

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

<u>Asset Sector</u>	<u>Market Value Aug 31, 2009</u>	<u>% Assets</u>	<u>Market Value July 31, 2009</u>	<u>% Assets</u>	<u>Increase(Decrease) Prior Month-End</u>	<u>% Change</u>	<u>Market Value June 30, 2009</u>	<u>% Assets</u>	<u>Increase (Decrease) Prior Fiscal Year-End</u>	<u>% Change</u>
Bonds	13,225,056,440	71.9%	\$13,259,913,391	74.9%	(34,856,951)	-0.3%	\$13,230,413,310	76.9%	(5,356,870)	0.0%
Equity	4,340,579,657	23.6%	3,839,255,509	21.7%	501,324,148	13.1%	3,522,150,726	20.5%	818,428,931	23.2%
Net Cash - OIM	95,377,089	0.5%	215,769,179	1.2%	(120,392,090)	-55.8%	27,624,432	0.2%	67,752,657	245.3%
Net Cash - Operating	673,081,272	3.7%	342,572,023	1.9%	330,509,249	96.5%	366,634,742	2.1%	306,446,530	83.6%
Net Cash - SIEGF	51,505,849	0.3%	54,127,633	0.3%	(2,621,784)	-4.8%	54,583,234	0.3%	(3,077,385)	-5.6%
Total Net Cash	819,964,210	4.5%	612,468,835	3.5%	207,495,375	33.9%	448,842,408	2.6%	371,121,802	82.7%
Total Invested Assets	\$18,385,600,307	100%	\$17,711,637,735	100%	\$673,962,572	3.8%	\$17,201,406,444	100%	\$1,184,193,863	6.9%

OIM: Outside Investment Managers

SIEGF: Self-Insured Employers' Guaranty Fund

Market Value of Bonds and Stocks includes accrued investment income.

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

August 2009/July 2009 Comparisons

- Net investment income in August 2009 was \$365 million representing a monthly net portfolio return of +2.0% (unaudited).
- Bond market value decrease of \$(34.9) mm comprised of \$76.2 mm in interest income and \$150.1 mm in OIM realized/unrealized gains (\$28.9 mm net realized gain), offset by \$256.2 mm in OIM/TM net sales/redemptions and \$5.0 mm in OIM redemptions for DWRP operations, representing a monthly net return of +1.7% (unaudited).
- Equity market value increase of \$501.3 mm comprised of \$9.2 mm of dividend income, \$129.4 mm in net realized/unrealized gains (\$1.1 mm net realized loss) and \$362.7 mm in OIM/TM net purchases, representing a monthly net return of +3.5% (unaudited).
- Net cash balances increased \$207.5 mm in August 2009 largely due to increased operating cash balances (\$330.5 mm) and by decreased OIM cash balances (\$120.4 mm). JPMorgan US Govt. money market fund had 30-day average yield of 0.20% for August 2009 (0.24% for July09) and 7-day average yield of 0.19% on 8/31/09 (0.22% on 7/31/09).

August 2009/June 2009 FYTD Comparisons

- Net investment income for FY2010 was \$897 million comprised of \$156 mm of interest income, \$742 mm of net realized/unrealized gains (\$103 million net realized loss) and \$1 mm in fees, representing a FY09 net portfolio return of +5.2% (unaudited).
- Bond market value decrease of \$(5) mm for FY2010 comprised of \$140 mm in interest income, \$357 mm of net realized/unrealized gains (\$92 mm net realized loss), offset by \$447 mm in OIM/TM net bond sales and \$55 mm in OIM rebalancing redemptions, representing a FY10 net return of +3.8% (unaudited).
- Equity market value increase of \$818 mm for FYTD comprised of \$14 mm in dividend income, \$385 mm in realized/unrealized gains (\$11 mm net realized loss), \$364 mm in OIM/TM net purchases and \$55 mm in portfolio rebalancing purchases directed to OIM, representing a FY10 net return of +11.3% (unaudited).

Ohio Bureau of Workers' Compensation Investment Asset Allocation - Combining Schedule

As of August 31, 2009

(in thousands)

	SIF	% Trust	DWRF	% Trust	BLF	% Trust	PWRF	% Trust	MIF	% Trust	SIEGF	% Trust	ACF	% Trust	Totals	% of Total
Bonds	\$ 12,070,405	71.5%	\$ 917,326	78.4%	\$ 196,188	78.7%	\$ 23,546	99.0%	\$ 17,591	99.0%	\$ -	0.0%	\$ -	0.0%	\$ 13,225,056	71.9%
Long Credit	4,814,950	28.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,814,950	26.2%
Long Government	1,712,265	10.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,712,265	9.3%
Long Gov/Credit	-	0.0%	675,558	57.7%	145,546	58.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	821,104	4.5%
TIPS	3,201,629	19.0%	241,768	20.7%	50,642	20.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,494,039	19.0%
Aggregate	2,341,561	13.9%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,341,561	12.7%
Intermediate Gov/Credit	-	0.0%	-	0.0%	-	0.0%	23,546	99.0%	17,591	99.0%	-	0.0%	-	0.0%	41,137	0.2%
Stocks	4,045,388	24.0%	243,876	20.8%	51,316	20.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,340,580	23.6%
Russell 3000	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
MSCI ACWI ex-U.S.	355,760	2.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	355,760	1.9%
S&P 500	3,675,679	21.8%	243,316	20.8%	51,198	20.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,970,193	21.6%
Dividends Receivable	10,056	0.1%	560	0.0%	118	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	10,734	0.1%
Miscellaneous	3,893	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,893	0.0%
Net Cash & Cash Equivalents	756,218	4.5%	9,205	0.8%	1,631	0.7%	244	1.0%	178	1.0%	51,506	100.0%	982	100.0%	819,964	4.5%
Total Cash & Investments	\$ 16,872,011	100.0%	\$ 1,170,407	100.0%	\$ 249,135	100.0%	\$ 23,790	100.0%	\$ 17,769	100.0%	\$ 51,506	100.0%	\$ 982	100.0%	\$ 18,385,600	100.0%

Market value of Bonds includes accrued investment income.

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

State Insurance Fund (SIF)

Overall SIF allocation from 80% bonds/20% stocks to 70% bonds/30% stocks continued to progress in August, 2009 (transitions initiated in July, 2009). The remaining Long Credit/Government split (75% completed last month) was completed (the remaining 25%) as well as the US Aggregate in August, 2009. The International Equity transition (MSCI ACWI ex-U.S.) was initiated in August (targeted at 10% at full implementation anticipated for late 2009). SIF stock allocation increased from 21.9% to 24.0% as a result of the initiation of this international equity mandate. Transitions are anticipated to continue throughout the remainder of 2009 and into First Quarter, 2010.

The S&P 500 Index continued its month over month performance increase albeit at a slower pace - up 3.6% for August, 2009. All bond performance indices increased as well ranging between 0.88% to 2.29% for August, 2009. In particular, Barclays Capital Long Credit Index increased 2.29% for August, 2009 (28% of SIF's total target allocation).

Cash allocations increased as a result of SIF operating cash increases largely due to premium collection and transition activity, resulting in a month end allocation of 4.5% versus 3.3% month end July, 2009.

Disabled Workers' Relief and Coal Workers' Pneumoconiosis Funds (DWRF and BLF)

Mercer Consultants anticipate completion of an asset/liability study in the Fall of 2009.

PWRF, MIF, SIEGF

No changes to asset allocations are anticipated in Fiscal Year 2010.

	Fund Asset Allocation:			
	Equity	Bonds	Cash	Total
SIF	30%	69%	1%	100%
DWRF	20%	79%	1%	100%
BLF	20%	79%	1%	100%
PWRF		99%	1%	100%
MIF		99%	1%	100%
SIEGF			100%	100%
ACF	Not Applicable			

SIF: State Insurance Fund

DWRF: Disabled Workers' Relief Fund
BLF: Coal Workers' Pneumoconiosis Fund

PWRF: Public Workers' Relief Fund
MIF: Marine Industry Fund

SIEGF: Self-Insured Employers Guaranty Fund
ACF: Administrative Cost Fund

Ohio Bureau of Workers' Compensation Investment Asset Allocation - Combining Schedule

As of July 31, 2009

<i>(in thousands)</i>	SIF	% Trust	DWRF	% Trust	BLF	% Trust	PWRF	% Trust	MIF	% Trust	SIEGF	% Trust	ACF	% Trust	Totals	% of Total
Bonds	\$ 12,118,951	74.8%	\$ 906,006	78.9%	\$ 194,220	79.6%	\$ 23,316	98.9%	\$ 17,420	98.9%	\$ -	0.0%	\$ -	0.0%	\$ 13,259,913	74.9%
Long Credit	3,844,441	23.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,844,441	21.7%
Long Government	1,275,412	7.9%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,275,412	7.2%
Long Gov/Credit	1,633,169	10.1%	666,414	58.0%	144,034	59.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,443,617	13.8%
TIPS	3,172,797	19.6%	239,592	20.9%	50,186	20.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,462,575	19.5%
Aggregate	2,193,132	13.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,193,132	12.4%
Intermediate Gov/Credit	-	0.0%	-	0.0%	-	0.0%	23,316	98.9%	17,420	98.9%	-	0.0%	-	0.0%	40,736	0.2%
Stocks	3,554,652	21.9%	235,129	20.5%	49,475	20.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,839,256	21.7%
Russell 3000	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
MSCI ACWI ex-U.S.	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
S&P 500	3,545,160	21.9%	234,808	20.5%	49,408	20.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,829,376	21.7%
Dividends Receivable	5,489	0.0%	321	0.0%	67	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	5,877	0.0%
Miscellaneous	4,003	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,003	0.0%
Net Cash & Cash Equivalents	538,252	3.3%	6,993	0.6%	219	0.1%	257	1.1%	194	1.1%	54,128	100.0%	12,426	100.0%	612,469	3.5%
Total Cash & Investments	\$ 16,211,855	100.0%	\$ 1,148,128	100.0%	\$ 243,914	100.0%	\$ 23,573	100.0%	\$ 17,614	100.0%	\$ 54,128	100.0%	\$ 12,426	100.0%	\$ 17,711,638	100.0%

Market value of Bonds includes accrued investment income.

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

State Insurance Fund - Transitions into new asset allocations began in July, 2009. The Long Credit and Long Government split was approximately 75% complete by the end of July, 2009. The U.S. Aggregate transition as well as the remaining Long Credit and Long Government split is anticipated to be fully completed mid-August, 2009. Transitions are anticipated to continue throughout the remainder of 2009 and into First Quarter, 2010.

The S&P 500 Index benchmark increased 7.56% in return for the month of July. This resulted in an increase in equity asset allocation from 20.5% to 21.7% over the month of July, 2009. The strong performance in equities caused a reduction in the bond asset allocation. Cash allocations increased as a result of SIF portfolio transitions, also causing a decline in the bond asset allocation.

Disabled Workers' Relief and Coal Workers' Pneumoconiosis Funds - Mercer Consultants anticipate completion of an asset/liability study in the Fall of 2009.

PWRF, MIF, SIEGF - No changes to asset allocations are anticipated in Fiscal Year 2010.

	Fund Asset Allocation:			Total
	Equity	Bonds	Cash	
SIF	30%	69%	1%	100%
DWRF	20%	79%	1%	100%
BLF	20%	79%	1%	100%
PWRF		99%	1%	100%
MIF		99%	1%	100%
SIEGF			100%	100%
ACF	Not Applicable			

SIF: State Insurance Fund

DWRF: Disabled Workers' Relief Fund

BLF: Coal Workers' Pneumoconiosis Fund

PWRF: Public Workers' Relief Fund

MIF: Marine Industry Fund

SIEGF: Self-Insured Employers Guaranty Fund

ACF: Administrative Cost Fund

BWC Annual Brokerage Activity Summary Report

The Investment Policy Statement requires the OBWC Investment Division to report to the Board on at least an annual basis summary trade activity by brokerage firm and communicate any unusual trading activity to the Board in a timely manner.

Definition

A broker/dealer is defined as an agent/principal or intermediary that is paid a commission.

Transaction Costs

Equity securities commissions are explicitly reported by broker. Fixed income securities transaction fees are set by the dealer and built into the price of the bond.

BWC Annual Brokerage Activity Summary Report

Fixed Income Summary for Fiscal Year 2009
July 1, 2008 through June 30, 2009

Fund	Market Value Traded	% Market Value Traded
<i>SIF</i>	\$ 5,110,414,995	92.3%
<i>DWRF</i>	\$ 343,088,284	6.2%
<i>COAL</i>	\$ 84,033,662	1.5%
<i>PWRF</i>	\$ 0	0.0%
<i>MIF</i>	\$ 0	0.0%
<i>Total</i>	\$ 5,537,536,941	100.0%

BWC Annual Brokerage Activity Summary Report

Fiscal Year 2009

All Funds Fixed Income Broker Activity Summary*

July 1, 2008 through June 30, 2009

Broker	Market Value Net Amount	Market Value % Net Amount of Total	Broker	Market Value Net Amount	Market Value % Net Amount of Total
JPMORGAN	\$ 861,526,181	15.56%	GREENWICH CAPITAL	37,975,067	0.69%
GOLDMAN SACHS	804,067,229	14.52%	BNP PARIBAS	33,796,313	0.61%
CITIGROUP	758,571,916	13.70%	HSBC SECURITIES	24,381,154	0.44%
BARCLAYS	534,318,984	9.65%	BEAR STEARNS	22,778,569	0.41%
BANK OF AMERICA	484,759,506	8.75%	KEYBANC	10,571,954	0.19%
DEUTSCHE BANC	431,925,593	7.80%	PERSHING	8,644,846	0.15%
BANK OF NEW YORK	431,400,462	7.79%	CIBC WORLD	3,510,655	0.06%
MORGAN STANLEY	249,882,758	4.51%	STIFEL NICOLAUS	2,697,415	0.05%
LEHMAN BROS	233,257,064	4.21%	FIRST INTERSTATE BANK OF OK	2,000,776	0.04%
CREDIT SUISSE FIRST BOSTON	141,148,017	2.55%	ROBERT W BAIRD	873,128	0.02%
MERRILL LYNCH	127,009,556	2.29%	MESIROW CAPITAL	845,998	0.02%
WACHOVIA	117,292,764	2.12%	NATIONAL FINANCIAL SERVICES	500,000	0.01%
UBS	102,414,600	1.85%	SCOTT & STRINGFELLOW	473,913	0.01%
RBC DAIN	68,287,924	1.23%	STERNE AGEE & LEACH	257,577	0.00%
FTN FINANCIAL	42,366,527	0.77%	SOUTHWEST SECURITIES	495	0.00%
			GRAND TOTAL	\$5,537,536,941	100.00%

* Source: JPMorgan Custodian

BWC Annual Brokerage Activity Summary Report

Equity Summary for Fiscal Year 2009
July 1, 2008 through June 30, 2009

Fund	Total Shares	Total Commissions	Commission Per Share
<i>SIF</i>	49,708,751	\$ 196,573	\$ 0.0040
<i>DWRF</i>	3,358,976	\$ 15,786	\$ 0.0047
<i>COAL</i>	620,581	\$ 2,905	\$ 0.0047
<i>PWRF</i>	0	\$ 0	\$ -
<i>MIF</i>	0	\$ 0	\$ -
<i>TOTAL</i>	53,688,308	\$ 215,264	\$ 0.0040

BWC Annual Brokerage Activity Summary Report

Fiscal Year 2009				
All Funds Equity Broker Activity Summary*				
July 1, 2008 through June 30, 2009				
Broker	Market Value Traded	Shares	Commission	% of Total Commissions
DEUTSCHE BANC	\$ 767,116,475	28,917,401	\$ 141,376	65.68%
CITIGROUP	213,185,208	9,194,395	21,247	9.87%
GOLDMAN SACHS	123,750,625	5,000,160	18,969	8.81%
MERRILL LYNCH	90,249,594	3,800,036	16,689	7.75%
JPMORGAN	70,719,595	2,722,688	12,346	5.74%
CREDIT SUISSE FIRST BOSTON	44,212,287	1,974,646	2,521	1.17%
INVESTMENT TECH	1,801,905	304,807	1,794	0.83%
UBS	414,264	16,400	164	0.08%
LEHMAN BROS	2,403,341	65,649	114	0.05%
STUART FRANKEL	116,757	4,431	44	0.02%
MORGAN STANLEY	26,716,092	1,553,995	-	0.00%
BANK OF AMERICA	2,948,085	133,700	-	0.00%
GRAND TOTAL	\$ 1,343,634,228	53,688,308	\$215,264	100.00%

* Source: JPMorgan Custodian

INVESTMENT DIVISION

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

FROM: Bruce Dunn, CFA, Chief Investment Officer

DATE: September 16, 2009

SUBJECT: CIO Report August, 2009

Fiscal Year 2010 Goals

The Investment Division has three major goals for the new fiscal year 2010. These goals and brief comments on action plans for each goal follow:

1. Provide support and execute new BWC Investment Policy resulting from investment consultant Asset-Liability studies.
2. Explore for investment consideration and subsequently initiate implementation processes pertaining to appropriate identified subject matters.
3. Continued establishment and execution of appropriate internal investment controls and compliance procedures.

Strategic Goal One – PORTFOLIO TRANSITION

BWC investment consultant Mercer completed an asset-liability study and related investment strategy recommendation for the State Insurance Fund that was approved by the Investment Committee and BWC Board of Directors at their respective March, 2009 meetings. A new Investment Policy Statement reflecting the new approved investment strategy target asset allocation for the State Insurance Fund was approved by the Investment Committee and BWC Board of Directors at their respective April, 2009 meetings.

As a result of these important actions, the Investment Division issued an RFP document on July 2, 2009 for Passive Index Management Services inviting proposals from qualified passive index investment managers for one or more of eight investment class mandates, six of which are the benchmark index mandates for the State Insurance Fund under its new targeted portfolio asset allocation as well as two holdover benchmark index mandates that remain applicable for the Disabled Workers Fund and the Coal Workers Fund.

The Bureau received four qualified responses to this RFP on August 4, 2009. The RFP Evaluation Committee has begun to evaluate these RFP responses and will conduct a thorough and complete RFP evaluation process with the intention to present finalists for recommendation to the Investment Committee and Board of Directors at the monthly scheduled meetings over the period September through December, 2009.

During the interim period until these finalist managers are identified and ultimately approved by the Board and under contract, a detailed asset allocation transition implementation plan approved by the Investment Committee and BWC Board of Directors at their respective May, 2009 meetings is being executed by the Investment Division with recently approved BWC transition managers. This plan identified five distinct asset class transitions and prioritized each transition with an expected timeline. This plan will enable the State Insurance Fund to achieve its targeted asset class mandate exposure for its approved new asset class mandates (intermediate duration bonds, international equities, small/mid cap U.S. equities represented in the Russell 3000 index) months sooner than when a new target asset manager can be funded.

The Investment Division will support investment consultant Mercer as necessary to perform and complete asset-liability studies on each of four speciality trust funds (Disabled Workers Fund, Coal Workers Fund, Public Work-Relief Employees Fund, Marine Industry Fund) for the purpose of presenting investment strategy recommendations for each of these funds for consideration by the Investment Committee and Board.

The Investment Division will also provide assistance as desired by the Investment Committee in revising the BWC Investment Policy Statement to accommodate the implementation and execution of new asset class mandates for all affected BWC portfolios.

Strategic Goal Two – NEW INVESTMENT CONSIDERATIONS

Over the course of fiscal year 2010, the Investment Division intends to explore for investment consideration certain additional identified asset classes as well as the potential employment of active investment management of certain to be identified asset classes. The employment of active management is closely associated with any prospective minority manager program to be implemented by the Investment Division upon consideration and approval by the Investment Committee and Board.

The Mercer asset-liability study for the State Insurance Fund presented to the Investment Committee in March, 2009 suggests in its Mix 5 strategy that a 5% asset allocation to high yield bonds and a further 5% asset allocation to alternative investments (2 ½ % to each of private equity and real estate) provides a higher long-term expected portfolio rate of return and lower standard deviation of expected returns than alternative mixes presented in this Mercer study that either exclude one or both of these two asset classes.

A three-step phase timeline for addressing investment policy decisions was presented by Mercer in its asset-liability study that logically addresses each of these investment considerations mentioned above. The Investment Division is in the process of implementing Phase 1 presented in this study for the State Insurance Fund as reflected in the Investment Policy Statement revisions approved in April, 2009 by the Investment Committee and Board. It is anticipated that Phase 1 will largely be completed by sometime in the January-March, 2010 quarter. Phase 2 and Phase 3 presented in the Mercer study addresses high yield bonds, alternative investments, active management and minority manager engagement. Once Phase 1 is largely completed, the Investment Division will focus on Phase 2 and Phase 3 topics in close coordination with Mercer and the Investment Committee over the second half of fiscal year 2010 (Jan-June 2010). Appropriate and necessary education will be provided to the Investment Committee by Mercer working closely with the Investment Division.

One important additional subject that will be explored during the second half of fiscal year 2010 involves the daily cash management of all trust fund portfolios by the Investment Division. The BWC Fiscal and Planning Division currently manages all cash balances of each of these portfolios, including operating cash, with virtually all cash being invested in a single U.S. government money market fund managed by JP Morgan that is utilized as an overnight cash sweep vehicle. The Investment Division intends to explore expanding the use of other higher yielding money market funds available as well as direct investments in short-term money market investments (commercial paper, certificates of deposit, repurchase agreements, etc.) in order to improve investment income and returns on its cash investments while maintaining desired liquidity.

Strategic Goal Three – INTERNAL INVESTMENT PROCEDURES

The Investment Division will continue to establish and improve upon internal investment policies and procedures. Such procedures will be written and mapped through the use of the Web Methods schematic mapping process. Among the procedures recently addressed in fiscal year 2010 were policies and procedures regarding the selection of transition managers. The BWC Internal Audit Division will be engaged as appropriate in auditing the Investment Division internal policies and processes.

The Investment Division has previously focused on establishing internal policies and processes on management oversight of the passive style investment managers, compliance, performance reporting, portfolio rebalancing, RFP/RFQ/RFI processes vendor invoice payments, as well as other investment activities to support the BWC Investment Policy. Internal processes 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. The formulation of proper detailed policies and processes with regards to potential Investment Division cash management of portfolio assets will also be essential.

Transition Activity Update

The Priority #1 Transition for the State Insurance Fund (SIF) involving the investment in fixed income securities of the broad Barclays Capital U.S. Aggregate Index commenced in late July, 2009 and was essentially completed in mid-August, 2009 by the transition manager chosen by the BWC transition Manager Evaluation Committee. This U.S. Aggregate Index has a targeted 15% asset allocation for the SIF portfolio under its new Investment Policy Statement. A total of approximately \$2,327 million of invested assets were allocated to this transition whereby approximately \$2,204 million of assets at market value were contributed from the Long Government bond portfolio (mostly bonds with some cash) and the remaining approximately \$123 million in market value were contributed from the Long Credit bond portfolio. All of these Long Credit bonds were in-kind transferred to the transition account to be strategically retained by the transition manager to represent the long credit bond portion (approximately 5%) of the target U.S. Aggregate Index. Over approximately a three-week period, the BWC transition manager sold longer duration bonds received from the legacy Long Government bond portfolio and purchased shorter duration bonds represented in the target benchmark index. The transition manager reduced the duration of this \$2.3 billion transition account bond portfolio from 11.7 years to the target benchmark index duration of 4.4 years by the end of the second day of heavy trading. This significant achievement was accomplished by selling the longest duration bonds first and accumulating short duration securities and cash in order to achieve the portfolio duration target of the U.S. Aggregate bond index as quickly as feasible. Once the duration target of the target benchmark bond index was achieved, additional trading was conducted by the transition manager to both maintain the duration target of this transition account consistent with the target benchmark index while also continually reducing tracking error to the index by accumulating additional bonds represented in the target benchmark index for the transition account portfolio to better match the asset sector profile of the index.

Since mid-August 2009 when the Priority #1 transition account portfolio was determined by the transition manager to be sufficiently correlated in performance to the target benchmark index, the BWC transition manager is and will be serving as an interim index investment manager for the Bureau until the final target manager(s) for this fixed income mandate is recommended by the RFP Evaluation Committee for consideration and approval by the Investment Committee and Board. Necessary background checks on the identified index management team of the approved target asset manager(s) and legal contracting of the management services agreement must occur before the services of the transition manager are no longer needed by the Bureau, enabling the transition account assets to be transferred to the chosen final target manager(s).

The first phase of the Priority #2 Transition for SIF involving investments in non-U.S. equities of the All Country World Index (ACWI) Index occurred in late August and early September, 2009. The BWC transition manager chosen by the BWC Transition Manager Evaluation Committee for this specific transition largely sold Long Government bonds transferred in-kind to the new transition account for the purpose of funding the purchase of non-U.S. equities with an approximate market value of \$375 million. This Priority #2 Transition will be a multi-phased transition to be implemented over the remainder of the year.

A transition manager for the Priority #3 mandate for SIF involving the transition of the domestic U.S. equity portfolio (\$3.8 billion current market value) has been chosen by the BWC Transition Manager Evaluation Committee. This transition will involve a change in the benchmark index for this 20% targeted asset allocation mandate to the broad Russell 3000 Index from the large-cap stock S&P 500 Index. Preparations are underway by the Investment Division for the implementation of this upcoming transition.

Passive Index Management Services Master RFP

There were four qualified responses received by the Bureau on August 4, 2009 for its RFP for Passive Index Management Services that was issued on July 2, 2009. This master RFP includes eight investment class mandates consisting of each of the six bond or stock benchmark index mandates under its new targeted portfolio asset allocation for the State Insurance Fund as well as two holdover benchmark index mandates that remain applicable for the Disabled Workers Fund and the Coal Workers Fund.

The four respondents to this RFP were Barclays, Mellon, Northern Trust and State Street. Three of these four respondents provided proposals on each of the eight distinct asset class mandates of the RFP. The other respondent provided proposals on all but one mandate, the exception being the international equities mandate.

The BWC RFP Evaluation Committee has completed the grading of the RFP proposals. The RFP Evaluation Committee has identified preliminary investment manager finalists for each of the six asset class mandates for the State Insurance Fund. Further due diligence analysis will be conducted by members of the RFP Evaluation Committee with each prospective investment manager finalist for each mandate, including full-scale on-site meetings, before any investment manager finalists are confirmed by the RFP Evaluation Committee for presentation to the Investment Committee.

It is the intention of the Evaluation Committee to present investment manager finalists for recommendation to the Investment Committee and Board for consideration at the monthly scheduled meetings over the period September through December, 2009.

Long Duration Fixed Income Portfolio Divisions

At this respective May, 2009 meetings, the Investment Committee and Board approved a revision in the long duration fixed income benchmark index for the State Insurance Fund. The revision involved separating the Barclays Capital U.S. Long Government/Credit Index into its two primary components, the Barclays Capital U.S. Long Government Index and the Barclays Capital U.S. Long Credit Index. These two component indices now serve as separate benchmark indices for the long duration fixed income portfolios of the State Insurance Fund (SIF).

Under the supervision of the Investment Division, the large separate account State Street passive indexed managed long duration fixed income (LDFI) SIF portfolio was split into two new separate accounts (Government and Credit) on July 23, 2009. Although all of the bond issues held in the State Street LDFI portfolio were transferred in-kind to each of the respective Government and Credit new LDFI accounts, each bond was technically sold out of the closed separate account on transfer date at closing market value for accounting record purposes and a net gain or loss on transfer was incurred for each bond. The transition of all bonds involved in the State Street LDFI portfolio had an approximate aggregate market value of \$7.23 billion and resulted in a net realized loss incurred in July of \$85.0 million.

The initial market valuations of the State Street managed SIF Long Government portfolio and Long Credit portfolio were \$3.43 billion and \$3.80 billion, respectively. The State Street managed Long Government portfolio is the funding source for most of the first two priority asset class transitions for SIF.

The Barclays passive indexed managed separate account SIF LDFI portfolio was also recently split into two new Government and Credit LDFI separate accounts on August 14, 2009. Similar to the State Street SIF LDFI portfolio, all of the bond issues in the Barclays SIF LDFI portfolio were transferred in-kind to each of the respective Government and Credit new SIF LDFI accounts but each bond was technically sold out of the closing separate account on transfer date at closing value for accounting record purposes. The transition of all bonds involved in the Barclays LDFI portfolio transferred to the two new divided separate account mandates had an aggregate market value of \$1,628 million and resulted in a net realized gain of \$11.8 million incurred in August. The initial market valuations of the Barclays managed SIF Long Government portfolio and Long Credit portfolio were \$740 million and \$887 million, respectively.

Compliance

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

12-month Investment Committee Calendar

September		Notes
9/24/2009	<ol style="list-style-type: none"> 1. Passive Indexed Investment Manager RFP finalists recommendation, possible vote 2. Brokerage Activity Fiscal Year 2009 summary report 3. SIF Transition Activity Update (in CIO Report) 	
Date	October	
10/29/2009	<ol style="list-style-type: none"> 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. SIF Transition Activity Update (in CIO Report) 	
Date	November	
11/19/2009	<ol style="list-style-type: none"> 1. Passive Indexed Investment Manager RFP finalists recommendation, possible vote 2. Investment Consultant Performance Report 3Q09 3. Specialty Funds (DWRF, Coal) Asset/Liability report and recommendation, first review 4. SIF Transition Activity Update (in CIO Report) 	
Date	December	
12/17/2009	<ol style="list-style-type: none"> 1. Passive Indexed Investment Manager RFP finalists recommendation, possible vote 2. Specialty Funds (DWRF, Coal) Asset/Liability report and recommendation, second review, possible vote 3. Custodian annual review 4. SIF Transition Activity Update (in CIO Report) 	
Date	January	
1/21/2010	<ol style="list-style-type: none"> 1. Mercer High Yield Bond education 2. SIF Transition Activity Update (in CIO Report) 	
Date	February	
2/25/2010	<ol style="list-style-type: none"> 1. Investment Consultant Performance Report 4Q09 2. Mercer Alternative Asset classes education, session one 	

12-month Investment Committee Calendar

	March	Notes
3/25/2010	1. Investment Consultant contract renewal, possible vote 2. Mercer Alternative Asset classes education, session two	
Date	April	
4/29/2010		
Date	May	
5/27/2010	1. Investment Consultant Performance Report 1Q10	
Date	June	
6/17/2010		
Date	July	
7/29/2010		
Date	August	
8/26/2010	1. BWC Investment Division Goals FY2011 2. Investment Consultant Performance Report 2Q10	

BWC Invested Assets
 Estimated and Unaudited
 As of September 23, 2009

Sept09 MV Increase Bonds..... + \$ 167 million (+1.2% return)
 Sept09 MV Increase Equities..... + \$ 187 million (+4.3% return)

Sept09 MV Increase Bonds+Equities..... + \$ 354 million (\$+324 mm SIF only)
 (+1.9% Sept09 MTD portfolio return including Cash)

BWC Net Assets 6/30/08.....\$2,503 million
 BWC Net Assets 12/31/08.....\$2,312 million (-\$191 mm FY09TD)
 BWC Net Assets 3/31/09.....\$1,523 million (-\$980 mm FY09TD)
 BWC Net Assets 6/30/09.....\$2,456 million (-\$ 47 mm FY09TD)
 BWC Net Assets 7/31/09.....\$3,110 million
 BWC Net Assets 8/31/09.....\$3,493 million

BWC Asset Allocation MV 9/23/09

Bonds*.....	\$13,476 million	72.3%
Equities*.....	4,549 million	24.4%
Cash.....	<u>621 million</u>	<u>3.3%</u>
TOTAL.....	\$18,646 million	100.0%

* includes nominal cash held by outside managers

Portfolio Return Calendar 2008.....-2.3% (-\$444 million net inv. income)
 Portfolio Return Fiscal Year 2009.....-1.1% (-\$192 million net inv. income)

Fiscal Year 2010 YTD

Portfolio Return July-Aug09.....+ 5.2%

Prepared by: Bruce Dunn, CFA
BWC Chief Investment Officer