BWC Board of Directors

Investment Committee Agenda

William Green Building
Thursday, June 17, 2010
Level 2, Room 2
9:30 a.m. – 11:30 a.m.

Call to Order
Bob Smith, Committee Chair

Roll Call
Linda Byron, Scribe

Approve Minutes of the May 27, 2010 Meeting
Bob Smith, Committee Chair

Review and Approve Agenda*
Bob Smith, Committee Chair

Discussion Items

1. Monthly and Fiscal Year to Date Portfolio Value Comparisons
   - May 2010/April 2010
     Bruce Dunn, Chief Investment Officer
   - May 2010/June 2009
     Bruce Dunn, Chief Investment Officer

2. Month-End Portfolio Asset Allocation Values
   - May 2010/April 2010
     Bruce Dunn, Chief Investment Officer

3. CIO Report – May 2010
   Bruce Dunn, Chief Investment Officer

4. Introduction of Investment Division Staff
   Bob Smith, Committee Chair
   BWC Investment Division Staff

5. Mercer Presentation on Minority and Women Business Enterprise (MWBE) Investment Managers and Manager Selection Approaches, first review
   Bob Smith, Committee Chair
   Mercer Team

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

Adjourn

Bob Smith, Committee Chair

<u>Next Meeting: Wednesday, July 28, 2010</u>

* Not all agenda items may have materials

** Agenda subject to change

BWC Board of Directors

INVESTMENT COMMITTEE

Thursday, May 27, 2010 9:30 a.m.
William Green Building
30 West Spring Street, 2nd Floor (Mezzanine)
Columbus, Ohio 43215

Members Present:	Robert Smith, Chair Alison Falls, Vice Chair David Caldwell Kenneth Haffey Larry Price William Lhota, ex officio
Members Absent:	None
Other Directors Present:	Charles Bryan, Jim Harris, James Hummel, Thomas Pitts
Counsel Present:	John Williams, Assistant Attorney General
Scribe:	Linda Byron, Staff Attorney, Legal Division, BWC

CALL TO ORDER
Mr. Smith called the meeting to order at 9:40 a.m.

ROLL CALL
Roll call was taken. All members but Mr. Haffey were present at the roll call. Mr. Haffey joined the meeting at approximately 9:45 a.m.

APPROVE MINUTES OF THE April 29, 2010 MEETING
Upon motion of Mr. Caldwell, seconded by Mr. Price, the minutes of the April 29, 2010 meeting were approved as written. Roll call was taken and the motion passed 5-0.

AGENDA
Upon motion of Ms. Falls, seconded by Mr. Caldwell, the agenda was approved as written. Roll call was taken and the motion passed 5-0.

DISCUSSION ITEMS:

PORTFOLIO PERFORMANCE

Mr. Kweku Obed, Senior Associate with Mercer Investment Consulting, Inc. (hereinafter referred to as Mercer or Mercer Consulting), the Bureau's investment consulting firm, made a presentation discussing the first quarter 2010 portfolio performance. Mr. Obed referred to the First Quarter 2010 "Investment Performance" Report prepared by Mercer and provided to the Committee in advance of the meeting. The presentation is incorporated into the minutes by reference. Mr. Haffey joined the meeting during this discussion item at approximately 9:45 a.m.

Mr. Obed discussed the market environment. The Gross Domestic Product had a first quarter 2010 advance estimate (if actual say increased) of positive 3.2%. The federal funds rate, the rate at which banks lend to one another, remains near 0.00%. The March, 2010 spread between the 10-year nominal Treasury yield and 10-year TIPS yield is 2.24% which can be considered a measurement of inflation expectations. The U.S. civilian unemployment rate was near 10.0%, while the unemployment rate in Ohio is approximately 11.5%. Consumer confidence increased and retail sales were positive. In the first quarter 2010, value equities outperformed growth equities and small cap equities outperformed mid cap equities. Mid cap outperformed large cap funds. The three year returns for all style and market cap equity segments were negative. The S&P 500 returned a positive 5.4% in the first quarter 2010 with a one year return ending March 31, 2010 of positive 49.8%. The Russell 3000 had a positive return of 5.9% in the first quarter 2010 with a one year return ending March 31, 2010 of positive 52.4%. International equity lagged behind U.S. equity due to issues with Greece, but did have overall positive returns. The Barclays Capital (BarCap) Aggregate fixed income benchmark returned a positive 1.8% in the first quarter 2010. High yield bonds had a strong quarter. In the first quarter 2010, two new accounts in the State Insurance Fund (SIF) were opened. These accounts-- the ACWI ex-US and a new TIPS account-- are both to be managed by BlackRock. At the end of the first quarter 2010, the total funds balance was $19.14 billion. This represented a $628 million gain over the 2009 year-end balance of $18.51 billion.

Over the first quarter 2010, all of the Bureau's investment managers tracked their respective benchmarks with the exception of the Barclays Long Duration Government, Barclays Long Duration Credit and State Street TIPS accounts. Mr. Obed indicated that the tracking errors were caused by pricing differences between the manager and the custodian. He also added that Mercer understood the reason for the tracking errors and found them to be acceptable. Over the one year period, only the State Street Government/ Credit Long Duration Index failed to track the benchmark. Ms. Falls noted that she was not surprised with the tracking error on TIPS, but had to question a tracking error of 50 bps on the State Street Government/ Credit Long Duration Index for the one year period. Mr. Obed responded that pricing differences and cash flow accounted for the discrepancy. He reiterated that Mercer found the tracking errors to be understandable and acceptable.

The SIF accounts for almost 92% of the total asset allocation for the Bureau. The Coal Workers' Pneumoconiosis Fund (CWPF) and Disabled Workers' Relief Fund (DWRF) account for another 8%. The U.S. Equity asset allocation of 21.5% and the Long Duration Credit Fixed Income asset allocation of 26.5% account for almost 50% of the Bureau's entire investment portfolio. In comparing the asset allocation in the SIF as of March 31, 2010 with the policy benchmark, the fund is underweighted in long duration government bonds, aggregate fixed income and TIPS. It is overweight in domestic equity, long duration credit and short term investments. Ms. Falls indicated that she would like to see a chart of historical comparisons since the current portfolio allocation is so much different from when the Board first met in August 2007.

The performance summary of the portfolio was discussed. All returns were shown as of the period ending March 31, 2010. In the three months ending March 31, 2010, the Bureau's total funds portfolio had a positive 2.4% return. The one year return was positive 16.8% and the three year return was positive 4.6%.

The SIF returns were discussed. The SIF U.S. Aggregate and U.S. Long Government composites had three month returns of positive 1.7% and positive 1.1% respectively. The SIF U.S. Long Credit composite had a positive three month return of 2.2%. The SIF TIPS composite returned a positive 0.4% in the same period. The SIF Equity composite returned positive 4.5% in the three months ending March 31, 2010. The three year return was negative 4.7%. The SIF International Equity composite returned positive 1.4% in the three months ending March 31, 2010.

The DWRF composite had a positive three month return of 2.2% and a one-year return of positive 15.9%. The CWPF had a one year return of positive 16.0%. The Public Work-Relief Employees' fund had a three month return of positive 1.5%. The one year return was positive 6.7% and the three year return was 3.6%. The Marine Industry fund (MIF) returned positive 1.5% in the three months, positive 6.6% in the one year and positive 3.6% in the three years ending March 31, 2010. The Self-Insuring Employers' Guaranty fund had a flat three month return and a positive one year return of 0.2%. Ms. Falls added that a flat return was equivalent to a 0.00% return.

MONTHLY AND FISCAL YEAR TO DATE PORTFOLIO VALUE COMPARISONS

Bruce Dunn, the Bureau's Chief Investment Officer, referred to the Invested Assets Market Value Comparison- Total Funds chart dated May 18, 2010. The chart is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. Net investment income in April 2010 was $400 million representing a monthly net portfolio return of positive 2.1%. Bonds had a monthly net return of positive 2.6% for April 2010. Equities had a positive monthly return of 1.2% in the same period. Mr. Dunn indicated that long duration bonds outperformed short duration bonds. Operating cash balance was $143.0 million at the end of April 2010. In the 2010 fiscal year ending April 2010, the portfolio returned a positive 14.0% and net investment income totaled almost $2.4 billion. In the same period, the bond portfolio had a positive return of 9.6%. Equities returned a positive 28.7% in the same period.

MONTH-END PORTFOLIO ASSET ALLOCATION VALUES

Mr. Dunn referred to the Investment Asset Allocation- Combining Schedules as of April 30, 2010, dated May 17, 2010 and as of March 31, 2010, dated April 15, 2010. The schedules are incorporated into the minutes by reference and were provided to the Committee in advance of the meeting. Net cash in the State Insurance Fund (SIF) decreased from 2.4% to 1.9% in the period from March 31, 2010 to April 30, 2010. Bond allocation increased from 66.3% of the SIF portfolio to 66.8% in the same period while stocks remained flat. The Russell 3000 outperformed the S&P 500 in April 2010. Small and mid cap funds outperformed large cap. In the month of April 2010, the ACWI ex-U.S. had a negative return of 0.88%. The dollar strengthened against the Euro. Mr. Dunn indicated that approximately 20% of the ACWI ex-U.S. index is comprised of stocks denominated in Euros. Mr. Dunn then referred to the BWC Invested Assets chart as of May 26, 2010. The chart is incorporated into the minutes by reference and was provided to the Committee at the meeting. A corrected copy of the BWC Invested Assets chart as of May 26, 2010, dated May 28, 2010 was submitted after the meeting and provided to the Investment Committee members. The corrected chart is incorporated into the minutes. As of May 26, 2010, the total market value of bonds and equities had decreased by $536 million from April 30, 2010. In May 2010 to date, the market value of bonds had increased by $110 million, a positive return of 0.8%. In the same period, equities returned a negative 11.2%. Mr. Dunn indicated that this reduction represented a material correction in the equity market. He added that historically the market has had a 10% correction on average approximately every 11 months. He pointed out that this decline in May would qualify as a stock market correction which is generally defined on Wall Street as a decline of at least 10%. Mr. Smith agreed that these corrections are standard. Mr. Dunn pointed out that there are many positive signs in the United States such as: improved earnings, increased spending, a growing economy, raised consumer confidence, the availability of credit and the occurrence of acquisitions. The ACWI ex-U.S. index saw a significant decline in May as well. Generally, investors moved toward Treasury bonds in May in a flight to safety, given the uncertainty with Greece and growing sovereign debt risk of several other European nations. Long government bonds performed well in May to date, outperforming credit bonds for the first time in months. Long government fixed income returned positive 5.4% and long credit returned 0.4%. These returns widened the yield spread between the BarCap U.S. Long Government and BarCap U.S. Long Credit indexes from 160 bps at the end of April 2010 to 200 bps as of May 26, 2010.

CIO REPORT- APRIL 2010

Mr. Dunn referred to the CIO Report- April 2010, dated May 18, 2010. The report is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. The Russell 3000 equity assets of SIF totaling almost $3.5 billion in market value were transferred from BlackRock as Transition Manager to the approved target managers Northern Trust and Mellon Capital on May 26, 2010. Northern Trust and Mellon are to begin trading on May 28, 2010, the last day of the month for trading the index prior to the announcement from Russell on the reconstitution of the index. In June 2010, the managers will form strategies in order to begin trading stocks to reach the new weights in the Russell reconstitution. The Russell 3000 will have less movement than the Russell 1000 or 2000 separately, but a 6% portfolio turnover is estimated. Ms. Falls asked if the Bureau had assets under management with the Transition Manager. Mr. Dunn replied that there is cash reserved in the transition account to pay the management fee, but no assets under management remain with the Transition Manager. The DWRF and CWF transitions are being prepared. Mr. Dunn indicated that both funds have benefitted from the timing of the transition since the market is lower than it was one month prior. Mr. Smith pointed out that the May 2010 portfolio return was negative 2.8% as of May 26, 2010. Mr. Dunn added that the liquidity of the long credit portfolio is to be monitored closely. The goal is to complete the DWRF and CWPF transitions by the end of the second quarter 2010, but this goal would not necessarily be reached due to legal documentation reviews and more challenging and unsettled market conditions arising recently.

MERCER RECOMMENDED INVESTMENT MANAGERS VALUE ADDED RESEARCH DATABASE RESULTS

Mr. Obed referred to the "Value Added Through Mercer Manager Research Recommendations" report, prepared by Mercer and dated December 31, 2009. The report is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. The chart shows how Mercer "A/A-" rated managers would have performed versus the benchmark indexes. Mr. Obed indicated that some non-homogenous managers exist in each asset class and some managers are more opportunistic. The value added summary shows that small cap outperformed mid cap which in turn outperformed large cap. Additionally, long duration outperformed core. The emerging markets value added is 2.1%. Mr. Smith pointed out that the value added summary results are consistent with the asset class proposals on active versus passive management from Mr. Dunn. Mr. Harris asked about the Australian value added results. Mr. Obed noted that the market is less mature in Australia, making the market less efficient. Guy Cooper, Partner with Mercer Consulting, added that the amount of money invested in small companies would be less than in the U.S., providing for better returns.

MERCER EXCERPTS ON ASSET MIX DETAIL AND PROPOSED PHASES OF INVESTMENT POLICY DECISIONS

Mr. Cooper referred to the Asset and Liability Projection Model Summary State Insurance Fund report, prepared by Mercer and dated May 27, 2010 and originally presented at the March, 2009 Investment Committee meeting. The report is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. Mr. Cooper noted that Mix 4 and Mix 5 have some interesting factors to consider at a later date, with 5% of the portfolio being invested in real estate and private equity. Phase 1 has been completed with the exception of 5% being invested in long duration fixed income rather than high yield bonds. Investment of the 5% in high yield bonds is to be considered at a later time. Mr. Smith noted that he was comfortable with delaying the decision on high yield bonds. Mr. Cooper noted that the investment in high yield bonds would have some merit and that the Bureau could benefit from this investment. He added that the extreme high yield spreads were now gone. Mr. Smith asked if there were any entry point studies on investing in new asset classes and the timing of the market for this. Mr. Cooper responded that the long term strategy is most important. Ms. Falls indicated that the Committee had agreed to adopt Mix 6 and Phase 1, but had not officially agreed to table the issue of high yield bonds. Mr. Cooper noted that the BWC investment policy would not need to be changed since high yield bonds are not included as a targeted asset class in the policy. Mr. Price asked Mr. Dunn for his perspective on the Committee's proposal to wait to discuss high yield bonds. Mr. Dunn responded that he believes that the Bureau needs to explore other asset classes not included in the policy before agreeing to invest in real estate, high yield bonds and other new asset classes. Mr. Smith added that Mercer Consulting would be preparing in future meetings reports on potential new asset classes for discussion and understanding. He added that any consideration on adding new asset classes was being delayed so that it could be presented in the proper context. Mr. Cooper indicated that Phase 2 was finished. Phase 3 would include discussions on active management. It would also consider Minority and Women Owned Business Enterprises

(MWBE). Investment in private equity and real estate will be considered in that phase as well. Mr. Haffey asked if there were any statistics on investing in private equity since this strategy seemed to be increasing recently. Mr. Cooper responded that there seems to be resurgence in investing in private equity and more activity in that area. Mr. Smith added that this increased activity is due to the potential for higher capital gains tax rates.

ACTIVE/PASSIVE INVESTMENT MANAGER ASSET CLASS RECOMMENDATIONS- STATE INSURANCE FUND

Mr. Dunn referred to the Active Investment Management Asset Class Recommendations for the State Insurance Fund report, dated May 27, 2010. The report is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. Mr. Dunn indicated that he has been thinking about potential asset classes for active management ever since the new investment strategy for SIF was approved one year ago. Investments in actively managed new asset classes would require a lengthy implementation period and could be staged. Additionally, new actively managed assets will need more intense monitoring. Mr. Dunn indicated that the Investment Staff currently monitors index managers every day. The staff is very satisfied with the tight tracking error. Mr. Dunn stated that he referred to Mercer database to provide support in deciding which asset classes should be actively managed. After reviewing the results of three different Mercer databases, it was noted that each database came to the same general conclusion as to which asset classes would be appropriate for active management. The goal will be to pick the best managers; not median managers. The best managers are ones that have been proven over many market cycles. Currently, only the SIF is being considered for active management. Mr. Dunn indicated he did not address any of the specialty funds in his active management of investment class recommendations. In the SIF, the current allocation is 30% equity and 70% fixed income. The Mercer results support better returns in fixed income with active management. In total, the percentage of the SIF being recommended for active management is 38% or approximately $6.76 billion. It is recommended that 20% of the SIF portfolio as reflected by long credit fixed income be actively managed. This would amount to approximately $3.5 billion at current portfolio market value or slightly over one-half of total assets being recommended for active management.

Mr. Dunn stated that Long Credit fixed income is a compelling asset class investment for active management. The Mercer database shows that its median active manager and its "A/A-" managers exceeded the benchmark by 0.8% and 1.4% respectively over the most recent ten year period. U.S. Long Duration fixed income active managers have a high 1.0% information ratio. Active management of long credit fixed income reduces credit risk since the managers are not forced to hold onto bonds until they fall below investment grade or the issuer goes bankrupt, as a passive manager must. Additionally, active managers are able to perform in-depth research on credits. There are benefits in active management in that the manager can underweight or overweight credits, but avoid extreme bets. The Bureau can place constraints on the active manager by taking away their ability to drastically change the bond duration. Mr. Dunn pointed out that this asset class is not conducive to most MWBE firms according to the Mercer database due to its more specialized focus. Mr. Obed agreed, indicating that there are very few large MWBE firms. Mr. Dunn referred to the Mercer Sample list of Managers of Highly Rated Active Strategies presentation, dated April 2010 and prepared by Mercer. The presentation is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. There are only three active long duration credit "A/A-" managers listed in Mercer's database. Ms. Falls pointed out that PIMCO has $10.0 billion in assets in the long duration active management area. Mr. Dunn responded that half of that amount is invested in long credit fixed income and half is invested in long government fixed income. It is recommended that 20% of the 28% of SIF assets targeted to the U.S. Long Credit fixed income SIF mandate be actively managed. It is recommended that the remaining 8% continue to be passively managed. There is no timeline for implementation. Active management of long credit fixed income is recommended as a first priority due to the increased income potential, the amount of assets under management and the ability for risk control.

Long government fixed income assets were then discussed. The BarCap Long U.S. Government index currently consists of 123 issues. Approximately 89% of the market value weighting of this index consists of Treasury bonds. Mr. Dunn indicated that an active manager would need to take interest rate and duration bets in order to try to outperform passive management. Mr. Dunn added that this asset class does not create much opportunity to underweight or overweight bond sectors. Mr. Obed noted that managers cannot always predict interest rates, so passive management is recommended. Mr. Smith commented that the active management of the long credit bonds would need to be closely monitored to insure the managers stayed within our investment guidelines. He asked who would be making the recommendations. He specifically asked if the guidelines would be part of the selection process or part of the contractual limitations. Mr. Dunn replied that the limitations could be placed in the management contract.

Mr. Dunn referred to the U.S. TIPS fixed income asset class. The asset class itself is only 13 years old. Issues have a maturity of between 1-30 years. Mercer only has one recommended active manager for this asset class. The excess returns average 0.08% over the index with a median management fee of 0.14%. The only way to outperform the index is through duration bets and interest rate bets. TIPS are not recommended for active management.

The U.S Aggregate fixed income asset class is the broadest and most popular bond index among institutional investors. It consists of many different types of issues including treasury bonds, agencies, mortgage-backed securities, corporate bonds, municipals and sovereigns. The Mercer database shows excess returns of 0.54% with active managers over the bond index. The median management fee is 0.25%. This asset class includes several thousand issuers. Active managers have some ability to adjust the duration of the portfolio. With an average gross excess return of 0.54% and a median management fee of 0.25%, the U.S. Aggregate fixed income is recommended as a second priority for active management. It is recommended that 9% of this SIF portfolio asset class be actively managed and 6% be passively managed. Ms. Falls asked about the information ratio for the U.S. Aggregate mandate. Mr. Obed indicated that although the information ratio was not high, this was attributable largely to management style differences among managers. Ms. Falls also asked if betting on the yield curve is equivalent to betting on interest rate movements. Mr. Dunn responded that this was only partially true.

Mr. Dunn referred to the U. S. Large Cap asset class in the SIF portfolio. The current SIF target allocation for this asset class is approximately 16%. The Russell 1000 benchmark index is comprised of large and mid cap stocks and has a median management fee of

0.49%. Mr. Dunn indicated that this asset class is relatively efficient with a plethora of information being readily available. Even with diligent research, it is difficult to outperform the index. The Mercer database shows an average gross excess return of 0.46% above the index which is slightly below the median management fee. Based on this information, the recommendation is for passive management of the U.S. Large Cap asset class. The study by Mercer supports passive management of this asset class.

Mr. Dunn referred to the U.S. Small and Mid Cap Equity asset class. The current portfolio allocates 4% of the SIF to this asset class. Active management creates significant value added for this asset class. The Mercer database shows average excess returns of 1.50% with active management over passive management. The median management fee is 0.77%. The Mercer database shows the median excess returns over passive management have been 1.8% over the last ten years. The Mercer database shows A/A- rated active managers in the U.S. Small/Mid Cap Equity core have averaged 5.4% excess gross returns over the same period. Mr. Dunn pointed out that this asset class affords tremendous opportunities to exceed the benchmark. The asset class is much less efficient and has less common public knowledge. These characteristics allow for significant benefit with fundamental, detailed research from a knowledgeable active manager. Another benefit of this asset class is the broad representation of MWBE firms for active management. It is recommended that all 4% of the current SIF allocated to small and mid cap equities be actively managed. This is one of two recommendations of second priority active management asset classes within the SIF portfolio.

Mr. Dunn referred the Committee to Non U.S. equity. The SIF asset class target allocation for this asset class is 10%. The ACWI ex-U.S. is composed of approximately 80% developed markets and 20% emerging markets. The SIF portfolio targets are effectively 8% invested in developed markets and 2% invested in emerging markets. Mr. Dunn pointed out that most public funds are more highly weighted in emerging market equities than 2%. The benchmark index contains companies from 22 developed countries and 22 emerging markets. An active manager would have the opportunity to overweight and underweight countries and industry exposures in this asset class. The Mercer database shows that active management averages 1.11% gross excess returns over the index. The median management fee is 0.63%. Over the last 10 years, active management performance has exceeded the EAFE index by 2.3%. Active management can take advantage of the less efficient market and favorable exchange rates. This asset class is the most challenging to monitor, so it is recommended as a last priority. Mr. Smith and Mr. Haffey commended Bruce Dunn on the report, indicating that it provided strong leadership and direction for the Board.

Mr. Cooper indicated that Mercer Consulting supported the move. He pointed out that the Bureau was one of the few large funds that are fully passively managed in index funds. He indicated that Mercer is supportive of the switch to active management as part of a long term plan. He cautioned that the move to active management would require a lot of work, oversight, and monitoring. He added that there would be governance and implementation issues. He also warned that the Bureau has not had all of the other substantive discussions needed on this issue. He recommended that the Bureau proceed slowly and added that the entire process may take 2-3 years. Ms. Falls indicated that the presentation was a good starting point for further discussions on issues such as governance, oversight and resources. Mr. Harris pointed out that this creates a good opportunity to have further discussions in order to engage MWBE. Mr. Price commended Mr. Dunn on his excellent work. He emphasized that the inclusion of MWBE firms was important to him and his goal is to have the Committee move forward and complete the process. He added that he was excited at the direction that the Committee was moving. Mr. Smith agreed, indicating that the presentation provided good direction.

COMMITTEE CALENDAR

Mr. Smith directed the Committee to the 12-month Investment Committee Calendar, dated May 17, 2010. Mr. Smith pointed out that the June 2010 Investment Committee meeting will include a presentation on MWBE. He emphasized that it is important to maintain high quality management standards. He added that the goal of the Committee is to identify MWBEs that qualify and have the same high standards. He noted that the June 2010 meeting would also include an update on the BlackRock organization. Mr. Caldwell indicated that he was excited by the movement toward MWBE and noted that the applicants must be qualified. He added that both issues must be reviewed in tandem. Mr. Obed indicated that he anticipated a good discussion next month on MWBE, adding that other Mercer clients invested with MWBE firms.

ADJOURN

A motion was made by Mr. Haffey, seconded by Mr. Caldwell to adjourn the meeting at 11:30 a.m. Roll call was taken and the motion passed 6-0.

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

Asset Sector	Market Value May 31, 2010	% Assets	Market Value April 30, 2010	% Assets	Increase (Decrease) Prior Month-End	% Change	Market Value June 30, 2009	% Assets	Increase (Decrease) Prior Fiscal Year-End	% Change
Bonds	13,188,077,934	69.3%	$13,100,411,880	67.5%	87,666,054	0.7%	$13,230,413,310	76.9%	(42,335,376)	-0.3%
Equity	5,398,294,899	28.4%	5,911,978,253	30.5%	(513,683,354)	-8.7%	3,522,150,726	20.5%	1,876,144,173	53.3%
Net Cash - OIM	45,071,146	0.2%	95,339,776	0.5%	(50,268,630)	-52.7%	27,624,432	0.2%	17,446,714	63.2%
Net Cash - Operating	353,696,953	1.8%	249,465,476	1.3%	104,231,477	41.8%	366,634,742	2.1%	(12,937,789)	-3.5%
Net Cash - SIEGF	49,856,112	0.3%	50,469,862	0.2%	(613,750)	-1.2%	54,583,234	0.3%	(4,727,122)	-8.7%
Total Net Cash	448,624,211	2.3%	395,275,114	2.0%	53,349,097	13.5%	448,842,408	2.6%	(218,197)	0.0%
Total Invested Assets	$19,034,997,044	100%	$19,407,665,247	100%	($372,668,203)	-1.9%	$17,201,406,444	100%	$1,833,590,600	10.7%

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.

May 2010/April 2010 Comparisons

- Net investment income in May 2010 was a negative $(468) million representing a monthly net portfolio return of -2.4% (unaudited).
- Bond market value increase of $87.7 mm comprised of $60.9 mm in interest income, $(14.5) mm in OIM realized/unrealized losses ($3.8 mm net realized gain), and by $49.5 mm in OIM/TM net purchases, offset by $8.2 mm in portfolio redemptions for operations, representing a monthly net return of +0.3% (unaudited).
- Equity market value decrease of $(513.7) mm comprised of $8.5 mm of dividend income, $(522.4) mm in net realized/unrealized losses ($112.1 mm net realized gain) and by $0.2 mm in OIM/TM net purchases, representing a monthly net return of -8.7% (unaudited).
- Net cash balances increased $53.3 mm in May 2010 largely due to increased operating cash balances ($104.2 mm), offset by $50.3 mm in OIM/TM net purchases/operating redemptions. JPMorgan US Govt. money market fund had 30-day average yield of 0.09% for May 2010 (0.08% for Apr10) and 7-day average yield of 0.10% on 5/31/10 (0.08% on 4/30/10).

May 2010/June 2009 FYTD Results

- Net investment income for FYTD2010 was $1,924 million largely comprised of $659 mm of interest/dividend income and $1,269 mm of net realized/unrealized gains ($413 mm net realized loss), offset by $7 mm in fees, representing a FYTD2010 net portfolio return of +11.2% (unaudited).
- Bond market value decrease of $(42) mm for FYTD2010 comprised of $584 mm in interest income and $682 mm of net realized/unrealized gains ($81 mm net realized gain), offset by $1,245 mm in OIM/TM net bond sales, $55 mm in OIM rebalancing redemptions and by $8 mm in operations redemptions, representing a FYTD2010 net return of +10.0% (unaudited).
- Equity market value increase of $1,876 mm for FYTD2010 comprised of $74 mm in dividend income, $588 mm in net realized/unrealized gains ($494 mm net realized loss), $1,217 mm in OIM/TM net purchases and $55mm in portfolio OIM rebalancing purchases, offset by $58mm in portfolio redemptions for operations, representing a FYTD2010 net return of +17.5% (unaudited).

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

As of May 31, 2010

(in thousands)

	SIF	% Trust	DWRF	% Trust	BLF	% Trust	PWRF	% Trust	MIF	% Trust	SIEGF	% Trust	ACF	% Trust	Totals	% of Total
Bonds	**$ 11,971,283**	**68.6%**	**$ 967,190**	**78.6%**	**$ 206,718**	**78.5%**	**$ 24,547**	**99.6%**	**$ 18,340**	**97.3%**	**$ -**	**0.0%**	**$ -**	**0.0%**	**$ 13,188,078**	**69.3%**
Long Credit	5,169,374	29.6%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	5,169,374	27.2%
Long Government	1,339,164	7.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,339,164	7.1%
Long Gov/Credit	-	0.0%	708,844	57.6%	152,692	58.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	861,536	4.5%
TIPS	3,004,475	17.2%	258,346	21.0%	54,026	20.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,316,847	17.4%
Aggregate	2,458,270	14.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,458,270	12.9%
Intermediate Gov/Credit	-	0.0%	-	0.0%	-	0.0%	24,547	99.6%	18,340	97.3%	-	0.0%	-	0.0%	42,887	0.2%
Stocks	**5,085,557**	**29.2%**	**257,989**	**20.9%**	**54,749**	**20.8%**	**-**	**0.0%**	**-**	**0.0%**	**-**	**0.0%**	**-**	**0.0%**	**5,398,295**	**28.4%**
Russell 3000	3,547,081	20.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,547,081	18.6%
MSCI ACWI ex-U.S.	1,526,212	8.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,526,212	8.1%
S&P 500	-	0.0%	257,393	20.9%	54,623	20.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	312,016	1.7%
Dividends Receivable	8,384	0.0%	596	0.0%	126	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	9,106	0.0%
Miscellaneous	3,880	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,880	0.0%
Net Cash & Cash Equivalents	**389,590**	**2.2%**	**5,746**	**0.5%**	**1,876**	**0.7%**	**105**	**0.4%**	**509**	**2.7%**	**49,856**	**100.0%**	**942**	**100.0%**	**448,624**	**2.3%**
Total Cash & Investments	**$ 17,446,430**	**100.0%**	**$ 1,230,925**	**100.0%**	**$ 263,343**	**100.0%**	**$ 24,652**	**100.0%**	**$ 18,849**	**100.0%**	**$ 49,856**	**100.0%**	**$ 942**	**100.0%**	**$ 19,034,997**	**100.0%**

Market value of bonds includes accrued investment income.
Net cash and cash equivalents includes the impact of net trade receivables/payables, accrued money market earnings, and accrued investment manager fees.

State Insurance Fund (SIF)

Overall SIF allocation 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.

All equity indices returns significantly decreased for the MSCI ACWI ex-U.S. (-10.52%), S&P 500 (-7.99%) as well as the Russell 3000 (-7.90%) in the month of May. As a result the equity allocation fell to 29.2% for the month from 31.3% for the prior month-end. The bond indices returns increased for the Barclays Capital Long Government Term Index (+4.11%) as well as the U.S. Aggregate Bond Index (+0.84%) offset by negative performance for Barclays Capital Long Credit Index (-0.87%) and U.S. TIPS Index (-0.01%) in May. The SIF overall net flat bond performance was overshadowed by the significant decrease in all equity indices inflating the bond asset allocation from 66.8% at end of April to 68.6% at end of May.

Cash allocations increased from 1.9% at end of April to 2.2% at end of May due to increased SIF operating cash of $104.2 million partially offset by decreased investment manager cash balances of $50.3 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 Fall, 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	PWRF:	Public Work-Relief Employees' Fund	SIEGF:	Self Insured Employers Guarantee Fund
		BLF:	Coal Workers' Pneumoconiosis Fund	MIF:	Marine Industry Fund	ACF:	Administrative Cost Fund

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
Bonds	**$ 11,889,906**	**66.8%**	**$ 961,847**	**77.0%**	**$ 206,075**	**77.4%**	**$ 24,374**	**99.5%**	**$ 18,210**	**97.3%**	**$ -**	**0.0%**	**$ -**	**0.0%**	**$ 13,100,412**	**67.5%**
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%
Stocks	**5,572,540**	**31.3%**	**280,015**	**22.4%**	**59,423**	**22.3%**	**-**	**0.0%**	**-**	**0.0%**	**-**	**0.0%**	**-**	**0.0%**	**5,911,978**	**30.5%**
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%
Net Cash & Cash Equivalents	**332,011**	**1.9%**	**7,364**	**0.6%**	**676**	**0.3%**	**121**	**0.5%**	**510**	**2.7%**	**50,470**	**100.0%**	**4,123**	**100.0%**	**395,275**	**2.0%**
Total Cash & Investments	**$ 17,794,457**	**100.0%**	**$ 1,249,226**	**100.0%**	**$ 266,174**	**100.0%**	**$ 24,495**	**100.0%**	**$ 18,720**	**100.0%**	**$ 50,470**	**100.0%**	**$ 4,123**	**100.0%**	**$ 19,407,665**	**100.0%**

Market value of bonds includes accrued investment income.

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

State Insurance Fund (SIF)

Overall SIF allocation 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

INVESTMENT DIVISION

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

FROM: Bruce Dunn, CFA, Chief Investment Officer

DATE: June 11, 2010

SUBJECT: CIO Report May, 2010

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 specialty funds at these respective meetings. The BWC Investment Policy Statement reflecting the new portfolio asset allocation targets for these two specialty 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 specialty funds at their respective meetings. The asset allocations recommended and approved for these two specialty funds resulted in the confirmations of the existing asset allocation targets for both of these specialty 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 provided specific recommendations at the May, 2010 Investment Committee meeting regarding current State Insurance Fund fixed income and equity classes to be considered for active management.

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 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. The assets of the Priority #3 Transition account managed by the BWC chosen transition manager since October 2009 were proportionally transferred in-kind to each of Northern Trust and Mellon as finalist managers at the end of May, 2010. A total of $3.486 billion of assets at market value were transferred, of which $2.44 billion was directed to Northern Trust and $1.046 billion was directed to Mellon.

Legal contracting and background checks are also proceeding with all approved SIF, Disabled Workers Fund and Coal Workers Fund investment managers. 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. It is now expected that the transition of these specialty fund assets and their ultimate transfer to respective approved investment managers will occur during the third quarter of 2010.

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 May, 2010.

BlackRock Organizational Update

An organizational update meeting with senior executives of BlackRock was held at the BlackRock executive offices in New York City on May 7, 2010. Representing BWC at this meeting was Administrator Marsha Ryan, CIO Bruce Dunn, Director of Investments Lee Damsel, Investment Committee Chair Bob Smith and Mercer senior consultant Guy Cooper. BlackRock senior executives attending this meeting included Laurence Fink (CEO/Chairman), Robert Kapito (President), Robert Capaldi (Head of US/Canada Institutional Client Group) and Robert Goldstein (Head of BlackRock Solutions).

The BlackRock acquisition of Barclays Global Investors (BGI) was completed as scheduled on December 1, 2009. The combined firm now employs 8,400 worldwide. All key senior executive management position decisions as well as virtually all decisions on senior operating level positions have been completed as of the date of this meeting. Seven of the eight post-merger executive officers of BlackRock have legacy BlackRock backgrounds with only Blake Grossman, the CEO of former BGI since 2002, having come from BGI. Mr. Grossman was named a Vice Chairman of BlackRock and will oversee quantitative and index equity, global market strategies and multi-asset client solutions businesses. Mr. Fink (age 57) and Mr. Kapito (age 52), as CEO and President, respectively, have worked closely together at BlackRock since its founding in 1988.

The merger has resulted in a general improvement in the compensation packages of many BGI executives in terms of both base salary and incentive compensation. A high percentage of former BGI senior level executives have been retained by BlackRock. There has also been some relocation of BlackRock executives to San Francisco where BGI was based and some former BGI executives to the BlackRock New York City headquarters.

BlackRock post-merger managed $3.35 trillion of invested assets at year-end 2009 comprised of 73% institutional ($2.46 trillion), 12% retail ($389 billion) and 15% iShares exchange traded funds ($496 billion). BlackRock became the world's largest global investment management company with the acquisition of BGI. Approximately 40% of the combined firm's assets under management were for non-U.S. clients and a similar 41% of employees are based outside the U.S. Management expects both of these numbers for non-U.S. to exceed 50% within the next five years. The combined firm now has an excellent mix between alpha-seeking active management products (legacy BlackRock assets) and passive management index products (legacy BGI assets). Approximately 50% of its current assets under management are index products, 35% are actively managed portfolios, 10% are cash management assets and 5% are in advisory mandates.

Post the merger, the firm has about a 50/50 mix of bond and equity assets under management as well. Certain of its clients had assets managed by each of BlackRock and BGI prior to the merger. After the merger, some passive indexed assets were shifted by clients from BlackRock as those institutions had exposure to the combined merged firm that exceeded their internal manager limits that were not waived by their boards (other clients had firm concentration rules waived). BlackRock management indicated most assets lost due to manager concentration rules were passively managed with virtually all actively managed assets being retained. Two specific segments of the firm that Mr. Fink and Mr. Kapito are focusing for improvement are active quantitative equity management and Australian operations. The active quantitative managed assets of former BGI have underperformed benchmarks for the past five years and have exhibited asset outflows. Management will devote considerable resources to improve modelling for these products. There are currently approximately $145 billion of active quantitative equity assets under management. There have been recent personnel changes implemented in the firm's Australian operations to improve overall performance.

Both Mr. Fink and Mr. Kapito in separate meetings emphasized that the BlackRock platform and strategy is to serve as a fiduciary for all assets under management whereby the firm does not and will not engage in any proprietary trading. All of the firm's efforts are about stewardship and providing sound informed advice and solutions to its clients. It was made very clear by both individuals that all BlackRock employees must always honor and respect the BlackRock culture of serving clients as trusted fiduciaries first and foremost.

A major reason for BGI being an excellent acquisition fit for BlackRock is that both firms emphasized having state of the art systems for risk management controls, monitoring investment positions, making investment decisions and offering sophisticated solutions to clients. The business of BlackRock was built upon data and information retrieval to make investment decisions and manage risk. In addition to utilizing data to efficiently and effectively manage portfolios for clients, BlackRock has developed an integrated suite of investment risk management tools used internally that has been offered to external clients under the BlackRock Solutions brand since 2000. BlackRock Solutions offers extensive proprietary analytics, a security-level and portfolio-level approach to modelling portfolios and benchmarks and assessing their risks, which enables investment decisions to be made and transactions executed while ensuring strict adherence to risk management and compliance guidelines. BlackRock Solutions is now used by over 200 clients worldwide managing more than $9 trillion of assets. BlackRock senior management receives reports every day on all counterparty risk exposure the firm has in all managed portfolios, which is especially useful for its securities lending activities. BlackRock Solutions was initially created to analyze and model residential mortgage-backed securities and currently maintains an extensive amount of current profile data on virtually all outstanding publicly issued MBS. BlackRock has assisted the U.S. federal government and many foreign central banks in analyzing pools of assets of many troubled financial institutions over the past 18 months.

As further evidence of the firm's commitment to maintaining an unequalled database of investment-related information, BlackRock recently purchased Helix Financial Group earlier this year to augment its commercial real estate analytics. Helix maintains the largest independent loan database of commercial mortgage-backed securities in the U.S.

In summary, the post-merger BlackRock has a very experienced and capable executive management team that focuses on serving clients with information-based products and solutions with special emphasis on risk management, the trademark of the predecessor BlackRock management which remains in place post the merger. The firm now has unparalleled scale and breadth of investment products to offer institutional clients. Senior management appears to be integrating the culture, people and systems as well as can be expected so far, fully recognizing and planning for the inevitable challenges and potential pitfalls that come with a major merger of two large financial services firms.

Quarterly Investment Manager Meetings Summary (First Quarter 2010)

State Street Global Advisors

(Passive Long Credit Fixed Income; Passive Long Government/Credit Fixed Income; Passive Intermediate Duration Fixed Income; Passive TIPS Fixed Income)

The BWC investment staff met with the BWC primary relationship manager and the senior fixed income portfolio manager (John Kirby) on May 5, 2010 at the Investment Division offices. In addition, the group heard via conference call from a U.S. TIPS portfolio manager (Marc Touchette), the global chief investment officer of fixed income and currency (Mark Marinella) and a portfolio strategist (Dan Pierce) on the economic and market outlook.

State Street Corporation, the parent company of State Street Bank and Trust and subsidiary State Street Global Advisors (SSGA), reported net income of $495 million for 1Q 2010 which was essentially flat compared to 4Q 2009 and higher by 4% versus 1Q 2009. Fee revenue at $1.54 billion was higher by 1% versus 4Q 2009 and by 8% versus 1Q 2009. Total net assets under management remained in excess of $1.9 trillion at 3/31/10, essentially unchanged from 12/31/09. The parent company remains very well capitalized with a Tier I risk-based capital ratio of 18.1% and a tangible common equity to tangible assets ratio of 7.5% on 3/31/10.

There were three different transfer of asset actions involving SIF fixed income portfolios managed by SSGA that occurred during the first quarter of 2010. These actions were made in fulfillment of earlier investment manager decisions approved by the BWC Board of Directors that resulted from the index manager selection RFP process of fiscal year 2010. The assets of the SIF U.S. Long Government portfolio aggregating $522 million in market value were transferred in-kind to BlackRock on January 28, 2010. As a result, SSGA no longer managed any SIF U.S. Long Government portfolio assets effective this date of transfer. The second asset transfer involved the in-kind transfer of a large portion of the SIF U.S. TIPS portfolio managed by SSGA aggregating $2.063 billion in market value completed on February 24, 2010. These TIPS assets were also transferred to BlackRock as consistent with BlackRock being approved by the Board as the largest passive TIPS investment manager for a targeted 12% of SIF total portfolio market value, with SSGA being reduced as a SIF TIPS manager to a targeted 5% from a previous targeted 17% of total SIF portfolio market value. The third asset transfer was also a partial transfer involving a portion of the SIF Long Credit fixed income portfolio managed by SSGA aggregating $486 million in market value that was transferred to BlackRock on March 3, 2010. BlackRock was approved by the Board as a targeted manager of this asset class for 8% of SIF total market value, with SSGA approved as a targeted 20% of SIF total market value for Long Credit fixed income. In summary, SIF fixed income assets aggregating approximately $3.07 billion in market value were transferred away from SSGA in the first quarter of 2010. It must be mentioned as a reminder, however, that SSGA received an in-kind transfer of SIF U.S. Aggregate fixed income portfolio assets of $2.375 billion market value from the BWC transition manager on December 28, 2009. SSGA became the exclusive SIF target manager of that fixed income asset class from the RFP selection process. SSGA managed a total of approximately $8.1 billion market value of fixed income assets for five different BWC trust funds as of March 31, 2010 which represented approximately 42.3% of total BWC invested assets at market value at the end of 1Q 2010.

As reported by SSGA, the performance of the SIF Long Credit portfolio had a return of 1.85% for 1Q10 compared to the benchmark index return of 2.02% whereas the BWC custodian (JPMorgan Chase) reported a portfolio return of 2.10%. There were end-of-quarter pricing variations in the different pricing sources used by the manager compared to the custodian. For the new SIF U.S. Aggregate portfolio having its first full quarter of management by SSGA, SSGA reported performance of 1.69% for 1Q10 compared to the benchmark index of 1.78% and the custodian reported performance of 1.73%. The slight underperformance was attributable by the manager to a combination of (a) higher than normal transaction costs as the portfolio was building out and becoming more diversified by adding more issues and (b) underperformance of the bank portfolio holdings compared to the index bank portfolio.

Total 1Q10 return of the DWRF and BLF LDFI portfolio reported by SSGA were 1.40% and 1.44%, respectively, as compared to the 1.55% benchmark index return, whereas the BWC custodian reported quarterly returns of 1.61% for DWRF and 1.68% for BLF. As with the SIF Long Credit portfolios, end-of-quarter pricing variations of the different pricing sources used occurred between SSGA and the custodian. The two smaller specialty funds (Public Work-Relief Employers' Fund and Marine Industry Fund) investment in the commingled Intermediate Duration Fixed Income fund managed by SSGA had a return of 1.52% for 1Q10 reported by both SSGA and the BWC custodian compared to the benchmark return of 1.54%.

The TIPS portfolio managed by SSGA for each of SIF, DWRF and BLF had total returns of 0.56% for 1Q10 as represented by SSGA which closely matched the benchmark quarterly return of 0.57%. The end of fourth quarter 2009 TIPS pricing discrepancies that occurred between Barclays Capital (BarCap) prices used by SSGA and Interactive Data (IDC) prices used by the custodian served as the starting base for calculated 1Q10 performance which created continued pricing discrepancies for 1Q10 performance results. The custodian reported 1Q10 TIPS portfolio performance of 0.05% for SIF, 0.42% for DWRF and 0.39% for BLF. SSGA indicated tracking error between the two price sources was 12 basis points for 1Q10 whereas it was 102 basis points (10.40% IDC return vs. 11.42% BarCap) for all of 2009 as revealed in the February 2010 CIO Report. The performance return of 0.05% for the SIF TIPS portfolio for 1Q10 compared to the benchmark return of 0.57% is largely due to the withdrawal of $2.063 billion in late February 2010 that was transferred to BlackRock as a new TIPS manager. The overall BWC TIPS portfolio performance was 0.42% for 1Q10 compared to the 0.56% benchmark return where 0.12% of differences, as explained earlier, is due to price source tracking error. The TIPS portfolio manager indicated inflation expectations fell during the period due to the continued trend lower in core inflation. Inflation expectations were a big driver of TIPS return in 2009 but are expected to be more muted in 2010, according to SSGA. The new 30 year TIPS auction was well received in 1Q10 and the TIPS portfolio manager expects TIPS auctions of new issues to be balanced across the curve.

The SSGA fixed income CIO (Mark Marinella) indicated that the growing sovereign debt problem must be taken seriously and the threat of contagion is real. There is a need to deleverage public debt worldwide. Mr. Marinella indicated that Brazil and Mexico (the two largest sovereign holdings of BWC) are on a different path than European sovereign debt and are showing good fiscal discipline. He indicated that since the Federal Reserve ceased purchasing mortgage-backed securities at the end of March, MBS spreads have only widened slightly and he does not expect the Fed to sell MBS anytime soon because it does not want to jeopardize the economic recovery and fuel higher mortgage rates. Mr. Marinella indicated the appetite for credit bonds is voracious among SSGA clients and there is large demand for customizing actively managed credit portfolios. He believes U.S. corporations (aside from financials) are in strong financial condition and very liquid. He remains neutral to underweight regarding financial credits partly due to the likely regulatory reform to be imposed that will likely reduce long-term profit levels.

The SSGA portfolio strategist (Dan Pierce) indicated the Greek debt crisis is inherently deflationary and will take a long time to work out with the European Central bank likely to lower interest rates. The Euro currency should remain under pressure although European non-financial equities, exclusive of Southern Europe, could perform well in the local currency due to rising exports potential.

BlackRock

(Passive Long Government Fixed Income, Passive Long Credit Fixed Income, Passive TIPS Fixed Income, Passive Non-U.S. Equities)

The BWC investment staff as well as Administrator Marsha Ryan, met with a new BlackRock fixed income strategist (Chris Woida), a BlackRock international equities strategist (Scott Williamson) and the BWC primary relationship manager on May 11, 2010 at the Investment Division offices.

There were three different transfer of asset actions involving SIF fixed income portfolios aggregating $3.07 billion in market value received by BlackRock for passive management during the first quarter of 2010. Each of these in-kind transfers of assets came from SIF fixed income portfolios managed by SSGA in order to complete investment manager recommendations approved by the BWC Board of Directors as a result of the indexed manager RFP process completed for SIF. BlackRock received (a) an additional $522 million market value of assets to its existing SIF Long Government managed portfolio on 1/28/10 and (b) $486 million market value of assets to its existing managed SIF Long Credit portfolio on 3/03/10, as well as (c) $2.063 billion of U.S. TIPS assets to fund an initial SIF U.S. TIPS portfolio on 2/24/10 to be managed by BlackRock. At the end of the first quarter of 2010, BlackRock as target manager managed approximately $6.5 billion of BWC assets representing 33.9% of total BWC assets at market value.

As reported by BWC custodian JPMorgan, the SIF Long Government portfolio returned 1.46% compared to benchmark index return of 0.97%. The increase in additional assets transferred in-kind to their account in late January contributed significantly to the higher return compared to the benchmark index. BlackRock reported the tracking error to be zero based on funds invested throughout the entire quarter. The SIF Long Credit portfolio had a return of 2.35% reported by the custodian compared to the benchmark return of 2.02% and was also impacted by the additional assets transferred in-kind to the account in early March. The new TIPS portfolio managed by BlackRock was funded in late February and provided a return of 0.42% reported by BlackRock from 2/24/10 inception through 3/31/10 compared to the benchmark index return of 0.43% over this period.

The SIF non-U.S. equity assets managed by BlackRock as transition manager were transferred on 2/24/10 to the newly created non-ERISA, non-lending master commingled fund managed by BlackRock. The initial cost basis of the units of the commingled fund was $1.612 billion. This commingled fund had a return of 6.94% from 2/24/10 inception through 3/31/10 which matched the ACWI ex-U.S. benchmark index over this period. The BlackRock international equities strategist indicated MSCI rebalances its international equities in Feb-May-Aug-Nov with the largest rebalancing being in May. He indicated there has recently been a big increase in institutional funds into emerging market equities. He also indicated that most BlackRock clients investing in non-U.S. equities intentionally do not hedge the foreign currency exchange rate.

The BlackRock fixed income strategist does not expect to see much inflation over the short-term. He believes the biggest opportunity for spread tightening is in the A to BB rated sectors. BlackRock has seen many flows of assets into emerging market debt.

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

The BWC investment staff met on May 6, 2010 at the Investment Division offices with the primary portfolio manager of the Northern Trust managed S&P 500 passive indexed commingled fund as well as with two members of the Northern Trust relationship management team.

The primary relationship manager provided an update on securities lending of its securities lending eligible managing portfolios. He indicated that progress continues to be made on closing the gap between market value and book value on the collateral deficiency and the net result is that Northern Trust may soon be in a position of removing redemption restrictions for clients.

The only BWC assets managed by Northern Trust over 1Q10 were the DWRF and BLF assets invested in the non-lending commingled B fund passively managed to the S&P 500 benchmark index. This fund had a return of 5.44% compared to the 5.39% return of the S&P 500 benchmark index for 1Q10. This outperformance of 5 basis points is attributable to a combination of (a) several class action lawsuit settlement distributions (Time Warner, Xerox) received during the quarter from claims filed by the fund years ago that accounted for 4 basis points and (b) 1 basis point attributable to trading activity involving the disposal and exchange of Burlington Northern stock for class B shares of Berkshire Hathaway which were added to the S&P index in February 2010. The Berkshire Hathaway class B shares were one of the largest new additions ever to the S&P 500 index at an initial index weighting of 1.27%

There were discussions with S&P 500 portfolio manager Brent Reeder on the upcoming annual Russell 3000 index reconstitution as Northern Trust will be shortly managing a 70% portion of the Russell 3000 indexed U.S. equity portfolio for SIF that is currently being managed by the BWC transition manager. The Russell 3000 index rebalancing will become effective on 6/25/10 and the market cap values and rankings of the stock issues to be included in the index will occur on 5/28/10. Frank Russell Company is changing its methodology for eligibility of companies into its equity indexes that are incorporated outside of the U.S. largely for tax or regulatory purposes. Whereas before the index sponsor required U.S. incorporation for index eligibility of companies, Russell will now make these companies eligible if a high proportion of assets or revenues are from the U.S. As a result, companies such as Tyco, Ace, TransOcean and Weatherford will become part of the index at reconstitution time. The portfolio manager also indicated approximately 40 companies officially incorporated in the U.S. but deriving most of their revenues in China will likely be removed from the Russell equity indexes. The portfolio manager estimated that he expects turnover in their Russell 3000 indexed portfolios to be 6% from the 2010 Russell index reconstitution event or almost double the 3% turnover resulting from the 2009 reconstitution.

Finally, the portfolio manager indicated that the Northern Trust portfolio management team migrated over to the Charles River platform for order management. This new platform will allow its portfolio managers to view live trade execution more efficiently.

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June 17, 2010

MWBEs and Institutional Investors – Trends and Approaches

Investment Committee Meeting
Ohio Bureau of Workers' Compensation

Guy M. Cooper
Jordan Nault
Kweku Obed

MWBE and Emerging Managers

- By definition, Minority and/or Women Owned Business Enterprises (MWBEs) are firms that have been certified as having a minority and/or woman own a minimum of 51% of the company (i.e., a majority stake).
- Generally speaking, an Emerging Manager is a money manager that manages no more than $2 billion of assets – this is the industry definition but States can apply their own criteria to what should be considered 'Emerging'.
- In many instances, an MWBE is an Emerging Manager, however it is possible to operate as an MWBE and not classify as an Emerging Manager.
- In this presentation, we will assume that MWBE and 'Emerging Manager' are interchangeable terms (as approximately 70% of the MWBE managers in Mercer's database have $2 billion or less in assets).

MWBE and Emerging Managers

- In Mercer's experience with Emerging Managers, we have seen strong or growing representation in the following broad asset classes: Domestic Equity, Core US Fixed Income, Non-US Fixed Income, Private Equity and Private Real Estate.
- We have yet to see US-based MWBEs or manager of manager programs command a strong presence in niche asset classes such as Infrastructure and Timber.

Current Trends

- During the past 12 to 36 months, we have seen several public plans either expand their Emerging Manager programs and / or their allocation to minority and female investment managers (or have publicly announced their intention to do so).
- In their quest for additional alpha during these difficult and volatile market conditions it appears that some public plans are expanding their searches to include a broad range of asset classes and investment strategies.
- Examples of asset classes and strategies that are being added or being considered for Emerging Manager programs are fixed income, international equity and private equity.
- As noted by Mark Bruno in his article Emerging Manager Program Shake-up (Pensions & Investments, May 17, 2007) “[as] more performance data has become available on smaller, lesser-known firms, more public retirement systems are taking notice and carving out dedicated Emerging Manager programs”.

Apples to Apples: Comparing the BWC with Other Funds

Percent of Asset Categories Passively Managed

	Corporate	Public	Union	BWC
Total Portfolio	14.0%	14.0%	9.2%	100.0%
Domestic Equity	27.9%	47.6%	22.2%	100.0%
Global / International Equity	17.9%	26.4%	0.0%	100.0%
Emerging Markets Equity	16.7%	4.5%	0.0%	N/A
Domestic Fixed Income	21.5%	17.1%	9.1%	100.0%
Global / International Fixed Income	0.0%	6.8%	0.0%	N/A

Average Asset Mix by Type of Fund

	Corporate	Public	Union	BWC[2]
Domestic Equity	25.5%	28.6%	39.7%	21.5%
Domestic Fixed Income	34.2%	25.7%	28.5%	67.2%
Global / International Equity	11.9%	16.0%	8.0%	9.0%
Real Estate	5.2%	8.3%	9.1%	N/A
Private Equity	6.2%	7.3%	5.4%	N/A
Hedge Funds	3.0%	2.2%	7.1%	N/A
Global / International Fixed Income	0.4%	3.6%	< 0.1%	N/A
Cash Equivalents	4.6%	2.2%	1.4%	2.3%
Other	4.9%	1.9%	0.7%	N/A
Emerging Markets Equity	2.1%	1.6%	< 0.1%	N/A
Commodities / Real Assets	0.8%	1.5%	< 0.1%	N/A
Venture Capital	1.1%	1.2%	0.1%	N/A
Total in Equtites[1]	59.9%	67.0%	70.0%	30.5%
Number of Funds	9	40	10	N/A

[1] Domestic, global/international, real estate, private equity, hedge funds, other, emerging markets and venture capital

[2] BWC Allocations as of 3/31/2010

Public, Corporate and Union breakdowns taken from Council of Institutional Investors Asset Allocation Survey 2009; pages 6 and 8

Representative list of institutional investors that have publically shown a commitment to investing with Emerging Managers

Public Funds		
Arkansas Teacher Retirement System	Maryland State Retirement & Pension System	Pennsylvania Treasury Department, The
California Public Employees' Retirement System	Massachusetts Bay Transportation Authority Retirement Fund	Public School Teachers' Pension & Retirement Fund of Chicago
California State Teachers' Retirement System	Michigan Department of Treasury	San Antonio Fire & Police Pension Fund
Chicago Policemen's Annuity & Benefit Fund	Minnesota State Board of Investment	San Francisco City & County Employees' Retirement System
City of Kansas City Employees' Retirement System	Municipal Employees' Annuity & Benefit Fund of Chicago	San Joaquin County Employees' Retirement Association
City of Philadelphia Board of Pensions and Retirement	New York City Board of Education Retirement System	Seattle City Employees' Retirement System
Contra Costa County Employees' Retirement Association	New York City Employees' Retirement System	State of Connecticut Retirement Plans & Trust Funds
Detroit General Retirement System	New York City Fire Department Pension Fund	State Universities Retirement System of Illinois
District of Columbia Retirement Board	New York City Police Pension Fund	Teacher Retirement System of Texas
Illinois Municipal Retirement Fund	New York State Common Retirement Fund	Teachers' Retirement System of the City of New York
Illinois State Board of Investment	New York State Teachers' Retirement System	Teachers' Retirement System of the State of Illinois
Indiana Public Employees' Retirement Fund	Ohio Public Employees Retirement System	Pennsylvania Public School Employees' Retirement System
Los Angeles City Employees' Retirement System	Oregon Public Employees Retirement Fund	
Los Angeles County Employees Retirement Association	Pennsylvania Public School Employees' Retirement System	

Corporate Funds		
Bank of America Corporation	Exelon Corporation	PG&E Corporation
Boeing Company, The	GE Asset Management	PPL Services Corporation
Coca Cola Master Retirement Trust	Liberty Mutual Retirement Benefit Plan	Shell Oil Company

Foundations	Unions
Boulé Foundation	1199 SEIU Employees Benefit and Pension Funds

Why Invest with Emerging Managers?

- Over time it appears that investing with Emerging Managers has evolved from being a social argument to something that can make economic sense in the pursuit of alpha. Through its four main conclusions, *Ted Krum's "Potential Benefits of Investing with Emerging Managers*" seems to reflect the notion that Emerging Managers can be successful alpha generators:
  - *Investors with minimum assets under management requirements often excluded top-performing managers.*
  - *Approximately 40% of core U.S. equity managers in the top quartile of performance managed less than $2 billion.*
  - *Emerging investment managers outperformed larger firms at the median, as well as at the top and bottom quartile levels (this result was consistent across all major style groups and implies that manager-selection skill may be better rewarded when applied to the small-firm universe).*

Direct Investments or Manager of Manager Programs *(1/4)*

- Some Public Plans have a direct relationship with their Emerging Managers, while others prefer to invest in smaller managers through a fund of funds (FoF) or manager of managers (MoM) program.

- Mercer has observed that the decision to invest directly in a manager or to use a FoF/ MoM approach is normally a function of one or more of the following:
  - ***Internal capabilities –*** some plans have limited capacity to research and monitor individual investment managers i.e. plans with fewer Staff may tend to rely on a FoF program to conduct the appropriate due diligence and ongoing monitoring of managers.
  - ***Risk appetite –*** some investors may not feel comfortable investing directly in a firm that is not a household name. Such investors may feel more comfortable allocating their funds to a MoM program that is run by a group of 20-30 people who are solely focused on research, portfolio construction, client service and compliance.
  - ***Legal restrictions –*** Investment Policy Statements / legislation may state that a single investment into a manager's strategy can only represent (as an example) 10% of the manager's total assets under management. If such restrictions exist, a MoM program will be more appropriate vehicle.

Direct Investments or Manager of Manager Programs *(2/4)*

- ***Establishing a track record –*** we have seen that some plans will use MoM programs to ‘incubate’ and ‘graduate’ Emerging Managers who have performed strongly over a set period of time (for example 5 years):
  - The Teachers' Retirement System of the State of Illinois (TRS), for example, looks for firms that can graduate out of the Emerging Managers program and manage assets as a standalone manager.
- The decision to invest directly in an Emerging Manager is a function of different variables, risk appetite, the investment policy statement, comfort level and time horizon.
- TRS shows how an investment in a MoM can serve as a way to directly invest in a standalone manager and also highlights the fact that some plans may also invest directly in emerging firms and allocate funds to a MoM program at the same time.
- The main conclusion that we can draw from this is that the choices of direct investing or going with FoF programs do not have to be mutually exclusive options.

Direct Investments or Manager of Manager Programs *(3/4)*

Over the next few slides, we will provide a brief summary of two plans that have adopted two different approaches to investing in Emerging Managers:

The Firemen's Annuity & Benefit Fund of Chicago (CFIRE)
▪ CFIRE has invested in Emerging Managers for approximately 18 years.
▪ With approximately 25 percent of its $1 billion portfolio invested in Emerging Managers, CFIRE takes a multi-step approach when it evaluates managers.
▪ CFIRE looks at firm-wide criteria, such as year founded, assets under management, number of accounts, and professional staffing, and then narrows its scrutiny to mandate-specific criteria such as assets under management in strategy, portfolio management team, portfolio investment style, performance, risk, correlation and fees (Mercer also participates in the identification and selection process).
▪ CFIRE hired Brandes Investment Partners in 1992, Keeley Asset Management in 1995, and both Earnest Partners and Globeflex Capital were hired in 2005. In recent years, CFIRE has hired RhumbLine Advisers, Logan Capital Management, Advent and Altura.

Direct Investments or Manager of Manager Programs *(4/4)*

New York City Retirement System's (NYCRS)
▪ Approximately 12 percent of NYCRS pension fund is invested with Emerging Managers.
▪ Most of this is done via funds of funds, largely because this approach helps with risk monitoring and back office operations.
▪ In deciding between the direct investment route or FoFs, NYCRS weighs the added fund of funds fees against the compensation cost of internal staffing.
▪ NYCRS has hired an internal person to oversee public markets but is using a fund of funds to hire Emerging Managers in private equity.
▪ NYCRS uses a fund of funds approach for its private equity Emerging Manager program because it is unfamiliar with the universe of small firms.
▪ The private equity program currently looks at investments of $200 million or less, though the fund is proposing to change the threshold and raise the number to between $300 million to $400 million.
▪ NYCRS has also hired emerging public markets managers directly when there was confidence that these firms had the necessary back office and infrastructure (these direct investments are generally in the $1 billion to $5 billion range for assets under management.
▪ NYCRS does not take an equity stake in their investment managers (due to the potential double risk of having an equity stake in a manager and dealing with a performance problem)

Conclusions

- In Mercer's view, the plans that have successfully run MWBE / Emerging Manager programs are the ones that have made sure that these programs are accommodative and in line with their unique goals:
  – For example, CalPERS invests in strategies that are run by MoMs, they also utilize the direct investment approach but are also on the look out for strong potential graduates into their main portfolio.
  – Unlike the New York Retirement System, CalPERS has made the conscious decision to also take equity stakes in Emerging Managers through a manager development program.

- The decision to invest with an Emerging Manager should be viewed by the investor from a strategic and holistic standpoint that is in the context of their total portfolio, time horizon, economic goals and risk appetite.

Conclusions

- As tempting as it may seem, clients should avoid making any key investment decisions that are based on generalities; there is sufficient evidence to show that ***some*** Emerging Managers can generate alpha, ***however***, this does not mean that risks do not exist at a firm or product level.
- In fact, the existence of potential risks highlights the fact that a robust manager selection process is a necessary ingredient in a strategic and successful Emerging Manager program.
- Different retirement plans varying in size, structure, age and location have successfully invested with Emerging Managers in a broad number of ways.
- Therefore as with any investment decision, the process of finding and investing in the right strategy that is run by the right Emerging Manager will require a combination of art, science and a strong due diligence process.

Appendix

A Sample of Different Approaches to Investing in MWBE / Emerging Manager strategies

California Public Employees Retirement System (CalPERS)

- CalPERS is the nation's largest public pension fund with assets totaling approximately $200 billion.
  - CalPERS has invested more than $2.2 billion invested through emerging managers. That comprises more than $1.9 billion invested through two Manager Development Programs – in which the pension takes a minority equity stake in a young firm, as well as giving the firm money to invest – and $303 million in funds of funds.
  - In May 2001, the Investment Committee approved commitments of $475 million to 10 private equity firms for the California Initiative Program. Nine private equity partners and one fund-of-funds were selected to invest in traditionally underserved markets.
  - CalPERS directly invests in businesses owned by women and minorities, including California Urban Investment Partners (CUIP), however a specific policy is not articulated on the website.

California State Teachers (CalSTRS)

- CalSTRS is the largest US teachers' retirement fund, with assets around $140 billion.
- CalSTRS has implemented emerging manager programs totaling about $3.9 billion in:
  - U.S. Equities, totaling $1.8 billion
  - Private Equity, totaling about $1 billion
  - Fixed Income, totaling about $400 million
  - Real Estate, totaling about $667 million

A Sample of Different Approaches to Investing in MWBE / Emerging Manager strategies

Illinois Municipal Retirement Fund (IMRF)

- The $14.3 billion IMRF invests $3 billion total with minority- and women-owned firms and $755 million with small emerging managers as defined by the state – those with $10 million to $10 billion in assets under management.
  - IMRF employs emerging and minority firms for bonds, domestic and international equities.

Illinois State Teachers Retirement System

- The $32 billion TRS will be expanding its $500 million emerging manager program. The program, which had earlier encompassed only the public market asset classes, will now also include investments in private equity, real estate and absolute return.
  - The Teachers' Retirement System of the State of Illinois looks for firms that can graduate out of the emerging managers program and manage assets for the main fund.
  - Around May of this year, the TRS promoted one of its emerging fixed income managers, Dolan McEniry Capital Management.
  - Dolan McEniry Capital Management previously oversaw a $25 million mandate in the emerging manager program. The firm now manages a $170 million mandate in the main portfolio.

A Sample of Different Approaches to Investing in MWBE / Emerging Manager strategies

Los Angeles County Employees Retirement System

- LACERS holds approximately $30 billion in assets
  - In recent years, LACERS has hired three fund of funds of emerging managers for domestic equities, allocating $100 million to an aggregate of 17 managers.
  - LACERS has another fund of funds dedicated to private equity, and retains separate account mandates with minority managers.
  - In 1993, LACERS hired its first minority-owned investment management firms for its active and passive domestic equity, and fixed-income programs. In 2004, it broadened inclusion to the real estate and private equity asset classes.

Maryland State Retirement

- In October 2008, the $35 billion Maryland State Retirement and Pension System hired six emerging manager-of-managers to handle a minimum of $200 million each.
- Maryland's emerging manager program includes domestic and global fixed income and equity managers.

A Sample of Different Approaches to Investing in MWBE / Emerging Manager strategies

Maryland Injured Workers Insurance Fund (IWIF)

- IWIF is currently searching for emerging investment managers.
  - The $1.6 billion fund will consider domestic equity managers, including large-cap, mid-cap and small-cap, and investment grade core fixed-income managers to oversee mandates of between $10 million and $15 million.
  - The plan intends to put a total of between $40 million and $50 million into Maryland-based emerging managers.

New York City Retirement System

- New York City's five retirement boards invest 12% of their assets with emerging managers across asset classes.
  - The system recently made an additional $450 million commitment to its private equity fund of funds program, which invests in developing managers – those that have $1-5 billion under management.

New York State Common Retirement Fund (CRF)

- The New York State Common Retirement Fund holds approximately $130 billion in assets.
  - The CRF is increasing its private equity commitment to emerging managers, with a focus on women and minority-owned businesses, to $1 billion over the next several years. The move will more than double the amount of capital available to emerging managers.
  - Currently, the Fund has committed $475 million to its private equity emerging manager program, and $108 million has already been invested.

A Sample of Different Approaches to Investing in MWBE / Emerging Manager strategies

Pennsylvania School Employees

- The $60 billion Pennsylvania Public School Employees' Retirement System allocates approximately $440 million to $444 million to emerging managers and plans to allocate roughly $500 million to emerging managers in the future.
  - The revamped program will include emerging managers across all public market asset classes as long as they each run no more than $1.5 billion in total assets, and the maximum number of emerging managers the system may use will be increased to 25, from 20.
  - The system will give preference to minority- and women-owned managers, as well as firms based in Pennsylvania, but will not limit itself to those firms.

Texas Teachers

- The $72 billion Texas Teachers Fund uses 42 emerging managers with mandates worth $600 million in aggregate. Texas Teachers plans to grow the emerging manager program to $1.5 billion in the future.
  - The fund has just promoted Wayzata Investment Partners and Crestview Partners to its mainstream portfolio giving them $200 million each, up from $10 million.

A Sample of Different Approaches to Investing in MWBE / Emerging Manager strategies

Ohio Public Employees Retirement System
▪ Since 2007, the $60 billion Ohio Public Employees Retirement System (OPERS) has supported a manager-of-minority-managers program which has ranged from approximately $150 million to $200 million in assets
▪ OPERS Ohio-Qualified and Minority Manager Policy states that the System is supportive of economic growth in Ohio and recognizes the diversity of its stakeholders. The OPERS Board desires that staff identify, research and evaluate Ohio-qualified and minority managers in its efforts to fulfill its investments objectives. Opportunities will be evaluated on their merit, including risk-adjusted return expectations and consistency with the annual Investment Plan. Efforts will be conducted in a manner consistent with fiduciary duty, demonstrating prudence and consistent with best practices
▪ The policy also states that it is a goal of the OPERS Board to increase its utilization of Ohio and minority investment managers when the investment managers offer quality, services and safety comparable to other investment managers.
▪ OPERS Ohio-Qualified and Minority Manager Policy does not require the System to utilize Ohio-qualified or minority investment managers and OPERS will hire investment managers in a manner that is consistent with its fiduciary duties, as outlined in ORC Sections 145.11 and other applicable laws.
▪ The OPERS Board adopts a goal of 1% (with a range of 0.5% to 2%) of externally managed public markets assets invested with minority managers. These goals will be revisited on a regular basis.

Mercer's Global Investment Management Database (GIMD)

Total Minority-Owned Investment Strategies – Domestic Equity

Asset Class	Growth	Core	Value
Large Cap Equity	41 Managers 48 Strategies	29 Managers 41 Strategies	22 Managers 22 Strategies
Mid Cap Equity	18 Managers 19 Strategies	11 Managers 11 Strategies	12 Managers 13 Strategies
Small/Mid Cap Equity	3 Managers 3 Strategies	5 Managers 5 Strategies	4 Managers 4 Strategies
Small Cap Equity	22 Managers 26 Strategies	18 Managers 18 Strategies	14 Managers 15 Strategies
Multi-Cap Equity	7 Managers 7 Strategies	10 Managers 11 Strategies	7 Managers 7 Strategies

Mercer's Global Investment Management Database (GIMD)

Total Minority-Owned Investment Strategies – International Equity

Asset Class/Style	Managers/Strategies
International Growth	6 Managers, 7 Strategies
International Core	12 Managers, 15 Strategies
International Value	3 Managers, 4 Strategies
International Small/Mid Cap	2 Managers, 2 Strategies
Emerging Markets	6 Managers, 6 Strategies
Global Equity	8 Managers, 8 Strategies

Mercer's Global Investment Management Database (GIMD)

Total Minority

Asset Class/Style	Managers/Strategies
Core Investment Grade	25 Managers, 38 Strategies
Short/Intermediate/Long Duration Focused	45 Managers, 55 Strategies
Core Opportunistic	8 Managers, 8 Strategies
High Yield	6 Managers, 7 Strategies
Other Fixed Income (Govt, Index, MBS, Municipal, Other, TIPS)	20 Managers, 28 Strategies

Mercer's Global Investment Management Database (GIMD)

Total Minority-Owned Investment Strategies – Alternatives

Asset Class/Style	Managers/Strategies
Hedge Funds/Absolute Return	54 Managers, 108 Strategies
Private Equity	8 Managers, 35 Strategies
Real Estate	5 Managers, 7 Strategies

Mercer's Global Investment Management Database (GIMD)

Total Minority-Owned Investment Strategies – Rated Strategies

Mercer Rating	Managers	Strategies
A	11	20
B+	7	28
B	27	40
C	3	5
N	170+	430+

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

12-month Investment Committee Calendar

Date	June	Notes
6/17/2010	1. Transition Activity Update (in CIO Report) 2. BlackRock organization update (in CIO Report) 3. Mercer education session, MWBE investment management and manager selection approaches, first review	
Date	**July**	
7/28/2010	1. Mercer education session, MWBE investment management and manager selection approaches, second review 2. Mercer education session, real estate asset class, first review	
Date	**August**	
8/26/2010	1. BWC Investment Division Goals FY2011 2. Investment Consultant Performance Report 2Q10 3. Mercer education session, real estate asset class, second review	
Date	**September**	
9/23/2010	1. Brokerage Activity Fiscal Year 2010 summary report 2. BlackRock ACWIxUS common trust fund update (in CIO Report)	
Date	**October**	
10/21/2010	1. Investment class performance/value annual report (ORC4121.12(F)(12)], possible vote 2. Investment Consultant services RFP issuance approval, possible vote 3. Self Insured Employers Guarantee Fund (SIEGF) Asset Allocation Analysis report and recommendation, first review, possible vote on asset allocation strategy 4. Annual Review Committee Charter (1st read)	
Date	**November**	
11/18/2010	1. Annual Review Committee Charter (2nd read) 2. Investment Consultant Performance Report 3Q10 3. Custodian Fiscal Year 2010 Annual Review	

12-month Investment Committee Calendar

Date	December	Notes
12/15/2010		

Date	January

Date	February
	1. Investment Consultant Performance Report 4Q10

Date	March

Date	April

Date	May 2011
	1. Investment Consultant Performance Report 1Q11

BWC Invested Assets
Estimated and Unaudited
As of June 16, 2010

June2010 MV Increase Bonds…………… + $ 22 million (+0.2% return)
June2010 MV Increase Equities………… + $ 129 million (+2.4% return)

June2010 MV Increase Bonds+Equities......+ $ 151 million
(+0.8% June10 MTD portfolio return including Cash)

BWC Asset Allocation MV 6/16/10

Bonds*…………	$13,254 million	69.4%
Equities*……….	5,527 million	28.9%
Cash……………	328 million	1.7%
TOTAL………..	$19,109 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-May10……. + 11.2% (+$1,924 million net inv. income)

Prepared by: Bruce Dunn, CFA
BWC Chief Investment Officer

OHIO BWC INVESTMENT DIVISION STAFF
June 2010

Bruce Dunn, CFA, Chief Investment Officer

Bruce Dunn joined BWC as the Chief Investment Officer in May, 2006. Bruce monitors the performance of BWC investment funds (currently over $19 billion) and their managers, and develops and oversees controls within BWC to ensure that investment strategies are being carried out and meeting the investment objectives and guidelines set by the BWC Board of Directors. He has had the responsibility for rebuilding the Investment Division with a professional staff (currently 9 professionals, 7 with CFA designation) to monitor the day-to-day activities of investment management and analysis. As BWC repositions its investment assets, Bruce is instrumental in working with consultants and advisers on strategic initiatives and with transition managers and external investment managers selected to manage funds in asset classes and management styles that properly reflect the goals and missions of the BWC. Bruce has over 25 years of insurance company investment management experience. He has extensive experience and knowledge in analyzing and managing fixed income, equity, real estate and alternative asset classes. Among his previous positions were the senior investment officer at London Life Reinsurance Company, a subsidiary of Great-West Life, and a senior investment officer at Washington National Insurance Company, now owned by Conseco. Bruce is a Chartered Financial Analyst (CFA) charterholder. He earned an MBA in Finance from the University Of Chicago Graduate School Of Business and an A.B. degree with honors in Mathematics/Economics from Colgate University.

Lee Damsel, CFA, CPA, CTP, CMA, Director of Investments

Lee Damsel joined BWC in April, 2005, subsequently served as Interim Chief Investment Officer from June 2005 until May 2006 and most recently as Director of Investments as part of the rebuilding of BWC's Investment Division. Lee brings 18 years of governmental investment fixed income and equity portfolio management plus 14 years of corporate finance experience and expertise. Lee leads the investment operations staff (six professionals and one staff support) and has responsibilities for monitoring, compliance and analysis of outside investment asset managers and transition managers with BWC investment policies. Other responsibilities include RFP (search) management, custodial/brokerage management, proxy, corporate/class action management, cash management, portfolio forecasting, legislative efforts, and portfolio performance reporting. Previously, Lee was an investment officer for Ohio Franklin County Treasurers' Office and The Ohio State University Office of the Treasurer as well as a financial analysis/planning/budget manager for Abbott Laboratories (Ross Division) and Ecolab (ChemLawn). Lee is a Chartered Financial Analyst (CFA) charterholder as well as a CPA, CMA (Certified Management Accountant) and CTP (Certified Treasury Professional). Lee has recently been elected as a Board member of the CFA Society of Columbus. She earned her MBA from the University of Denver and a Bachelor's Degree from the University of Montana.

Daniel Blevins, CFA, Senior Investment Manager

Dan Blevins joined BWC in February, 2009 as a Senior Investment Manager. Upon joining BWC, Dan had 12 years of investment industry experience as a portfolio manager, assistant portfolio manager, money market trader, credit research analyst, investment accountant, and financial accountant with Nationwide Insurance and Dayton Power & Light. Dan is a Chartered Financial Analyst (CFA) charterholder, Dan has earned his MBA from Capital University, and has BS degrees from Wright State University in both Finance and Accounting.

Michael Berger, CIPM, Assistant Investment Manager

Mike Berger joined BWC in March, 2008 as an Assistant Investment Manager. Upon joining BWC, Mike had 8 years of experience in mutual fund accounting, hedge fund accounting, and separately managed account operations. Mike has earned the Certificate in Investment Performance Measurement (CIPM) designation. Mike earned his BSBA in Accounting from Bowling Green State University and his Masters in Financial Economics from Ohio University.

Gregory Stought, CFA, CTP, Investment Manager

Greg Stought joined BWC in August, 2006 as an Assistant Investment Manager and was promoted to Investment Manager in November, 2007. Upon joining BWC, Greg had 8 years of investment industry experience as an investment analyst, investment accountant, portfolio control associate, and proprietary equity trader with Goldman Sachs, Bank of New York, Hold Brothers, and Prudential Investments. He previously held the series 7, 55, and 66 licenses. Greg is a Chartered Financial Analyst (CFA) charterholder and has also earned the Certified Treasury Professional (CTP) designation. Greg earned his BSBA in Finance from The Ohio State University.

Darnée Jalil, CFS, Assistant Investment Manager

Darnée Jalil joined BWC in July, 2007 as an Assistant Investment Manager. Upon joining BWC, Darnée had 8 years of investment industry experience as a financial planner, correspondence specialist, performance analyst and fixed income research analyst with JPMorgan. Darnée passed Level I of the CFA (Chartered Financial Analyst) exam. Darnée also earned the CFS (Certified Fund Specialist) designation, as well as having previously held the series 6, 63, and 65 licenses. Darnée earned her BSBA degree with honors in Finance from The Ohio State University and her MBA in Finance from Franklin University.

Fraser Nega, Administrative Assistant 3

Fraser Nega joined BWC Investment Division in April, 2008 as an Administrative Assistant 3. Prior to joining the Investment Division, Fraser was a Management Analyst for 2 years within the BWC Legal Division. Upon joining BWC, Fraser had 7 years of experience in Finance, Accounting and Human Resource Management working for Nationwide as an Account Specialist and for Prudential Financial as a Financial Service Associate. Fraser is responsible for administrative functions of the Investment Division and assists and supports the Chief

Investment Officer, the Director of Investments and the Investment Division team. Fraser received his BA degree in Economics and International Studies from the Ohio State University and a Master's degree in Finance and Economics from Ohio University.

Douglas Walouke, CFA, Senior Investment Manager

Doug Walouke joined BWC in August, 2006 as a Senior Investment Manager. Upon joining BWC, Doug had 16 years of experience as a portfolio manager, fixed income trader, equity research analyst, and investment banker with Banc One Corp, The Ohio Company, and Hilliard Lyons. Doug is a Chartered Financial Analyst (CFA) charterholder, a level two Chartered Alternative Investment Analyst (CAIA) candidate, and has been a former long-time Board Member and former President of the CFA Society of Columbus. He previously held the series 7 and 24 licenses. Doug earned his BBA in Finance with a minor in Economics from the University of Cincinnati.

Roy Charles, CFA, Assistant Investment Manager

Roy joined BWC in April, 2006 as Assistant Investment Manager. Upon joining BWC, Roy had over 7 years of investment experience as lead mutual fund analyst, investment performance reporting analyst and short term cash manager with School Employees Retirement System of Ohio (SERS) and Bisys. Roy is a Chartered Financial Analyst (CFA) charterholder. Roy earned his BS from The Ohio State University in Finance.

Vytautas (Vyts) Kulpa, CFA, CTP, Investment Administration Manager

Vyts Kulpa joined BWC in July, 2007 as Investment Administration Manager. Upon joining BWC, Vyts had over 20 years of investment industry experience as a senior performance measurement analyst, financial operations principal and pension trust officer with InterSec Research Corp, Citizens Financial Securities and Chase Manhattan Bank. Vyts is a Chartered Financial Analyst (CFA) charterholder and has also earned the Certified Treasury Professional (CTP) designation. Vyts earned both his BBA in Accounting Information Systems and his MS in Investment Management from Pace University in New York.

Monica DeJarnett, Executive Secretary

Monica DeJarnett joined the BWC Investment Division in November, 2005 as an Executive Secretary. Prior to joining BWC, Monica held a 10-year position as an Executive Secretary within the Ohio Department of MR/DD SITA, Accreditation and Licensure Division. Monica also worked for a combined 6 years for Symix Computer Systems as a Support Administrator, Franklin County Board of MR/DD and Franklin County Children's Services as an Administrative Assistant. Monica is the personal assistant to the Chief Investment Officer as well as assisting the Director of Investments and the Investment Division team.