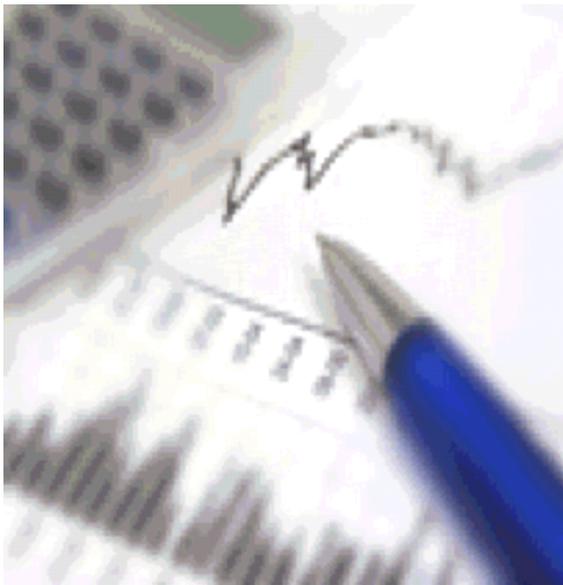


# MERCER

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## Ohio Bureau of Workers Compensation (Ohio BWC)

### Investment Performance First Quarter 2010

Services provided by Mercer Investment Consulting, Inc.

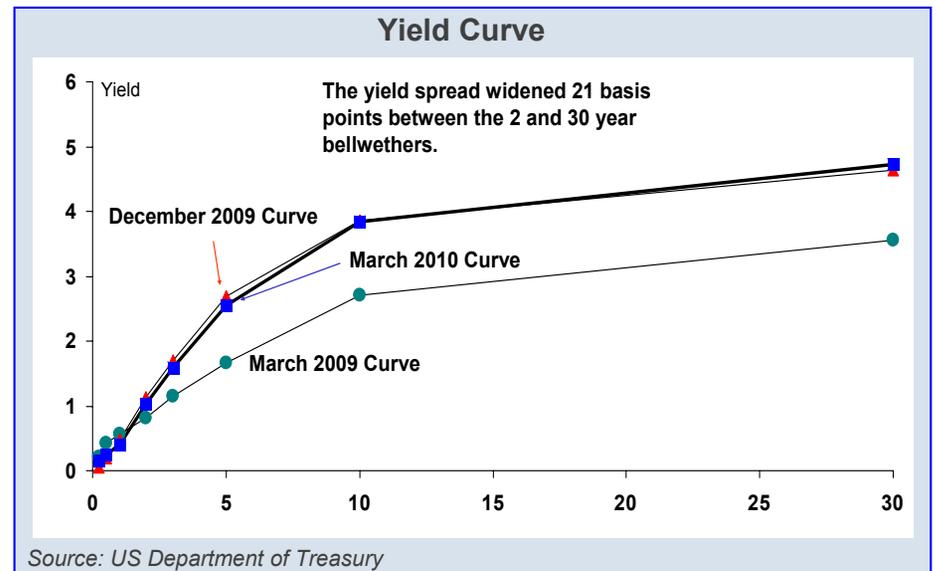
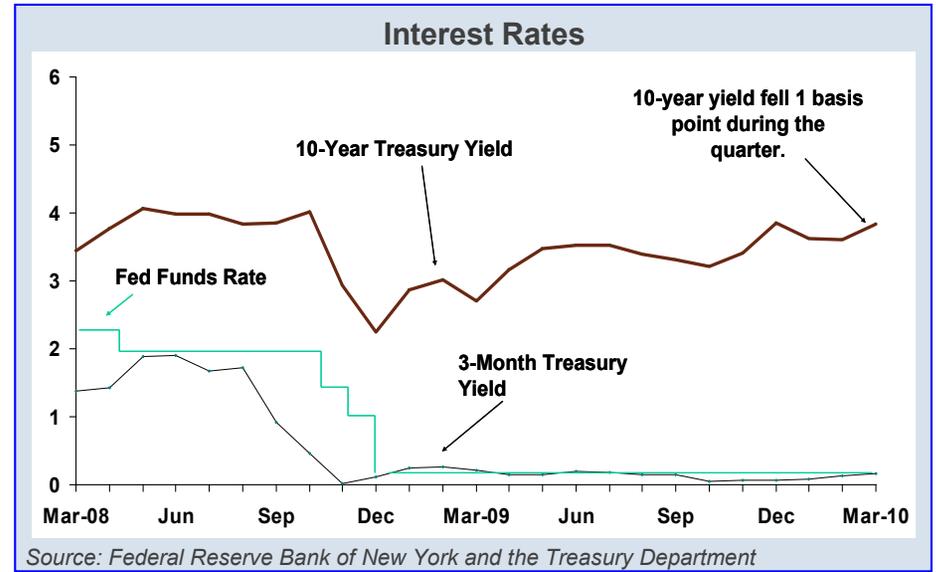
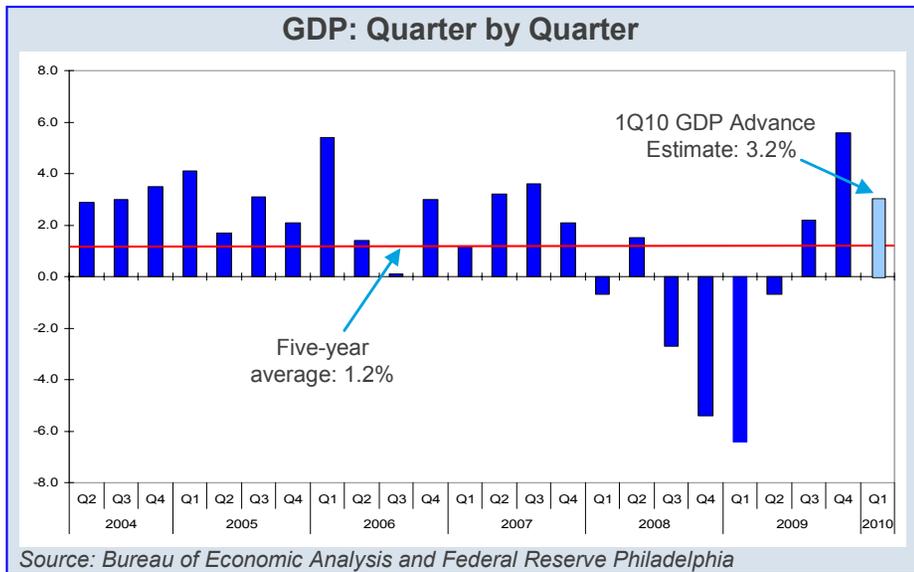
### **Table of Contents**

1. Market Environment
2. Executive Summary
3. Asset Allocation and Performance
4. Appendix

# Market Environment

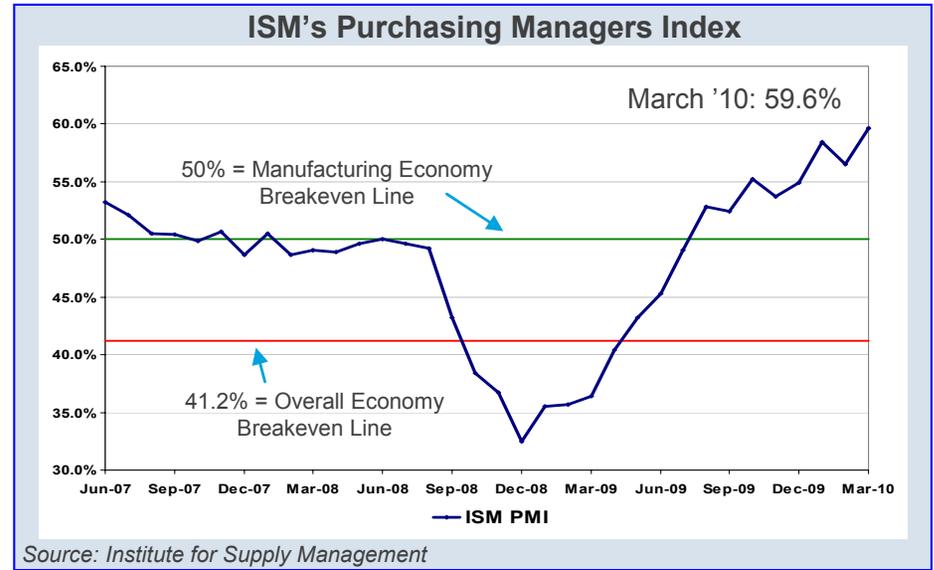
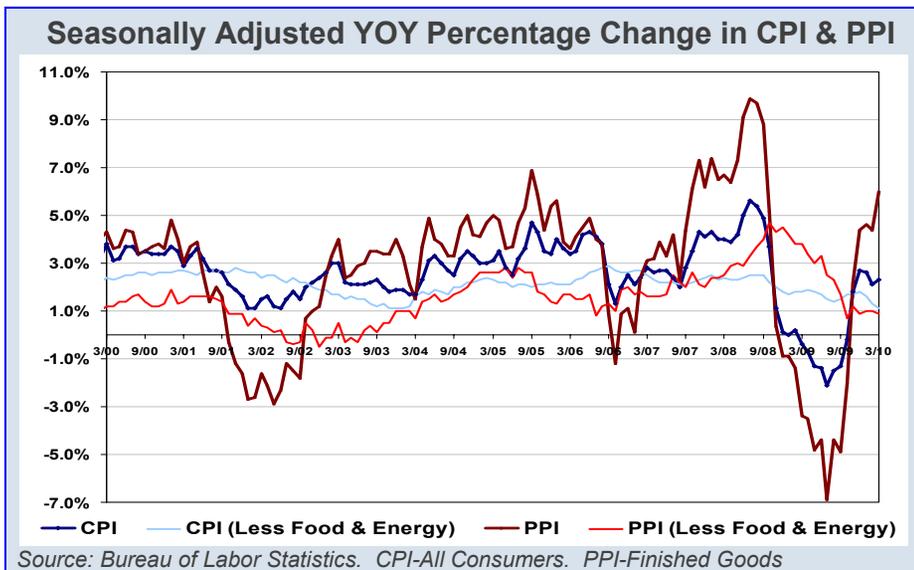
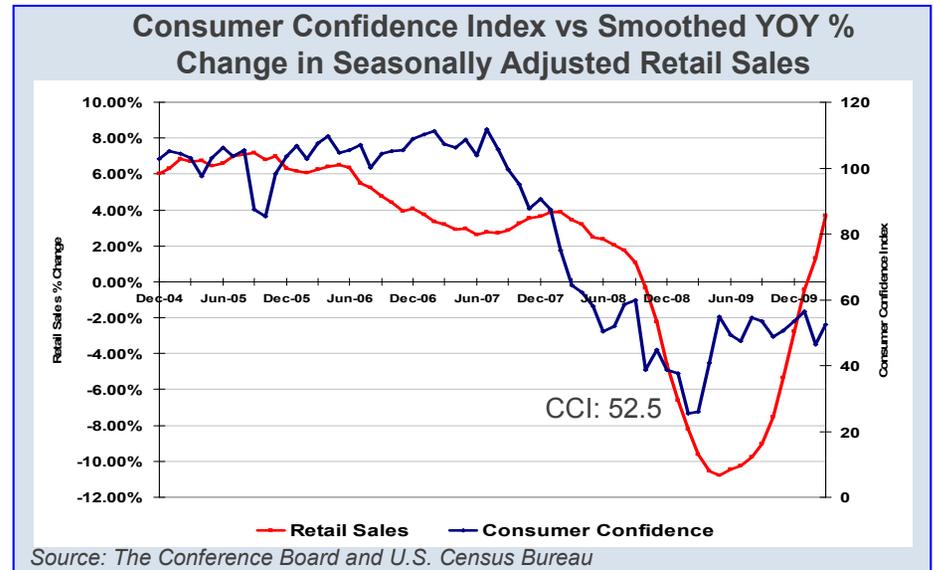
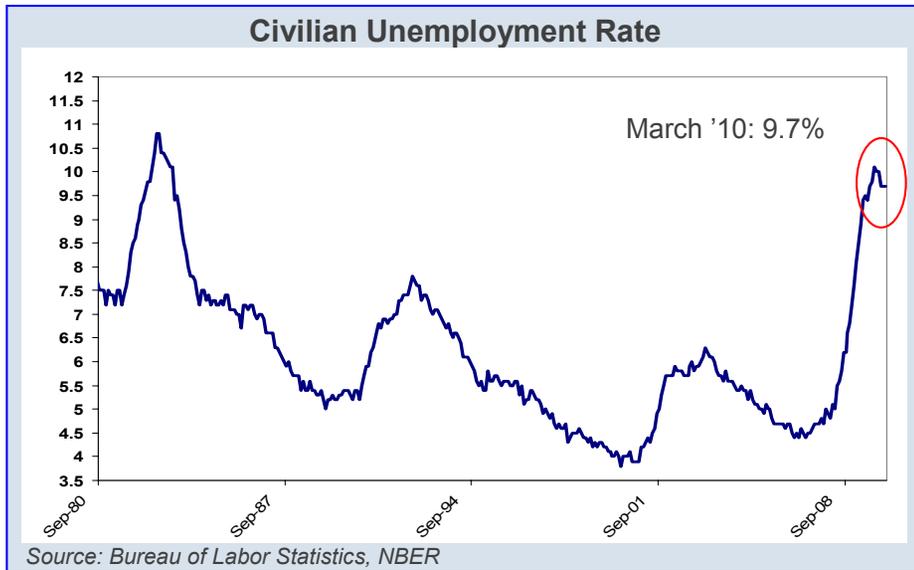
# U.S. Capital Markets and Macroeconomic Conditions

## Economy



# U.S. Capital Markets and Macroeconomic Conditions

## Economy



# Domestic Equity – Large Cap

## Style and Market Capitalization Comparison

### 1Q2010

	Growth	Core	Value
Large	4.6%	5.7%	6.8%
Mid	7.7%	8.7%	9.6%
Small	7.6%	8.9%	10.0%

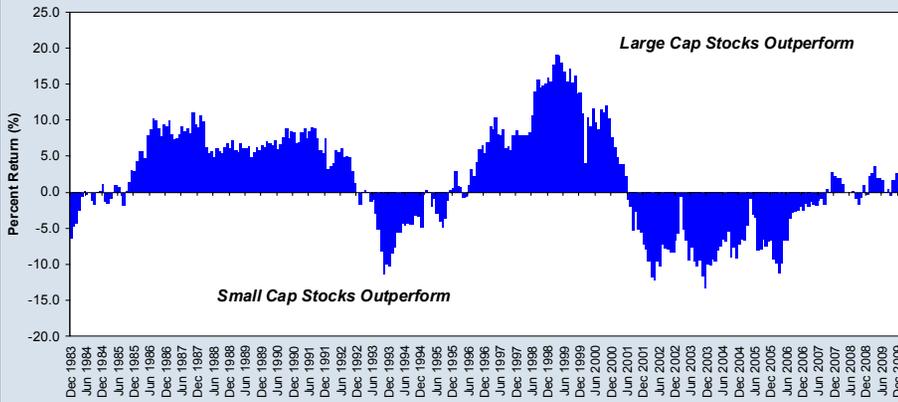
### 1 Year Returns

	Growth	Core	Value
Large	49.8%	51.6%	53.6%
Mid	63.0%	67.7%	72.4%
Small	60.3%	62.8%	65.1%

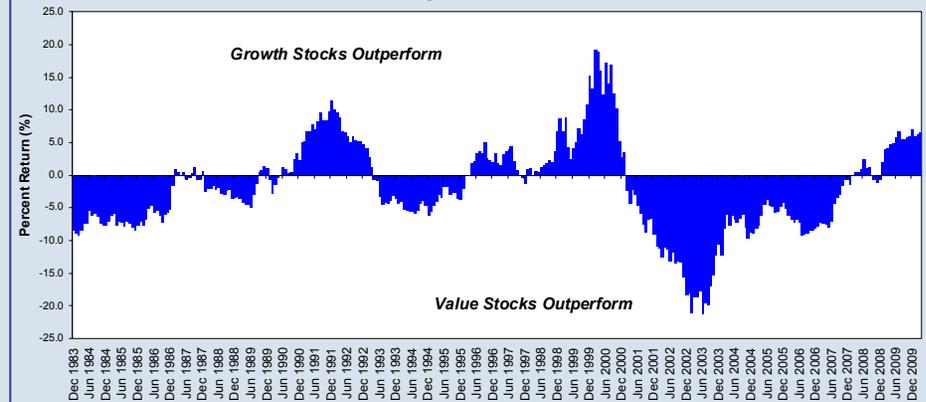
### 3 Year Returns

	Growth	Core	Value
Large	-0.8%	-4.0%	-7.3%
Mid	-2.0%	-3.3%	-5.2%
Small	-2.4%	-4.0%	-5.7%

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



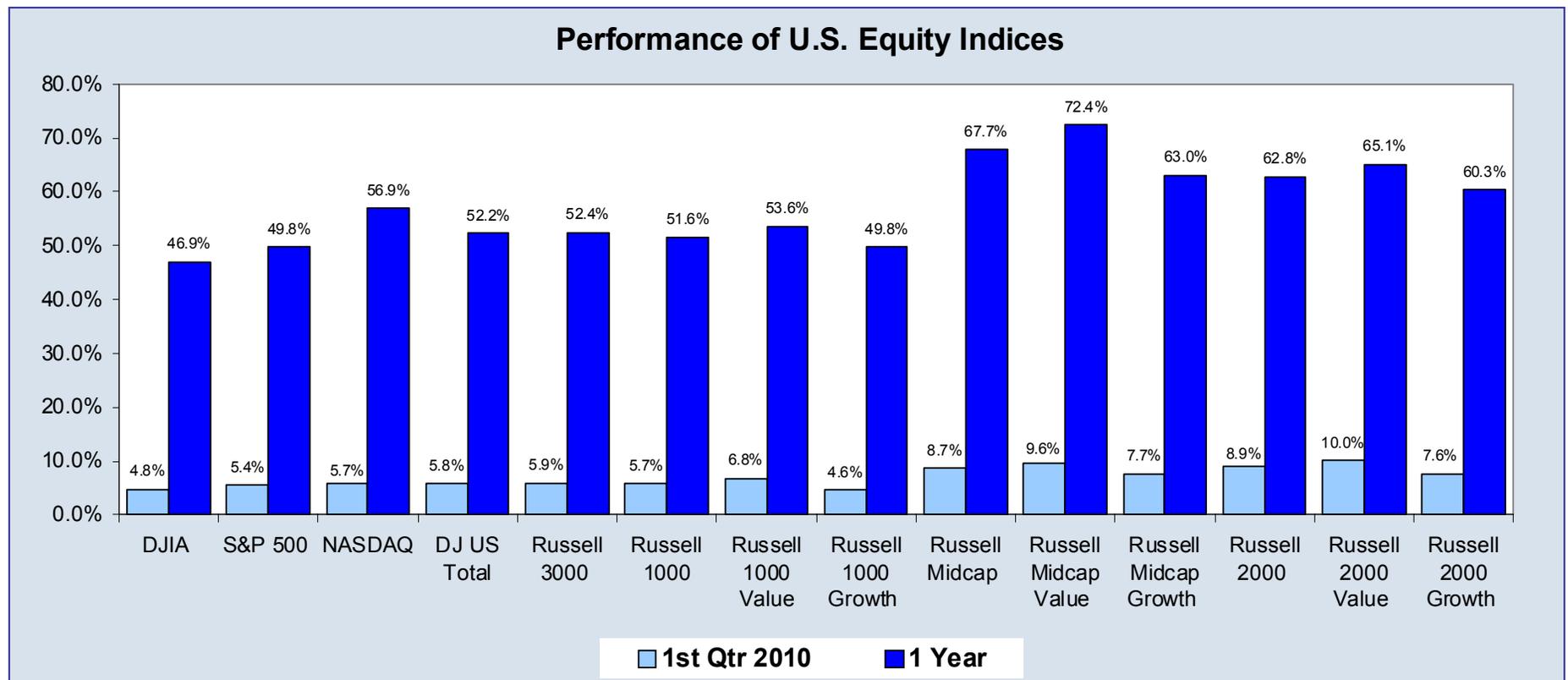
Russell 1000 Growth Index Minus Russell 1000 Value Index for Rolling Three-Year Periods



## Domestic Equity – Large Cap

### Small Cap outperforms Large Cap

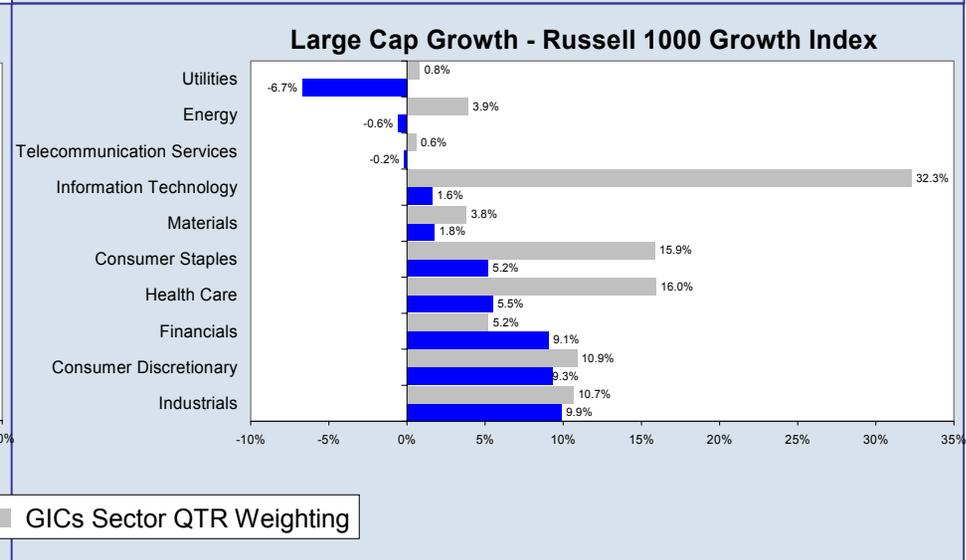
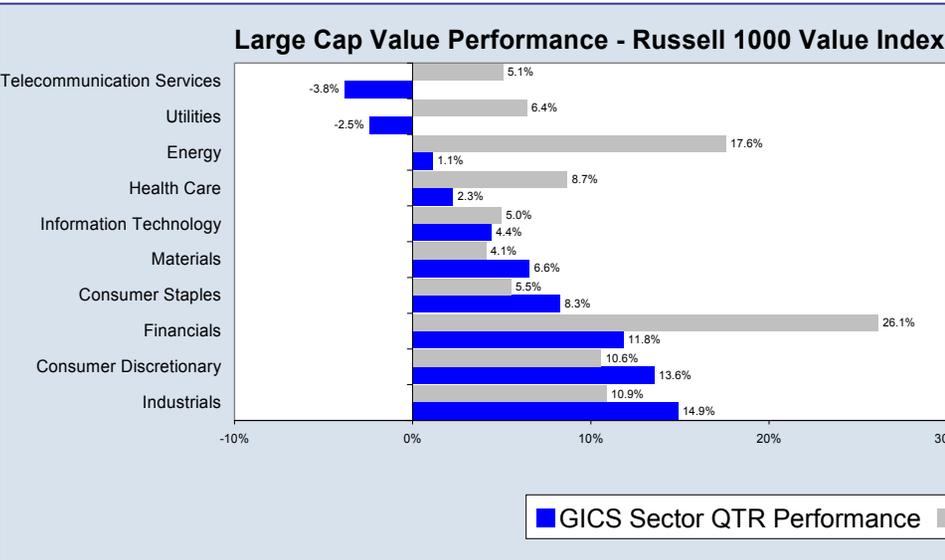
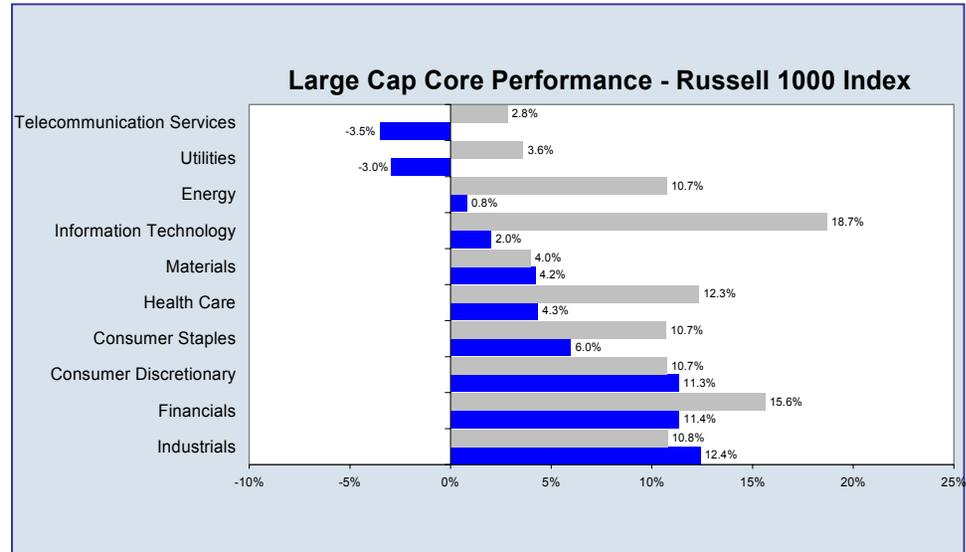
- After the first quarter, the US continues to recover from the worst recession in the post-war era driven by strong performance in the consumer discretionary and industrial sectors. US stocks continued to perform positively across all market caps (large, mid, small) and investment styles (value, core, growth)
- In a reversal from last quarter, value oriented stocks outperformed their growth counterparts across all market caps
- In another reversal from last quarter small cap stocks outperformed large cap stocks



# Domestic Equity – Large Cap

## Value outperforms Growth

- Eight of the ten sectors of the Russell 1000 and Russell 1000 Value indices reported positive returns for the quarter, while seven of the ten sectors of the Russell 1000 Growth index performed positively
- Utilities and telecommunications were the weakest performing sectors in the large cap space for the quarter

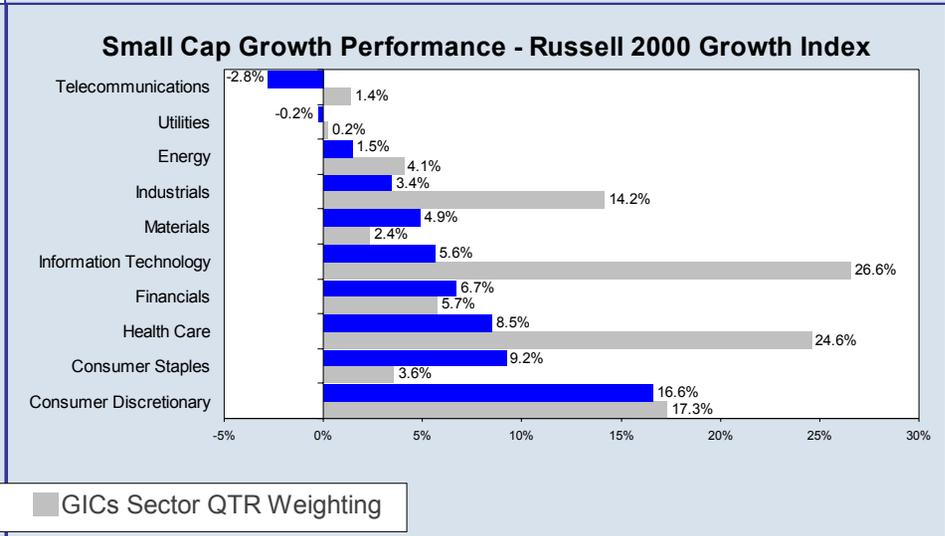
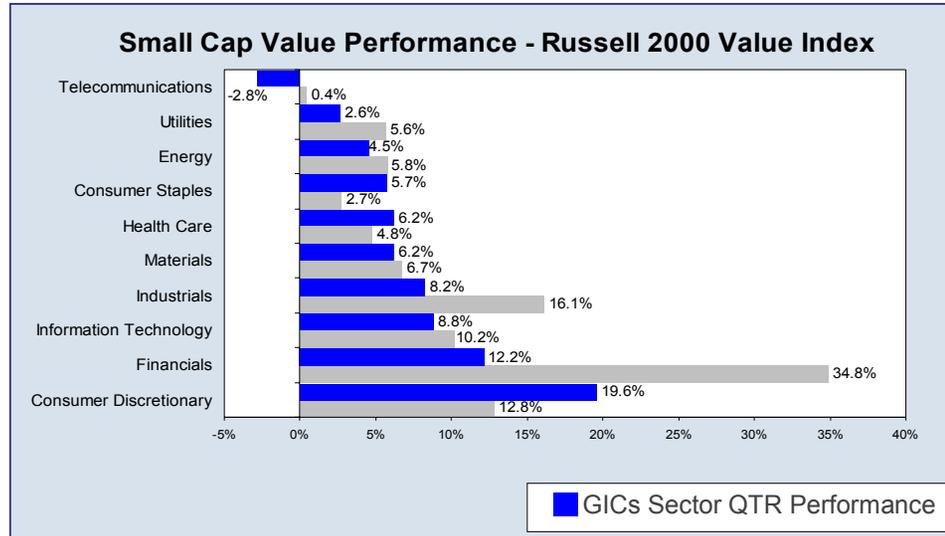
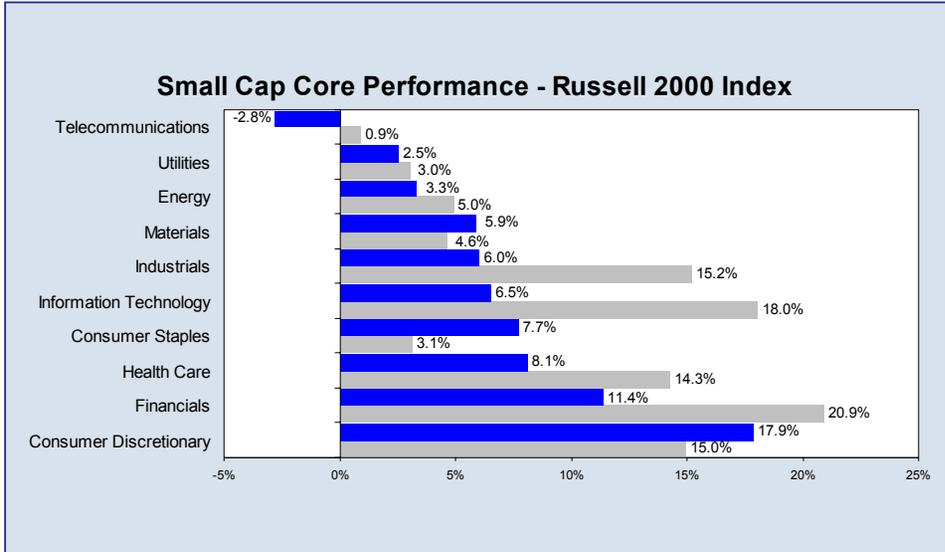


■ GICS Sector QTR Performance ■ GICS Sector QTR Weighting

# Small-Cap Stocks Outperform During the Quarter

## Consumer Discretionary Led all Economic Sectors

- Consumer Discretionary led all economic sectors
- Top performing sectors for the quarter included consumer discretionary, financials, health care, and consumer staples
- Value stocks outperformed Growth stocks (10.0% vs. 7.6%, respectively)
- Reversal from the prior quarter, non-earning companies (11.1% return) and companies with lower ROE generally performed better
  - Stock in lowest P/E quintile returned 10.2%, while stocks in highest quintile returned 7.0%
  - Stocks in lowest ROE quintile returned 10.1%, while stocks in highest quintile returned 7.4%

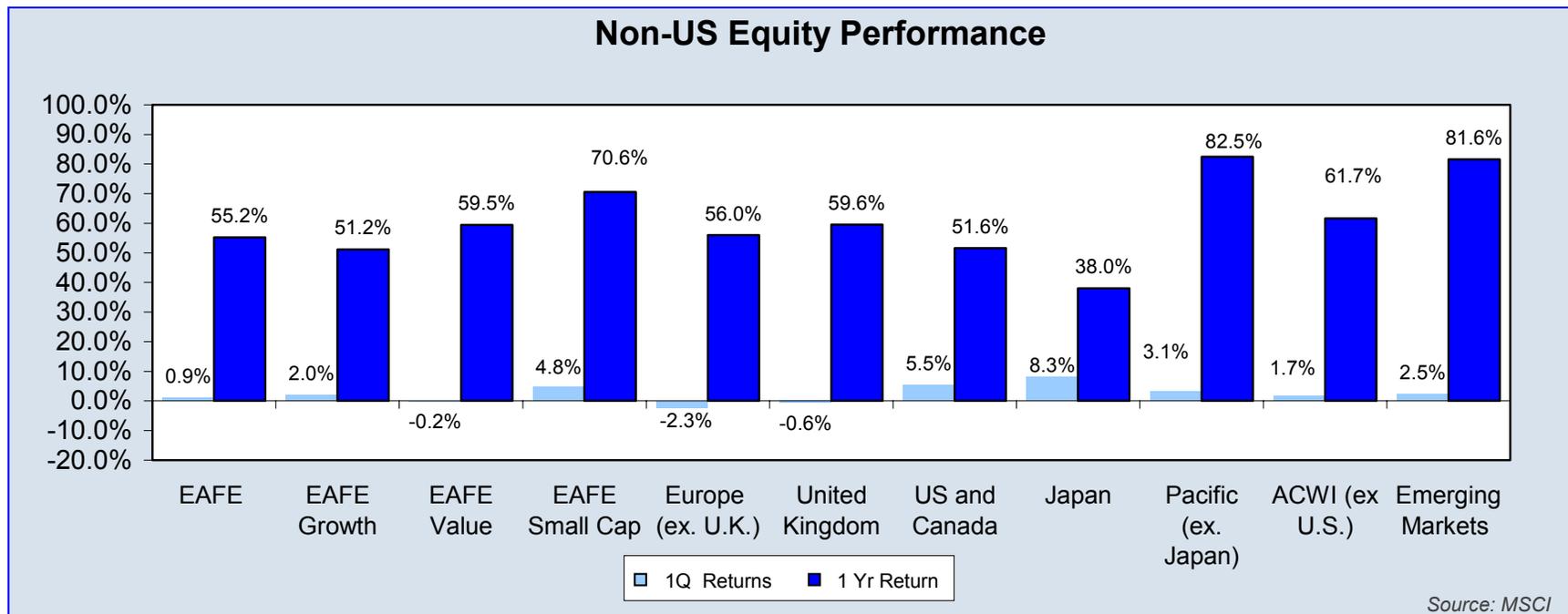


■ GICs Sector QTR Performance    
 ■ GICs Sector QTR Weighting

## International Equities

### Developed Markets: Non-U.S. equities performance

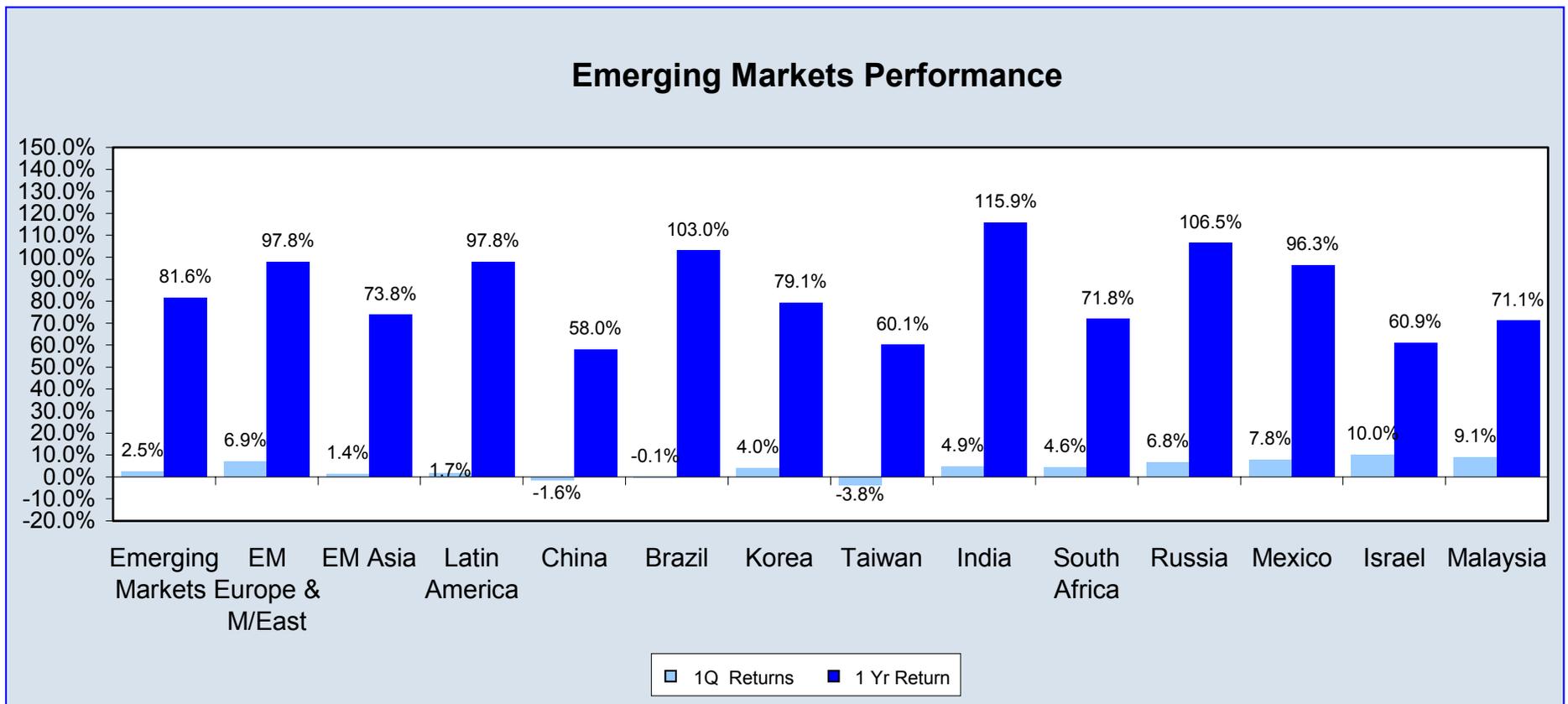
- MSCI EAFE gained 0.9% (gross) in the first quarter
  - In local currency terms, MSCI EAFE gained 4.4% for the quarter
- Japan, which represents 19.5% of the index, posted a 8.3% return. In local currency terms, Japan posted a 8.7% return.
- The UK, which represents 11.2% of the index, posted a -0.6% return. In local currency terms, UK posted a 5.8% gain.
- MSCI All Country World Index ex U.S. gained 1.7% (gross) in the first quarter
  - In local currency terms, MSCI All Country World Index ex U.S. gained 3.6% for the quarter



## International Equities

### Emerging Markets: Performance

- MSCI Emerging Markets Index gained 2.5% in the first quarter
- Brazil, which represents 16.3% of the index, gained -0.1% for the quarter. China and Russia, which represent 17.5% and 6.6% of the index, posted quarterly returns of -1.6% and 6.8%, respectively

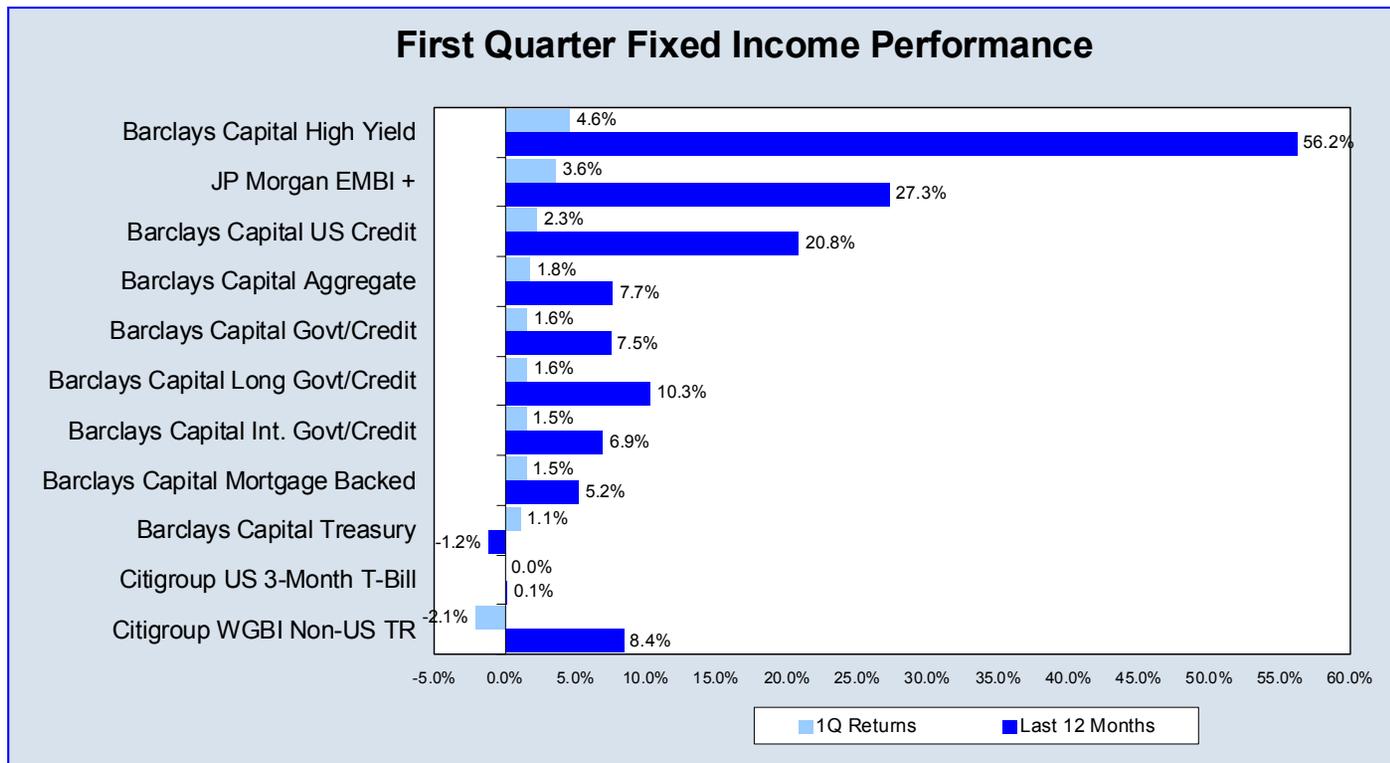


Source: MSCI

## US Fixed Income

### Barclays Capital Aggregate Had a Strong Quarter

- For the quarter, Barclays Aggregate Index had a strong quarter and returned 1.8%
  - A search for yield continued in Corporates and ABS, returning 2.3% and 2.2% respectively; CMBS returned 9.1%; Financial companies continue to lead the rally in Corporates, returning 2.9%
  - Treasury yields fell and lagged again this quarter returning 1.1% due to sovereign credit concerns in Europe
  - The Fed completed its mortgage repurchase program at the end of the quarter
- Markets embraced riskier assets as lower-rated securities generally outperformed higher grade bonds
- Barclays US High Yield Index continues to perform strongly with a return of 4.6% for the quarter



# Market Returns Page

For Periods Ending March 31, 2010

		QTR	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
<b>Equity</b>	S&P 500	5.4	5.4	49.8	-4.2	1.9	-0.7
	Russell 1000 Value	6.8	6.8	53.6	-7.3	1.0	3.1
	Russell 1000 Growth	4.6	4.6	49.8	-0.8	3.4	-4.2
	Russell MidCap	8.7	8.7	67.7	-3.3	4.2	4.8
	Russell MidCap Value	9.6	9.6	72.4	-5.2	3.7	8.5
	Russell MidCap Growth	7.7	7.7	63.0	-2.0	4.3	-1.7
	Russell 2000	8.9	8.9	62.8	-4.0	3.4	3.7
	Russell 2000 Value	10.0	10.0	65.1	-5.7	2.8	8.9
	Russell 2000 Growth	7.6	7.6	60.3	-2.4	3.8	-1.5
	Russell 3000	5.9	5.9	52.4	-4.0	2.4	-0.1
	<i>Mercer Large Cap Value Equity Peer Group median**</i>	6.0	6.0	51.3	-4.3	2.7	5.1
	<i>Mercer Large Cap Growth Equity Peer Group median**</i>	4.7	4.7	47.7	-0.7	3.8	-1.2
	<i>Mercer Small Cap Value Equity Peer Group median**</i>	9.2	9.2	69.4	-1.9	5.3	10.7
	<i>Mercer Small Cap Growth Equity Peer Group median**</i>	7.5	7.5	58.8	-2.5	3.9	1.3
<b>Fixed Income</b>	Citigroup 3-Month T-Bill	0.0	0.0	0.1	1.8	2.8	2.7
	Barclays Capital Int. Govt/Credit	1.5	1.5	6.9	5.9	5.2	5.9
	Barclays Capital Govt/Credit	1.5	1.5	7.5	5.8	5.2	6.2
	Barclays Capital Aggregate	1.8	1.8	7.7	6.1	5.4	6.3
	Barclays Capital Intermediate Government	1.1	1.1	0.9	5.9	5.1	5.6
	Barclays Capital Long Govt/Credit	1.6	1.6	10.3	5.8	5.3	7.3
	Barclays Capital MBS	1.5	1.5	5.2	7.0	6.1	6.5
	Barclays Capital TIPS	0.6	0.6	6.2	6.0	4.8	7.3
	Barclays Capital High Yield	4.6	4.6	56.2	6.7	7.8	7.5
	<i>Mercer Core Fixed Income Peer Group median**</i>	2.4	2.4	13.5	6.8	6.0	6.7
<b>International</b>	MSCI EAFE	0.9	0.9	55.2	-6.5	4.2	1.7
	MSCI Emerging Markets	2.5	2.5	81.6	5.5	16.0	10.1
	Citigroup Non-US Govt Bond	-2.1	-2.1	8.4	7.5	4.7	6.5
	Citigroup Non-US Govt Bond - Hedged	1.1	1.1	3.5	5.1	4.8	5.2
	<i>Mercer International Equity Universe median**</i>	1.6	1.6	55.1	-4.9	5.6	3.4
<b>Miscellaneous</b>	NCREIF Property Index***	-2.1	-2.1	-16.9	-3.4	4.8	7.3
	FTSE NAREIT (Equity REITS)	10.0	10.0	106.7	-10.6	3.8	11.4
	Merrill Lynch Inv. Grade Convertible	1.7	1.7	26.1	5.7	6.1	3.3
	Goldman Sachs Commodity Index	-0.9	-0.9	25.9	-8.8	-6.9	3.7
<b>Inflation</b>	CPI	0.3	0.3	2.3	1.9	2.4	2.4

<b>Index at 12/31/09</b>	<b>Dow Jones</b>	<b>NASDAQ</b>	<b>S&amp;P 500</b>	<b>Russell 2000</b>	<b>Wilshire 5000</b>
	10,428.05	2,269.15	1,115.10	625.39	11,561.72
<b>Index at 3/31/10</b>	<b>Dow Jones</b>	<b>NASDAQ</b>	<b>S&amp;P 500</b>	<b>Russell 2000</b>	<b>Wilshire 5000</b>
	10,856.63	2,397.96	1,169.43	678.64	12,222.29

\* Annualized

\*\* Preliminary

\*\*\* The NCREIF Property returns are one quarter in arrears.

# Executive Summary

## Executive Summary

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### ***Market Environment***

The first quarter of 2010 saw a continuation of positive performance in the equity markets driven by improving economic metrics. The advance estimate of first quarter annualized GDP growth was 3.2% and the unemployment rate dropped from 10.0% to 9.7% over the quarter. The yields on three-month Treasuries increased from 0.06% at the end of December 2009 to 0.16% at the end of March 2010. Ten-year treasury yields essentially remained unchanged from the previous quarter, as the ten-year yield stood at 3.85% at the end of December 2009 and was 3.84% at the end of March 2010. The rally in the US equity markets continued through the first quarter, as all major US indices finished in positive territory.

### ***Fund Changes***

During the first quarter two new accounts were opened in the State Insurance Fund (SIF). BlackRock was selected as the manager for the ACWI ex US allocation and assets were transitioned out of the respective transition management (TM) account. BlackRock was also selected for a new TIPS account in the SIF.

Also during the period, an asset/liability study was conducted for the Marine Industry Fund and the Public Workers Relief Fund. The Investment Committee determined that no change in the asset allocation was necessary at this time. An asset/liability study will be conducted for the Self Insured Fund (SIEGF) at a later date.

### ***All Funds Composite***

At the conclusion of the first quarter, the Total Fund held a balance of \$19.14 billion, representing a gain of \$628 million over the year-end balance of \$18.51 billion. The increase in assets was due to both positive cash flows and positive investment performance.

During the first quarter, the Total Fund returned 2.4% net-of-fees. Over the trailing one- and three-year periods the Total Fund has returned 16.8% and 4.6%, respectively. The All Funds Composite has returned 5.4% since inception.

### ***State Insurance Fund***

The State Insurance Fund (SIF) held approximately \$17.57 billion at the end of the first quarter, representing an increase of \$601 million over the previous quarter's balance.

The State Insurance Fund's first quarter performance approximated that of the All Funds Composite. During the first quarter, the State Insurance Fund returned 2.4% and tracked the policy benchmark.

## Executive Summary

---

### **Performance**

Over the first quarter, all of the investment managers tracked their respective benchmarks at a reasonable rate with the exception of the following strategies:

#### **Barclays Long Duration Government**

The Barclays Long Duration Government Portfolio is solely held by the State Insurance Fund. During the first quarter, the portfolio returned 1.5% and outperformed the benchmark by 50 basis points. This tracking error dispersion is due to pricing differences between the custodian (JPMorgan) and Barclays. Additionally, a large cash flow during January contributed to the tracking error.

#### **Barclays Long Duration Credit**

The Barclays Long Duration Credit Portfolio is solely held by the State Insurance Fund. The portfolio returned 2.3% during the first quarter, and outpaced the benchmark by 30 basis points. This tracking error dispersion is primarily due to pricing differences between the custodian (JPMorgan) and Barclays.

#### **State Street TIPS**

The State Street TIPS Portfolio is held by the State Insurance Fund, the Disabled Workers' Relief Fund, and the Black Lung Fund. During the first quarter, the portfolio returned 0.0% in the State Insurance Fund and trailed the benchmark by 60 basis points. The tracking error dispersion in the State Insurance Fund portfolio is due to pricing differences between the custodian (JPMorgan) and State Street. Additionally, cash flows during February contributed to the tracking error. The State Street TIPS portfolios held by the Disabled Workers' Relief Fund and the Black Lung Fund both returned 0.4% and trailed the benchmark by 20 basis points. The tracking error dispersion in both portfolios is primarily due to pricing differences.

Over the one-year period, all of the investment managers tracked their respective benchmarks at a reasonable rate with the exception of the following strategies:

#### **State Street Government/Credit Long Duration Index**

The State Street Government/Credit Long Duration portfolio is held by the Disabled Workers' Relief Fund and the Black Lung Fund. Over the one-year period, the portfolio returned 9.6% in the Disabled Workers' Relief Fund and trailed the benchmark by 70 basis points. The portfolio held by Black Lung Fund returned 9.8% and trailed the benchmark by 50 basis points over the one-year period. The tracking error dispersion in both portfolios is due to pricing differences between the custodian (JPMorgan) and State Street. Additionally, security selection by State Street has attributed to the tracking error.

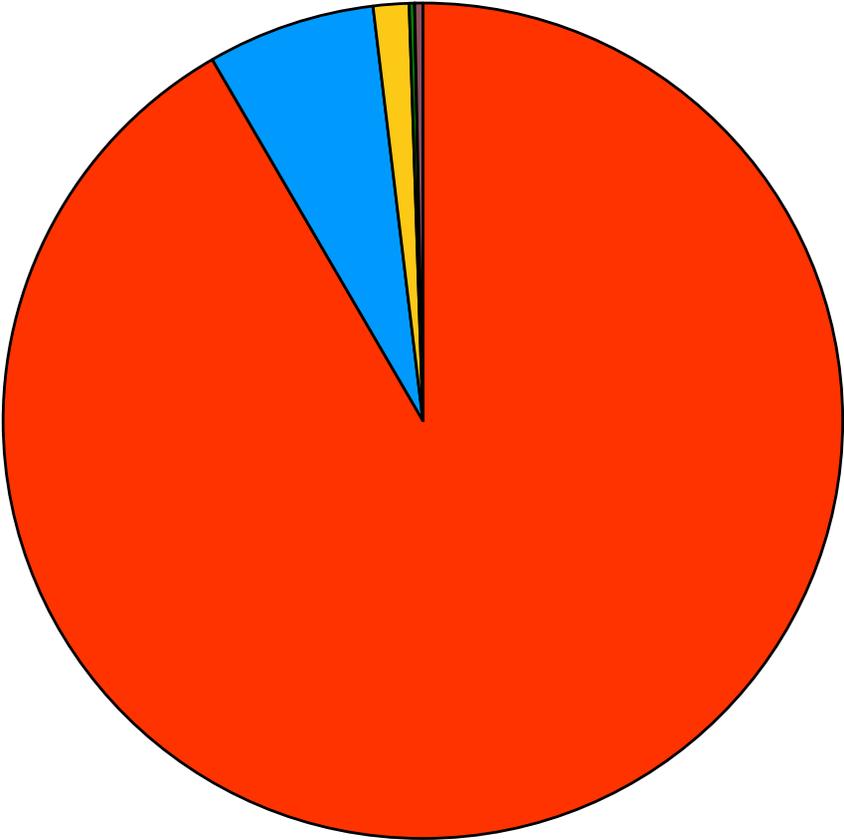
# Asset Allocation and Performance

Ohio Bureau of Workers Compensation (Ohio BWC)

Asset Allocation

As of March 31, 2010\*

■ SIF Accounts	91.8%
■ DWRF Fund Composite	6.4%
■ BLF Fund Composite	1.4%
■ PWRF Fund Composite	0.1%
■ MIF Fund Composite	0.1%
■ SIEGF Fund Composite	0.3%



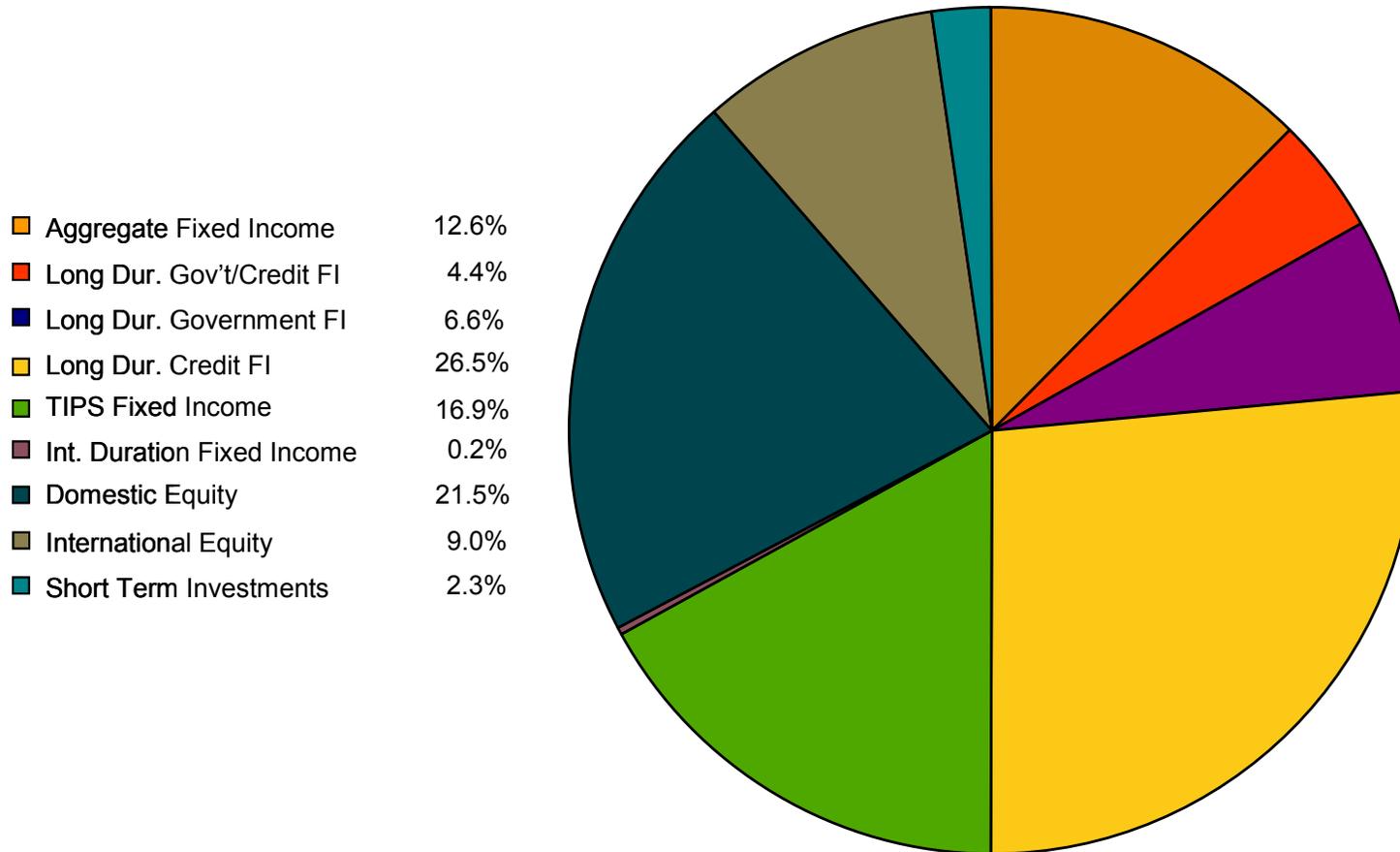
**Total Market Value  
\$19,140,908,490**

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

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Asset Allocation

As of March 31, 2010\*



**Total Market Value  
\$19,140,908,490**

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

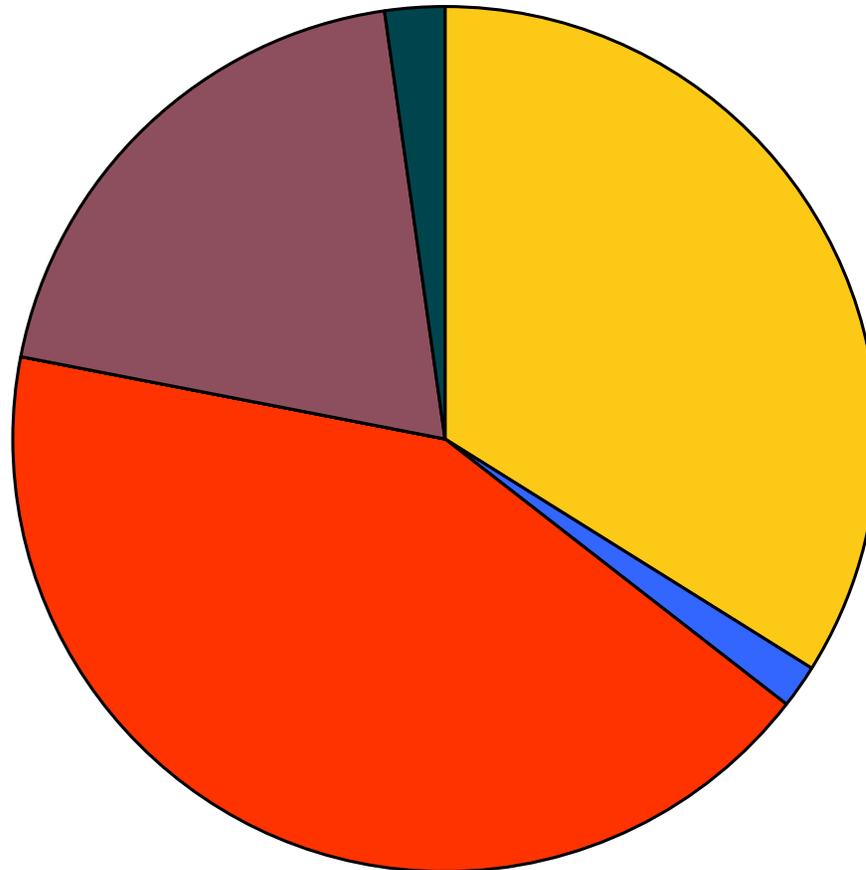
# Ohio Bureau of Workers Compensation (Ohio BWC)

## Asset Allocation

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As of March 31, 2010\*

BlackRock	33.9%
Northern Trust	1.7%
State Street Global Advisors	42.3%
Aggregate TM #1	0.0%
ACWixUS TM #2	0.0%
Russell 3000 TM #3	19.8%
Cash & Miscellaneous	2.3%



**Total Market Value**  
**\$19,140,908,490**

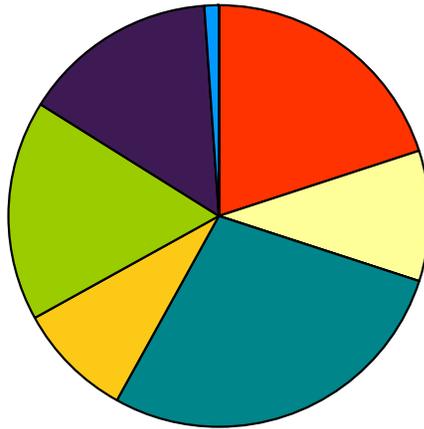
\* Numbers may not add to 100% due to rounding.

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Asset Allocation – State Insurance Fund

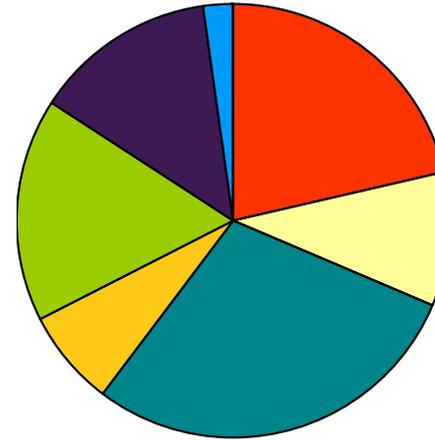
Policy Benchmark

Domestic Equity	20.0%
Non US Equity	10.0%
Long Dur. Credit FI	28.0%
Long Dur. Government FI	9.0%
TIPS	17.0%
Aggregate Fixed Income	15.0%
Cash Equivalents	1.0%



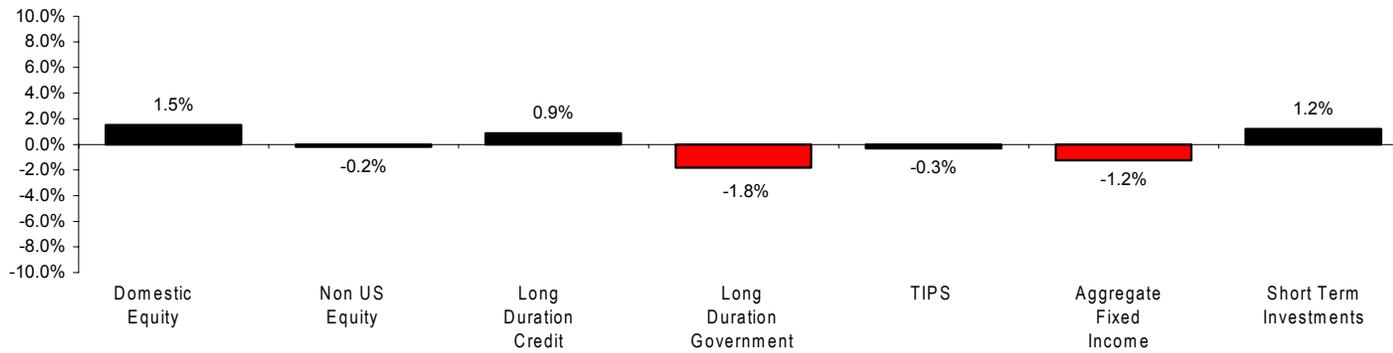
As of March 31, 2010

Domestic Equity	21.5%
Non US Equity	9.8%
Long Dur. Credit FI	28.9%
Long Dur. Government FI	7.2%
TIPS	16.7%
Aggregate Fixed Income	13.8%
Cash Equivalents	2.2%



Total Market Value  
\$17,571,944,423

### Asset Allocation vs. Policy Benchmark



# Ohio Bureau of Workers Compensation (Ohio BWC)

## Reconciliation

### Portfolio Reconciliation By Manager

	Quarter Ending March 31, 2010			
	Beginning Market Value	Net Cash Flow	Net Investment Change	Ending Market Value
SIF U.S. Aggregate Index TM #1	\$53,896	\$0	-\$273	\$53,623
SIF SSGA U.S. Aggregate Index	\$2,375,641,489	-\$2,363	\$41,086,104	\$2,416,725,229
SIF SSGA Government Long Duration Index	\$513,795,317	-\$523,616,539	\$9,854,777	\$33,556
SIF BlackRock Government Long Duration Index	\$732,576,417	\$523,436,183	\$3,861,559	\$1,259,874,159
SIF SSGA Credit Long Duration Index	\$4,038,145,489	-\$486,180,109	\$84,764,046	\$3,636,729,426
SIF BGI Credit Long Duration Index	\$929,136,447	\$485,041,260	\$23,354,138	\$1,437,531,846
SIF BlackRock TIPS Index	\$0	\$2,063,000,659	\$6,345,366	\$2,069,346,025
SIF SSGA TIPS Index	\$2,919,367,271	-\$2,063,110,733	\$5,959,695	\$862,216,233
SIF NTGI Large Cap S&P 500 Index	\$64,082	-\$64,082	\$0	\$0
SIF Russell 3000 Index TM #3	\$3,566,858,795	-\$354,238	\$213,229,345	\$3,779,733,902
SIF ACWI ex US Index TM #2	\$1,700,513,176	-\$1,612,346,950	-\$88,097,838	\$68,387
SIF Blackrock ACWI ex US Index	\$0	\$1,611,787,776	\$111,841,592	\$1,723,629,369
SIF Miscellaneous Holding Account	\$5,179,384	-\$1,580,000	\$510,887	\$4,110,271
SIF Transition Account	\$1,084,415	\$0	-\$8,287	\$1,076,128
SIF Cash Account	\$188,622,261	\$192,165,444	\$28,565	\$380,816,269
DWRF SSGA Government/Credit Long Duration Index	\$679,142,565	-\$101,250	\$11,002,820	\$690,044,135
DWRF SSGA TIPS Index	\$251,102,135	-\$28,242	\$1,071,020	\$252,144,913
DWRF NTGI S&P 500 Index	\$261,142,417	-\$8,430	\$14,212,286	\$275,346,273
DWRF Cash Account	\$2,051,016	-\$1,917,128	\$78	\$133,967
BLF SSGA Government/Credit Long Duration Index	\$145,888,286	-\$29,919	\$2,466,900	\$148,325,267
BLF SSGA TIPS Index	\$52,548,376	-\$20,736	\$224,543	\$52,752,183
BLF NTGI S&P 500 Index	\$55,417,691	-\$1,785	\$3,016,262	\$58,432,168
BLF Cash Account	\$1,219,511	-\$917,245	\$61	\$302,327
PWRF SSGA Government/Credit Intermediate Duration Index	\$23,802,960	-\$4,665	\$366,778	\$24,165,073
PWRF Cash Account	\$214,086	-\$38,787	\$21	\$175,320
MIF SSGA Government/Credit Intermediate Duration Index	\$17,783,942	-\$3,486	\$274,032	\$18,054,487
MIF Cash Account	\$304,182	\$122,668	\$41	\$426,890
SIEGF Cash Account	\$51,688,925	-\$3,033,161	\$5,300	\$48,661,064
<b>Total</b>	<b>\$18,513,344,530</b>	<b>\$182,194,141</b>	<b>\$445,369,818</b>	<b>\$19,140,908,490</b>

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Net of Fee)

### Total Plan Performance

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>Total Fund</b>	<b>\$19,140,908,490</b>	<b>100.0%</b>	<b>2.4%</b>	<b>--</b>	<b>16.8%</b>	<b>--</b>	<b>4.6%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.4%</b>	<b>Jun-05</b>
<b>SIF Fund Composite</b>	<b>\$17,571,944,422</b>	<b>91.8%</b>	<b>2.4%</b>	<b>--</b>	<b>16.9%</b>	<b>--</b>	<b>4.7%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.4%</b>	<b>Jun-05</b>
<i>SIF Policy Benchmark**</i>			2.4%	--	18.3%	--	--	--	--	--	--	Jun-05
<b>SIF Bond Composite</b>	<b>\$11,682,510,096</b>	<b>61.0%</b>	<b>1.5%</b>	<b>--</b>	<b>9.4%</b>	<b>--</b>	<b>6.1%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.0%</b>	<b>Dec-06</b>
<b>SIF U.S. Aggregate Composite</b>	<b>\$2,416,778,852</b>	<b>12.6%</b>	<b>1.7%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.5%</b>	<b>Jul-09</b>
<i>Barclays Capital Aggregate</i>			1.8%	--	7.7%	--	6.1%	--	5.4%	--	4.1%	Jul-09
U.S. Aggregate Index TM #1	\$53,623	0.0%	-0.5%	--	--	--	--	--	--	--	1.6%	Jul-09
<i>Barclays Capital Aggregate</i>			1.8%	--	7.7%	--	6.1%	--	5.4%	--	4.1%	Jul-09
SSGA U.S. Aggregate Index	\$2,416,725,229	12.6%	1.7%	87	--	--	--	--	--	--	1.7%	Dec-09
<i>Barclays Capital Aggregate</i>			1.8%	84	7.7%	89	6.1%	70	5.4%	76	1.8%	Dec-09
<i>Mercer Instl US Fixed Core Median</i>			2.4%		13.3%		6.8%		6.0%		2.4%	Dec-09
<b>SIF U.S. Long Government Composite</b>	<b>\$1,259,907,714</b>	<b>6.6%</b>	<b>1.1%</b>	<b>91</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>0.3%</b>	<b>Jul-09</b>
<i>Barclays Capital LT Govt.</i>			1.0%	94	-6.4%	98	5.7%	90	5.2%	94	-0.5%	Jul-09
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		10.0%	Jul-09
SSGA Government Long Duration Index	\$33,556	0.0%	2.1%	57	--	--	--	--	--	--	0.6%	Jul-09
<i>Barclays Capital LT Govt.</i>			1.0%	94	-6.4%	98	5.7%	90	5.2%	94	-0.5%	Jul-09
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		10.0%	Jul-09
BlackRock Government Long Duration Index	\$1,259,874,159	6.6%	1.5%***	84	--	--	--	--	--	--	-1.8%	Aug-09
<i>Barclays Capital LT Govt.</i>			1.0%	94	-6.4%	98	5.7%	90	5.2%	94	-2.2%	Aug-09
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		10.0%	Aug-09

\*See appendix for gross of fee performance

\*\*See appendix for benchmark composition

\*\*\*Tracking error due to pricing differences between custodian and manager and cash flows

Mercer Investment Consulting, Inc.

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Net of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>SIF U.S. Long Credit Composite</b>	<b>\$5,074,261,272</b>	<b>26.5%</b>	<b>2.2%</b>	<b>59</b>	--	--	--	--	--	--	<b>6.8%</b>	<b>Jul-09</b>
<i>Barclays Capital LT Credit</i>			2.0%	71	28.0%	67	5.5%	81	5.1%	99	6.6%	Jul-09
<i>Mercer Instl US Fixed Long Credit Median</i>			2.6%		28.5%		6.6%		5.9%		14.0%	Jul-09
SSGA Credit Long Duration Index	\$3,636,729,426	19.0%	2.1%	61	--	--	--	--	--	--	6.5%	Jul-09
<i>Barclays Capital LT Credit</i>			2.0%	71	28.0%	67	5.5%	81	5.1%	99	6.6%	Jul-09
<i>Mercer Instl US Fixed Long Credit Median</i>			2.6%		28.5%		6.6%		5.9%		14.0%	Jul-09
BlackRock Credit Long Duration Index	\$1,437,531,846	7.5%	2.3%**	55	--	--	--	--	--	--	4.1%	Aug-09
<i>Barclays Capital LT Credit</i>			2.0%	71	28.0%	67	5.5%	81	5.1%	99	4.2%	Aug-09
<i>Mercer Instl US Fixed Long Credit Median</i>			2.6%		28.5%		6.6%		5.9%		14.0%	Aug-09
<b>SIF TIPS Composite</b>	<b>\$2,931,562,258</b>	<b>15.3%</b>	<b>0.4%</b>	<b>--</b>	<b>5.9%</b>	<b>--</b>	<b>5.9%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.3%</b>	<b>Jan-07</b>
<i>Barclays Capital US TIPS</i>			0.6%	--	6.2%	--	6.0%	--	4.8%	--	6.5%	Jan-07
BlackRock TIPS Index	\$2,069,346,025	10.8%	--	--	--	--	--	--	--	--	-0.1%	Feb-10
<i>Barclays Capital US TIPS</i>			0.6%	73	6.2%	74	6.0%	68	4.8%	70	0.1%	Feb-10
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		0.7%	Feb-10
SSGA TIPS Index	\$862,216,233	4.5%	0.0%***	98	5.5%	95	5.8%	89	--	--	6.2%	Jan-07
<i>Barclays Capital US TIPS</i>			0.6%	73	6.2%	74	6.0%	68	4.8%	70	6.5%	Jan-07
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		6.5%	Jan-07

\*See appendix for gross of fee performance

\*\*Tracking error due to pricing differences between custodian and manager

\*\*\*Tracking error due to pricing differences between custodian and manager and cash flows

Mercer Investment Consulting, Inc.

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Net of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>SIF Equity Composite</b>	<b>\$5,508,618,057</b>	<b>28.8%</b>	<b>4.5%</b>	<b>--</b>	<b>47.2%</b>	<b>--</b>	<b>-4.7%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-4.0%</b>	<b>Dec-06</b>
<i>SIF Equity Composite Benchmark</i>			4.5%	--	48.5%	--	--	--	--	--	--	Dec-06
<b>SIF Public Equity Composite</b>	<b>\$3,779,733,902</b>	<b>19.7%</b>	<b>6.0%</b>	<b>51</b>	<b>50.0%</b>	<b>60</b>	<b>-4.0%</b>	<b>64</b>	<b>--</b>	<b>--</b>	<b>-4.1%</b>	<b>Jan-07</b>
<i>SIF Public Equity Benchmark</i>			5.9%	51	50.4%	58	-4.0%	65	--	--	-4.1%	Jan-07
<i>Mercer Instl US Equity All Cap Core Median</i>			6.0%		52.1%		-3.0%		3.3%		-1.7%	Jan-07
Russell 3000 Index TM #3	\$3,779,733,902	19.7%	6.0%	57	--	--	--	--	--	--	15.2%	Oct-09
<i>Russell 3000</i>			5.9%	57	52.4%	55	-4.0%	68	2.4%	75	15.2%	Oct-09
<i>Mercer Instl US Equity Combined Median</i>			6.3%		53.7%		-2.4%		3.8%		12.5%	Oct-09
<b>SIF International Equity Composite</b>	<b>\$1,723,697,756</b>	<b>9.0%</b>	<b>1.4%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10.9%</b>	<b>Aug-09</b>
ACWI ex US Index TM #2	\$68,387	0.0%	-6.5%	--	--	--	--	--	--	--	2.3%	Aug-09
<i>MSCI AC World ex USA (Net)</i>			1.6%	--	60.9%	--	-4.2%	--	6.1%	--	10.8%	Aug-09
BlackRock ACWI ex US Index	\$1,723,629,369	9.0%	--	--	--	--	--	--	--	--	--	Mar-10
<i>MSCI AC World ex USA (Net)</i>			1.6%	--	60.9%	--	-4.2%	--	6.1%	--	--	Mar-10
Miscellaneous Holding Account	\$4,110,271	0.0%	12.1%	--	106.6%	--	70.1%	--	--	--	59.0%	Nov-06
Transition Account	\$1,076,128	0.0%	-0.8%	--	6.6%	--	--	--	--	--	-4.7%	Dec-07
<b>SIF Cash Composite</b>	<b>\$380,816,269</b>	<b>2.0%</b>	<b>0.0%</b>	<b>--</b>	<b>0.2%</b>	<b>--</b>	<b>2.2%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.7%</b>	<b>Jun-05</b>
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
SIF Cash Account	\$380,816,269	2.0%	0.0%	--	0.2%	--	2.2%	--	--	--	3.7%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05

\*See appendix for gross of fee performance

Mercer Investment Consulting, Inc.

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Net of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>DWRF Composite</b>	<b>\$1,217,669,288</b>	<b>6.4%</b>	<b>2.2%</b>	<b>--</b>	<b>15.9%</b>	<b>--</b>	<b>4.3%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.4%</b>	<b>Dec-06</b>
<i>DWRF Policy Benchmark</i>			2.2%	--	16.5%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Long Duration Index	\$690,044,135	3.6%	1.6%	80	9.6%***	75	--	--	--	--	6.0%	Oct-07
<i>Barclays Capital LT Govt/Credit</i>			1.6%	82	10.3%	73	5.8%	89	5.3%	92	5.8%	Oct-07
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		7.5%	Oct-07
SSGA TIPS Index	\$252,144,913	1.3%	0.4%**	86	6.0%	85	--	--	--	--	5.2%	Oct-07
<i>Barclays Capital US TIPS</i>			0.6%	73	6.2%	74	6.0%	68	4.8%	70	5.4%	Oct-07
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		6.0%	Oct-07
NTGI S&P 500 Index	\$275,346,273	1.4%	5.4%	46	49.8%	42	--	--	--	--	-7.8%	Sep-07
<i>S&amp;P 500 Index (Total Return)</i>			5.4%	48	49.8%	42	-4.2%	68	1.9%	80	-8.0%	Sep-07
<i>Mercer Instl US Equity Large Cap Core Median</i>			5.3%		48.9%		-3.2%		3.0%		-7.0%	Sep-07
DWRF Cash Account	\$133,967	0.0%	0.0%	--	0.1%	--	3.1%	--	--	--	3.5%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
<b>BLF Composite</b>	<b>\$259,811,945</b>	<b>1.4%</b>	<b>2.2%</b>	<b>--</b>	<b>16.0%</b>	<b>--</b>	<b>4.2%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.3%</b>	<b>Dec-06</b>
<i>BLF Policy Benchmark</i>			2.2%	--	16.5%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Long Duration Index	\$148,325,267	0.8%	1.7%	77	9.8%***	75	--	--	--	--	6.1%	Oct-07
<i>Barclays Capital LT Govt/Credit</i>			1.6%	82	10.3%	73	5.8%	89	5.3%	92	5.8%	Oct-07
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		7.5%	Oct-07
SSGA TIPS Index	\$52,752,183	0.3%	0.4%**	86	6.0%	85	--	--	--	--	5.2%	Oct-07
<i>Barclays Capital US TIPS</i>			0.6%	73	6.2%	74	6.0%	68	4.8%	70	5.4%	Oct-07
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		6.0%	Oct-07
NTGI S&P 500 Index	\$58,432,168	0.3%	5.4%	46	49.8%	42	--	--	--	--	-7.8%	Sep-07
<i>S&amp;P 500 Index (Total Return)</i>			5.4%	48	49.8%	42	-4.2%	68	1.9%	80	-8.0%	Sep-07
<i>Mercer Instl US Equity Large Cap Core Median</i>			5.3%		48.9%		-3.2%		3.0%		-7.0%	Sep-07
BLF Cash Account	\$302,327	0.0%	0.0%	--	0.2%	--	2.7%	--	--	--	3.5%	Jun-05
<i>BofA Merrill Lvnch 91 Dav T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05

\*See appendix for gross of fee performance

\*\*Tracking error due to pricing differences between custodian and manager

\*\*\*Tracking error due to pricing differences between custodian and manager and security selection

Mercer Investment Consulting, Inc.

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Net of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>PWRF Composite</b>	<b>\$24,340,393</b>	<b>0.1%</b>	<b>1.5%</b>	<b>--</b>	<b>6.7%</b>	<b>--</b>	<b>3.6%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.8%</b>	<b>Dec-06</b>
<i>PWRF Policy Benchmark</i>			1.5%	--	6.9%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Intermediate Duration Index	\$24,165,073	0.1%	1.5%	84	6.7%	80	--	--	--	--	7.1%	Feb-09
<i>Barclays Capital Int Govt/Credit</i>			1.5%	83	6.9%	79	5.9%	81	5.2%	86	7.3%	Feb-09
<i>Mercer Instl US Fixed Intermediate Median</i>			1.9%		9.4%		6.7%		5.8%		8.2%	Feb-09
PWRF Cash Account	\$175,320	0.0%	0.0%	--	0.2%	--	1.6%	--	--	--	2.4%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
<b>MIF Composite</b>	<b>\$18,481,378</b>	<b>0.1%</b>	<b>1.5%</b>	<b>--</b>	<b>6.6%</b>	<b>--</b>	<b>3.6%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.8%</b>	<b>Dec-06</b>
<i>MIF Policy Benchmark</i>			1.5%	--	6.9%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Intermediate Duration Index	\$18,054,487	0.1%	1.5%	84	6.7%	80	--	--	--	--	7.1%	Feb-09
<i>Barclays Capital Int Govt/Credit</i>			1.5%	83	6.9%	79	5.9%	81	5.2%	86	7.3%	Feb-09
<i>Mercer Instl US Fixed Intermediate Median</i>			1.9%		9.4%		6.7%		5.8%		8.2%	Feb-09
MIF Cash Account	\$426,890	0.0%	0.0%	--	0.2%	--	1.6%	--	--	--	2.6%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
<b>SIEGF Composite</b>	<b>\$48,661,064</b>	<b>0.3%</b>	<b>0.0%</b>	<b>--</b>	<b>0.2%</b>	<b>--</b>	<b>2.2%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.4%</b>	<b>Dec-06</b>
<i>SIEGF Policy Benchmark</i>			0.0%	--	0.2%	--	--	--	--	--	--	Dec-06
SIEGF Cash Account	\$48,661,064	0.3%	0.0%	--	0.2%	--	2.2%	--	--	--	3.1%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05

\*See appendix for gross of fee performance

Mercer Investment Consulting, Inc.

# Appendix

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Gross of Fee)

### Total Plan Performance

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>Total Fund</b>	<b>\$19,140,908,490</b>	<b>100.0%</b>	<b>2.4%</b>	<b>--</b>	<b>16.8%</b>	<b>--</b>	<b>4.6%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.4%</b>	<b>Jun-05</b>
<b>SIF Fund Composite</b>	<b>\$17,571,944,422</b>	<b>91.8%</b>	<b>2.4%</b>	<b>--</b>	<b>16.9%</b>	<b>--</b>	<b>4.7%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.5%</b>	<b>Jun-05</b>
<i>SIF Policy Benchmark</i>			2.4%	--	18.3%	--	--	--	--	--	--	Jun-05
<b>SIF Bond Composite</b>	<b>\$11,682,510,096</b>	<b>61.0%</b>	<b>1.5%</b>	<b>--</b>	<b>9.4%</b>	<b>--</b>	<b>6.1%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.0%</b>	<b>Dec-06</b>
<b>SIF U.S. Aggregate Composite</b>	<b>\$2,416,778,852</b>	<b>12.6%</b>	<b>1.7%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.5%</b>	<b>Jul-09</b>
<i>Barclays Capital Aggregate</i>			1.8%	--	7.7%	--	6.1%	--	5.4%	--	4.1%	Jul-09
U.S. Aggregate Index TM #1	\$53,623	0.0%	-0.5%	--	--	--	--	--	--	--	1.6%	Jul-09
<i>Barclays Capital Aggregate</i>			1.8%	--	7.7%	--	6.1%	--	5.4%	--	4.1%	Jul-09
SSGA U.S. Aggregate Index	\$2,416,725,229	12.6%	1.7%	86	--	--	--	--	--	--	1.7%	Dec-09
<i>Barclays Capital Aggregate</i>			1.8%	84	7.7%	89	6.1%	70	5.4%	76	1.8%	Dec-09
<i>Mercer Instl US Fixed Core Median</i>			2.4%		13.3%		6.8%		6.0%		2.4%	Dec-09
<b>SIF U.S. Long Government Composite</b>	<b>\$1,259,907,714</b>	<b>6.6%</b>	<b>1.1%</b>	<b>91</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>0.4%</b>	<b>Jul-09</b>
<i>Barclays Capital LT Govt.</i>			1.0%	94	-6.4%	98	5.7%	90	5.2%	94	-0.5%	Jul-09
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		10.0%	Jul-09
SSGA Government Long Duration Index	\$33,556	0.0%	2.1%	57	--	--	--	--	--	--	0.6%	Jul-09
<i>Barclays Capital LT Govt.</i>			1.0%	94	-6.4%	98	5.7%	90	5.2%	94	-0.5%	Jul-09
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		10.0%	Jul-09
BlackRock Government Long Duration Index	\$1,259,874,159	6.6%	1.5%*	84	--	--	--	--	--	--	-1.8%	Aug-09
<i>Barclays Capital LT Govt.</i>			1.0%	94	-6.4%	98	5.7%	90	5.2%	94	-2.2%	Aug-09
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		10.0%	Aug-09

\*Tracking error due to pricing differences between custodian and manager and cash flows

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Gross of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>SIF U.S. Long Credit</b>	<b>\$5,074,261,272</b>	<b>26.5%</b>	<b>2.2%</b>	<b>59</b>	--	--	--	--	--	--	<b>6.8%</b>	<b>Jul-09</b>
Barclays Capital LT Credit			2.0%	71	28.0%	67	5.5%	81	5.1%	99	6.6%	Jul-09
<i>Mercer Instl US Fixed Long Credit Median</i>			2.6%		28.5%		6.6%		5.9%		14.0%	Jul-09
SSGA Credit Long Duration Index	\$3,636,729,426	19.0%	2.1%	60	--	--	--	--	--	--	6.6%	Jul-09
Barclays Capital LT Credit			2.0%	71	28.0%	67	5.5%	81	5.1%	99	6.6%	Jul-09
<i>Mercer Instl US Fixed Long Credit Median</i>			2.6%		28.5%		6.6%		5.9%		14.0%	Jul-09
BGI Credit Long Duration Index	\$1,437,531,846	7.5%	2.3%*	55	--	--	--	--	--	--	4.2%	Aug-09
Barclays Capital LT Credit			2.0%	71	28.0%	67	5.5%	81	5.1%	99	4.2%	Aug-09
<i>Mercer Instl US Fixed Long Credit Median</i>			2.6%		28.5%		6.6%		5.9%		14.0%	Aug-09
<b>SIF TIPS Composite</b>	<b>\$2,931,562,258</b>	<b>15.3%</b>	<b>0.4%</b>	<b>--</b>	<b>5.9%</b>	<b>--</b>	<b>5.9%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.4%</b>	<b>Jan-07</b>
Barclays Capital US TIPS			0.6%	--	6.2%	--	6.0%	--	4.8%	--	6.5%	Jan-07
BlackRock TIPS Index	\$2,069,346,025	10.8%	--	--	--	--	--	--	--	--	-0.1%	Feb-10
Barclays Capital US TIPS			0.6%	73	6.2%	74	6.0%	68	4.8%	70	0.1%	Feb-10
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		0.7%	Feb-10
SSGA TIPS Index	\$862,216,233	4.5%	0.0%**	98	5.5%	95	5.8%	89	--	--	6.2%	Jan-07
Barclays Capital US TIPS			0.6%	73	6.2%	74	6.0%	68	4.8%	70	6.5%	Jan-07
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		6.5%	Jan-07

\*Tracking error due to pricing differences between custodian and manager

\*\*Tracking error due to pricing differences between custodian and manager and cash flows

Mercer Investment Consulting, Inc.

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Gross of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>SIF Equity Composite</b>	<b>\$5,508,618,057</b>	<b>28.8%</b>	<b>4.5%</b>	<b>--</b>	<b>47.2%</b>	<b>--</b>	<b>-4.7%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-4.0%</b>	<b>Dec-06</b>
<i>SIF Equity Composite Benchmark</i>			4.5%	--	48.5%	--	--	--	--	--	--	Dec-06
<b>SIF Public Equity Composite</b>	<b>\$3,779,733,902</b>	<b>19.7%</b>	<b>6.0%</b>	<b>50</b>	<b>50.0%</b>	<b>60</b>	<b>-4.0%</b>	<b>64</b>	<b>--</b>	<b>--</b>	<b>-4.1%</b>	<b>Jan-07</b>
<i>SIF Public Equity Benchmark</i>			5.9%	51	50.4%	58	-4.0%	65	--	--	-4.1%	Jan-07
<i>Mercer Instl US Equity All Cap Core Median</i>			6.0%		52.1%		-3.0%		3.3%		-1.7%	Jan-07
Russell 3000 Index TM #3	\$3,779,733,902	19.7%	6.0%	57	--	--	--	--	--	--	15.2%	Oct-09
<i>Russell 3000</i>			5.9%	57	52.4%	55	-4.0%	68	2.4%	75	15.2%	Oct-09
<i>Mercer Instl US Equity Combined Median</i>			6.3%		53.7%		-2.4%		3.8%		12.5%	Oct-09
<b>SIF International Equity Composite</b>	<b>\$1,723,697,756</b>	<b>9.0%</b>	<b>1.4%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10.9%</b>	<b>Aug-09</b>
ACWI ex US Index TM #2	\$68,387	0.0%	-6.5%	--	--	--	--	--	--	--	2.3%	Aug-09
<i>MSCI AC World ex USA (Net)</i>			1.6%	--	60.9%	--	-4.2%	--	6.1%	--	10.8%	Aug-09
BlackRock ACWI ex US Index	\$1,723,629,369	9.0%	--	--	--	--	--	--	--	--	--	Mar-10
<i>MSCI AC World ex USA (Net)</i>			1.6%	--	60.9%	--	-4.2%	--	6.1%	--	--	Mar-10
Miscellaneous Holding Account	\$4,110,271	0.0%	12.1%	--	106.6%	--	70.1%	--	--	--	59.0%	Nov-06
Transition Account	\$1,076,128	0.0%	-0.8%	--	6.6%	--	--	--	--	--	-4.7%	Dec-07
<b>SIF Cash Composite</b>	<b>\$380,816,269</b>	<b>2.0%</b>	<b>0.0%</b>	<b>--</b>	<b>0.2%</b>	<b>--</b>	<b>2.2%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.9%</b>	<b>Jun-05</b>
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
SIF Cash Account	\$380,816,269	2.0%	0.0%	--	0.2%	--	2.2%	--	--	--	3.7%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Gross of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>DWRF Composite</b>	<b>\$1,217,669,288</b>	<b>6.4%</b>	<b>2.2%</b>	<b>--</b>	<b>15.9%</b>	<b>--</b>	<b>4.3%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.4%</b>	<b>Dec-06</b>
<i>DWRF Policy Benchmark</i>			2.2%	--	16.5%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Long Duration Index	\$690,044,135	3.6%	1.6%	79	9.6%**	75	--	--	--	--	6.0%	Oct-07
<i>Barclays Capital LT Govt/Credit</i>			1.6%	82	10.3%	73	5.8%	89	5.3%	92	5.8%	Oct-07
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		7.5%	Oct-07
SSGA TIPS Index	\$252,144,913	1.3%	0.4%*	83	6.0%	82	--	--	--	--	5.3%	Oct-07
<i>Barclays Capital US TIPS</i>			0.6%	73	6.2%	74	6.0%	68	4.8%	70	5.4%	Oct-07
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		6.0%	Oct-07
NTGI S&P 500 Index	\$275,346,273	1.4%	5.4%	46	49.8%	42	--	--	--	--	-7.8%	Sep-07
<i>S&amp;P 500 Index (Total Return)</i>			5.4%	48	49.8%	42	-4.2%	68	1.9%	80	-8.0%	Sep-07
<i>Mercer Instl US Equity Large Cap Core Median</i>			5.3%		48.9%		-3.2%		3.0%		-7.0%	Sep-07
DWRF Cash Account	\$133,967	0.0%	0.0%	--	0.1%	--	3.1%	--	--	--	3.2%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
<b>BLF Composite</b>	<b>\$259,811,945</b>	<b>1.4%</b>	<b>2.2%</b>	<b>--</b>	<b>16.0%</b>	<b>--</b>	<b>4.2%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.3%</b>	<b>Dec-06</b>
<i>BLF Policy Benchmark</i>			2.2%	--	16.5%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Long Duration Index	\$148,325,267	0.8%	1.7%	76	9.9%**	75	--	--	--	--	6.2%	Oct-07
<i>Barclays Capital LT Govt/Credit</i>			1.6%	82	10.3%	73	5.8%	89	5.3%	92	5.8%	Oct-07
<i>Mercer Instl US Fixed Long Duration Median</i>			2.2%		14.8%		6.9%		6.2%		7.5%	Oct-07
SSGA TIPS Index	\$52,752,183	0.3%	0.4%*	83	6.0%	82	--	--	--	--	5.2%	Oct-07
<i>Barclays Capital US TIPS</i>			0.6%	73	6.2%	74	6.0%	68	4.8%	70	5.4%	Oct-07
<i>Mercer Instl US Fixed Inflation Linked Bonds Median</i>			0.7%		6.7%		6.2%		5.0%		6.0%	Oct-07
NTGI S&P 500 Index	\$58,432,168	0.3%	5.4%	46	49.8%	42	--	--	--	--	-7.8%	Sep-07
<i>S&amp;P 500 Index (Total Return)</i>			5.4%	48	49.8%	42	-4.2%	68	1.9%	80	-8.0%	Sep-07
<i>Mercer Instl US Equity Large Cap Core Median</i>			5.3%		48.9%		-3.2%		3.0%		-7.0%	Sep-07
BLF Cash Fund	\$302,327	0.0%	0.0%	--	0.2%	--	2.7%	--	--	--	3.2%	Jun-05
<i>BofA Merrill Lvnch 91 Dav T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05

\*Tracking error due to pricing differences between custodian and manager

\*\*Tracking error due to pricing differences between custodian and manager and security selection

Mercer Investment Consulting, Inc.

# Ohio Bureau of Workers Compensation (Ohio BWC)

## Performance Summary (Gross of Fee)

Name	Current Market Value	Current Allocation	Ending March 31, 2010								Inception	
			3 Mo	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>PWRF Composite</b>	<b>\$24,340,393</b>	<b>0.1%</b>	<b>1.5%</b>	<b>--</b>	<b>6.7%</b>	<b>--</b>	<b>3.6%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.8%</b>	<b>Dec-06</b>
<i>PWRF Policy Benchmark</i>			1.5%	--	6.9%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Intermediate Duration Index	\$24,165,073	0.1%	1.5%	84	6.8%	79	--	--	--	--	7.1%	Feb-09
<i>Barclays Capital Int Govt/Credit</i>			1.5%	83	6.9%	79	5.9%	81	5.2%	86	7.3%	Feb-09
<i>Mercer Instl US Fixed Intermediate Median</i>			1.9%		9.4%		6.7%		5.8%		8.2%	Feb-09
PWRF Cash Account	\$175,320	0.0%	0.0%	--	0.2%	--	1.6%	--	--	--	2.4%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
<b>MIF Composite</b>	<b>\$18,481,378</b>	<b>0.1%</b>	<b>1.5%</b>	<b>--</b>	<b>6.7%</b>	<b>--</b>	<b>3.6%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.8%</b>	<b>Dec-06</b>
<i>MIF Policy Benchmark</i>			1.5%	--	6.9%	--	--	--	--	--	--	Dec-06
SSGA Government/Credit Intermediate Duration Index	\$18,054,487	0.1%	1.5%	84	6.8%	79	--	--	--	--	7.1%	Feb-09
<i>Barclays Capital Int Govt/Credit</i>			1.5%	83	6.9%	79	5.9%	81	5.2%	86	7.3%	Feb-09
<i>Mercer Instl US Fixed Intermediate Median</i>			1.9%		9.4%		6.7%		5.8%		8.2%	Feb-09
MIF Cash Account	\$426,890	0.0%	0.0%	--	0.2%	--	1.6%	--	--	--	2.6%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05
<b>SIEGF Composite</b>	<b>\$48,661,064</b>	<b>0.3%</b>	<b>0.0%</b>	<b>--</b>	<b>0.2%</b>	<b>--</b>	<b>2.2%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.4%</b>	<b>Dec-06</b>
<i>SIEGF Policy Benchmark</i>			0.0%	--	0.2%	--	--	--	--	--	--	Dec-06
SIEGF Cash Account	\$48,661,064	0.3%	0.0%	--	0.2%	--	2.2%	--	--	--	3.1%	Jun-05
<i>BofA Merrill Lynch 91 Day T-Bill</i>			0.0%	--	0.2%	--	1.9%	--	2.9%	--	2.9%	Jun-05

## Appendix

### Benchmark Weights

The benchmarks for their respective accounts are as follows:

	Weight		Weight
<b>SIF Policy Benchmark*:</b>		<b>PWRF Policy Benchmark:</b>	
BarCap US Long Credit Index	28%	BarCap Long US Government/Credit Index	99%
BarCap US Long Government Index	9%	3 Month US Treasury Bill	1%
BarCap US Aggregate Index	15%		
BarCap US TIPS Index	17%	<b>TOTAL:</b>	100%
3 Month US Treasury Bill	1%		
Russell 3000 Index	20%	<b>MIF Policy Benchmark:</b>	
MSCI All Country World ex US Index	10%	BarCap Long US Government/Credit Index	99%
		3 Month US Treasury Bill	1%
<b>TOTAL:</b>	100%		
		<b>TOTAL:</b>	100%
<b>DWRF Policy Benchmark:</b>			
BarCap Long US Government/Credit Index	59%	<b>SIEGF Policy Benchmark:</b>	
BarCap US TIPS Index	20%	3 Month US Treasury Bill	100%
S&P 500 Index	20%		
3 Month US Treasury Bill	1%		
<b>TOTAL:</b>	100%		
<b>BLF Policy Benchmark:</b>			
BarCap Long US Government/Credit Index	59%		
BarCap US TIPS Index	20%		
S&P 500 Index	20%		
3 Month US Treasury Bill	1%		
<b>TOTAL:</b>	100%		

\* From January 1, 2008 until September 30, 2009 the SIF Benchmark was comprised of BarCap Long US Government/Credit Index - 59%; BarCap US TIPS Index - 20%; S&P 500 Index - 20%; 3 Month US Treasury Bill - 1%.

## Fee Schedule

### Manager Roster and Fee Schedule

as of March 31, 2010

Account	Fee Schedule	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
<b>SIF U.S. Aggregate Composite</b>				
U.S. Aggregate Transition Account #1			--	--
SIF SSGA Aggregate Passive	0.01% of First \$500.0 Mil, 0.01% of Next \$1,000.0 Mil, 0.01% Thereafter		\$296,673	0.01%
<b>SIF U.S. Long Government Composite</b>				
SSGA Government LDFI	0.03% of First \$1,000.0 Mil, 0.01% of Next \$1,000.0 Mil, 0.01% Thereafter	\$0	\$8	0.03%
BGI Government LDFI	0.03% of First \$1,000.0 Mil, 0.03% of Next \$1,000.0 Mil, 0.02% Thereafter		\$364,969	0.03%
<b>SIF U.S. Long Credit</b>				
SSGA Credit LDFI	0.05% of First \$1,000.0 Mil, 0.04% of Next \$1,000.0 Mil, 0.03% Thereafter	\$0	\$1,309,182	0.04%
BGI Credit LDFI	0.09% of First \$1,000.0 Mil, 0.07% of Next \$1,000.0 Mil, 0.06% Thereafter		\$1,228,149	0.09%
<b>SIF TIPS Composite</b>				
BlackRock TIPS Passive	0.04% of First \$1,000.0 Mil, 0.03% of Next \$1,000.0 Mil, 0.03% Thereafter		\$667,337	0.03%
SSGA TIPS Index	0.01% of First \$500.0 Mil, 0.01% of Next \$1,000.0 Mil, 0.01% Thereafter	\$0	\$111,222	0.01%

## Fee Schedule

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Account	Fee Schedule	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
<b>SIF Equity Composite</b>				
<b>SIF Public Equity Composite</b>				
SIF Russell 3000	0.06% of First \$100.0 Mil, 0.04% of Next \$900.0 Mil, 0.04% of Next \$1,000.0 Mil, 0.04% Thereafter		\$1,482,907	0.04%
<b>SIF International Equity Composite</b>				
ACWI ex US Transition Account #2			--	--
SIF Blackrock ACWI X US Passive	0.07% of First \$100.0 Mil, 0.05% of Next \$900.0 Mil, 0.04% of Next \$1,000.0 Mil, 0.03% Thereafter		\$809,452	0.05%
Miscellaneous Holding Account			--	--
Transition Account			--	--
<b>SIF Cash Composite</b>				
BWC Main Cash Account			--	--

## Fee Schedule

Account	Fee Schedule	Est. Minimum Annual Fee (\$)	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
<b>DWRF Composite</b>				
DWRF SSGA LDFI	0.03% of First \$1,000.0 Mil, 0.02% of Next \$1,000.0 Mil, 0.01% Thereafter	\$0	\$207,013	0.03%
DWRF SSGA TIPS	0.01% of First \$500.0 Mil, 0.01% of Next \$1,000.0 Mil, 0.01% Thereafter	\$0	\$37,822	0.02%
DWRF NT S&P 500 Disabled Workers Retirement	0.01% of Assets	\$0	\$22,028 --	0.01% --
<b>BLF Composite</b>				
Black Lung SSGA LDFI	0.03% of First \$1,000.0 Mil, 0.02% of Next \$1,000.0 Mil, 0.01% Thereafter	\$0	\$44,498	0.03%
Black Lung SSGA TIPS	0.01% of First \$500.0 Mil, 0.01% of Next \$1,000.0 Mil, 0.01% Thereafter	\$0	\$7,913	0.02%
Black Lung NT S&P 500 Black Lung	0.01% of Assets	\$0	\$4,675 --	0.01% --
<b>PWRF Composite</b>				
PWRF Intermediate Duration Fixed Income	0.04% of First \$500.0 Mil, 0.03% of Next \$500.0 Mil, 0.02% Thereafter	\$0	\$9,666	0.04%
Public Workers Relief Fund			--	--
<b>MIF Composite</b>				
MIF Intermediate Duration Fixed Income	0.04% of First \$500.0 Mil, 0.03% of Next \$500.0 Mil, 0.02% Thereafter	\$0	\$7,222	0.04%
Marine Account			--	--
<b>SIEGF Composite</b>				
Self Insured Bond Fund			--	--
<b>Investment Management Fee</b>			<b>\$6,610,733</b>	<b>0.03%</b>

# Appendix

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## Appendix

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

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

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## Appendix

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## Appendix

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# MERCER



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

<u>Asset Sector</u>	<u>Market Value April 30, 2010</u>	<u>% Assets</u>	<u>Market Value March 31, 2010</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	\$13,100,411,880	67.5%	\$12,827,842,088	67.0%	272,569,792	2.1%	\$13,230,413,310	76.9%	(130,001,430)	-1.0%
Equity	5,911,978,253	30.5%	5,841,183,982	30.5%	70,794,271	1.2%	3,522,150,726	20.5%	2,389,827,527	67.9%
Net Cash - OIM	95,339,776	0.5%	39,181,153	0.2%	56,158,623	143.3%	27,624,432	0.2%	67,715,344	245.1%
Net Cash - Operating	249,465,476	1.3%	393,002,379	2.0%	(143,536,902)	-36.5%	366,634,742	2.1%	(117,169,266)	-32.0%
Net Cash - SIEGF	50,469,862	0.2%	48,663,162	0.3%	1,806,699	3.7%	54,583,234	0.3%	(4,113,372)	-7.5%
Total Net Cash	395,275,114	2.0%	480,846,694	2.5%	(85,571,581)	-17.8%	448,842,408	2.6%	(53,567,294)	-11.9%
<b>Total Invested Assets</b>	<b>\$19,407,665,247</b>	<b>100%</b>	<b>\$19,149,872,764</b>	<b>100%</b>	<b>\$257,792,482</b>	<b>1.3%</b>	<b>\$17,201,406,444</b>	<b>100%</b>	<b>\$2,206,258,803</b>	<b>12.8%</b>

**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.

**April 2010/March 2010 Comparisons**

- Net investment income in April 2010 was \$400 million representing a monthly net portfolio return of +2.1% (unaudited).
- Bond market value increase of \$272.6 mm comprised of \$49.3 mm in interest income, \$278.3 mm in OIM realized/unrealized gains (\$1.1 mm net realized gain), and by \$55.0 mm in OIM/TM net sales, representing a monthly net return of +2.6% (unaudited).
- Equity market value increase of \$70.8 mm comprised of \$4.0 mm of dividend income, \$68.4 mm in net realized/unrealized gains (\$1.7 mm net realized gain) and by \$1.6 mm in OIM/TM net sales, representing a monthly net return of +1.2% (unaudited).
- Net cash balances decreased \$85.6 mm in April 2010 largely due to decreased operating cash balances (\$143.5 mm), offset by \$56.2 mm in OIM/TM net sales. JPMorgan US Govt. money market fund had 30-day average yield of 0.08% for April 2010 (0.05% for Mar10) and 7-day average yield of 0.08% on 3/31/10 (0.06% on 3/31/10).

**April 2010/June 2009 FYTD Results**

- Net investment income for FYTD2010 was \$2,392 million largely comprised of \$589 mm of interest/dividend income and \$1,806 mm of net realized/unrealized gains (\$529 mm net realized loss), offset by \$6 mm in fees, representing a FYTD2010 net portfolio return of +14.0% (unaudited).
- Bond market value decrease of \$(130) mm for FYTD2010 comprised of \$523 mm in interest income and \$696 mm of net realized/unrealized gains (\$77 mm net realized gain), offset by \$1,294 mm in OIM/TM net bond sales and \$55 mm in OIM rebalancing redemptions, representing a FYTD2010 net return of +9.6% (unaudited).
- Equity market value increase of \$2,390 mm for FYTD2010 comprised of \$65 mm in dividend income, \$1,110 mm in realized/unrealized gains (\$606 mm net realized loss), \$1,220mm in OIM/TM net purchases and \$55 mm in portfolio OIM rebalancing purchases, offset by \$58 mm in portfolio redemptions for operations, representing a FYTD2010 net return of +28.7% (unaudited).

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

As of April 30, 2010

(in thousands)

	SIF	% Trust	DWRF	% Trust	BLF	% Trust	PWRF	% Trust	MIF	% Trust	SIEGF	% Trust	ACF	% Trust	Totals	% of Total
<b>Bonds</b>	<b>\$ 11,889,906</b>	<b>66.8%</b>	<b>\$ 961,847</b>	<b>77.0%</b>	<b>\$ 206,075</b>	<b>77.4%</b>	<b>\$ 24,374</b>	<b>99.5%</b>	<b>\$ 18,210</b>	<b>97.3%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 13,100,412</b>	<b>67.5%</b>
Long Credit	5,188,317	29.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	5,188,317	26.7%
Long Government	1,285,232	7.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,285,232	6.7%
Long Gov/Credit	-	0.0%	703,530	56.3%	152,055	57.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	855,585	4.4%
TIPS	3,004,147	16.9%	258,317	20.7%	54,020	20.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,316,484	17.1%
Aggregate	2,412,210	13.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,412,210	12.4%
Intermediate Gov/Credit	-	0.0%	-	0.0%	-	0.0%	24,374	99.5%	18,210	97.3%	-	0.0%	-	0.0%	42,584	0.2%
<b>Stocks</b>	<b>5,572,540</b>	<b>31.3%</b>	<b>280,015</b>	<b>22.4%</b>	<b>59,423</b>	<b>22.3%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>5,911,978</b>	<b>30.5%</b>
Russell 3000	3,855,937	21.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,855,937	19.9%
MSCI ACWI ex-U.S.	1,708,222	9.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,708,222	8.8%
S&P 500	-	0.0%	279,733	22.4%	59,363	22.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	339,096	1.8%
Dividends Receivable	4,501	0.0%	282	0.0%	60	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,843	0.0%
Miscellaneous	3,880	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,880	0.0%
<b>Net Cash &amp; Cash Equivalents</b>	<b>332,011</b>	<b>1.9%</b>	<b>7,364</b>	<b>0.6%</b>	<b>676</b>	<b>0.3%</b>	<b>121</b>	<b>0.5%</b>	<b>510</b>	<b>2.7%</b>	<b>50,470</b>	<b>100.0%</b>	<b>4,123</b>	<b>100.0%</b>	<b>395,275</b>	<b>2.0%</b>
<b>Total Cash &amp; Investments</b>	<b>\$ 17,794,457</b>	<b>100.0%</b>	<b>\$ 1,249,226</b>	<b>100.0%</b>	<b>\$ 266,174</b>	<b>100.0%</b>	<b>\$ 24,495</b>	<b>100.0%</b>	<b>\$ 18,720</b>	<b>100.0%</b>	<b>\$ 50,470</b>	<b>100.0%</b>	<b>\$ 4,123</b>	<b>100.0%</b>	<b>\$ 19,407,665</b>	<b>100.0%</b>

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 to 70% bonds/30% stocks from 80% bonds/20% stocks was completed in December, 2009 (new asset allocation transitions began in July, 2009). Transitions included the Russell 3000, Barclays US Aggregate, the Long Credit/Government split and four tranches of the international equity mandate which completes the overall new asset allocation for SIF by asset class. Final placement transitions to approved target investment managers are anticipated to continue through Second Quarter, 2010 as legal contracting and background verifications are completed.

The equity indices returns of the Russell 3000 (+2.16%) as well as the S&P 500 (+1.58%) benchmarks increased for the month of April partially offset by negative performance for the MSCI ACWI ex-U.S. (-0.88%). The equity allocation remained the same at 31.3% as the net positive equity performance was overshadowed by the strong bond performance for the month of April. The bond indices returns increased for the Barclays Capital Long Credit Index (+3.23%), Barclays Capital Long Government Index (+2.76%), U.S. TIPS Index (+2.37%) as well as the U.S. Aggregate Bond Index (+1.04%) in April. The SIF overall strong bond performance resulted in the overall increase in bond asset allocation from 66.3% at end of March to 66.8% at end of April.

Cash allocations decreased from 2.4% at end of March to 1.9% at end of April due to decreased net SIF operating cash of \$143.5 million partially offset by increased investment manager cash balances of \$56.2 million.

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

BWC Board of Directors' Investment Committee approved the Coal Workers' Pneumoconiosis Fund new asset allocation at the December, 2009 meeting and the Disabled Workers' Relief Fund new asset allocation at the January, 2010 meeting.

#### PWRF, MIF, SIEGF

BWC Board of Directors' Investment Committee approved/confirmed the PWRF Fund new asset allocation and the MIF Fund new asset allocation at the March, 2010 meeting. The SIEGF analysis is anticipated for Summer, 2010.

Fund Asset Allocation:				
	Equity	Bonds	Cash	Total
SIF	30%	69%	1%	100%
DWRF	30%	69%	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 Work-Relief Employees' Fund  
MIF: Marine Industry Fund

SIEGF: Self Insured Employers Guarantee Fund  
ACF: Administrative Cost Fund

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

As of March 31, 2010

(in thousands)

	SIF	% Trust	DWRF	% Trust	BLF	% Trust	PWRF	% Trust	MIF	% Trust	SIEGF	% Trust	ACF	% Trust	Totals	% of Total
<b>Bonds</b>	<b>\$ 11,648,194</b>	<b>66.3%</b>	<b>\$ 937,457</b>	<b>77.0%</b>	<b>\$ 199,972</b>	<b>77.0%</b>	<b>\$ 24,165</b>	<b>99.3%</b>	<b>\$ 18,054</b>	<b>97.6%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 12,827,842</b>	<b>67.0%</b>
Long Credit	5,052,920	28.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	5,052,920	26.4%
Long Government	1,250,184	7.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,250,184	6.6%
Long Gov/Credit	-	0.0%	685,417	56.3%	147,238	56.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	832,655	4.3%
TIPS	2,929,581	16.7%	252,040	20.7%	52,734	20.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,234,355	16.9%
Aggregate	2,415,509	13.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,415,509	12.6%
Intermediate Gov/Credit	-	0.0%	-	0.0%	-	0.0%	24,165	99.3%	18,054	97.6%	-	0.0%	-	0.0%	42,219	0.2%
<b>Stocks</b>	<b>5,506,934</b>	<b>31.3%</b>	<b>275,735</b>	<b>22.6%</b>	<b>58,515</b>	<b>22.5%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>5,841,184</b>	<b>30.5%</b>
Russell 3000	3,773,587	21.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,773,587	19.7%
MSCI ACWI ex-U.S.	1,723,627	9.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,723,627	9.0%
S&P 500	-	0.0%	275,346	22.6%	58,432	22.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	333,778	1.8%
Dividends Receivable	5,840	0.0%	389	0.0%	83	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	6,312	0.0%
Miscellaneous	3,880	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,880	0.0%
<b>Net Cash &amp; Cash Equivalents</b>	<b>418,054</b>	<b>2.4%</b>	<b>4,526</b>	<b>0.4%</b>	<b>1,308</b>	<b>0.5%</b>	<b>175</b>	<b>0.7%</b>	<b>442</b>	<b>2.4%</b>	<b>48,663</b>	<b>100.0%</b>	<b>7,679</b>	<b>100.0%</b>	<b>480,847</b>	<b>2.5%</b>
<b>Total Cash &amp; Investments</b>	<b>\$ 17,573,182</b>	<b>100.0%</b>	<b>\$ 1,217,718</b>	<b>100.0%</b>	<b>\$ 259,795</b>	<b>100.0%</b>	<b>\$ 24,340</b>	<b>100.0%</b>	<b>\$ 18,496</b>	<b>100.0%</b>	<b>\$ 48,663</b>	<b>100.0%</b>	<b>\$ 7,679</b>	<b>100.0%</b>	<b>\$ 19,149,873</b>	<b>100.0%</b>

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 to 70% bonds/30% stocks from 80% bonds/20% stocks was completed in December, 2009 (new asset allocation transitions began in July, 2009). Transitions included the Russell 3000, Barclays US Aggregate, the Long Credit/Government split and four tranches of the international equity mandate which completes the overall new asset allocation for SIF by asset class. Final placement transitions to approved target investment managers are anticipated to continue through Second Quarter, 2010 as legal contracting and background verifications are completed.

The equity indices returns of the MSCI ACWI ex-U.S. (+6.80%), Russell 3000 (+6.30%) as well as the S&P 500 (+6.03%) benchmarks notably increased for the month of March. The strong monthly performance in equities caused an overall increase in equity asset allocation from 29.9% to 31.3%. The bond indices returns decreased for the Barclays Capital Long Government Term Index (-1.86%) and the U.S. Aggregate Bond Index (-0.12%) offset slightly by increases in the Barclays Capital Long Credit Index (+0.20%) and U.S. TIPS Index (+0.13%) in March. The SIF overall net negative bond performance combined with the strong positive performance in equities for the month of March resulted in the overall decrease in bond asset allocation from 67.2% at end of February to 66.3% at end of March.

Cash allocations decreased from 2.9% at end of February to 2.4% at end of March due to decreased net SIF operating cash of \$55.2 million as well as decreased investment manager cash balances of \$34.0 million.

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

BWC Board of Directors' Investment Committee approved the Coal Workers' Pneumoconiosis Fund new asset allocation at the December, 2009 meeting and the Disabled Workers' Relief Fund new asset allocation at the January, 2010 meeting.

#### PWRF, MIF, SIEGF

BWC Board of Directors' Investment Committee approved/confirmed the PWRF Fund new asset allocation and the MIF Fund new asset allocation at the March, 2010 meeting. The SIEGF analysis is anticipated for Summer, 2010.

	Fund Asset Allocation:			
	Equity	Bonds	Cash	Total
SIF	30%	69%	1%	100%
DWRF	30%	69%	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 Work-Relief Employees' Fund  
MIF: Marine Industry Fund

SIEGF: Self Insured Employers Guarantee Fund  
ACF: Administrative Cost Fund

**INVESTMENT DIVISION**

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

FROM: Bruce Dunn, CFA, Chief Investment Officer

DATE: May 18, 2010

SUBJECT: CIO Report April, 2010

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**Fiscal Year 2010 Goals**

The Investment Division has three major goals for 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 evaluated these RFP responses and has conducted a thorough and complete RFP evaluation process. Finalists for recommendation for each of the six asset class mandates of the State Insurance Fund were presented to and approved by the Investment Committee and Board of Directors at the monthly scheduled meetings over the period September, 2009 through January, 2010.

During the interim period until these finalist managers were identified and ultimately approved by the Board and under contract, a detailed asset allocation transition implementation plan approved by the Investment Committee and Board of Directors at their respective May, 2009 meetings is being executed by the Investment Division with approved BWC transition managers. This plan identified five distinct asset class transitions and prioritized each transition with an expected timeline. This plan enabled 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 new target asset managers can be funded.

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

Mercer did present a final strategic asset allocation analysis on the Disabled Workers Fund and the Coal Workers Fund at the December, 2009 and January, 2010 Investment Committee meetings for consideration. The Investment Committee and Board of Directors approved the targeted asset allocation recommendations of Mercer and the CIO for each of these speciality funds at these respective meetings. The BWC Investment Policy Statement reflecting the new portfolio asset allocation targets for these two speciality funds were revised and also approved by the BWC Board of Directors at these respective meetings.

Mercer presented a strategic asset allocation analysis on the Public Work-Relief Employees' Fund and Marine Industry Fund at the March, 2010 Investment Committee meeting for consideration. The Investment Committee and Board of Directors approved the targeted asset allocation recommendations of Mercer and the CIO for both of these speciality funds at their respective meetings. The asset allocations recommended and approved for these two speciality funds resulted in the confirmations of the existing asset allocation targets for both of these speciality funds and resulted in no change in investment strategy.

The Investment Division has and will 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. Phase 1 has largely been completed with the completion of the transfer of all appropriate fixed income assets to the approved passive indexed managers in March, 2010. Phase 2 and Phase 3 presented in the Mercer study addresses high yield bonds, alternative investments, active management and minority manager engagement. With Phase 1 now largely completed, the Investment Division is focusing 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) and into fiscal year 2011. Appropriate and necessary education will be provided to the Investment Committee by Mercer working closely with the Investment Division. Mercer has provided two education sessions on active versus passive investment management with the Investment Committee in March and April, 2010. The CIO will be providing specific recommendations for early discussion at the May, 2010 Investment Committee meeting regarding current State Insurance Fund fixed income and equity classes to be considered for active management.

One important additional subject being 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 is exploring 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. In addition, the Investment Division is in the early stages of exploring the increasingly common institutional investor practice of utilizing contracted cash management overlay services to more effectively control/reduce cash balances exceeding projected nearer term operational cash needs. This excess cash can instead be directed to existing BWC outside managers to earn projected higher returns and reduce market value variances to portfolio allocation targets.

### **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 addressed in fiscal year 2010 were policies and procedures regarding the selection of transition managers, as well as revising/updating policies and procedures on investment manager background checks/fingerprinting and asset class rebalancing. 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.

### **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 (now BlackRock), 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 investment manager finalists for each of the six asset class mandates for the State Insurance Fund. Further due diligence analysis is 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.

The Evaluation Committee presented investment manager finalists for the State Insurance Fund for recommendation to the Investment Committee and Board for consideration at the monthly scheduled meetings over the period September, 2009 through January, 2010. Each of these recommended finalist managers were approved for specific targeted asset class mandates by the Investment Committee and Board. The Transition Activity Update section of this report that follows provides updated information on certain investment manager finalists approved by the Investment Committee and Board at each of the respective September, 2009 through January, 2010 monthly meetings.

Mercer completed and presented a strategic asset allocation analysis for the Coal Workers Fund at the December, 2009 Investment Committee meeting. A new asset allocation mix recommended by both Mercer and the CIO was approved for the Coal Workers Fund by the Investment Committee and Board of Directors at their respective December, 2009 meetings. This new asset allocation mix maintained an 80/20 fixed income/equity asset allocation mix but added a new asset class for both fixed income (intermediate duration bonds) and equities (non-US equities) in addition to two existing asset classes (TIPS fixed income and U.S. equities) retained. Mercer completed and presented a strategic asset allocation analysis for the Disabled Workers Fund at the January, 2010 Investment Committee meeting. A new asset allocation for this fund recommended by the CIO and Mercer was approved by the Investment Committee and Board of Directors at their respective January, 2010 meetings. This recommendation included the same four asset classes approved the prior month for the Coal Workers Fund, although the recommended asset allocation mixes differ between the two funds. The new asset allocation mix for the Disabled Workers Fund is a 70/30 fixed income/equity mix. The BWC RFP Evaluation Committee presented investment manager finalists selected and recommended for each of the four approved fixed income (excluding cash) and equities mandates for each of the Disabled Workers Fund and Coal Workers Fund to the Investment Committee and Board for consideration at the February, 2010 meeting. Each of these recommended finalist managers were approved for specific targeted asset class mandates by the Investment Committee and Board at their respective February, 2010 meetings.

## **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 has been serving as an interim index investment manager for the Bureau. State Street Global Advisors (SSGA) was recommended by the RFP Evaluation Committee and approved by the Board as the single finalist investment manager for the U.S. Aggregate index mandate at the October, 2009 Board meeting. Necessary background checks on the identified index management team of the approved target asset manager(s) and legal contracting of the management services agreement were completed by late December, 2009, enabling the transition account assets to be transferred to SSGA as the chosen finalist target manager in late December, 2009. The net market asset value of the assets involved in this U.S. Aggregate index mandate transfer was approximately \$2.375 billion.

The Investment Division has now completed all four phases of the Priority #2 Transition for SIF involving investments in a targeted 10% asset allocation in non-U.S. equities of the All Country World Index (ACWI ex-US). The final fourth stage of this transition was completed in mid-December, 2009. The first three phases of this transition occurred between late August and early November, 2009. The BWC transition manager chosen by the BWC Transition Manager Evaluation Committee for this specific transition largely sold Long Government bonds (in first two transition phases) and TIPS (in third transition phase) that were all transferred in-kind to the new transition account for the purpose of funding the purchase of non-U.S. equities with approximate initial respective market values aggregating \$1,199 million to date. Each transition varied between \$375-425 million in assets sold to fund the international equities purchases. The final phase of this Priority #2 Transition involved the transfer of cash assets valued at approximately \$425 million raised from the sale of U.S. equities in the Priority #3 Transition account as directed by BWC. These assets sold consisted of U.S. equities benchmarked to the Russell 3000 index. These cash assets were transferred to the Priority #2 Transition account to fund this final purchase phase of non-U.S. equities to achieve its targeted 10% asset allocation for SIF. The reason for U.S. equities becoming the funding source for this final purchase phase for non-U.S. equities in the Priority #2 Transition was because the U.S. equities market value in the SIF portfolio began to exceed its 23% target asset allocation upper limit range

due to its recent significant outperformance compared to the SIF fixed income asset classes. By the Investment Division exercising this funding strategy for this final phase of the Priority #2 Transition, the SIF portfolio was assured of being within its target ranges for each of its asset classes at the end of December, 2009 so that no portfolio rebalancing activity was necessary in early January, 2010. Legal requirements for some of the underlying emerging market country non-securities lending commingled funds being launched as well as the master commingled fund being launched that BWC will invest in have recently been successfully addressed and completed by the Board approved single finalist investment manager (BlackRock, formerly Barclays Global Investors). With the completion early in February, 2010 of all necessary legal requirements for the creation of these new commingled funds, legal contracting with BlackRock as the exclusive investment manager of non-U.S. equity assets of SIF was completed so that the transfer of SIF assets from the Priority #2 transition account to the newly created master commingled fund could occur. This transfer of assets occurred over the last week of February, 2010 with the initial cost basis of the commingled fund units being \$1.612 billion.

The Priority #3 Transition for SIF involving the transition of the domestic U.S. equity portfolio (\$3.8 billion market value) was executed in October, 2009 by the transition manager chosen by the BWC Transition Manager Evaluation Committee. This transition included 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. All 500 stocks held in the SIF S&P 500 index separate account managed by Northern Trust (valued at \$3.75 billion) were transferred in-kind to the transition account. The transition manager implemented the Priority #3 Transition by selling a portion (15-20% on average) of each of the S&P 500 stocks received into the transition account in order to fund many of the mid-cap and small-cap stocks represented in the Russell 3000 index. These sales aggregated \$715 million in market value. This transition manager retained the remaining shares of each of the S&P 500 stocks as those stocks are included in the Russell 3000 index and represent approximately 85% of the total current market value of the benchmark index. As mentioned in the preceding comments regarding the Priority #2 Transition, approximately \$425 million in cash from sale proceeds of assets were transferred out of the Priority #3 Transition account in mid-December, 2009 to fund the final purchase phase of the Priority #2 Transition.

Northern Trust Global Investments (Northern Trust) was recommended by the RFP Evaluation Committee and approved by the Board in December, 2009 as a passive index manager for the SIF U.S. Equities mandate for a targeted 14% asset allocation. Mellon Capital Management (Mellon) was recommended by the RFP Evaluation Committee and approved by the Board in January, 2010 as the second passive index manager for the SIF U.S. equities mandate for the remaining 6% targeted asset allocation of this asset class. Legal contracting and background checks are being completed with both Northern Trust and Mellon. It is anticipated that the assets of the Priority #3 Transition account managed by the BWC chosen transition manager since October 2009 will be proportionally transferred in-kind to each of Northern Trust and Mellon as finalist managers by the end of May, 2010.

Legal contracting and background checks are also proceeding with all approved SIF, Disabled Workers Fund and Coal Workers Fund investment managers. It is the goal of the Investment Division that all necessary asset class transfers to approved finalist investment managers for these three trust funds will be completed during the second quarter of 2010. A transition manager has been selected by the Investment Division to implement the necessary asset class mandate shifts recently approved by the Board for both the Disabled Workers Fund and Coal Workers Fund. Necessary legal contracting with this transition manager is proceeding.

The assets of the SIF U.S. Long Government portfolio managed by SSGA aggregating \$522 million in market value were transferred in-kind to BlackRock on January 28, 2010. BlackRock was approved as the exclusive passive investment manager of this SIF mandate resulting from the RFP process. BlackRock already managed \$746 million market value of long U.S. government bonds for SIF on this transfer date.

A large portion of the SIF U.S. TIPS portfolio managed by SSGA aggregating \$2.063 billion in market value was transferred in-kind to BlackRock on February 24, 2010. BlackRock was approved as the largest passive investment manager of this SIF asset class mandate for a targeted 12% of SIF total portfolio market value resulting from the RFP process, with State Street as an existing SIF TIPS passive manager being reduced to a targeted 5% from a targeted 17% of total SIF portfolio market value.

A portion of the SIF U.S. Long Credit fixed income portfolio managed by SSGA aggregating \$486 million in market value was transferred in-kind to BlackRock on March 3, 2010. BlackRock was approved as a passive investment manager for this SIF mandate for a targeted 8% of SIF total portfolio market value resulting from the RFP, with State Street as a SIF U.S. Long Credit passive fixed income manager representing a targeted 20% of total SIF portfolio market value. BlackRock already managed \$945 million market value of long credit bonds for SIF on this transfer date.

### **Compliance**

The investment portfolios were in compliance with the BWC Investment Policy at the end of April, 2010.

# MERCER

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31 December 2009

## Value Added Through Mercer Manager Research Recommendations

# Measurement of value added through manager research recommendations 31 December 2009

Mercer's investment consulting group has developed and implemented a methodology for measuring the value added through their manager research recommendations. An explanation of this methodology, and the results of the analysis covering the period to 31 December 2009, are presented below.

## Measurement methodology

For each investment product that we research, we arrive at a rating on a six tier scale in which the possible ratings are A, A-, B+, B, B- and C. When we formulate short lists of candidates for clients to consider in manager searches, these are generally drawn from the list of products rated A and A- within the relevant product category. We first started maintaining formal ratings on this basis in 1995, replacing less formal methods in place before then, and have extended this to cover all product categories that we actively research over the period since.

Our methodology for measuring the performance of our ratings entails calculating the average performance of the strategies that we rated A and A- within each product category each quarter, based on the ratings as they stood at the end of the previous quarter. Therefore there is no element of hindsight in the analysis. We then compound these quarterly results together to calculate performance over longer periods. Finally, we subtract the return for an appropriate and widely accepted benchmark index for the product category concerned to calculate value added. We also calculate a risk-adjusted measure of the value added called the information ratio.

In essence, this methodology tracks the performance of a hypothetical Mercer client that is assumed to split its money evenly between all of the strategies rated A or A- by Mercer within the product category concerned. This hypothetical Mercer client is assumed to have reviewed its manager line-up at the end of each quarter, based on the Mercer ratings as they stood at that point in time. A typical client would not invest in all strategies in all of the categories, as some may not be relevant to a client for a variety of reasons. Therefore the actual added value of strategies selected by a client would vary from the results depicted here. The average added value for each product category is described in the attachments.

Three types of strategy are excluded from the analysis. Firstly, we exclude strategies that are sub-advised by other investment managers, to avoid double-counting. Secondly, where a manager offers two variants of what is essentially just one strategy, we only include one of these in the analysis (the one with the longer track record), once again to avoid double counting. Thirdly, if a strategy's track record relates to a non-standard benchmark index that is materially different than the benchmark index used in the analysis for the product category concerned, it will be excluded from the analysis to avoid distortions that could arise solely as a result of the non-standard benchmark index.

For some product categories where the use of custom benchmarks is prevalent there is no single widely accepted benchmark index that can be used as a basis for this analysis. We have used a slightly different methodology for these categories. In these cases we have carried out the analysis by firstly calculating value added separately each quarter for each track record relative to its custom benchmark, then calculating the average of these value added numbers each quarter, and then compounding the quarterly value added numbers together to calculate value added over longer periods.

We have carried out these calculations for all of the product categories that we both maintain ratings for and for which we have reliable investment performance data (currently 71 categories), going back in each case to when we first started maintaining ratings for the product category concerned.

# Measurement of value added through manager research recommendations 31 December 2009

## Some important caveats

All of the added value figures have been calculated by Mercer, but are based upon performance data provided to Mercer by the investment managers concerned. Mercer generally does not independently verify the performance information provided by investment managers.

The methodology described above does not allow for the transaction costs that an investor would have incurred if it had actually changed its panel of investment managers every quarter in line with changes to the list of products rated A or A- by Mercer within the product category concerned. In practice, the turnover of managers incurred by such an investor would have averaged out at about 16% per annum (the actual averages since inception for each product category are shown in the final section of the results). We have not attempted to estimate the transaction costs that would actually have been incurred as this would require assumptions about a number of factors, including the investor's cash flow position and how well the changes had been implemented.

All investment performance data used to create this analysis was reported gross of investment management fees and certain other expenses, such as custody and administration. All of the value added figures likewise are quoted before deduction of these fees. The figures are however net of all transaction costs that the managers concerned have incurred within their investment portfolios.

As described above, the results of the analysis are based on performance data provided to Mercer by the investment managers concerned and other sources. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of information presented, and no responsibility or liability, including for consequential or incidental damages, can be accepted for any error, omission or inaccuracy in this information.

In cases where investment managers submit their historical performance data to Mercer or notify Mercer of a revision to their historical performance data subsequent to the publication of Mercer's analysis, this new information will be reflected in subsequent updates of the analysis published by Mercer, but Mercer will not reissue previous analyses to allow for the change to the historical data.

We have endeavoured to obtain performance data for all investment products that have ever been rated A or A- by Mercer for inclusion in the analysis, but in some cases this has not been possible. Where data could not be obtained, we had no option but to exclude the product from the analysis. We will continue to endeavour to obtain this missing data for future updates of the analysis. This may result in some changes to the historic figures in future updates of the results.

As always, past performance cannot be relied upon as a guide to future performance. Whilst Mercer commits considerable resources to manager research, in an effort to maximise the value added through our manager research recommendations, we do not provide any guarantees as to the future performance of the investment strategies that we recommend to our clients.

## Results

The results of the analysis are set out in the following pages. The first table shows the results for each product category since inception. The subsequent tables show more detailed background information.

### March 2010

## Value added summary results

### Asia/Pacific

Product Category	Benchmark Index (Base Currency for calculations)	Inception date of measurement period	Value added since inception(a) (% pa)	Information ratio since inception(b)
Australian Equity	As nominated by the manager: either S&P/ASX 300 or S&P/ASX 200 Accum. Index (AUD)	1 July 1995	1.6	0.9
Australian Small Companies	S&P/ASX Small Ordinaries (AUD)	1 January 1997	8.7	1.2
Australian Fixed Interest	UBS WA Composite Bond (AUD)	1 July 1995	0.2	0.2
Australian Short Duration High Income	UBS Bank Bill (AUS)	1 October 2003	1.1	0.2
Australian Listed Property	S&P/ASX 300 Property Trusts (AUD)	1 October 1998	0.9	0.3
Australian Balanced**	As nominated by the manager (AUD)	1 July 1995	**	**
<i>Average for Australia</i>			<b>2.5</b>	<b>0.6</b>
New Zealand Equity	NZSE50 Gross, NZSE40 prior to 1 Oct 2003 (NZD)	1 January 1996	3.2	1.0
Trans-Tasman Equity	NZSE50 Gross, NZSE40 prior to 1 Oct 2003 (NZD)	1 January 1999	5.2	1.0
New Zealand Fixed	NZX NZGS (NZD)	1 January 1996	0.6	0.6
<i>Average for New Zealand</i>			<b>3.0</b>	<b>0.9</b>
Asia ex Japan Equity	MSCI AC Far East Free ex Japan (USD)	1 July 1997	1.9	0.3
Hong Kong Balanced**	As nominated by the manager (HKD)	1 January 2003	**	**
Hong Kong Equity**	Hang Seng (HKD)	1 January 2003	**	**
Pacific ex Japan Equity	MSCI AC Pacific Free ex Japan (USD)	1 January 1996	3.3	0.8
Japan Equity	TOPIX (JPY)	1 April 1996	2.6	0.6
Japan Small Cap Equity	Russell/Nomura Small Cap (JPY)	1 October 2003	0.7	0.1
Pacific inc Japan Equity	MSCI AC Pacific Free (USD)	1 January 1999	1.4	0.5
Singapore Equity**	Straits Times (SGD)	1 January 2002	**	**
<i>Average for Other Asia/Pacific</i>			<b>2.0</b>	<b>0.5</b>
<i>Overall average for Asia/Pacific</i>			<b>2.4</b>	<b>0.6</b>

\*\* Category is no longer formally rated or measured.

# Value added summary results

## Europe

Product Category	Benchmark Index (Base Currency for calculations)	Inception date of measurement period	Value added since inception(a) (% pa)	Information ratio since inception(b)
UK Equity	FTSE All Share (GBP)	1 October 1995	0.4	0.3
Mixed UK/Non-UK Equity	60 FTSE All Share/40 FTSE World ex UK (GBP)	1 April 2001	0.8	0.3
UK Small Cap Equity	FTSE Small Cap (GBP)	1 April 2004	3.6	0.5
UK Property	IPD UK Balanced Fund	1 July 2004	0.1	0.1
UK Balanced**	CAPS Pooled Median (GBP)	1 October 1995	**	**
UK Inflation-Linked Bonds	FTA ILG All Stocks, CAPS prior to 1999 (GBP)	1 April 1996	0.4	0.5
UK Government Bonds	FTA All Stocks, CAPS prior to 1999 (GBP)	1 October 1995	0.3	0.6
UK Non-Government Bonds	iBoxx Non-Gilts Overall (GBP)	1 July 2001	0.4	0.4
UK Aggregate Bonds	50 FTA All Stock/50 iBoxx Non Gilts Overall (GBP)	1 April 2004	0.3	0.2
<b>Average for UK</b>			<b>0.8</b>	<b>0.4</b>
Eurozone Equity	MSCI EMU (EUR)	1 July 2004	1.0	0.5
Europe ex UK Equity	FTSE World Europe ex UK (GBP)	1 October 1995	0.7	0.3
Europe inc UK Equity	FTSE World Europe (USD)	1 October 1995	0.6	0.2
Europe inc UK Small Cap Equity	S&P Europe Small Cap (USD)	1 April 2003	-0.2	0.0
Eurozone Aggregate Bonds	Barclays Capital Euro-Aggregate (EUR)	1 October 2002	0.1	0.1
Eurozone Government Bonds	Citigroup EMU Government Bond (EUR)	1 July 2004	-1.9	-0.7
Eurozone Non-Government Bonds	Citigroup Euro BIG ex EMU Gov (EUR)	1 July 2004	-0.8	-0.1
<b>Average for European regional</b>			<b>-0.1</b>	<b>0.0</b>
<b>Overall average for Europe</b>			<b>0.4</b>	<b>0.2</b>

\*\* Category is no longer formally rated or measured.

# Value added summary results

## North America

Product Category	Benchmark Index (Base Currency for calculations)	Inception date of measurement period	Value added since inception(a) (% pa)	Information ratio since inception(b)
US Equity, Large Cap Core	Russell 1000 (USD)	1 January 1996	0.5	0.4
US Equity, Large Cap Growth	Russell 1000 Growth (USD)	1 January 1996	0.6	0.2
US Equity, Large Cap Value	Russell 1000 Value (USD)	1 January 1996	-0.3	-0.1
US Equity, Mid Cap Core	Russell Midcap (USD)	1 January 1996	0.8	0.2
US Equity, Mid Cap Growth	Russell Midcap Growth (USD)	1 January 1996	1.8	0.3
US Equity, Mid Cap Value	Russell Midcap Value (USD)	1 January 1996	-0.2	0.0
US Equity, SMID Core	Russell 2500 (USD)	1 July 2000	5.4	0.9
US Equity, SMID Growth	Russell 2500 Growth (USD)	1 July 2000	2.0	0.5
US Equity, SMID Value	Russell 2500 Value (USD)	1 July 2000	-2.0	-0.3
US Equity, Small Cap Core	Russell 2000 (USD)	1 January 1996	2.3	0.5
US Equity, Small Cap Growth	Russell 2000 Growth (USD)	1 January 1996	1.4	0.4
US Equity, Small Cap Value	Russell 2000 Value (USD)	1 January 1996	1.7	0.4
<b>Average for US Equity</b>			<b>1.2</b>	<b>0.3</b>
US Real Estate, Open End	NCREIF Property (USD)	1 September 2004	-5.2	-1.0
US Real Estate Securities	FTSE NAREIT (USD)	1 September 2004	2.3	1.4
<b>Average for US Other</b>			<b>-1.5</b>	<b>0.2</b>
US Fixed, Core Investment Grade	Barclays Capital US Aggregate (USD)	1 January 1996	0.0	0.0
US Fixed, Core Opportunistic	Barclays Capital US Aggregate (USD)	1 January 1996	0.0	0.0
US Fixed, High Yield	BofA Merrill Lynch High Yield (USD)	1 January 1996	0.2	0.1
US Fixed, Short	BofA Merrill Lynch Govt/Corp 1-3 Years (USD)	1 January 1996	0.1	0.1
US Fixed, Intermediate	Barclays Capital US Intermediate Govt/Credit (USD)	1 January 1996	0.3	0.2
US Fixed, Long	Barclays Capital US Govt/Credit (USD)	1 January 1996	1.4	1.0
<b>Average for US Fixed</b>			<b>0.3</b>	<b>0.2</b>
Canadian Equity	S&P/TSX Composite (CAD)	1 July 2001	0.5	0.3
Canadian Small Cap	BMO Small Cap Blended (CAD)	1 January 2005	-2.0	-0.2
Canadian Balanced	As nominated by the manager (CAD)	1 July 2001	0.5	0.5
Canadian Domestic Balanced**	As nominated by the manager (CAD)	1 July 2001	**	**
Canadian Fixed	DEX Universe Bond (CAD)	1 July 2001	0.3	0.6
Canadian Corporate & Credit Focused	DEX Universe Corporate (CAD)	1 April 2005	-0.2	-0.1
Canada Fixed Income Core Plus	DEX Universe Bond (CAD)	1 January 2007	0.0	0.0
<b>Average for Canada</b>			<b>-0.1</b>	<b>0.2</b>
<b>Overall average for North America</b>			<b>0.5</b>	<b>0.2</b>

\*\* Category is no longer formally rated or measured.

# Value added summary results

## Global/International

Product Category	Benchmark Index (Base Currency for calculations)	Inception date of measurement period	Value added since inception(a) (% pa)	Information ratio since inception(b)
Active Currency	As nominated by the manager (USD)	1 July 1999	1.0	0.4
Global Equity - Core	MSCI World (USD)	1 July 1995	1.7	0.7
Global Equity - Growth	S&P Developed LargeMidCap Growth (USD)	1 January 1996	0.0	0.0
Global Equity - Value	S&P Developed LargeMidCap Value (USD)	1 July 1995	2.1	0.6
GTAA/Global Macro	As nominated by the manager (USD)	1 January 2001	4.9	0.7
World ex US Equity - Core	MSCI EAFE (USD)	1 January 1996	2.1	0.7
World ex US Equity - Growth	S&P Developed ex US Growth (USD)	1 January 1996	1.3	0.3
World ex US Equity - Value	S&P Developed ex US Value (USD)	1 January 1996	2.6	0.7
World ex US Small Cap	S&P Developed ex US Small Cap (USD)	1 January 1996	3.2	0.7
Emerging Markets Equity	MSCI Emerging Markets (USD)	1 January 1996	2.1	0.4
Global Real Estate Securities	FTSE NAREIT ERPA Global	1 July 2005	1.5	0.6
Emerging Markets Debt	JP Morgan EMBI+ (USD)	1 January 2002	2.6	1.0
Global Fixed Broad Market Aggregate	Barclays Capital Global Aggregate (USD)	1 July 2002	1.1	0.3
Global Credit	Barclays Capital Global Aggregate Credit (USD)	1 July 2003	-0.6	-0.1
World ex US Fixed Income	Citigroup World ex US Unhedged GBI (USD)	1 January 1996	0.5	0.3
Global High Yield	BofA Merrill Lynch Global High Yield (USD)	1 January 2008	0.5	*
<b><i>Average for Global/International</i></b>			<b><i>1.6</i></b>	<b><i>0.5</i></b>
<b>OVERALL AVERAGES(c)</b>			<b>1.1</b>	<b>0.4</b>
<b><i>All equity categories</i></b>			<b><i>1.7</i></b>	<b><i>0.4</i></b>
<b><i>All fixed income categories</i></b>			<b><i>0.3</i></b>	<b><i>0.2</i></b>
<b><i>All other categories</i></b>			<b><i>0.7</i></b>	<b><i>0.4</i></b>

\* Information ratios are shown for only those product categories that have track records at least three years running.

# Value added for periods ending 31 December 2009

## Asia Pacific

Product Category	3 months %	1 year %	2 years % pa	3 years % pa	4 years % pa	5 years % pa	6 years % pa	7 years % pa	8 years pa	9 years pa	10 years % pa
Australian Equity	0.3	3.2	2.2	1.5	1.0	0.9	1.0	1.0	1.2	1.2	1.6
Australian Small Companies	1.2	7.7	5.9	5.2	4.2	2.0	3.6	3.5	6.0	7.4	9.0
Australian Fixed Interest	0.5	2.6	0.1	-0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Australian Short Duration High Income	2.1	15.9	1.8	1.0	0.9	0.9	1.1				
Australian Listed Property	1.4	13.9	1.6	1.0	1.0	0.8	1.0	1.0	1.0	0.9	0.9
Australian Balanced**											
<i>Average for Australia</i>	<i>1.1</i>	<i>8.7</i>	<i>2.3</i>	<i>1.7</i>	<i>1.4</i>	<i>0.9</i>	<i>1.4</i>	<i>1.4</i>	<i>2.1</i>	<i>2.4</i>	<i>2.9</i>
New Zealand Equity	0.4	0.7	1.8	0.4	0.8	0.9	1.0	1.3	0.3	1.2	1.8
Trans-Tasman Equity	0.3	1.9	3.8	3.5	2.9	3.3	3.5	3.7	2.0	3.3	4.4
New Zealand Fixed	0.9	1.8	-0.2	0.1	0.4	0.4	0.5	0.4	0.4	0.4	0.5
<i>Average for New Zealand</i>	<i>0.5</i>	<i>1.5</i>	<i>1.8</i>	<i>1.3</i>	<i>1.4</i>	<i>1.5</i>	<i>1.6</i>	<i>1.8</i>	<i>0.9</i>	<i>1.7</i>	<i>2.2</i>
Asia ex Japan Equity	0.0	-1.9	-0.7	0.1	0.0	0.0	-0.5	-0.2	0.7	0.5	1.0
Hong Kong Balanced**											
Hong Kong Equity**											
Pacific ex Japan Equity	0.3	-1.7	1.5	2.4	2.6	2.1	2.1	2.3	2.3	2.1	4.0
Japan Equity	0.4	2.7	-0.5	-0.2	-0.1	0.7	0.5	0.4	0.6	0.3	0.1
Japan Small Cap Equity	0.8	5.9	-2.0	-1.3	-0.8	0.0	0.0				
Pacific inc Japan Equity	-2.0	-9.0	-1.2	0.4	0.3	0.8	0.9	0.6	0.8	0.7	0.7
Singapore Equity**											
<i>Average for Other Asia/Pacific</i>	<i>-0.1</i>	<i>-0.8</i>	<i>-0.6</i>	<i>0.3</i>	<i>0.4</i>	<i>0.7</i>	<i>0.6</i>	<i>0.8</i>	<i>1.1</i>	<i>0.9</i>	<i>1.4</i>
<i>Overall average for Asia/Pacific</i>	<i>0.5</i>	<i>3.4</i>	<i>1.1</i>	<i>1.1</i>	<i>1.0</i>	<i>1.0</i>	<i>1.1</i>	<i>1.3</i>	<i>1.4</i>	<i>1.7</i>	<i>2.2</i>

\*\* Category is no longer formally rated or measured.

# Value added for periods ending 31 December 2009

## Europe

Product Category	3 months %	1 year %	2 years % pa	3 years % pa	4 years % pa	5 years % pa	6 years % pa	7 years % pa	8 years % pa	9 years % pa	10 years % pa
UK Equity	-0.9	0.7	-0.1	-0.9	-0.3	0.0	0.1	0.3	0.4	0.5	0.7
Mixed UK/Non-UK Equity	-0.2	-0.4	0.2	1.2	0.8	0.8	0.7	0.7	1.1		
UK Small Cap Equity	3.2	-11.3	3.5	3.2	3.1	2.6					
UK Property	-0.4	0.6	0.4	0.3	0.2	0.1					
UK Balanced**											
UK Inflation-Linked Bonds	0.0	0.3	0.5	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.2
UK Government Bonds	0.3	2.4	1.1	0.7	0.6	0.5	0.5	0.4	0.4	0.4	0.4
UK Non-Government Bonds	0.6	3.8	1.3	0.8	0.6	0.5	0.6	0.6	0.5		
UK Aggregate Bonds	0.2	3.2	0.6	0.3	0.3	0.3					
<b>Average for UK</b>	<b>0.4</b>	<b>-0.1</b>	<b>0.9</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
Eurozone Equity	0.9	3.7	2.2	1.0	0.8	1.2					
Europe ex UK Equity	0.3	0.4	-0.4	-1.0	-0.5	0.3	0.2	-0.2	0.3	0.7	1.1
Europe inc UK Equity	-0.6	-0.6	0.0	-0.3	0.0	0.2	0.3	0.3	0.2	0.2	0.5
Europe inc UK Small Cap Equity	1.2	-1.9	-1.6	-0.8	-1.2	-0.7	-0.2				
Eurozone Aggregate Bonds	0.2	3.5	-0.7	-0.6	-0.3	-0.2	-0.1	0.0			
Eurozone Government Bonds	-0.4	-1.7	-5.0	-3.8	-2.7	-2.1					
Eurozone Non-Government Bonds	1.2	10.4	-1.8	-1.9	-1.3	-1.0					
<b>Average for European regional</b>	<b>0.4</b>	<b>1.9</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.0</b>	<b>0.3</b>	<b>0.5</b>	<b>0.8</b>
<b>Overall average for Europe</b>	<b>0.4</b>	<b>0.9</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>	<b>0.4</b>	<b>0.6</b>

\*\* Category is no longer formally rated or measured.

# Value added for periods ending 31 December 2009

## North America

Product Category	3 months %	1 year %	2 years % pa	3 years % pa	4 years % pa	5 years % pa	6 years % pa	7 years % pa	8 years % pa	9 years % pa	10 years % pa
US Equity, Large Cap Core	0.3	1.7	0.6	0.5	-0.1	0.2	0.3	0.5	0.3	0.3	
US Equity, Large Cap Growth	-0.1	4.9	-2.2	-0.3	-1.3	-0.5	0.0	-0.1	0.1	-0.4	
US Equity, Large Cap Value	0.6	5.5	-1.6	-1.9	-2.0	-1.6	-1.5	-1.2	-1.3	-0.5	
US Equity, Mid Cap Core	-1.1	-9.6	-2.0	-1.4	-1.9	-1.8	-2.0	-2.0	-1.7	-0.3	0.3
US Equity, Mid Cap Growth	-0.4	-3.2	1.3	2.8	2.6	2.1	1.5	0.7	0.3	0.6	2.3
US Equity, Mid Cap Value	0.1	6.0	1.9	0.9	0.2	-0.5	-0.9	-0.7	-1.5	-0.1	0.0
US Equity, SMID Core	0.4	-4.5	1.2	3.0	1.9	2.2	1.8	1.6	3.1	4.3	
US Equity, SMID Growth	0.4	-0.5	-0.4	0.5	0.6	1.2	1.0	0.7	2.0	1.5	
US Equity, SMID Value	0.0	1.6	-0.1	0.8	0.0	-0.2	-0.1	-0.3	-3.2	-1.6	
US Equity, Small Cap Core	1.0	3.3	1.6	1.8	0.9	0.9	0.9	0.6	1.5	1.9	2.9
US Equity, Small Cap Growth	0.9	2.6	-2.2	-1.0	-1.0	-0.3	-0.9	-1.2	-1.1	-1.0	1.0
US Equity, Small Cap Value	0.9	13.8	1.7	2.5	0.7	1.3	1.2	1.3	1.0	1.5	1.2
<b>Average for US Equity</b>	<b>0.2</b>	<b>1.8</b>	<b>0.0</b>	<b>0.7</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>	<b>1.3</b>
US Real Estate, Open End	-0.4	-16.6	-11.8	-8.6	-6.8	-5.5					
US Real Estate Securities	0.3	4.7	2.9	1.9	2.0	2.0					
<b>Average for US Other</b>	<b>0.0</b>	<b>-6.0</b>	<b>-4.5</b>	<b>-3.3</b>	<b>-2.4</b>	<b>-1.7</b>					
US Fixed, Core Investment Grade	0.8	7.4	-1.0	-0.9	-0.6	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1
US Fixed, Core Opportunistic	1.3	11.3	-0.6	-0.7	-0.4	-0.2	0.1	0.4	0.1	0.0	0.0
US Fixed, High Yield	-0.2	-10.1	-0.6	0.0	-0.3	-0.1	-0.1	-0.7	-0.1	-0.1	0.0
US Fixed, Short	1.1	6.3	-0.5	-0.7	-0.4	-0.2	0.0	0.0	0.0	-0.1	0.0
US Fixed, Intermediate	0.7	7.0	0.4	0.1	0.2	0.2	0.3	0.3	0.2	0.2	0.2
US Fixed, Long	0.3	3.6	2.2	2.1	1.5	1.5	1.4	1.4	1.4	1.3	1.4
<b>Average for US Fixed</b>	<b>0.7</b>	<b>4.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Canadian Equity	0.3	-2.6	-1.0	-0.6	-0.7	-0.5	-0.3	-0.4	0.1		
Canadian Small Cap	-0.9	-30.5	-6.3	0.0	-1.3	-2.0					
Canadian Balanced	0.5	1.5	0.6	-0.1	0.0	0.1	0.2	0.3	0.5		
Canadian Domestic Balanced**											
Canadian Fixed	0.2	2.3	0.7	0.5	0.3	0.3	0.3	0.4	0.4		
Canadian Corporate & Credit Focused	-0.4	-4.9	-1.5	-0.6	-0.4						
Canada Fixed Core Plus	0.7	6.5	0.2	0.0							
<b>Average for Canada</b>	<b>0.1</b>	<b>-4.6</b>	<b>-1.2</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>		
<b>Overall average for North America</b>	<b>0.3</b>	<b>0.3</b>	<b>-0.6</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>0.8</b>

\*\* Category is no longer formally rated or measured.

## Value added for periods ending 31 December 2009

### Global/International

Product Category	3 months %	1 year %	2 years % pa	3 years % pa	4 years % pa	5 years % pa	6 years % pa	7 years % pa	8 years % pa	9 years % pa	10 years % pa
Active Currency	-0.9	0.6	1.1	1.1	1.4	0.9	0.8	1.0	1.2	1.2	1.0
Global Equity - Core	-0.1	3.7	0.5	1.2	1.3	1.5	1.2	0.9	0.9	1.1	1.5
Global Equity - Growth	0.3	0.1	-5.8	-2.5	-1.7	-0.1	0.1	-0.1	-0.2	-0.9	-0.8
Global Equity - Value	1.3	8.0	1.7	1.4	1.7	1.4	1.4	1.7	1.9	2.7	3.1
GTAA/Global Macro	0.2	9.2	2.8	0.6	2.4	3.4	2.9	4.8	5.4	4.9	
World ex US Equity - Core	1.2	2.5	1.0	1.5	1.2	1.2	0.9	0.4	0.7	0.7	0.8
World ex US Equity - Growth	0.3	4.8	-1.5	0.5	1.9	2.1	1.9	1.4	1.1	0.9	0.1
World ex US Equity - Value	1.1	-1.2	0.9	-0.4	0.1	-0.3	-0.1	-0.1	0.9	2.0	2.5
World ex US Small Cap	-0.1	-4.0	0.9	0.9	0.3	0.8	1.4	1.6	1.1	1.2	1.5
Emerging Markets Equity	-0.3	0.6	0.5	-0.1	-0.2	-0.4	0.2	0.7	1.0	0.5	0.3
Global Real Estate Securities	0.7	2.8	2.7	1.3	1.5						
Emerging Markets Debt	1.2	4.1	-1.4	-0.8	0.3	1.1	2.0	2.5	2.6		
Global Fixed Broad Market Aggregate	2.5	16.5	4.4	1.8	1.2	1.7	1.3	1.3			
Global Credit	1.3	9.0	0.1	-1.1	-1.2	0.1	-0.2				
World ex US Fixed Income	0.9	3.7	-0.2	-0.6	-0.4	-0.1	0.1	0.6	0.6	0.6	0.5
Global High Yield	0.3	-10.5	0.5								
<i>Average for Global/International</i>	<i>0.6</i>	<i>3.3</i>	<i>0.6</i>	<i>0.3</i>	<i>0.7</i>	<i>1.0</i>	<i>1.0</i>	<i>1.3</i>	<i>1.4</i>	<i>1.3</i>	<i>1.1</i>
<b>OVERALL AVERAGES(c)</b>	<b>0.4</b>	<b>1.7</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>
<i>All equity categories</i>	<i>0.3</i>	<i>0.1</i>	<i>0.1</i>	<i>0.6</i>	<i>0.4</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.7</i>	<i>1.1</i>	<i>1.7</i>
<i>All fixed income categories</i>	<i>0.7</i>	<i>4.0</i>	<i>0.1</i>	<i>-0.1</i>	<i>0.0</i>	<i>0.2</i>	<i>0.5</i>	<i>0.6</i>	<i>0.5</i>	<i>0.3</i>	<i>0.3</i>
<i>All other categories</i>	<i>0.2</i>	<i>2.1</i>	<i>0.0</i>	<i>-0.3</i>	<i>0.2</i>	<i>0.3</i>	<i>1.2</i>	<i>1.8</i>	<i>2.0</i>	<i>2.3</i>	<i>1.0</i>

## Value added by calendar year Asia/Pacific

Product Category	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Australian Equity	4.1	2.2	-1.8	2.0	4.8	1.6	2.2	1.1	1.6	0.4	-0.5	0.1	1.3	3.2
Australian Small Companies		8.3	1.5	15.6	21.3	18.0	21.4	2.6	13.6	-7.7	-0.1	3.0	4.2	7.7
Australian Fixed Interest	0.2	-0.4	1.0	0.4	-0.2	0.0	0.1	0.3	0.4	0.2	0.1	-0.4	-4.0	2.6
Australian Short Duration High Income									2.1	0.8	0.7	-0.7	-11.1	15.9
Australian Listed Property				1.0	0.7	0.3	0.8	0.6	2.2	0.3	0.6	-0.6	-3.2	13.9
Australian Balanced**	0.9	-0.8	-1.9	0.1	-0.3	0.0	0.1	1.4	0.1	1.1	0.1	-0.5	**	**
<i>Average for Australia</i>	<i>1.7</i>	<i>2.3</i>	<i>-0.3</i>	<i>3.8</i>	<i>5.2</i>	<i>4.0</i>	<i>4.9</i>	<i>1.2</i>	<i>3.3</i>	<i>-0.8</i>	<i>0.2</i>	<i>0.2</i>	<i>-2.6</i>	<i>8.7</i>
New Zealand Equity	12.5	1.4	7.3	7.4	6.0	9.0	-5.7	3.6	1.6	1.3	2.1	-2.6	2.3	0.7
Trans-Tasman Equity				14.2	12.8	14.9	-8.5	5.5	4.5	5.3	0.5	2.8	4.7	1.9
New Zealand Fixed	0.7	0.6	0.7	1.3	0.8	0.4	0.4	0.3	0.6	0.5	1.3	0.7	-2.4	1.8
<i>Average for New Zealand</i>	<i>6.6</i>	<i>1.0</i>	<i>4.0</i>	<i>7.6</i>	<i>6.5</i>	<i>8.1</i>	<i>-4.6</i>	<i>3.1</i>	<i>2.2</i>	<i>2.4</i>	<i>1.3</i>	<i>0.3</i>	<i>1.5</i>	<i>1.5</i>
Asia ex Japan Equity			-2.6	19.1	3.2	-1.0	6.1	1.9	-3.2	0.4	-0.5	2.4	-0.2	-1.9
Hong Kong Balanced**								1.7	-1.0	3.3	1.3	**	**	**
Hong Kong Equity**								13.7	0.6	3.5	13.0	**	**	**
Pacific ex Japan Equity	5.1	-0.7	-0.7	5.7	15.3	1.2	2.1	3.6	2.0	0.2	3.1	5.1	2.1	-1.7
Japan Equity		12.9	1.9	23.7	-1.3	-1.5	1.6	-0.2	-0.8	5.6	0.3	0.5	-2.1	2.7
Japan Small Cap Equity									0.2	6.1	0.8	-0.1	-6.4	5.9
Pacific inc Japan Equity				13.8	0.1	0.1	2.2	-1.9	1.6	3.3	0.1	4.4	2.5	-9.0
Singapore Equity**							7.9	7.0	-0.9	5.2	**	**	**	**
<i>Average for Other Asia/Pacific</i>	<i>5.1</i>	<i>6.1</i>	<i>-0.5</i>	<i>15.6</i>	<i>4.3</i>	<i>-0.3</i>	<i>4.0</i>	<i>3.7</i>	<i>-0.2</i>	<i>3.5</i>	<i>2.6</i>	<i>2.5</i>	<i>-0.8</i>	<i>-0.8</i>
<i>Overall average for Asia/Pacific</i>	<i>3.9</i>	<i>3.0</i>	<i>0.6</i>	<i>8.7</i>	<i>5.2</i>	<i>3.6</i>	<i>2.4</i>	<i>2.7</i>	<i>1.5</i>	<i>1.8</i>	<i>1.4</i>	<i>1.0</i>	<i>-0.9</i>	<i>3.4</i>

\*\* Category is no longer formally rated or measured.

## Value added by calendar year

### Europe

Product Category	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
UK Equity	-0.4	-2.1	-2.3	3.2	2.1	1.7	0.6	1.8	0.5	1.2	2.2	-2.7	-0.6	0.7
Mixed UK/Non UK Equity							3.0	0.2	0.5	0.8	-0.7	3.5	0.6	-0.4
UK Small Cap Equity										0.0	2.7	2.7	9.1	-11.3
UK Property										-0.5	-0.3	0.3	0.1	0.6
UK Balanced**	1.8	0.6	-1.0	6.8	0.0	-1.0	-0.9	0.7	0.5	0.1	-1.0	**	**	**
UK Inflation-Linked Bonds		0.4	2.1	0.4	-0.3	-0.4	0.5	0.7	0.6	0.5	-0.2	-0.5	0.8	0.3
UK Government Bonds	0.9	-0.7	0.4	-0.7	1.0	0.1	0.1	0.4	0.0	0.2	0.3	0.0	-0.4	2.4
UK Non-Government Bonds							-0.4	0.8	0.7	0.1	0.2	-0.1	-0.9	3.8
UK Aggregate Bonds										0.3	0.2	-0.3	-1.8	3.2
<i>Average for UK</i>	<i>0.7</i>	<i>-0.5</i>	<i>-0.2</i>	<i>2.4</i>	<i>0.7</i>	<i>0.1</i>	<i>0.5</i>	<i>0.8</i>	<i>0.5</i>	<i>0.3</i>	<i>0.4</i>	<i>0.4</i>	<i>0.9</i>	<i>-0.1</i>
Eurozone Equity										3.0	0.0	-1.9	1.3	3.7
Europe ex UK Equity	2.9	-3.8	-2.2	6.9	4.1	3.5	2.3	-2.9	-0.1	4.0	1.3	-2.3	-0.9	0.4
Europe inc UK Equity	6.6	-4.1	-2.5	9.9	2.3	0.4	0.1	-0.1	0.7	1.3	1.4	-1.2	0.2	-0.6
Europe inc UK Small Cap Equity									2.5	1.6	-2.8	1.1	-1.1	-1.9
Eurozone Aggregate Bonds							0.7	0.4	0.5	0.4	-0.5	-4.6	3.5	
Eurozone Government Bonds										0.3	0.5	-1.6	-8.2	-1.7
Eurozone Non-Government Bonds										0.2	0.4	-2.0	-12.2	10.4
<i>Average for European regional</i>	<i>4.7</i>	<i>-3.9</i>	<i>-2.4</i>	<i>8.4</i>	<i>3.2</i>	<i>1.9</i>	<i>1.2</i>	<i>-0.8</i>	<i>0.9</i>	<i>1.6</i>	<i>0.2</i>	<i>-1.2</i>	<i>-3.7</i>	<i>1.9</i>
<i>Overall average for Europe</i>	<i>2.3</i>	<i>-1.6</i>	<i>-0.9</i>	<i>4.4</i>	<i>1.5</i>	<i>0.7</i>	<i>0.7</i>	<i>0.2</i>	<i>0.6</i>	<i>0.8</i>	<i>0.3</i>	<i>-0.4</i>	<i>-1.2</i>	<i>0.9</i>

\*\* Category is no longer formally rated or measured.

## Value added by calendar year

### North America

Product Category	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
US Equity, Large Cap Core						0.8	-0.8	2.0	0.8	1.5	-2.6	0.5	0.0	1.7
US Equity, Large Cap Growth						-3.4	1.1	-0.9	2.7	2.9	-4.3	4.4	-4.9	4.9
US Equity, Large Cap Value						5.8	-1.9	1.6	-1.2	0.3	-2.3	-2.6	-5.0	5.5
US Equity, Mid Cap Core	1.4	5.8	5.6	-3.3	6.1	10.6	-0.1	-2.0	-3.1	-1.4	-3.8	0.0	1.6	-9.6
US Equity, Mid Cap Growth	-0.6	-0.3	0.7	0.8	16.7	2.3	-1.8	-5.3	-2.0	-0.1	1.9	6.5	2.9	-3.2
US Equity, Mid Cap Value	6.3	-4.0	-2.8	-2.0	1.2	11.8	-6.0	0.7	-3.5	-3.6	-2.2	-1.2	-0.2	6.0
US Equity, SMID Core						13.7	11.6	-0.5	0.0	3.5	-2.2	7.0	3.9	-4.5
US Equity, SMID Growth						-1.9	7.6	-1.2	-0.1	3.5	0.9	3.0	-0.3	-0.5
US Equity, SMID Value						11.7	-18.0	-1.3	-0.1	-0.7	-3.2	2.6	-1.0	1.6
US Equity, Small Cap Core	5.6	6.9	0.0	-9.6	12.2	5.0	6.3	-2.4	1.0	1.0	-2.7	2.3	0.6	3.3
US Equity, Small Cap Growth	3.4	3.5	4.3	-1.9	15.7	0.1	-0.6	-3.8	-4.4	2.7	-1.2	2.0	-4.1	2.6
US Equity, Small Cap Value	1.3	0.4	0.1	8.8	-1.3	5.4	-0.4	1.6	0.8	3.6	-6.0	4.0	-5.0	13.8
<b>Average for US Equity</b>	<b>2.9</b>	<b>2.0</b>	<b>1.3</b>	<b>-1.2</b>	<b>8.4</b>	<b>5.2</b>	<b>-0.2</b>	<b>-0.9</b>	<b>-0.8</b>	<b>1.1</b>	<b>-2.3</b>	<b>2.4</b>	<b>-1.0</b>	<b>1.8</b>
US Real Estate, Open End										1.3	0.0	1.1	-5.7	-16.6
US Real Estate Securities										2.1	2.5	0.1	1.7	4.7
<b>Average for US Other</b>										<b>1.7</b>	<b>1.2</b>	<b>0.6</b>	<b>-2.0</b>	<b>-6.0</b>
US Fixed, Core Investment Grade	0.1	0.3	0.1	0.2	0.0	0.3	-0.4	1.0	0.4	0.2	0.3	-0.8	-8.7	7.4
US Fixed, Core Opportunistic	0.6	0.3	-1.0	0.9	-0.8	-0.6	-2.0	2.5	1.2	0.6	0.6	-0.9	-11.1	11.3
US Fixed, High Yield	1.1	1.5	-1.1	1.5	0.6	-0.5	3.9	-5.0	-0.2	0.7	-1.0	1.0	4.1	-10.1
US Fixed, Short	0.6	0.6	0.0	0.3	0.5	-0.4	-0.2	0.1	0.9	0.6	0.4	-1.3	-6.9	6.3
US Fixed, Intermediate	0.6	0.8	-0.4	0.7	0.3	-0.1	-0.7	0.3	0.7	0.5	0.5	-0.6	-5.8	7.0
US Fixed, Long	1.0	3.8	1.9	-1.0	2.0	1.1	1.2	1.4	0.8	1.3	0.0	1.9	0.6	3.6
<b>Average for US Fixed</b>	<b>0.7</b>	<b>1.2</b>	<b>-0.1</b>	<b>0.4</b>	<b>0.4</b>	<b>0.0</b>	<b>0.3</b>	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>	<b>0.2</b>	<b>-0.1</b>	<b>-4.6</b>	<b>4.3</b>
Canadian Equity							3.3	-1.2	0.6	0.5	-1.1	0.4	-0.1	-2.6
Canadian Small Cap										-5.4	-5.4	14.5	3.1	-30.5
Canadian Balanced							2.0	1.1	0.7	0.3	0.3	-1.5	-0.1	1.5
Canadian Domestic Balanced**							2.5	0.0	-0.1	-1.3	-0.3	**	**	**
Canadian Fixed							0.5	0.6	0.4	0.1	0.0	0.1	-0.9	2.3
Canadian Corporate & Credit Focused											0.1	1.0	1.5	-4.9
Canada Fixed Income Core Plus												-0.5	-5.7	6.5
<b>Average for Canada</b>							<b>2.1</b>	<b>0.1</b>	<b>0.4</b>	<b>-1.2</b>	<b>-1.1</b>	<b>2.3</b>	<b>-0.4</b>	<b>-4.6</b>
<b>Overall average for North America</b>	<b>1.8</b>	<b>1.6</b>	<b>0.6</b>	<b>-0.4</b>	<b>4.4</b>	<b>3.4</b>	<b>0.3</b>	<b>-0.5</b>	<b>-0.2</b>	<b>0.6</b>	<b>-1.2</b>	<b>1.7</b>	<b>-1.7</b>	<b>0.3</b>

\*\* Category is no longer formally rated or measured.

## Value added by calendar year

### Global/International

Product Category	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Active Currency					0.0	0.9	2.7	2.3	-0.1	-0.8	2.2	1.2	1.6	0.6
Global Equity - Core	3.6	3.1	-3.4	7.3	4.8	2.4	0.9	-1.4	-0.8	2.7	1.4	3.0	-1.0	3.7
Global Equity - Growth	1.7	-5.4	-1.2	19.2	-0.3	-4.6	-0.8	-1.6	1.0	6.8	1.6	6.1	-7.5	0.1
Global Equity - Value	3.1	-3.9	-4.5	3.4	6.7	8.7	2.6	3.8	1.6	0.2	2.9	0.6	-1.3	8.0
GTAA/Global Macro						0.5	10.3	16.5	0.7	7.5	7.9	-3.6	-3.2	9.2
World ex US Equity - Core	7.8	4.5	-2.5	13.7	1.4	0.9	2.1	-3.0	-1.2	1.3	0.2	2.6	0.2	2.5
World ex US Equity - Growth	6.7	-2.9	-2.9	21.7	-5.0	-0.2	-0.5	-2.6	0.6	2.9	7.4	5.9	-3.7	4.8
World ex US Equity - Value	7.1	3.7	-3.6	3.8	6.7	8.7	6.6	-0.2	1.1	-1.9	2.2	-3.8	1.7	-1.2
World ex US Small Cap	6.3	5.2	-6.4	30.1	4.2	1.5	-1.4	3.3	5.1	3.0	-2.1	0.9	2.6	-4.0
Emerging Markets Equity	10.5	12.1	2.5	-3.0	-1.0	-2.7	2.8	4.2	3.9	-1.4	-0.6	-1.9	0.3	0.6
Global Real Estate Securities											2.2	-1.8	2.3	2.8
Emerging Markets Debt							3.1	6.1	6.5	4.5	4.1	0.3	-5.2	4.1
Global Fixed Broad Market Aggregate								1.9	-1.0	3.5	-0.6	-3.4	-6.3	16.5
Global Credit									-2.2	5.2	-1.6	-3.4	-6.5	9.0
World ex US Fixed Income	3.2	2.6	-1.0	-2.4	0.2	0.1	0.9	4.0	1.1	1.0	0.2	-1.3	-4.2	3.7
Global High Yield													5.7	-10.5
<i>Average for Global/International</i>	<i>5.4</i>	<i>2.1</i>	<i>-2.4</i>	<i>9.2</i>	<i>1.7</i>	<i>1.4</i>	<i>2.2</i>	<i>2.6</i>	<i>1.2</i>	<i>2.4</i>	<i>1.8</i>	<i>0.0</i>	<i>-1.6</i>	<i>3.3</i>
<b>OVERALL AVERAGES(c)</b>	<b>3.3</b>	<b>1.5</b>	<b>-0.4</b>	<b>5.5</b>	<b>3.5</b>	<b>2.6</b>	<b>1.3</b>	<b>1.1</b>	<b>0.7</b>	<b>1.3</b>	<b>0.3</b>	<b>0.7</b>	<b>-1.5</b>	<b>1.7</b>
<i>All equity categories</i>	<i>4.7</i>	<i>1.9</i>	<i>-0.7</i>	<i>8.4</i>	<i>5.5</i>	<i>4.0</i>	<i>1.4</i>	<i>0.7</i>	<i>0.7</i>	<i>1.4</i>	<i>0.0</i>	<i>1.9</i>	<i>0.0</i>	<i>0.1</i>
<i>All fixed income categories</i>	<i>1.2</i>	<i>0.9</i>	<i>0.2</i>	<i>0.0</i>	<i>0.4</i>	<i>0.1</i>	<i>0.4</i>	<i>1.1</i>	<i>0.8</i>	<i>1.1</i>	<i>0.3</i>	<i>-0.6</i>	<i>-3.9</i>	<i>4.0</i>
<i>All other categories</i>	<i>1.3</i>	<i>-0.1</i>	<i>-1.5</i>	<i>2.6</i>	<i>0.1</i>	<i>0.1</i>	<i>2.5</i>	<i>3.0</i>	<i>0.4</i>	<i>1.2</i>	<i>1.3</i>	<i>-0.6</i>	<i>-0.8</i>	<i>2.1</i>

## Background information

### Asia/Pacific

Product Category	Number of products in Mercer MPA peer group used for this analysis	Number of products rated A or A- by Mercer as at 31 December 2009	Average turnover among products rated A or A- by Mercer since inception (d) (% pa)
Australian Equity	80	39	25
Australian Small Companies	35	8	36
Australian Fixed Interest	29	13	36
Australian Short Duration High Income	17	14	8
Australian Listed Property	29	10	6
Australian Balanced**	**	**	**
<b>Sub-total Australia</b>	<b>190</b>	<b>84</b>	<b>22</b>
New Zealand Equity	4	3	14
Trans-Tasman Equity	11	6	11
New Zealand Fixed	6	2	15
<b>Sub-total New Zealand</b>	<b>21</b>	<b>11</b>	<b>13</b>
Asia ex Japan Equity	40	14	13
Hong Kong Balanced**	**	**	**
Hong Kong Equity**	**	**	**
Pacific ex Japan Equity	73	14	16
Japan Equity	122	29	17
Japan Small Cap Equity	25	7	8
Pacific inc Japan Equity	29	3	13
Singapore Equity**	**	**	**
<b>Sub-total Other Asia/Pacific</b>	<b>289</b>	<b>67</b>	<b>14</b>
<b>Total Asia/Pacific</b>	<b>500</b>	<b>162</b>	<b>17</b>

\*\* Category is no longer formally rated or measured.

## Background information

### Europe

Product Category	Number of products in Mercer MPA peer group used for this analysis	Number of products rated A or A- by Mercer as at 31 December 2009	Average turnover among products rated A or A- by Mercer since inception (d) (% pa)
UK Equity	152	26	25
Mixed UK/Non-UK Equity	8	6	19
UK Small Cap Equity	26	4	8
UK Property	21	10	25
UK Balanced**	**	**	**
UK Inflation-Linked Bonds	30	7	22
UK Government Bonds	28	9	26
UK Non-Government Bonds	35	10	16
UK Aggregate Bonds	23	10	18
<b><i>Sub-total UK</i></b>	<b>323</b>	<b>82</b>	<b>20</b>
Eurozone Equity	64	12	18
Europe ex UK Equity	62	22	24
Europe inc UK Equity	150	32	15
Europe inc UK Small Cap Equity	41	8	17
Eurozone Aggregate Bonds	47	13	24
Eurozone Government Bonds	28	6	27
Eurozone Non-Government Bonds	55	14	21
<b><i>Sub-total European regional</i></b>	<b>447</b>	<b>107</b>	<b>21</b>

\*\* Category is no longer formally rated or measured.

## Background information

### North America

Product Category	Number of products in Mercer MPA peer group used for this analysis	Number of products rated A or A- by Mercer as at 31 December 2009	Average turnover among products rated A or A- by Mercer since inception (d) (% pa)
US Equity, Large Cap Core	308	17	20
US Equity, Large Cap Growth	97	15	14
US Equity, Large Cap Value	45	7	8
US Equity, Mid Cap Core	82	23	7
US Equity, Mid Cap Growth	68	10	15
US Equity, Mid Cap Value	129	20	13
US Equity, SMID Core	185	19	20
US Equity, SMID Growth	186	24	12
US Equity, SMID Value	1873	194	15
US Equity, Small Cap Core	23	7	2
US Equity, Small Cap Growth	42	6	7
US Equity, Small Cap Value	65	13	5
<b>Sub-total US Equity</b>	<b>187</b>	<b>8</b>	<b>20</b>
US Real Estate, Open End	96	7	23
US Real Estate Securities	113	10	16
<b>Sub-total US Real Other</b>	<b>124</b>	<b>9</b>	<b>16</b>
US Fixed, Core Investment Grade	134	9	18
US Fixed, Core Opportunistic	50	7	15
US Fixed, High Yield	704	50	18
US Fixed, Short	89	25	13
US Fixed, Intermediate	30	7	31
US Fixed, Long	43	4	21
<b>Sub-total US Fixed</b>	<b>**</b>	<b>**</b>	<b>**</b>
Canadian Equity	54	8	14
Canadian Small Cap	12	5	5
Canadian Balanced	17	4	7
Canadian Domestic Balanced**	245	53	15
Canadian Fixed	2887	310	15
Canadian Corporate & Credit Focused	55	18	20
Canada Fixed Income Core Plus	206	35	15
<b>Sub-total Canada</b>	<b>66</b>	<b>13</b>	<b>21</b>
<b>Total North America</b>	<b>93</b>	<b>17</b>	<b>16</b>

\*\* Category is no longer formally rated or measured.

## Background information

### Global/International

Product Category	Number of products in Mercer MPA peer group used for this analysis	Number of products rated A or A- by Mercer as at 31 December 2009	Average turnover among products rated A or A- by Mercer since inception (d) (% pa)
Active Currency	55	18	20
Global Equity - Core	206	35	15
Global Equity - Growth	66	13	21
Global Equity - Value	93	17	16
GTAA/Global Macro	32	28	8
World ex US Equity - Core	168	22	15
World ex US Equity - Growth	78	14	19
World ex US Equity - Value	87	18	9
World ex US Small Cap	64	13	9
Emerging Markets Equity	141	26	16
Global Real Estate Securities	33	13	8
Emerging Markets Debt	10	8	18
Global Fixed Broad Market Aggregate	43	5	13
Global Credit	16	6	6
World ex US Fixed Income	21	9	14
Global High Yield	21	5	10
<b>Total International/Global</b>	<b>1181</b>	<b>261</b>	<b>14</b>
<b>OVERALL AVERAGES(c)</b>	<b>5338</b>	<b>922</b>	<b>16</b>
<i>All equity categories</i>	<i>3817</i>	<i>617</i>	<i>16</i>
<i>All fixed income categories</i>	<i>1243</i>	<i>209</i>	<i>17</i>
<i>All other categories</i>	<i>278</i>	<i>96</i>	<i>12</i>



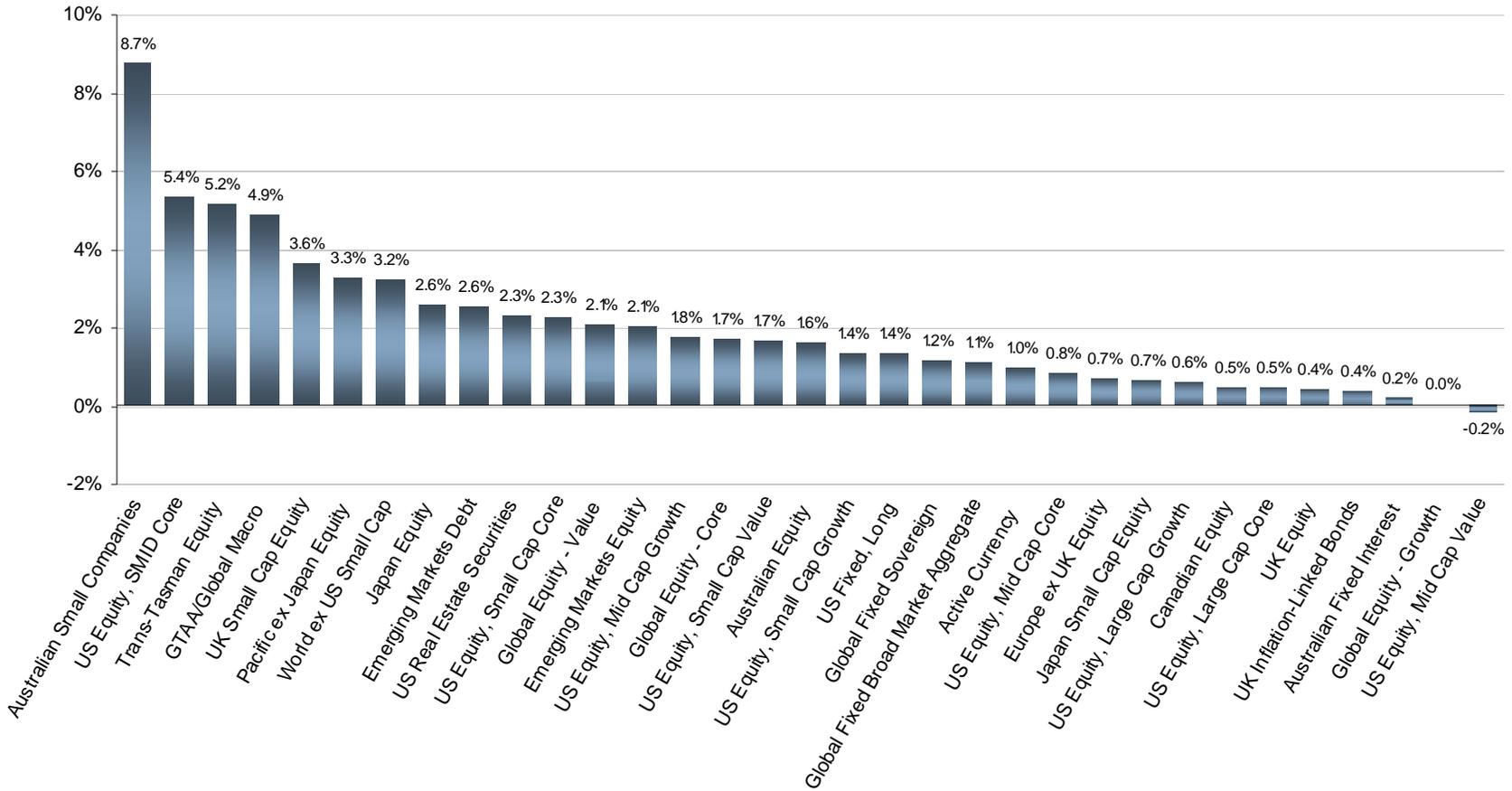
## Endnotes to tables

31 December 2009

- a) Value added is calculated as the average return per annum for the A and A- rated strategies over the period concerned less the average return per annum for the stated benchmark index over the same period. The quarterly return for the A and A- rated products is calculated as the unweighted average performance over the quarter of all products rated A or A- by Mercer within the product category concerned as at the start of that quarter. Results for longer periods are calculated by compounding together the quarterly figures. See “Measurement of Value Added Through Mercer Manager’s Research Recommendations” for more information.
- b) The information ratio is a risk-adjusted measure of value added. It is calculated as value added per annum divided by the tracking error over the period concerned. Value added is calculated as per (a) above. Tracking error is calculated as the annualised standard deviation of the quarterly value added for the A and A- rated products over the period concerned. The quarterly value added is calculated each quarter as the average return for the A and A- rated products over the quarter concerned less the quarterly returns for the stated benchmark index over the same quarter.
- c) The country, regional and overall averages shown in the tables are the equal-weighted averages of the figures for all relevant product and strategy categories.
- d) Turnover is calculated each quarter as the number of products that were rated A or A- at the start of the quarter but not at the end of the quarter divided by the number of products that were rated A or A- at the start of the quarter. Average annual turnover since inception is calculated as the average quarterly turnover since inception multiplied by four (to convert it from a quarterly figure to an annual figure).

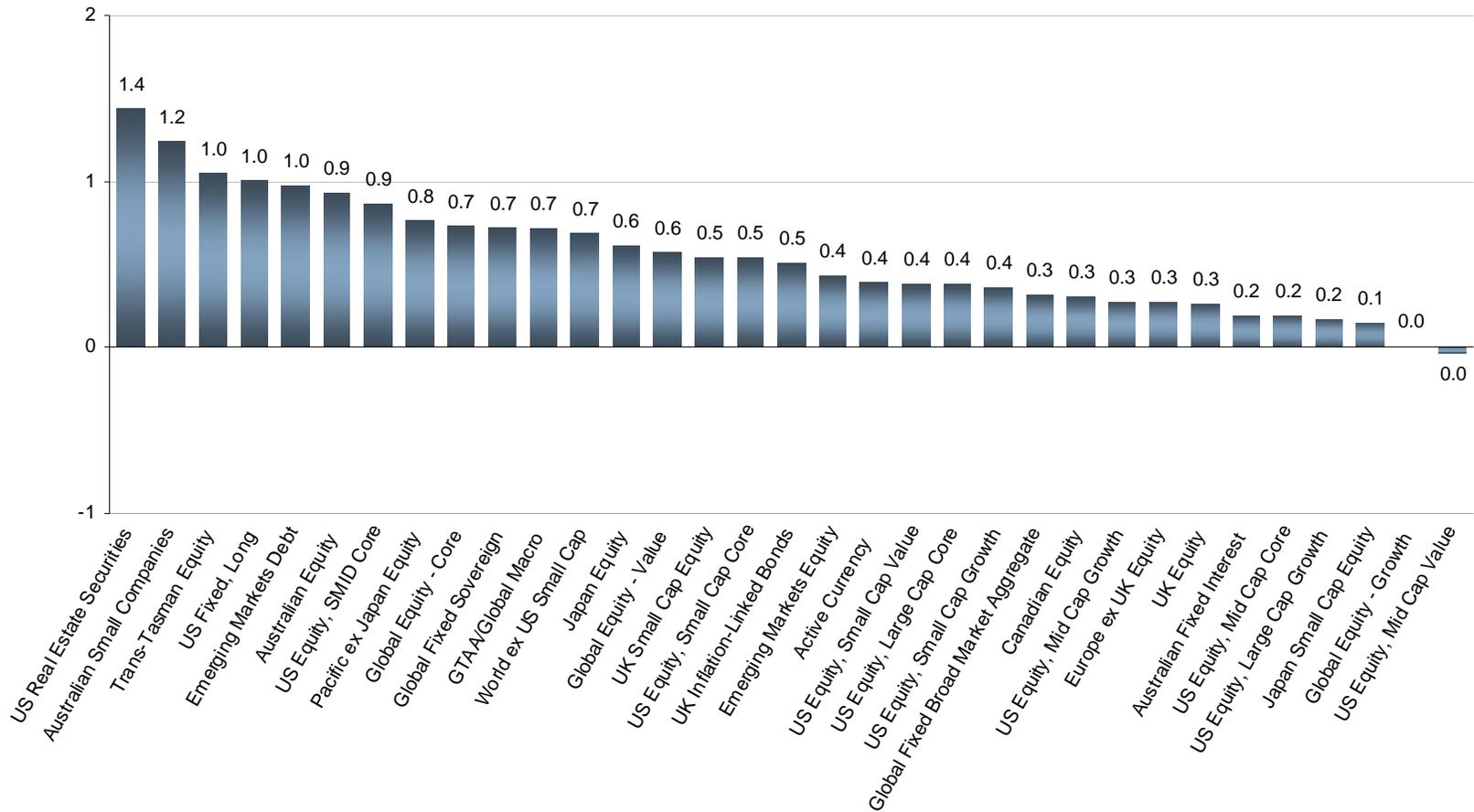
# Value added since inception (% p.a.) to 31 December 2009

Value added since inception (% p.a.) to 31 December 2009



# Information ratio since inception to 31 December 2009

Information ratio since inception to 31 December 2009



# MERCER



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## Ohio Bureau of Workers' Compensation Sample List of Managers of Highly Rated Active Strategies

April 2010

Guy M. Cooper  
Jordan Nault  
Kweku Obed



## Active vs. Passive Management

### Evaluate Across Four Factors

Managers are evaluated across four factors and rated as either negative (-), neutral (=), positive (+) or very positive (++).

#### **Idea generation**

We appraise the manager's ability to generate or source value-adding investment ideas.

#### **Portfolio construction**

The quality of a manager's portfolio construction process will determine how effectively its value-adding investment ideas are converted into consistent outperformance.

#### **Implementation**

Value added at the idea generation and portfolio construction stages must outweigh the drag on performance due to transaction costs and overcome limitations relating to capacity constraints.

#### **Business management**

Well-managed investment firms are more likely to maintain and enhance the competitiveness of their investment strategies over time than poorly managed firms.

## Active vs. Passive Management

### Assign Rating

Ratings are Mercer's view on prospective future performance relative to benchmarks, on a risk-adjusted basis, over a full business cycle.

May or may not be consistent with past performance.

Do not take investment management fees into account

A, A-

**Above average** probability of achieving the performance target without taking undue risk

B+, B, B -

**Average** probability

C

**Below average** probability

If the Mercer rating for a strategy is followed by **(P)** – e.g. A(P), A-(P) etc - this denotes that the rating is provisional. This means that there is some temporary uncertainty about the rating that we expect will be resolved soon.

If the Mercer rating for a strategy is followed by **(T)**, this denotes that the strategy is considered to have potential to generate a tracking error substantially higher than the average for the product category concerned.

# Active vs. Passive Management

## Sample Four Factor Profile of Manager XYZ

Factor	Rating (-, =, + or ++)	Comments
Idea Generation	++	The main strengths of the strategy are lead portfolio manager John Smith and his small investment team. The way the team approaches fundamental research can differ from the firm's traditional bottom-up style, and though it leans on XYZ's research staff for ideas, the team also performs robust, extensive fundamental research on its own. The team combines fundamental analysis with a thematic overlay that is unique to XYZ's already proven research formula. Smith, Jones, and analysts Doe and Franklin illustrate skill and ability in this process, and we believe there is a great balance between the team and XYZ's proprietary research, creating a strong support pillar of idea generation.
Portfolio Construction	+	The portfolio is well-diversified across stocks and sectors, and the team's best thinking in terms of individual positions, sector weightings and mix of core and opportunistic holdings is appropriately reflected in the portfolio.
Implementation	+	XYZ has reopened all investment vehicles, but the firm monitors capacity closely. The team effectively utilizes XYZ's centralized, proprietary trading desk for all transactions.
Business Management	+	XYZ is one of the largest privately owned investment management firms in the industry, managed by over 100 partners. While we believe that the firm is well managed, it has grown considerably in recent years, and it may become more challenging to continue its effort of focusing on client service and high performance standards if the firm is not mindful of the issue. We need to remain confident that the growth does not stifle its unique culture, placing the firm at risk of investment professional turnover.
<b>Overall Rating</b> (A, A-, B+, B, B- or C)	<b>A</b>	The strengths of the strategy include the experience and caliber of Smith and the philosophy and process which focuses on high quality, established mid cap companies with strong fundamentals. Smith is a relatively small fish in XYZ's research pond, but he commands enough attention with the firm's research team to be the recipient of its best names. In addition to the strength of the strategy's investment team, the cadre of global industry analysts at XYZ provides the team with ample support whenever it is necessary.
Additional Observations		Given its investment philosophy and focus on demographic or market themes that exhibit strong growth, clients should be aware that the portfolio may exhibit a growth bias at times.

<sup>1</sup>Names have been changed to preserve anonymity

## Active vs. Passive Management

### Sample of Active Large Cap Core A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
AXA Rosenberg Investment Management	A (P)	69,693	14,049	1985
BlackRock	A (P)	3,352,409	149,169	1978
Davis Selected Advisers, dba Davis Advisors	A-	73,134	65,896	1969
J.P. Morgan Asset Management	A-	1,248,841	7,712	1986
New Amsterdam Partners	A	2,966	1,163	1987
Numeric Investors	A	11,267	2,223	2004
Primecap Management Company	A (T)	44,701	18,705	1983
Rainier Investment Management	A	17,327	5,230	1987
T. Rowe Price	A-	391,300	22,928	1999
Vanguard	A (T)	1,188,576	28,832	1984
Victory Capital Management	A	48,009	12,752	1989

<sup>1</sup>Manager assets, strategy assets, and strategy inception is manager reported data

## Active vs. Passive Management

### Sample of Active Mid Cap Core A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
BlackRock	A (P)	3,352,409	630	2002
Hoover Investment Management	A- (T)	1,209	84	2005
New Amsterdam Partners	A	2,966	579	1987
Rothschild Asset Management (US)	A	4,684	283	1993
TCW Group	A- (T)	100,846	1,536	1996
Turner Investment Partners	A (T)	17,646	734	2003
Wellington Management Company	A	537,360	5,133	1997

<sup>1</sup>Manager assets, strategy assets, and strategy inception is manager reported data

## Active vs. Passive Management

### Sample of Active Small Cap Core A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
AQR Capital Management	A	23,454	583	2004
AXA Rosenberg Investment Management	A (P)	69,693	492	1987
Champlain Investment Partners	A	3,188	2,535	2004
ClariVest Asset Management	A-	2,120	368	2006
Daruma Asset Management	A (T)	1,340	1,340	1995
Dimensional Fund Advisors	A-	164,576	2,794	1992
Eaton Vance Management	A (T)	128,852	580	1990
Gannett Welsh & Kotler	A	7,930	491	2000
ING Investment Management Americas	A-	202,228	1,038	2005
IronBridge Capital Management	A	7,413	1,313	1999
Jacobs Levy Equity Management	A	9,704	332	1994
Jennison Associates	A	93,317	1,590	1998
Numeric Investors	A	11,267	124	2003
TAMRO Capital Partners	A (T)	1,247	1,225	2000
Turner Investment Partners	A (T)	17,646	666	2002

<sup>1</sup>Manager assets, strategy assets, and strategy inception is manager reported data

## Active vs. Passive Management

### Sample of Active International Equity A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
AllianceBernstein	A-	280,926	14,760	2001
AQR Capital Management	A-	23,454	7,837	2000
Arrowstreet Capital	A	23,269	5,789	2000
AXA Rosenberg Investment Management	A (P)	69,693	6,528	1995
BlackRock	A (P)	3,352,409	7,292	1992
Fidelity Investments	A-	359,618	12,946	1989
GMO (Grantham Mayo Van Otterloo)	A-	106,951	8,980	2002
Hexavest	A-	1,858	724	1991
J O Hambro Capital Management Group	A (T)	5,105	65	2008
Manning & Napier Advisors	A (T)	28,106	7,247	1996
Martin Currie	A-	19,094	2,312	1992
MFS Investment Management	A-	183,448	14,518	1996
Schroder Investment Management	A-	239,665	224	2003
State Street Global Advisors	A-	1,917,823	4,295	2000

<sup>1</sup>Manager assets, strategy assets, and strategy inception is manager reported data

## Active vs. Passive Management

### Sample of Active Core Fixed Income A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
Barrow, Hanley, Mewhinney & Strauss	A	55,032	2,012	1984
BlackRock	A- (P)	3,352,409	96,018	1991
Dodge & Cox Investment Managers	A (T)	172,461	50,010	1930
Goldman Sachs Asset Management	A	752,751	17,783	1990
Hartford Investment Management Company	A	143,989	1,397	1993
Income Research & Management	A- (T)	21,252	4,445	1992
J.P. Morgan Asset Management	A-	1,248,841	25,583	1986
Pacific Investment Management Company	A	1,000,108	27,766	1971
Smith Breeden Associates	A-	13,102	4,331	1994

<sup>1</sup>Manager assets, strategy assets, and strategy inception is manager reported data

## Active vs. Passive Management

### Sample of Active Long Duration (Government / Credit) A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
BlackRock	A- (P)	3,352,409	39,001	1990
Dodge & Cox Investment Managers	A (T)	172,461	5,442	2007
Goldman Sachs Asset Management	A	752,751	14,061	1990
J.P. Morgan Asset Management	A- (T)	1,248,841	1,892	2001
NISA Investment Advisors	A	53,917	17,627	1994
Pacific Investment Management Company	A	1,000,108	69,348	1988
Prudential Fixed Income	A	231,883	1,127	1998

### Sample of Active Long Duration Credit A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
Barrow, Hanley, Mewhinney & Strauss	A	55,032	868	1990
Prudential Fixed Income	A-	231,883	15,116	2003
Wellington Management Company	A	537,360	10,142	1975

<sup>1</sup>Manager assets, strategy assets, and strategy inception is manager reported data

## Active vs. Passive Management

### Sample of Active High Yield A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
Franklin Templeton Investments	A-	554,451	6,535	1969
Goldman Sachs Asset Management	A (P)	752,751	16,458	1997
Logan Circle Partners	A (P)	11,025	584	2000
MacKay Shields	A	43,197	3,799	1997
Neuberger Berman	A-	172,949	6,767	1997
Oaktree Capital Management	A (T)	72,880	12,430	1986
Prudential Fixed Income	A-	231,883	3,194	1998
Shenkman Capital Management	A (T)	11,207	8,007	1985
T. Rowe Price	A	391,300	14,639	1984
Wellington Management Company	A-	537,360	10,912	1978

### Sample of Active TIPS A / A- Managers

Manager	Rating	Manager Assets (\$, MM)	Strategy Assets (\$, MM)	Strategy Inception
Pacific Investment Management Company	A (T)	1,000,108	42,079	1997

<sup>1</sup>Manager assets, strategy assets, and strategy inception is manager reported data

# MERCER



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Services provided by Mercer Investment Consulting, Inc.



May 27, 2010

## Asset and Liability Projection Model Summary State Insurance Fund

## Investment Committee Meeting Ohio Bureau of Workers' Compensation

Guy M. Cooper  
Jordan Nault  
Kweku Obed

# Asset Mix Detail

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

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

# Four Phases of Investment Policy Decisions

	Current Policy	Phase 1 Policy	Phase 2 Policy	Phase 3 Policy
Equity Portfolio:	20% S&P 500 Index Fund	20% <b>Russell 3000 Index Fund</b> 10% <b>MSCI All World Ex-US Index Fund</b>	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	<b>Reconsider the value of Real Estate, Private Equity, and other alternative asset classes.</b>
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% <b>Barclay's Aggregate Bonds (Indexed)</b> 1% Cash Equivalents	32% <b>Long Duration Fixed Income (Modified Indexed ?)</b>  17% <b>Treasury Inflation Protected Securities (Modified Indexed ?)</b>  15% Barclay's Aggregate Bonds (Indexed) 5% <b>High Yield Bonds (Active)</b> 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

# MERCER



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# Active Investment Management Asset Class Recommendations

State Insurance Fund



May 27, 2010

Submitted by Bruce Dunn, CFA  
BWC Chief Investment Officer

**State Insurance Fund  
Active/Passive Investment Managers  
Asset Class Recommendations Summary**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Passive</u>	<u>Active</u>	<u>Active Priority</u>
U.S. Long Credit FI	<b>28%</b> [\$4.98 bln]	<b>8%</b> [\$1.42 bln]	<b>20%</b> [\$3.56 bln]	<b>1st</b>
U.S. Long Government FI	<b>9%</b> [\$1.60 bln]	<b>9%</b> [\$1.60 bln]		
U.S. TIPS FI	<b>17%</b> [\$3.03 bln]	<b>17%</b> [\$3.03 bln]		
U.S. Aggregate FI	<b>15%</b> [\$2.67 bln]	<b>6%</b> [\$1.07 bln]	<b>9%</b> [\$1.60 bln]	<b>2nd</b>
Cash	<b>1%</b> [\$0.18 bln]	<b>1%</b> [\$0.18 bln]		
<b>Fixed Income Total</b>	<b>70%</b> [\$12.46 bln]	<b>41%</b> [\$7.30 bln]	<b>29%</b> [\$5.16 bln]	
U.S. Large Cap Equities	<b>16%*</b> [\$2.85 bln]	<b>16%</b> [\$2.85 bln]		
U.S. Small/Mid Cap Equities	<b>4%*</b> [\$0.71 bln]		<b>4%</b> [\$0.71 bln]	<b>2nd</b>
Non-U.S. Equities	<b>10%</b> [\$1.78 bln]	<b>5%</b> [\$0.89 bln]	<b>5%</b> [\$0.89 bln]	<b>3rd</b>
<b>Equities Total</b>	<b>30%</b> [\$5.34 bln]	<b>21%</b> [\$3.74 bln]	<b>9%</b> [\$1.60 bln]	
<b>Grand Total</b>	<b>100%</b> [\$17.80 bln]	<b>62%</b> [\$11.04 bln]	<b>38%</b> [\$6.76 bln]	

Invested amounts represented in brackets are rounded and based on target asset allocations and based on 4/30/10 aggregate portfolio market value of \$17.80 billion

\*imputed allocation based on current Russell 3000 benchmark composition

# U.S. Long Credit Fixed Income

- Largest SIF portfolio asset class at **28%** target portfolio allocation
- Compelling asset class for active investment management
- Mercer manager database for U.S. Long Duration asset class shows performance for median active manager and Mercer “A/A-” rated active manager exceeded benchmark index by a significant 0.8% and 1.4% per annum, respectively, over most recent ten-year period
- U.S. Long Duration fixed income asset class has a high 1.0 average per annum information ratio represented in Mercer data base for its “A/A-” rated managers
- More limited number of specialized long credit investment managers compared to Core and U.S. Aggregate fixed income managers
- Strong opportunities exist for the skillful active manager to add incremental returns above benchmark through in-depth fundamental credit research and understanding key industry sector trends, consequently over/underweighting many credits and controlling/reducing risk by eliminating/avoiding prominent deteriorating credits
- In contrast to active manager, passive index manager must hold/retain all important credits in benchmark index at the approximate index weighting even though these holdings will include declining quality credits; passive manager cannot defensively reduce credit risk like active managers can
- Index manager must retain and ride down declining credits experiencing significant market value declines until such credits are removed from index due to downgrades to junk quality status (SIF indexed portfolio examples of major downgrades and market value declines include Lehman Brothers, AIG, Citigroup)
- Asset class not conducive for active management by MWBE firms as evidenced by Mercer manager database; very few MWBE firms involved in this asset class
- Recommended as the **First Priority** asset class for active management implementation within the SIF portfolio based on combination of amount targeted combined with added investment income impact potential
- Recommended that **Active/Passive** management split for SIF U.S. Long Credit Fixed Income asset class be **20%/8%** favoring active management

# U.S. Long Government Fixed Income

- SIF asset class target portfolio allocation at **9%**
- BarCap Long U.S. Government index on 4/30/10 consisted of 123 issues with maturities between 10-30 years; index comprised of 35 U.S. Treasury issues with market value weighting of 89% and 88 U.S. Agency issues (including Fannie Mae, Freddie Mac, Federal Home Loan Bank, Tennessee Valley Authority) with market value weighting of 11%
- Mercer manager database does not distinguish between Long Government and Long Credit Duration fixed income managers
- Market opportunities for skillful manager to provide sustainable outperformance versus benchmark much more limited for Long Government Fixed Income sector compared to Long Credit Fixed Income sector:
  - Fewer sectors and issues to overweight/underweight
  - Treasury/Agency sectors much more generic than credit sector
  - Accurate predictions on future interest rate movements and consequent portfolio duration tilts much more necessary to produce outperformance to respective benchmarks for a Long Government portfolio versus a Long Credit portfolio
- Asset class not recommended for any active management within SIF portfolio; maintain **100% Passive** management

# U.S. TIPS Fixed Income

- SIF asset class target portfolio allocation at **17%**
- BarCap U.S. TIPS index currently consists of 29 issues ranging from 1-30 years in maturity
- Asset class itself is only 13 years old (first U.S. Treasury TIPS security issued in 1997) with very limited number of experienced TIPS managers available for institutional clients; Mercer manager database includes only two passive and one active TIPS managers with the one active manager rated “A” by Mercer
- Total market value of U.S. TIPS currently outstanding is slightly under \$600 billion
- Mercer investment manager database limited to three managers shows average gross excess returns of only 0.08% per annum over BarCap U.S. TIPS index versus median management fee of 0.14%
- Given generic nature of U.S. TIPS issues and its relatively efficient market, only way for active manager to meaningfully outperform index is the make accurate predictions on future interest rate movements and adjust duration of portfolio accordingly; not believed to be a sustainable strategy for consistent benchmark outperformance over time
- Asset class not recommended for any active management within SIF portfolio; maintain **100% Passive** management

# U.S. Aggregate Fixed Income

- SIF asset class target portfolio allocation at **15%**
- BarCap U.S. Aggregate index is broadest and most popular U.S. fixed income benchmark index (over 8,000 issues) with many active fixed income managers
- Mercer investment manager database results for core fixed income since 1987 shows average gross excess return of 0.54% per annum for active managers over U.S. Aggregate index or more than double the median management fee of 0.25% per annum
- Opportunities for allowing skillful active manager to add incremental return above benchmark index include:
  - Overweight/underweight important benchmark sectors (US Treasuries, US Agencies, MBS, CMBS, corporates, taxable municipals, sovereigns, supranationals) depending on relative value and other market/economic considerations
  - Overweight/underweight segments within important sectors of benchmark such as corporate credits, residential MBS coupon rate buckets, taxable municipal credits
  - Adjust duration of portfolio (within prescribed limits) to take advantage of shape of yield curve and yield curve changes
- Astute active managers able to sell declining quality credit holdings before being significantly downgraded by rating agencies; index managers must retain holdings until after much price damage is likely incurred both during downgrades and immediately after holdings downgraded to junk bond quality status when index manager then forced to sell
- Asset class could have some MWBE manager representation as evidenced by Mercer MWBE manager database and Mercer assertions
- Recommended as one of two **Second Priority** asset classes for active management within the SIF portfolio
- Recommended that **Active/Passive** management split for SIF U.S. Aggregate Fixed Income asset class be **9%/6%** favoring active management

# U.S. Large Cap Equity

- SIF target portfolio allocation for this asset class is currently effectively at approximately **16%** (80% x 20%); SIF U.S. equity benchmark All Cap Russell 3000 Index with allocation target of 20% comprised of approximately 80% large cap stocks and 20% mid-small cap stocks (as represented by the Russell 2500 index comprising the bottom 5/6 of stocks by market cap of the Russell 3000 index)
- Mercer investment manager database results for U.S. Large Cap Equity since 1986 shows average gross excess returns of 0.46% per annum for active managers to Russell 1000 benchmark index which is slightly below median management fee of 0.49% per annum
- Incremental value added returns of active managers of 0.5% per annum for this asset class is low compared to other broad U.S. and international equity asset classes in Mercer manager database
- Asset class is considered to be relatively efficient with new information on large U.S. companies quickly absorbed by the market and reflected in stock prices, allowing for limited opportunity to provide added value (alpha)
- Asset class not recommended for any active management within SIF portfolio; maintain **100% Passive** management

# U.S. Small/Mid Cap Equity

- SIF target portfolio allocation for this asset class is currently effectively at approximately **4%** (20% x 20%); SIF U.S. equity benchmark All Cap Russell 3000 Index with allocation target of 20% comprised of approximately 80% large cap stocks and 20% mid-small cap stocks (as represented by the Russell 2500 index comprising the bottom 5/6 of stocks by market cap of the Russell 3000 index)
- Compelling asset class for active investment management
- Mercer investment manager database results for U.S. Small/Mid Cap Equity shows impressive average gross excess returns to Russell 2500 benchmark index of 1.50% per annum for active managers since 1985 or almost double the median management fee of 0.77% per annum; median active manager performance exceeded Russell 2500 benchmark index by 1.8% per annum over past ten years to Sept 2009 with slightly lower annual return standard deviation than exhibited by benchmark
- Mercer “A/A-” rated manager database results also show Small/Mid Cap equity core managers as easily being the highest value added U.S. bond or stock asset class at 5.4% per annum (over 2000-2009) as well as having a high 0.9 information ratio
- Opportunities for allowing skillful managers to add incremental returns above benchmark index include:
  - Less efficient markets with less common knowledge and information
  - Fundamental due diligence and detailed knowledge of specific companies can be rewarded
  - Value versus growth weightings and sector weightings above or below index can result in significant value added to performance
  - Many more stocks to select from for portfolio allows for excellent research to be rewarded
- Asset class could clearly have some MWBE manager representation as many MWBE managers are involved in this asset class
- Recommended as one of two **Second Priority** asset classes for active management within the SIF portfolio
- Recommend that entire SIF portfolio allocation towards Small/Mid Cap Equity, estimated at effective **4%** current allocation, be devoted to **Active** management

# Non-U.S. Equity

- SIF asset class target portfolio allocation is **10%**
- MSCI ACWI ex-US benchmark index is presently composed of approximately 80% developed markets and 20% emerging markets by market value weighting; SIF portfolio targets are effectively 8% developed markets and 2% emerging markets
- Benchmark index currently comprised of 22 developed countries (MSCI EAFE index + Canada) with total of 1,054 companies and 22 emerging market countries (MSCI Emerging Markets index) with 769 companies
- Mercer investment manager database results for developed country EAFE benchmark index shows impressive gross excess returns of 1.11% per annum for active managers since 1986, comparing favorably to median management fee of 0.63% per annum; median active manager performance exceeded EAFE index by 2.3% per annum over past ten years to Sept 2009 with only slightly higher standard deviation than exhibited by benchmark
- Mercer “A/A-” rated manager database shows a relatively high 0.7 information ratio for Core Global Equity active managers
- Opportunities for allowing skillful managers to add incremental returns above respective benchmark indexes include:
  - Ability to overweight/underweight individual country exposures
  - Ability to overweight/underweight many companies and industries within countries based on growth prospects and relative value
  - Most developed country stock markets and all emerging market country stock markets are less efficient than U.S. stock markets, creating significant value added opportunities rewarding good research
  - Manager opinions and positioning on foreign exchange rates of key currencies can also provide additional returns versus benchmark which is always expressed in U.S. dollars
- Asset class likely to have very limited MWBE manager representation according to Mercer MWBE manager database and Mercer assertions
- Recommended as the **Third (Last) Priority** asset class for active management within the SIF portfolio
- Recommended that **Active/Passive** management split for SIF Non-U.S. Equity asset class be equally divided **5%/5%** as presently benchmarked

# 12-month Investment Committee Calendar

Date	Month	Notes
	<b>May</b>	
5/27/2010	<ol style="list-style-type: none"> <li>1. Investment Consultant Performance Report 1Q10</li> <li>2. Transition Activity Update (in CIO Report)</li> <li>3. Mercer recommended investment managers value added research database results, continuation</li> <li>4. CIO SIF active management asset class recommendations</li> </ol>	
	<b>June</b>	
6/17/2010	<ol style="list-style-type: none"> <li>1. Transition Activity Update (in CIO Report)</li> <li>2. BlackRock organization update (in CIO Report)</li> <li>3. Mercer education session, MWBE manager universe and manager selection approaches, first review</li> </ol>	
	<b>July</b>	
7/28/2010	<ol style="list-style-type: none"> <li>1. Mercer education session, MWBE manager universe and manager selection approaches, second review</li> <li>2. Mercer education session, real estate asset class, first review</li> </ol>	
	<b>August</b>	
8/26/2010	<ol style="list-style-type: none"> <li>1. BWC Investment Division Goals FY2011</li> <li>2. Investment Consultant Performance Report 2Q10</li> <li>3. Mercer education session, real estate asset class, second review</li> <li>4. Specialty Funds (SIEGF) Asset Allocation Analysis report and recommendation, first review, possible vote on asset allocation</li> </ol>	
	<b>September</b>	
9/23/2010	<ol style="list-style-type: none"> <li>1. Brokerage Activity Fiscal Year 2010 summary report</li> <li>2. BlackRock ACWlxUS common trust fund update (in CIO Report)</li> </ol>	
	<b>October</b>	
10/21/2010	<ol style="list-style-type: none"> <li>1. Investment class performance/value annual report (ORC4121.12(F)(12)], possible vote</li> </ol>	

# 12-month Investment Committee Calendar

Date	November	Notes
11/18/2010	1. Investment Consultant Performance Report 3Q10 2. Custodian Fiscal Year 2010 Annual Review	
Date	December	
12/15/2010		
Date	January	
Date	February	
	1. Investment Consultant Performance Report 4Q10	
Date	March	
Date	April	

**BWC Invested Assets**  
 Estimated and Unaudited  
 As of May 26, 2010

May2010 MV Increase Bonds..... + \$ 110 million ( +0.8% return)  
 May2010 MV Decrease Equities..... - \$ 646 million (-11.2% return)

May2010 MV Decrease Bonds+Equities..... - \$ 536 million  
 (-2.8% May10 MTD portfolio return including Cash)

BWC Asset Allocation MV 5/26/10

Bonds*.....	\$13,304 million	70.3%
Equities*.....	5,266 million	27.8%
Cash.....	<u>366 million</u>	<u>1.9%</u>
TOTAL.....	\$18,936 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% (-\$195 million net inv. income)  
 Portfolio Return Calendar 2009..... ..+8.6% (+\$1,505 million net inv. income)

Fiscal Year 2010 YTD

Portfolio Return July09-Apr10.....+ 14.0% (+\$2,392 million net inv. income)

**Prepared by: Bruce Dunn, CFA**  
**BWC Chief Investment Officer**

corrected copy: May 28, 2010