	*--*	*5.7%*	*--*	*4.2%*	*--*	*4.9%*	*Oct-07*
Black Lung NT S&P 500	$39,706,113	0.2%	-10.8%	64	-37.8%	62	--	--	--	--	-33.3%	Sep-07
S&P 500 Index (Total Return)			*-11.0%*	*68*	*-38.1%*	*65*	*-13.1%*	*65*	*-4.8%*	*81*	*-33.5%*	*Sep-07*
Mercer Instl US Equity Large Cap Core Median			*-10.1%*		*-36.9%*		*-12.4%*		*-3.4%*		*-32.4%*	*Sep-07*
Black Lung	$1,557,234	0.0%	0.2%	--	1.6%	--	4.9%	--	--	--	4.4%	Jun-05
Merrill Lynch 91 Day T-Bill			*0.1%*	*--*	*1.0%*	*--*	*3.4%*	*--*	*3.2%*	*--*	*3.5%*	*Jun-05*

Ohio Bureau of Workers Compensation (Ohio BWC)

Performance Summary (Net of Fee)

Total Plan Performance

Name	Current Market Value	Current Allocation	3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Inception Return	Since
			Ending March 31, 2009									
PWRF Composite	**$22,767,059**	**0.1%**	**-0.2%**	**--**	**1.3%**	**--**	**--**	**--**	**--**	**--**	**2.6%**	**Dec-06**
PWRF Policy Benchmark			*0.0%*	--	*2.0%*	--	--	--	--	--	--	*Dec-06*
PWRF Intermediate Duration Fixed Income	$22,642,302	0.1%	--	--	--	--	--	--	--	--	--	Feb-09
Barclays Int Govt/Credit												
Public Workers Relief Fund	$124,757	0.0%	0.2%	--	1.7%	--	3.4%	--	--	--	3.0%	Jun-05
Merrill Lynch 91 Day T-Bill			*0.1%*	--	*1.0%*	--	*3.4%*	--	*3.2%*	--	*3.5%*	*Jun-05*
MIF Composite	**$17,228,153**	**0.1%**	**-0.2%**	**--**	**1.3%**	**--**	**--**	**--**	**--**	**--**	**2.6%**	**Dec-06**
MIF Policy Benchmark			*0.0%*	--	*2.0%*	--	--	--	--	--	--	*Dec-06*
MIF Intermediate Duration Fixed Income	$16,916,777	0.1%	--	--	--	--	--	--	--	--	--	Feb-09
Barclays Int Govt/Credit												
Marine Account	$311,376	0.0%	0.2%	--	1.7%	--	3.4%	--	--	--	3.3%	Jun-05
Merrill Lynch 91 Day T-Bill			*0.1%*	--	*1.0%*	--	*3.4%*	--	*3.2%*	--	*3.5%*	*Jun-05*
SIEGF Composite	**$54,538,961**	**0.3%**	**0.2%**	**--**	**1.7%**	**--**	**--**	**--**	**--**	**--**	**3.4%**	**Dec-06**
SIEGF Policy Benchmark			*0.1%*	--	*1.0%*	--	--	--	--	--	--	*Dec-06*
Self Insured Bond Fund	$54,538,961	0.3%	0.2%	--	1.7%	--	3.9%	--	--	--	3.9%	Jun-05
Merrill Lynch 91 Day T-Bill			*0.1%*	--	*1.0%*	--	*3.4%*	--	*3.2%*	--	*3.5%*	*Jun-05*

Private Equity Composite Level Totals (as of December 31, 2008)

Partnership	BWC Commitment	BWC Contributions to Date [1]	Distributions	Market Value as of 12/31/08 [2]	Net Annualized IRR	Upper Quartile [3]	Median	Lower Quartile
Buyout Fund Total	$282,497,067	$241,461,056	$330,729,240	$0	14.08%	17.20%	6.90%	-0.80%
Fund of Funds Total	$100,000,000	$79,267,336	$81,065,091	$0	3.22%	0.18%	-4.31%	-13.33%
Mezzanine Total	$60,000,000	$63,433,079	$66,254,425	$0	-1.46%	12.40%	7.20%	1.10%
Venture Capital Total	$371,642,000	$289,647,389	$236,387,247	$0	-11.66%	14.80%	4.40%	-2.30%
Total	$814,139,067	$673,808,861	$714,436,003	$0	2.07%	14.80%	5.30%	-1.70%

1) BWC contributions to date (December 31, 2008) reflect all contributions made to the general partner for each fund. These amounts may not represent the funded amount against the commitment, as not all contributions are applicable towards the committed amount.

2) Market values utilized are provided by the general partner, when available. In the instances when managers did not provide market values as of December 31, 2008, estimates were calculated using actual market values as of the last date the market value was provided rolled forward to December 31, 2008, accounting for contributions and distributions during the interim time period.

3) As a benchmarking measure, the upper quartile, median, and lower quartile of IRRs at the composite level is presented for each fund category as taken from Venture Xpert. Data is as of December 31, 2008. Venture Xpert's returns are representative of the following periods:

- Buyout Fund: 1999-2008
- Fund of Funds: 2000-2008
- Mezzanine Funds: 1998-2008
- Venture Capital: 2000-2008
- Total: The total upper quartile, median quartile, and lower quartile values are weighted average IRRs calculated by taking Venture Xpert's upper, median, and lower quartile by vintage year and weighting those values according to BWC's weighted average allocation by vintage year for their private equity portfolio.

Appendix

Benchmark Weights

The benchmarks for their respective accounts are as follows:

		Weight
SIF Interim Policy Benchmark:		
BarCap Long US Government/Credit Index		59%
BarCap US TIPS		20%
S&P 500		20%
91-Day T-Bill		1%
	TOTAL:	100%
DWRF Policy Benchmark:		
BarCap Long US Government/Credit Index		59%
BarCap US TIPS		20%
S&P 500		20%
91-Day T-Bill		1%
	TOTAL:	100%
BLF Policy Benchmark:		
BarCap Long US Government/Credit Index		59%
BarCap US TIPS		20%
S&P 500		20%
91-Day T-Bill		1%
	TOTAL:	100%

		Weight
PWRF Policy Benchmark:		
BarCap Intermediate US Government/Credit		99%
91-Day T-Bill - 1%		1%
	TOTAL:	100%
MIF Policy Benchmark:		
BarCap Intermediate US Government/Credit		99%
91-Day T-Bill		1%
	TOTAL:	100%
SIEGF Policy Benchmark:		
91-Day T-Bill		100%

Manager Roster and Fee Schedule

Account	Fee Schedule	Est. Minimum Annual Fee ($)	Estimated Annual Fee ($)	Estimated Annual Fee (%)
SIF LDFI Composite				
SSGA LDFI	0.03% of First $1,000.0 Mil, 0.02% of Next $1,000.0 Mil, 0.01% Thereafter	$0	$1,283,401	0.01%
BGI LDFI	0.06% of First $1,000.0 Mil, 0.05% of Next $1,000.0 Mil, 0.04% Thereafter	$0	$887,312	0.05%
SIF TIPS Composite				
SSGA TIPS Index	0.01% of First $500.0 Mil, 0.01% of Next $1,000.0 Mil, 0.01% Thereafter	$0	$321,820	0.00%
SIF Equity Composite				
SIF Public Equity Composite				
Northern Trust Global Large Cap S&P 500 Index	0.01% of Assets	$0	$198,421	0.01%
Miscellaneous Transition Mgmt. BGI	A		--	--
Miscellaneous Holding Account	A		--	--
Transition Account	A		--	--
SIF Cash Composite			**--**	**--**
BWC Main Cash Account	A		--	--
DWRF Composite			**--**	**--**
DWRF Miscellaneous Transition Mgmt. BGI	A		--	--
DWRF SSGA LDFI	0.03% of First $1,000.0 Mil, 0.02% of Next $1,000.0 Mil, 0.01% Thereafter	$0	$190,277	0.02%
DWRF SSGA TIPS	0.01% of First $500.0 Mil, 0.01% of Next $1,000.0 Mil, 0.01% Thereafter	$0	$35,690	0.01%
DWRF NT S&P 500	0.01% of Assets	$0	$15,099	0.01%

Fee Schedule

Account	Fee Schedule	Est. Minimum Annual Fee ($)	Estimated Annual Fee ($)	Estimated Annual Fee (%)
Disabled Workers Retirement	A		--	--
BLF Composite				
Black Lung SSGA LDFI	0.03% of First $1,000.0 Mil, 0.02% of Next $1,000.0 Mil, 0.01% Thereafter	$0	$40,526	0.02%
Black Lung SSGA TIPS	0.01% of First $500.0 Mil, 0.01% of Next $1,000.0 Mil, 0.01% Thereafter	$0	$7,476	0.01%
Black Lung NT S&P 500	0.01% of Assets	$0	$3,176	0.01%
Black Lung	A		--	--
PWRF Composite				
PWRF Intermediate Duration Fixed Income	0.04% of First $500.0 Mil, 0.03% of Next $500.0 Mil, 0.02% Thereafter	$0	$9,057	0.04%
Public Workers Relief Fund	A		--	--
MIF Composite				
MIF Intermediate Duration Fixed Income	0.04% of First $500.0 Mil, 0.03% of Next $500.0 Mil, 0.02% Thereafter	$0	$6,767	0.04%
Marine Account	A		--	--
SIEGF Composite				
Self Insured Bond Fund	A		--	--
Estimated Investment Management Fee			**$2,999,020**	**0.02%**

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

MERCER

Consulting. Outsourcing. Investments.

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

May 28, 2009

Asset and Liability Projection Model Summary
State Insurance Fund

Investment Committee Meeting
Ohio Bureau of Workers' Compensation

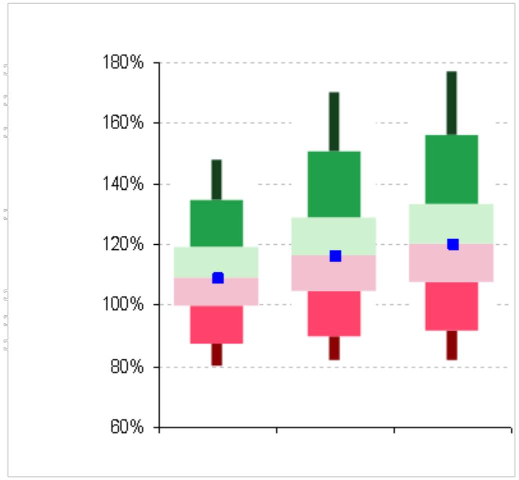
Guy M. Cooper
Jordan Nault

Asset Mix Detail

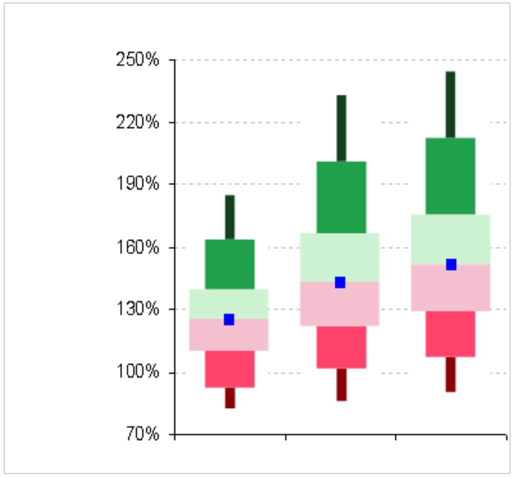
	Smoothed Discount Rate		
	20% Equity 80% Bonds No Alt Current	30% Equity 70% Bonds No Alt Mix 6	30% Equity 70% Bonds No Alt Mix 6'
Equity : Fixed income : Alternatives	20:80:0	30:70:0	30:70:0
Public Equity: (US Equity : Non-US Equity)	100:0	67:33	67:33
Long Gov/Corp (Corporate : Government)	50:50	50:50	75:25
ALLOCATION BY ASSET CLASS			
US Equity -- All Cap	20%	20.0%	20.0%
Non-US Equities - World ex-U.S.		10.0%	10.0%
Total Allocation to Public Equity	**20%**	**30%**	**30%**
US Fixed Income -- Cash (Dur 0.2)	1%	1%	1%
US Fixed Income -- Intermediate (Dur 3.8)			
US Fixed Income -- Aggregate (Dur 4.5)		15%	15%
US Fixed Income -- Inflation Indexed Bond	20%	17%	17%
US Fixed Income -- Long Gov (Dur 11)	29.5%	16%	8%
US Fixed Income -- Long Credt (Dur 11)	29.5%	16%	24%
US Fixed Income -- High Yield		5%	5%
Total Allocation to Fixed Income	**80%**	**70%**	**70%**
Private Equity - Total		0%	0%
Real Estate - Private		0%	0%
Infrastructure			
Total Allocation to Alternative Investments	**0%**	**0%**	**0%**
STATISTICS			
Long-Term Expected Passive Annual Return	6.22%	6.70%	6.87%
Standard Deviation of Returns	8.77%	8.06%	8.17%
Net Asset - 2018 Most Likely (50th %-ile)	$2,002	$3,512	$4,193
Net Asset - 2018 Upside Potential (95th %-ile)	$5,148	$8,286	$9,107
Net Asset - 2018 Downside Risk (5th %-ile)	($674)	$73	$568
Funding Ratio - 2011 (50th %-ile)	101%	104%	106%
Funding Ratio - 2013 (50th %-ile)	109%	116%	120%
Funding Ratio - 2018 (50th %-ile)	125%	143%	151%
Funding Ratio - 2028 (50th %-ile)	191%	266%	295%
Funding Ratio - 2011 Downside Risk (5th %-ile)	84%	85%	86%
Funding Ratio - 2013 Downside Risk (5th %-ile)	87%	90%	92%
Funding Ratio - 2018 Downside Risk (5th %-ile)	92%	101%	106%
Funding Ratio - 2028 Downside Risk (5th %-ile)	112%	140%	162%
Duration (Total Portfolio)	6.5	4.2	4.2
Duration (Fixed Income)	8.1	6.0	6.0
Duration (Equity)	0.0	0.0	0.0
Liquidity (Total Portfolio)	9.4	9.2	9.1

Funding Ratio

5 Year Out



10 Year Out



5 Year Out

	Current	Mix 6	Mix 6'
	Discount Rate = Smoothed		
Eq/FI:	20/80	30/70	30/70
Alt Inc/Exc:	No Alt	No Alt	No Alt
Corp/Gov:	50/50	50/50	75/25
99th	148%	170%	177%
95th	134%	150%	156%
75th	119%	129%	133%
50th	109%	116%	120%
25th	100%	105%	107%
5th	87%	90%	92%
1st	80%	82%	82%
75th - 25th	19%	24%	25%
99th - 1st	68%	88%	95%
50th - 25th	9%	11%	12%
50th - 1st	29%	34%	38%

10 Year Out

	Current	Mix 6	Mix 6'
	Discount Rate = Smoothed		
Eq/FI:	20/80	30/70	30/70
Alt Inc/Exc:	No Alt	No Alt	No Alt
Corp/Gov:	50/50	50/50	75/25
99th	184%	232%	244%
95th	164%	201%	212%
75th	139%	166%	175%
50th	125%	143%	151%
25th	110%	122%	129%
5th	92%	101%	106%
1st	82%	85%	89%
75th - 25th	30%	44%	47%
99th - 1st	102%	147%	155%
50th - 25th	16%	21%	22%
50th - 1st	43%	57%	62%

Mean-Variance Assumptions

	Geometric Return	Arithmetic Return	Standard Deviation	Beta	Duration	Liquidity
Domestic Equity	8.4%	9.9%	18.6%	1.00	0.0	9.0
International Equity	8.4%	9.9%	18.4%	1.00	0.0	8.8
Intermediate Bonds	4.8%	4.9%	4.5%	0.00	3.6	9.4
Mkt Bonds (BC Agg)	5.3%	5.4%	5.5%	0.10	4.8	9.3
Long Govt/Credit	5.4%	6.0%	11.0%	0.00	11.0	9.5
Long Credit	6.5%	7.1%	11.5%	0.20	11.0	8.8
TIPS	5.0%	5.1%	4.5%	0.00	0.0	9.7
Cash	3.5%	3.5%	1.3%	0.00	0.1	10.0
Real Estate [1]	7.3%	8.2%	13.7%	0.75	0.0	4.5
Private Equity	9.6%	13.0%	28.4%	1.35	0.0	0.0
Infrastructure	8.2%	10.0%	20.2%	1.10	0.0	0.0
High Yield	7.5%	8.0%	10.0%	0.50	0.0	7.5
Inflation	2.8%	2.8%	1.3%	--	--	--

	Dom Eq	Intl Eq	Inmd FI	Mkt FI	Long FI	Long Credit	TIPS	Cash	Real Estate	Private Eq	Infrastr	High Yield
Domestic Equity	1.00											
International Equity	0.70	1.00										
Intermediate Bonds	0.20	0.10	1.00									
Mkt Bonds (BC Agg)	0.20	0.10	0.95	1.00								
Long Govt/Credit	0.20	0.10	0.90	0.95	1.00							
Long Credit	0.30	0.20	0.94	0.95	0.95	1.00						
TIPS	0.15	0.10	0.60	0.60	0.60	0.45	1.00					
Cash	0.00	0.00	0.25	0.10	0.10	0.10	0.30	1.00				
Real Estate [1]	0.60	0.40	0.20	0.30	0.20	0.35	0.30	0.10	1.00			
Private Equity	0.70	0.30	0.10	0.20	0.20	0.25	0.15	0.00	0.50	1.00		
Infrastructure	0.60	0.28	0.18	0.23	0.20	0.28	0.20	0.00	0.75	0.50	1.00	
High Yield	0.60	0.15	0.45	0.50	0.45	0.60	0.50	0.10	0.35	0.40	0.38	1.00

[1] Combination of REITS and private real estate.

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

DATE: May 21, 2009

TO: BWC Investment Committee
BWC Board Of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Proposed Investment Policy Statement Revision**
Long Duration Fixed Income Benchmark Index
State Insurance Fund
First Review

BACKGROUND

After a thorough review process performed by the BWC Investment Committee of the Board of Directors over many preceding months, a new Investment Policy Statement of the Bureau was approved by the BWC Board of Directors on April 30, 2009, upon recommendation by the Investment Committee, that reflected a new investment portfolio asset allocation mix for the State Insurance Fund (SIF) portfolio. Upon this Board approval, the fixed income asset allocation target (including cash) of the SIF portfolio was reduced to 70% from 80%, with this 10% fixed income ownership reduction redirected to the equities asset class which increased to 30% from 20%. The BWC investment staff was instructed by the Investment Committee at its April 29, 2009 meeting to present a transition implementation plan involving the execution of the new asset allocation target goal for SIF at the next scheduled meeting on May 28, 2009.

A very important change of the new SIF asset allocation mix involves the reduction in the target for long duration fixed income assets from 59% to 37% of total portfolio market value. This 22% target weight reduction is being redirected to 15% in the new intermediate duration fixed income Barclays Aggregate benchmark index, with the remaining 7% reduction directed towards an increase in equities allocation.

With this significant change in asset allocation targets to the SIF portfolio now approved by the Board of Directors last month, the CIO proposes that consideration be given to modifying the long duration fixed income benchmark applicable to SIF for the reasons provided in this memorandum. In his memorandum dated March 19, 2009, and resubmitted to the Investment Committee for its April 29, 2009 meeting, the CIO stated that consideration be given to the modification of long duration fixed income benchmarks applicable to the BWC Investment Policy Statement at its next monthly meeting scheduled after any approval action is taken regarding a new asset allocation mix for the SIF portfolio. Mercer also acknowledged that this long duration fixed income benchmark modification would be considered after new policy approval was provided by the Board in the reports Mercer presented at the March, 2009 meeting and resubmitted at the April, 2009 meeting.

PROPOSED BENCHMARK REVISION

The current and former long duration fixed income benchmark for SIF is the Barclays Capital (formerly Lehman) U.S. Long Government/Credit Index. This index is comprised of two key sector components that are separate benchmark indices on their own, the Barclays U.S. Long Government index and the Barclays U.S. Long Credit index. Over the past several years, these two indices have each represented approximately 50% of the total market value weighting of the combined Long Government/Credit index. As of month-end April 2009, the Long Government Index represented a 49.82% weighting and the Long Credit Index represented the remaining 50.18% weighting of the Long Government/Credit index at market value. Many institutional fund clients of large passive indexed managers such as State Street and Barclays direct their index manager to either or both of the Long Government and Long Credit indices separately rather than to the full Long Government/Credit index. Even when an index manager manages client funds to the full Long Government/Credit index, the funds are actually managed to each of the Long Government and Long Credit index and merged together for reporting purposes to the client.

It is proposed by the CIO for consideration that the current Long Government/Credit long duration fixed income benchmark for SIF be bifurcated or split into the two separate Long Government and Long Credit indices. It is also proposed by the CIO for consideration that the Long Credit index have a target asset allocation weighting that is approximately three times higher than the Long Government index target weighting for the SIF portfolio. Specifically, it is proposed that the target asset allocation weighting be **28%** for the Long Credit index and **9%** for the Long Government index.

This proposal for the SIF long duration fixed income benchmark will provide the following benefits or advantages to the SIF portfolio:

- significant interest income increase
- higher overall bond portfolio yield
- more diversified bond portfolio
- more efficient and less costly portfolio transition implementation

Interest Income Increase

As evidenced in the attached tables providing profile information on the relevant bond indices, there is an unusually wide yield spread of **3.48%** between the 4/30/09 yields of the Long Credit index (7.55%) and the Long Government index (4.07%). Although historically wide, this yield spread difference between these two indices was actually 4.02% on 12/31/08 (7.13% credit yield less 3.11% government yield). There was an extreme flight to the safest of investments such as U.S. Treasuries by worldwide investors over the fourth quarter of 2008 during the peak of financial market stress and investor fear and uncertainty. Since the end of 2008 when Treasuries were arguably extremely overvalued, the Long Government index yield has increased to 4.07% on 4/30/09 from 3.11%, resulting in a negative 9.87% year-to-date total return for the first four months of 2009 after showing a large positive total return of 22.69% for calendar year 2008. As a matter of information, the average month-end yield spread differential between the Long Government index and Long Credit index was a much narrower **1.24%** over the five-year period 2003-2007 and was **2.79%** in 2008.

Based on 4/30/09 yields of the respective bond indices, a SIF long duration bond portfolio indexed with a 28% proposed weighting to the Long Credit index and a 9% proposed weighting to the Long Government index would provide a weighted average yield of **6.70%** compared to the **5.82%** yield of the blended Long Government/Credit index currently serving as the long duration bond index benchmark for SIF. Based on a $15 billion total SIF portfolio (actual $15.1 billion market value on 4/30/09) with the current 37% targeted allocation to long duration bonds, this proposed 28/9% benchmark weighting favoring the Long Credit index would provide incremental annual bond interest investment income of almost **$50 million** ($48.8 million actual) for SIF compared to the current Long Government/Credit index.

Bond Portfolio Yield Implication

If there is no modification to the current long duration fixed income benchmark index for SIF, the new 52% target weighted SIF bond portfolio (exclusive of 17% TIPS weighting) comprised of 37% Long Government/Credit index and 15% Aggregate bond index provided a blended weighted yield of **5.31%** based on 4/30/09 index yields or a reduction of 0.51% in yield compared to the Long Government/Credit index of 5.82%. If the long duration fixed income benchmark index was split favoring the Long Credit index to the Long Government index as proposed, this 52% target weighted portion of the SIF bond portfolio would actually increase in yield to a blended weighted yield of **5.94%**. This proposed revision to the long duration benchmark would actually increase the SIF bond portfolio yield somewhat while still importantly reducing overall weighted bond portfolio duration for this 52% portion of the bond portfolio to 9.09 years from the 11.35 year duration level of the Long Government/ Credit index based on 4/30/09 data.

Diversification

Based on the 4/30/09 composition of the relevant bond indices, as evidenced in the attached tables, U.S. Treasuries and U.S. Agencies comprise approximately 43.3% and 6.5% of the Long Government/Credit index, respectively, and approximately 26.0% and 11.2% of the Barclays Capital U.S. Aggregate index. The Barclays U.S. TIPS index, representing a new 17% target asset allocation for SIF, is comprised of 100% U.S. Treasuries. As a result, U.S. Treasuries on 4/30/09 represent a combined 36.9% of the new asset allocation target for SIF with U.S. Agency debt representing an additional 4.1%, for a total weight of **41.0%** of the total portfolio represented by U.S. government issues as reflected in the respective indices. Under the proposed 28/9 weighting split between the Long Credit/Long Government indices, U.S. Treasuries on 4/30/09 would represent a combined 28.7% of the new asset allocation for SIF with U.S. Agency debt representing an additional 2.9%, for a total of **31.6%** of the portfolio represented by U.S. government issues. This 9.4% overall reduction in U.S. government debt exposure versus the current new SIF asset allocation targets is, in effect, transferred to maintain (not increase) the Long Credit index exposure to near the level it was prior to the new asset allocation mix approved last month. Under the proposed Long Duration fixed income 28/9 Credit/Government index weightings, the actual Long Credit portfolio weighting will theoretically be reduced slightly from approximately 29.75% (1/2 of 59% former LDFI target) to 28.75% (28.0% proposed target plus 0.75% in-kind bond transfers to Barclays Aggregate index passive manager). The Long Government index and Long Credit index each comprise approximately 5% of the Barclays Aggregate index such that these portions of securities currently owned can be retained and ultimately be transferred in-kind to the new target investment managers.

In summary, the proposed split weighting bifurcation of the Long Government/Credit fixed income index will allow the higher yielding, very diversified long credit bonds owned by SIF to largely be retained while reducing by approximately a 10% total portfolio weighting the much lower yielding U.S. long duration government bond portfolio. The overall SIF bond portfolio would still remain a very high quality portfolio on average but would be more diversified away from Treasury securities. The 37% Long Duration portfolio would have an average quality of A1, the 15% Aggregate portfolio would have an average quality of AA1/AA2 and the 17% TIPS portfolio would have an average quality of AAA for a blended average quality rating of AA2 for the entire 70% bond portfolio (including cash).

Transition Implementation Advantages

Under the proposed long duration fixed income benchmark split weightings, the two highest priority SIF portfolio mandate transitions (as presented by the CIO) can be funded and executed almost exclusively by means of selling U.S. Government bonds. As presented elsewhere before the Investment Committee at the May, 2009 meeting, the first priority SIF 15% target asset allocation mandate towards the intermediate duration Barclays Aggregate index estimated at $2.25 billion (assuming a $15 billion market value portfolio) and the second priority SIF 10% target asset allocation mandate towards the ACWI-ex U.S. international equity mandate of $1.5 billion can be funded virtually entirely from the sale of highly liquid government securities (21% long governments, 3% TIPS, 1% long credit including in-kinds). The sales of the government securities, especially Treasuries, can occur at very low transaction costs over only one or several days by a chosen transition manager. If an appropriate equal amount of long government and long credit bonds were the funding source for the Barclays Aggregate index target portfolio and the majority of the ACWI-ex U.S. index equity target portfolio, the sales of the long credit bonds would need to occur over many weeks at much higher transaction costs by a chosen transition manager in order to complete either priority target portfolio mandate. Furthermore, a transition execution strategy involving the sale of long credit bonds rather than only government bonds to fund the exposure to the Barclays Aggregate index would likely involve the sale of U.S. Treasury futures, whereas such futures positions could be avoided if only U.S. government bonds were sold to fund this transition.

In addition, sales of government bonds from the SIF portfolio can currently occur at significant net realized gains whereas sales of long duration credit bonds would be executed at significant realized losses.

BARCLAYS CAPITAL U.S. LONG GOVERNMENT/CREDIT INDEX

As of April 30, 2009

Portfolio Characteristics	
Number of Issues	1,096
Avg. Maturity (Yrs)	21.45
Avg. Yield to Maturity (%)	5.82
Avg. Modified Adj Duration (Yrs)	11.35
Avg. Quality	AA2/AA3

Ratings	(MV) %Index
Aaa	52.69
Aa	7.73
A	21.63
Baa	19.94
	100.00%

ASSET SECTOR	(MV) % Index	
U.S. Treasury	43.32	
U.S. Agencies	6.50	
U.S. Taxable Municipals	2.25	
U.S. Corporates:	34.80	
Industrials		20.62%
Financials		7.50
Utilities		6.68
Non-U.S. Credits:	13.14	
Corporates		7.29%
Sovereigns		3.82
Agency/Local Govt.		1.58
Supranationals		0.44
	100.00%	

(3/31/09) 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. LONG CREDIT INDEX

As of April 30, 2009

Portfolio Characteristics		**Ratings**	**(MV) %Index**
Number of Issues	967	Aaa	2.26
Avg. Maturity (Yrs)	24.33	Aa	14.89
Avg. Yield to Maturity (%)	7.55	A	43.11
Avg. Modified Adj Duration (Yrs)	10.97	Baa	39.74
Avg. Quality	A2/A3		100.00%

ASSET SECTOR	**(MV) % Index**	
U.S. Taxable Municipals	4.48	
U.S. Corporates:	69.35	
Industrials		41.08%
Financials		14.95
Utilities		13.32
Non-U.S. Credits:	26.17	
Corporates		14.53%
Sovereigns		7.62
Agency/Local Govt.		3.16
Supranationals		0.87
	100.00%	

Source: Barclays Capital Indices

BARCLAYS CAPITAL
U.S. LONG GOVERNMENT INDEX

As of April 30, 2009

Portfolio Characteristics		Ratings	(MV) %Index
Number of Issues	129	Aaa	99.49
Avg. Maturity (Yrs)	18.54	Aa	0.51
Avg. Yield to Maturity (%)	4.07%	A	0.00
Avg. Modified Adj Duration (Yrs)	11.73	Baa	0.00
Avg. Quality	AAA		100.00%

ASSET SECTOR	(MV) % Index
U.S. Treasury	86.96
U.S. Agencies	13.04
	100.00%

Securities rated Aa consist of subordinated debt issues of Fannie Mae and Freddie Mac.

BARCLAYS CAPITAL U.S. AGGREGATE INDEX

As of April 30, 2009

Portfolio Characteristics		Ratings	(MV) %Index
Number of Issues	8.894	Aaa	80.18
Avg. Maturity (Yrs)	5.94	Aa	3.68
Avg. Yield to Maturity (%)	4.06	A	9.12
Avg. Modified Adj Duration (Yrs)	3.96	Baa	7.03
Avg. Quality	AA1/AA2		100.00%

ASSET SECTOR	(MV) % Index	
U.S. Treasury	25.96	
U.S. Agencies	11.19	
MBS Pass-Thrus:	38.53	
FNMA		19.45%
FHLMC		13.99
GNMA		5.06
Commercial MBS	3.38	
Asset-Backed (ABS)	0.51	
Taxable Municipals	0.27	
U.S. Corporates:	14.99	
Industrials		7.54%
Financials		5.51
Utilities		1.95
Non-U.S. Credits:	6.39	
Corporates		2.63%
Agency/Local Govt.		1.59
Supranationals		1.12
Sovereigns		1.03
	100.00%	

(3/31/09) 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

State Insurance Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income – Credit Bonds	28~~37~~%	24~~33~~% - 32~~41~~%	Barclays Capital U.S. Long ~~Government /~~ Credit Index
Indexed Long Duration Fixed Income – U.S. Government Bonds	9%	6% - 12%	Barclays Capital U.S. Long Government 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: 28~~37~~% BC U.S. Long Credit ~~Gov/Credit Long Term~~ Index 9% BC U.S. Long Govt. 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

State Insurance Fund

Investment Category	Target Allocation	Permissible Range	Performance Benchmark
Indexed Long Duration Fixed Income – Credit Bonds	28%	24% - 32%	Barclays Capital U.S. Long Credit Index
Indexed Long Duration Fixed Income – U.S. Government Bonds	9%	6% - 12%	Barclays Capital U.S. Long Government 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%**		
Total State Insurance Fund	**100%**		Fund Performance Benchmark A weighted index consisting of: 28% BC U.S. Long Credit Index 9% BC U.S. Long Govt. 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

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Guy M. Cooper
Principal

4400 Comerica Bank Tower
1717 Main Street
Dallas, TX 75201
214 220 6252 Fax 214 220 6200
www.mercer.com

Memo

To: BWC Investment Committee
BWC Board of Directors

Date: May 27, 2009

From: Guy M. Cooper
Jordan Nault

Subject: Proposed Investment Policy Statement Revision

We have attached proposed changes to the Bureaus' Statement of Investment Policy to permit the overweighting of Long Duration Credit Bonds relative to Long Duration U.S. Government Bonds.

We believe this refinement of the investment strategy for the State Insurance Fund will improve both the yield and the total return of the State Insurance Fund, while providing for increased diversification. Computer modeling results also show improved funding ratio expectations for all time periods.

BWC Invested Assets
Estimated and Unaudited
As of May 27, 2009

May09 MV Decrease Bonds…………. .- $184 million (-1.4% return)
May09 MV Increase Equities…………+$ 83 million (+2.6% return)

May09 MV Decrease Bonds+Equities…- $101 million ($-92 mm SIF only)
(-0.6% 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 3/31/09……………..$1,523 million (-$980 mm FYTD)
BWC Net Assets 4/30/09……………..$1,543 million (-$960 mm FYTD)

BWC Asset Allocation MV 5/27/09

Bonds*…………	$12,704 million	77.0%
Equities*………….	3,307 million	20.0%
Cash……………..	489 million	3.0%
TOTAL………...	$16,500 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 Jan-Mar09………… -4.8% (-$798 million net inv. income)
Portfolio Return Apr09………………. +0.5% (+$85 million net inv. income)
Portfolio Return FY09 thru Apr09 ….. -4.9% (-$862 million net inv. income)
(returns above not additive)
Portfolio Return Jan-Apr09………….. -4.3%

Portfolio Return May09 MTD………. -0.6%

Prepared by: Bruce Dunn, CFA
BWC Chief Investment Officer

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Guy M. Cooper
Principal

4400 Comerica Bank Tower
1717 Main Street
Dallas, TX 75201
214 220 6252 Fax 214 220 6200
www.mercer.com

Memo

To:	BWC Investment Committee
	BWC Board of Directors
Date:	May 28, 2009
From:	Guy M. Cooper
	Jordan Nault
Subject:	Transition to Barclay's Capital Aggregate Bond Index portfolio

We concur with the recommendation of the Chief Investment Officer to proceed with the hiring of a transition manager for the purpose of implementing the transition from long duration fixed income to a position in the Barclay’s Aggregate Index.

BWC Investment Division Acronyms

ABCP	Asset Backed Commercial paper
ABS	Asset Backed Security
ACH	Automated Clearing House
ACWI	All Countries World Index
ACWI exUS	All Countries World Index, without United States
ADR	American Depository Receipt
ADV	Advisor; (SEC Form ADV)
ARM	Adjustable Rate Mortgage
BA	Banker's Acceptance
BWC	Bureau of Workers' Compensation
CAPEX	Capital Expenditures
CBOE	Chicago Board of Options Exchange
CBOT	Chicago Board of Trade
CD	Certificate of Deposit
CFA	Chartered Financial Analyst
CIO	Chief Investment Officer
CMA	Certified Management Accountant
CP	Commercial Paper
CPA	Certified Public Accountant
CPI	Consumer Price Index
CTP	Certified Treasury Professional
CUSIP	Committee on Uniform Securities Identification Procedures
DDA	Demand Deposit Account
DJIA	Dow Jones Industrial Average
DRIP	Divident Reinvestment Plan
DTC	Depository Trust Corporation
DVP	Delivery Versus Payment
EAFE	Europe, Australasia, Far East
EBIT	Earnings before Interest & Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation & Amortization
EIF	Enhanced Index Fund
EPS	Earnings Per Share
ERISA	Employee Retirement Income & Security Act
ETF	Exchange Traded Fund
EV	Expected Value
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FMV	Fair Market Value
FNMA	Federal National Mortgage Association
FOREX	Foreign Exchange
FV	Future Value
FX	Foreign Exchange
FY	Fiscal Year
FYTD	Fiscal Year To Date
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GDP	Gross Domestic Product
GIC	Government Insured Contract
GIPS	Global Investment Performance Standards
GNMA	Government National Mortgage Association
GO	General Obligation
IO	Interest Only
IPO	Initial Public Offering
IRA	Individual Retirement Account
IRR	Internal Rate of Return
K	Thousand
LBO	Leveraged Buy Out
LIBOR	London InterBank Offered Rate
LLC	Limited Liability Company
LOC	Line of Credit
LP	Limited Partnership
LTV	Loan To value
M&A	Merger and Acquisitions
MBS	Mortgage Backed Security
MM	Million
MMKT	Money Market
MSCI	Morgan Stanley Capital International
NAIC	National Association of Insurance Commissioners
NAREIT	National Association of Real Estate Investment Trusts
NASDAQ	Nat'l Assoc of Securities Dealers Automated Quotation System
NAV	Net Asset value
NRSRO	Nationally Recognized Statistical Rating Organization
NYSE	New York Stock Exchange
OTC	Over The Counter
P&I	Principal and Interest
P&L	Profit and Loss
P/E	Price to Earnings
PE	Private Equity
PO	Principal Only
PPI	Producer Price Index
PPS	Price Per Share
PV	Present Value
QIB	Qualified Institutional Buyer
RE	Real Estate
REIT	Real Estate Investment Trust
RFI	Request For Information
RFP	Request For Purchase
RFQ	Request For Quote
S&P500	Standard & Poor's 500 Index
SEC	Securities and Exchange Commission
SIV	Structured Investment Vehicle
SLMA	Student Loan Marketing Association
SPDR	Standard & Poor's Depository Receipts
SWIFT	Society for Wolrdwide Inter-bank Fund Transfer
TALF	Term Asset backed Securities Loan Facility
TARP	Troubled Assets Relief Program
TBA	To Be Announced
TD	Time Deposit
TIPS	Treasury Inflation Protected Securities
TOS	Treasurer of State
TVA	Tennessee Valley Authority
USD	U.S. Dollars
VRDN	Variable Rate Demand Note
WAC	Weighted Average Cost
WAM	Weighted Average Maturity
WSJ	Wall Street Journal
YOY	Year Over Year
YTC	Yield To Call
YTD	Year To Date
YTM	Yield To Maturity
YTW	Yield To Worst

NRSRO 'INVESTMENT GRADE' RATINGS

MOODY'S	S & P	FITCH	Definitions
Aaa	**AAA**	**AAA**	Highest Quality, Extremely Strong
Aa1	**AA+**	**AA+**	High Quality, Very Strong
Aa2	**AA**	**AA**	High Quality, Very Strong
Aa3	**AA-**	**AA-**	High Quality, Very Strong
A1	**A+**	**A+**	Upper-Medium Grade, Strong
A2	**A**	**A**	Upper-Medium Grade, Strong
A3	**A-**	**A-**	Upper-Medium Grade, Strong
Baa1	**BBB+**	**BBB+**	Medium Grade, Adequate
Baa2	**BBB**	**BBB**	Medium Grade, Adequate
Baa3	**BBB-**	**BBB-**	Medium Grade, Adequate

Created by BWC Investment Division
May 2009

BUREAU OF WORKERS' COMPENSATION
BOARD AND COMMITTEE SELF-ASSESSMENT

June 2009

1 = Room for Improvement
3 = Satisfied
5 = Area of Considerable Strength

1. I believe I am well informed about the BWC's:

• Mission and strategic plans	1 2 3 4 5
• Insurance business	1 2 3 4 5
• Actuarial soundness	1 2 3 4 5
• Investment Portfolio	1 2 3 4 5
• Financial performance	1 2 3 4 5

Comments:

2. I believe the information I am sent for Board and Committee meetings is:

• Timely	1 2 3 4 5
• Complete	1 2 3 4 5
• Understandable	1 2 3 4 5

Comments:

3. I believe I receive information of sufficient clarity and quality to enable me to understand BWC's business and financial risks. 1 2 3 4 5

Comments:

4. I believe management's regular presentations on various aspects of the BWC's business are:

• Clear and understandable	1 2 3 4 5
• Helpful in providing an accurate picture of the BWC's performance.	1 2 3 4 5

Comments:

5. The process by which the Board evaluates the Administrator's performance works well. 1 2 3 4 5

Comments:

6. I believe the rationale for proposed Board and Committee actions is adequately explained prior to action being taken. 1 2 3 4 5

Comments:

7. The pre-meeting reading materials are generally helpful and relevant. 1 2 3 4 5

Comments:

8. I am satisfied with the conduct of Board meetings in these respects:

• Agendas	1 2 3 4 5
• Opportunity for discussion	1 2 3 4 5
• Frequency	1 2 3 4 5

Comments:

9. Overall, I believe each of the Board's committees work well.

• Actuary Committee	1 2 3 4 5
• Audit Committee	1 2 3 4 5
• Investment Committee	1 2 3 4 5
• Governance Committee	1 2 3 4 5

Comments:

10. I believe the Board's review of the BWC's audit, audit process, accounting policies and financial statements enables me to gain a clear picture of the state of BWC's financial position. 1 2 3 4 5

Comments:

11. Overall, I believe I am provided the resources and tools I need to effectively exercise my fiduciary and oversight responsibilities. 1 2 3 4 5

Comments:

12. Overall, I believe the Board makes the appropriate use of the skills and experience of its members. 1 2 3 4 5

Comments:

13. Overall, I believe the Board engages in full and candid discussions of the issues before it and personally feel comfortable expressing my views at Board and Committee meetings. 1 2 3 4 5

Comments:

14. If there is one change I would make, it is . . .

____
Signature (optional)

DATE: May 28, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Asset Allocation Change Implementation Recommendation**
Monthly Fixed Income Interest Income Redemption/Reinvestment in Equities
State Insurance Fund

Upon recommendation by the BWC Investment Committee, the BWC Board of Directors approved a new Investment Policy Statement of the Bureau on April 30, 2009 that included a new investment portfolio asset allocation mix for the State Insurance Fund (SIF) portfolio. An important change to the SIF asset allocation targets reflected in the new IPS was a reduction in the fixed income target to 70% from 80%, with this 10% fixed income ownership reduction redirected to the equities asset class which increased from 20% to 30%.

It is recommended by the CIO that a first step in executing a 10% portfolio allocation weighting shift for SIF from fixed income to equities would be the redemption of monthly bond cash interest received from each passive index managed fixed income account, with all such redemption proceeds to be redirected to equities investments. The monthly redemptions of bond cash interest received is an efficient action that does not require each fixed income manager to sell securities and incur transaction costs in order to reduce the SIF fixed income allocation per the new IPS. In order to minimize tracking error (performance variation) to the respective fixed income benchmark indices, it is recommended by the CIO that monthly cash interest income received from each SIF fixed income account be redeemed on the last trading day of each month and be redirected and reinvested in an appropriate SIF equity mandate managed by an approved BWC investment manager.

There are three fixed income accounts of SIF currently under separate account management from which monthly cash interest income would be redeemed. These accounts, with approximate current market values, consist of Long Duration Fixed Income passive indexed portfolios managed by State Street ($7.0 billion) and Barclays ($1.5 billion) as well as the passive indexed TIPS portfolio managed by State Street ($3.1 billion). Based on recent projections, it is estimated that approximately **$140 million** in cash interest income will be received in the three months May through July 2009 ($62mm May; $29mm June; $49mm July).

Until such time as a transition manager is contracted by BWC to begin to effect the transition to the ACWI ex-U.S. equity benchmark index with funding from bond sales, all cash interest redeemed from these three fixed income accounts would be reinvested in the passive indexed S&P 500 account managed by Northern Trust. Once the transition manager is contracted by BWC to purchase assets consistent with the SIF portfolio objective to obtain investment exposure to the target ACWI ex-U.S. benchmark index, all future redemptions of cash interest income from the SIF fixed income managers could then be applied to help fund the transition manager to build the desired exposure to the ACWI ex-U.S. benchmark.

This recommended program to redeem such monthly cash interest income would be discontinued once both the respective target weightings of the two new SIF equity mandates (Russell 3000 index at 20% target weight and ACWI ex-U.S. index at 10% target weight) are achieved.

DATE: May 28, 2009

TO: BWC Investment Committee
BWC Board of Directors

FROM: Bruce Dunn, CFA, Chief Investment Officer

SUBJECT: **Asset Allocation Change Implementation Recommendation**
Sell Long Duration Fixed Income/Buy Barclays U.S. Aggregate Fixed Income
State Insurance Fund

Background

Reference is made by the CIO to a report dated May 28, 2009 submitted by the BWC Investment Division to the BWC Investment Committee of the Board of Directors addressing proposed Asset Allocation Change Implementation priorities and transition options pertaining to the new asset allocation targets for the State Insurance Fund. This referenced report identifies the five distinct portfolio mandates approved for the State Insurance Fund (SIF) by the BWC Board of Directors on April 30, 2009. In the opinion of the CIO and supported by the BWC Investment Division, the highest priority new asset allocation mandate for SIF is to achieve a 15% portfolio weighting to the Barclays U.S. Aggregate fixed income benchmark index for the dual purpose of reducing the duration and consequent price volatility of the SIF fixed income portfolio as well as to significantly increase its diversification by bond market sectors and credit exposure.

An implementation strategy to achieve this highest priority asset allocation transition is provided by the CIO in the referenced report. It is the desire of the CIO to execute this transition with an approved transition manager over the timeframe outlined on page eight of the referenced report for what is termed as the 21st Century transition strategy option. This estimated $2.25 billion transition would involve the sale of long U.S. government bonds from the current SIF passive indexed long duration fixed income portfolios as proceeds are needed by the transition manager to fund the purchase of bond investments to closely replicate the performance of the Barclays U.S. Aggregate index. This strategy is specifically laid out on this page eight of the referenced report and would not involve the use of futures contracts by the transition manager. The use of Mortgage Backed Securities Pass-Thru TBA contracts (To Be Announced mortgage pools) for future delivery of Ginnie Mae, Fannie Mae and Freddie Mac residential mortgage-backed securities (all rated “AAA”) would be employed by the transition manager as the most efficient strategy exercised to obtain the large requisite exposure of mortgage-backed pass-through securities in the target benchmark index. TBA’s are defined as a derivative in the BWC Investment Policy Statement and are a permitted investment class if confined to these three identified U.S. government agency issuers.

Recommendation

It is the recommendation of the CIO that the BWC investment staff be given approval to implement what is deemed to be the highest priority transition mandate described herein and as outlined on page eight of the referenced report under what is termed the 21st Century Transition strategy option, beginning in July, 2009.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Guy M. Cooper
Principal

4400 Comerica Bank Tower
1717 Main Street
Dallas, TX 75201
214 220 6252 Fax 214 220 6200
www.mercer.com

Memo

To:	BWC Investment Committee
	BWC Board of Directors
Date:	May 28, 2009
From:	Guy M. Cooper
	Jordan Nault
Subject:	Reinvestment of SIF bond interest income into equities

We concur with the recommendation of the Chief Investment Officer to reinvest month-end bond interest in equities to work toward increasing the equity allocation to its new target of 30% of total SIF assets.

INVESTMENT DIVISION

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

FROM: Bruce Dunn, CFA, Chief Investment Officer

DATE: May 18, 2009

SUBJECT: CIO Report April, 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 for review in March, 2009. The BWC Investment Division 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. A new Investment Policy Statement was presented to the Investment Committee at its April 28, 2009 meeting and was approved by the Investment Committee and BWC Board of Directors at their respective April, 2009 meetings. The Investment Division has also assisted Mercer in developing this approved Investment Policy Statement that, among other things, reflects the new approved investment strategy target asset allocation for the State Insurance Fund. 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 for the State Insurance Fund and, in due time, for the ancillary funds of the Bureau. A timeline regarding both the issuance of a master RFP reflecting the five new investment manager mandates for the State Insurance Fund and prioritization suggestions on each mandate will be presented to the Investment Committee at the May 28, 2009 meeting. Given the assumption that multiple RFP processes will be necessary to execute the new investment strategy, a prioritization of the timing of each RFP process 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.

A presentation on asset allocation transition implementation strategy options involving the use of transition managers will be presented to the Investment Committee for consideration at the May meeting as well. After each new investment manager for each identified investment asset class mandate is selected and approved, the Investment Division will coordinate with the engagement of a selected transition manager 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. Two additional small miscellaneous securities were sold over March and April for total proceeds of approximately $19,000.

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 April, 2009.

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. 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. A transition management RFP summary presentation that identifies transition manager finalists will be presented to the Investment Committee at the May 28 meeting for consideration and approval.

Transition manager services and requisite trading activities will be coordinated with the implementation of the new BWC asset allocation investment strategy for the State Insurance Fund 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.

12-month Investment Committee Calendar

Date	May	Notes
5/28/2009	1. Transition Manager RFP summary report and finalists recommendation, vote 2. Passive Indexed Investment Manager Master RFP issuance, possible vote 3. New SIF Asset Allocation Implementation Strategy Options, possible vote 4. Investment Consultant Performance Report 1Q09 5. Proposed IPS revision regarding LDFI benchmark index, first review	
Date	**June**	
6/18/2009	1. New SIF Asset Allocation Implementation Strategy Options, vote if not voted on at 5/28/09 meeting 2. Proposed IPS revision regarding LDFI benchmark index, possible vote 3. Proposed IPS revision regarding derivatives use, possible vote	
Date	**July**	
7/30/2009	1. BWC Investment Division Goals FY2010 2. Mercer High Yield Bond education	
Date	**August**	
8/27/2009	1. Investment Consultant Performance Report 2Q09 2. Mercer High Yield Bond education	
	September	
9/24/2009	1. Passive Indexed Investment Manager RFP finalists recommendation, possible vote 2. DWRF and Black Lung Asset/Liability report and recommendation, first review 3. Brokerage Activity Fiscal Year 2009 summary report	
Date	**October**	
10/29/2009	1. Passive Indexed Investment Manager RFP finalists recommendation, possible vote 2. Investment class performance/value annual report [ORC 4121.12(F)(12)], possible vote 3. DWRF and Black Lung Asset/Liability report and recommendation, second review, possible vote 4. Custodian annual review 5. Mercer Alternative Asset classes education	

12-month Investment Committee Calendar

Date	Month	Notes
	November	
11/19/2009	1. Passive Indexed Investment Manager RFP finalists recommendation, possible vote 2. Investment Consultant Performance Report 3Q09 3. Mercer Alternative Asset classes education	
Date	**December**	
12/17/2009	1. Passive Indexed Investment Manager RFP finalists recommendation, possible vote	
Date	**January 2010**	
TBD		
	February 2010	
TBD	1. Investment Consultant Performance Report 4Q09	
	March 2010	
TBD		
Date	**April 2010**	
TBD		