BWC Board of Directors

INVESTMENT COMMITTEE

Thursday, November 18, 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
Other Members Present:	Charles Bryan, Jim Harris, James Hummel, Jim Matesich, Thomas Pitts
Members Absent:	None
Counsel Present:	John Williams, Assistant Attorney General James Barnes, Bureau Chief Legal Officer
Staff Present:	Marsha Ryan, Administrator Bruce Dunn, Chief Investment Officer Lee Damsel, Director of Investments
Consultants Present:	Guy Cooper, Partner, Mercer Consulting Jordan Nault, Principal, Mercer Consulting Kweku Obed, Senior Associate, Mercer Consulting
Scribe:	Linda Byron, Staff Attorney, Legal Division, BWC

CALL TO ORDER
Mr. Smith called the meeting to order at 9:17 a.m.

ROLL CALL
Roll call was taken. All members were present.

APPROVE MINUTES OF THE OCTOBER 21, 2010 MEETING

Mr. Smith asked that page eight of the October 21, 2010 minutes be amended to state " Mr. Pitts mentioned that the discussion had centered on reallocating money to real estate, but had not specified the source of the money." Upon motion of Ms. Falls, seconded by Mr. Haffey, the minutes of the October 21, 2010 meeting were approved as amended. Roll call was taken and the motion passed 6-0.

AGENDA

Mr. Smith indicated that the agenda should be amended to reflect the Investment Committee Charter Annual Review would follow the presentation on Portfolio Performance by the Mercer Consulting representatives due to timing issues. Upon motion of Ms. Falls, seconded by Mr. Caldwell, the agenda was approved as amended. Roll call was taken and the motion passed 6-0.

DISCUSSION ITEMS:

PORTFOLIO PERFORMANCE

Mr. Kweku Obed, Senior Associate with Mercer Consulting, the Bureau's investment consulting firm, (hereinafter referred to as Mercer or Mercer Consulting) referred the Committee to the Investment Performance Summary Third Quarter 2010 report. The report is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. Mr. Obed indicated that the managers performed as expected and any differences in the performance as compared to the benchmark were due to pricing differences or transition activity. He indicated that there had been some organizational changes in some of the managing firms, but emphasized that Mercer Consulting did not find any of the changes to be material changes. He added that the changes should not impact the Bureau's investment strategy. Mr. Obed indicated that the Bureau's portfolio performance was a testament to having good solid short term and long term investment strategies. He added that Mr. Dunn, the Bureau's Chief Investment Officer should be commended for supporting an investment strategy that produced strong returns over the past three years.

Mr. Obed noted that the economy is technically in a recovery, but the recovery is slow. To help the economy, the Federal Reserve has instituted a program called QE2 or Quantitative Easing 2. QE2 could result in low yields and high prices for Treasury bonds. The national unemployment rate at the end of September 2010 was 9.6%. Ohio's unemployment rate was higher, at approximately 10.0%. Both unemployment rates had fallen from the previous month. The spread between the ten year nominal U.S. Treasury bond yield and the ten year TIPS rate was 1.78%. The domestic equity returns in the third quarter 2010 and in the year-to-date 2010 were positive. The one year returns on domestic equity were also positive. The year-to-date returns on large cap growth, core and value stocks were essentially the same. The year-to-date returns on mid cap growth, core and value stocks were also similar, but small cap growth outperformed core and value. The three year returns were negative on all large cap, mid cap and small cap domestic stocks. In the third quarter 2010, the MSCI EAFE index gained a positive 16.5% return. This translates to a positive 7.2% return in local currency terms. In the same period, Japan had a positive 5.9% return which represents a 0.0% return in local currency terms. The U.K. posted a positive 19.8% return in the third quarter 2010. This amount represents a positive 13.7% gain in local currency terms. The MSCI ex-U.S. index gained a positive 16.7% in the third quarter 2010. This amount is positive 8.6% in local currency terms. Mr. Obed indicated that the value of the U.S. Dollar has declined in exchange value in the third quarter of 2010 versus important foreign currencies. Mr. Smith emphasized that diversification of assets due to U.S. dollar devaluation has been an important consideration in the portfolio. He added that it will be a critical consideration in the future in order to mitigate the volatility induced by currency. The 2010 third quarter returns of Brazil, China and Russia were mentioned.

Mr. Bryan asked for clarification on Quantitative Easing. He asked if the purpose was to purchase a large number of bonds at a low interest rate. Mr. Cooper, Partner at Mercer Consulting replied that the purpose of Quantitative Easing was to replace bonds with cash in institutions. Mr. Bryan asked why the Federal Reserve had to buy the bonds. Mr. Cooper answered that the Federal Reserve has the ability to infuse large amounts of cash. Mr. Obed added that the Federal Reserve has the resources to be involved in such a large undertaking. Ms. Falls noted that interest rates have been kept at a very low rate so the Fed has had to resort to adding money supply to the economy to maintain an accommodative monetary policy. Mr. Smith indicated that fixed income had posted good positive returns in the third quarter 2010, but the returns had diminished substantially in October 2010. He added that the December 2010 meeting would include a presentation on the BWC bond portfolio and its sensitivity to interest rate changes. He pointed out that it can be challenging to follow a long term investing strategy during difficult economic times.

Mr. Obed pointed out that the Disabled Workers' Relief Fund (DWRF) and the Coal Workers' Pneumoconiosis Fund (BLF) went through multiple transitions during the third quarter 2010. In the third quarter 2010, the entire Bureau portfolio returned a positive 6.6%. The one year return ending September 30, 2010 was a positive 10.7% and its three year return was a positive 5.9%. In the third quarter 2010, the State Insurance Fund (SIF) returned a positive 6.9%, which was 0.2% less than the policy benchmark. Ms. Falls pointed out that the presentation lists the SIF return as positive 6.2% since inception. She asked the date of inception. Mr. Cooper indicated that inception was July 2005.

Mr. Obed pointed out the departures of several executives from some of the firms that manage the Bureau's investments. He reassured the Committee that the departures were not material to the Bureau since the investments are passive. The asset allocations of each of the Bureau's funds were mentioned. It was noted that although some of the allocations were overweight or underweight, all of the allocations were within policy limits. Mr. Smith asked if the positive amounts shown were due to outperformance. Mr. Dunn responded in the affirmative. It was noted that the total fund grew due to positive performance. Mr. Obed noted that the Bureau's portfolio did well in comparison to other agencies. The total portfolio had a positive three month return of 6.6%. The year to date return was a positive 9.5%. The one year return was a positive 10.7%. The three year return was positive 5.9% and the five year return was positive 6.0%. Mr. Obed assured the Committee that pricing differences between the manager and the custodian explained the performance variances. Ms. Falls added that pricing differences can vary widely. She indicated that sometimes the difference was due to the pricing desk and the source of the information. Other times, the differences are due to liquidity issues. Mr. Smith pointed out that the Bureau's total portfolio three year return was a positive 5.9% while the equity market has posted negative 7.0% in the same period. He added that the Committee had been previously questioned about whether their long term conservative investing strategy was advisable, but the positive outcome of portfolio performance reiterated that the right decision had been made at the time. Ms. Falls asked the Mercer representatives to provide their most recent white papers to the Committee for review.

MONTHLY AND FISCAL YEAR TO DATE PORTFOLIO VALUE COMPARISONS

Mr. Dunn referred to the Invested Assets Market Value Comparison-Total Funds chart, dated November 17, 2010. The report is incorporated into the minutes by reference and was provided to the Committee in advance of the meeting. Net investment income in October 2010 was $194 million, representing a monthly total net portfolio return of positive 0.9%. The bond portfolio returned a negative 0.2% and the equity market returned a positive 3.7% in the same period. TIPS were the leader in fixed income performance. The net yield spread between nominal Treasuries and TIPS was currently 2.4%. The long government bond portfolio returned negative 3.1% in the month of October 2010. The long credit portfolio returned negative 1.6% and the U.S. Aggregate fixed income portfolio returned positive 0.4% in October 2010. The equity portfolio returned a positive 3.7% in the same month. Because there was a 1.4% depreciation in the U.S. Dollar versus all foreign currencies in the ACWI ex-US index for October, the non-US equity portfolio of the Bureau returned 3.4% in U.S. dollars and 2.0% in the respective local currencies. In the fiscal year to date through October 2010, net investment income was $1.456 billion. Equities, led by the international portfolio, returned a positive 17.8% and bonds returned positive 4.0% in the same period.

MONTH-END PORTFOLIO ASSET ALLOCATION VALUES

Ms. Lee Damsel, Bureau Director of Investments, referred the Committee to the Investment Asset Allocation- Combining Schedule as of September 30, 2010, dated October 15, 2010 and the Investment Asset Allocation-Combining Schedule as of October 31, 2010, dated November 17, 2010. The reports are incorporated into the minutes by reference and were provided to the Committee in advance of the meeting. She pointed out that as of the end of October 2010 all three major asset classes had a total portfolio allocation near their respective target allocations.

Mr. Dunn referred to the BWC Invested Assets as of November 17, 2010 report, prepared by the Chief Investment Officer. The chart is incorporated into the minutes by reference and was provided to the Investment Committee just prior to the November 18, 2010 Investment Committee meeting in order to reflect the most current portfolio valuations. Mr. Dunn indicated that interest rates have moved up. The 30-year Treasury yield has increased by 0.5% since September 30, 2010. The 10-year Treasury yield went from 2.5% to just less than 3.0% today. Mr. Dunn added that Treasury yields are still lower than in March 2010. During November 2010 to date, the bond portfolio returned negative 2.1%, a decrease of $300 million in market value and equities returned negative 0.3%, a decrease of $20 million. On November 17, 2010, cash balances were $120 million, a decrease from its previous level of $432 million on September 30, 2010. Mr. Dunn indicated that the cash balance decrease had been expected. Mr. Dunn indicated that funds would need to be redeemed from the portfolio prior to calendar year-end for operational purposes. He plans to redeem funds from the asset classes with the highest variance above their allocated targets at the time of the redemption. Mr. Dunn indicated that the long credit portfolio would likely be selected, but the equity portfolio might be reduced as well, based on the market value at the time. Mr. Haffey questioned how this year's cash redemption compared to last year. Mr. Dunn responded that there could be upwards of $200 million redeemed this year while that amount was between $50- $100 million last year.

NEW BUSINESS/ACTION ITEMS

INVESTMENT COMMITTEE CHARTER ANNUAL REVIEW

Mr. Don Berno, Board Liaison for the Bureau and Ms. Ann Shannon, Bureau Legal Counsel referred the Committee to the OBWC Board of Directors Investment Committee Charter, dated November 18, 2010. The charter is incorporated into the minutes by reference and was provided to the Committee at the November 18, 2010 Investment Committee meeting in order to reflect the most current revisions. Mr. Berno noted that changes had been made that reorganized the first paragraph under "Purpose," moved some of the information in the first paragraph to bullet points, revised the verb tenses to make them consistent, clarified the voting role of the Board Chair as an ex-officio member and changed the word "which" on the final page.

At this time, Ms. Falls made a Motion of the Investment Committee to Refer the Investment Committee Charter to the Board of Directors, seconded by Mr. Haffey as follows: I move that the Investment Committee of the Workers' Compensation Board of Directors approve its amended Charter and refer it to the Board of Directors for review and approval. Roll call was taken. The motion passed 6-0.

DISCUSSION ITEMS:

CIO REPORT-OCTOBER 2010

Mr. Dunn referred the Committee to the CIO Report October 2010, dated November 10, 2010. The report is incorporated into the minutes by reference and was provided to the Investment Committee in advance of the meeting. Mr. Dunn pointed out that the report contained a timetable on action items that have been taken. He indicated that the Full Service Investment Consultant RFP had been issued on Tuesday, November 16, 2010 and could be viewed at OhioBWC.com. The RFP is also being advertised in the Pensions & Investments newsletter. Mr. Dunn added that the RFP information has also been sent to some firms who have sent earlier inquiries to the Investment Division.

Ms. Falls advised the Committee she had accompanied Mr. Dunn and Ms. Damsel to in-person meetings with State Street and Northern Trust, two of the firms that manage the Bureau's investments. She complimented Mr. Dunn and Ms. Damsel on their professionalism and their ability to maintain good, strong relationships with the individuals in each firm. Specifically, she pointed out that they were able to ask tough questions while maintaining a good positive working relationship with the individuals in the firm.

BROKERAGE ACTIVITY SUMMARY REPORT-FISCAL YEAR 2010

Ms. Damsel referred the Committee to the BWC Annual Brokerage Activity Summary Report, dated November 18, 2010. The report is incorporated into the minutes by reference and was provided to the Investment Committee in advance of the meeting. Ms. Damsel emphasized that there were transitions of the SIF between July 2009 and May 2010 that affected the Bureau's trading volume. The DWRF and BLF also went through multiple transitions in August 2010 and will be reflected in next fiscal year brokerage fees. The definition of broker/dealer was discussed. Ms. Damsel pointed out that the Bureau paid an average of $0.0079 cents per share as commission on total equity shares traded in the SIF separate account portfolios during fiscal year 2010. That translates to total commissions paid of $2,107,340. The Bureau paid an average of $0.0013 cents per share in its passive indexed separate account SIF equity portfolios, excluding transition management activity, in fiscal year 2010. Mr. Cooper asked for information on the broker named Ridge Clearing. Ms. Damsel indicated that the firm was a clearing brokerage firm used by one of the Bureau transition managers.

Mr. Lhota asked why the commissions had been reduced so significantly from last year. Ms. Damsel replied that the broker did not have to split tickets with the DWRF and BLF portfolios because the DWRF and BLF equity portfolios were in a commingled fund throughout the entire fiscal year. She added that this resulted in greater efficiencies of trading. Mr. Smith pointed out the significant difference in costs if this year's index brokerage rate were applied to last year's volume. Mr. Lhota pointed out that there was a significant difference in the index trading rates and he commended the decisions that were being made. Ms. Damsel continued and stated the average commission was $0.0086 cents per share for equity transitions in fiscal year 2010. Ms. Falls indicated that the Bureau was paying index and transition managers for the best execution. There were no self-directed brokerage commissions. Mr. Dunn added that investment managers have to comply with the Bureau's Investment Policy Statement (IPS) as a fiduciary. Ms. Damsel added that the goal is to try to match the benchmark and keep the tracking error low. She added that brokerage fees remain low because the index managers are motivated. Mr. Harris asked about the spread of commission per share for equity transition managers. Ms. Damsel replied that costs vary by trading network and platform. Ms. Damsel pointed out that the Bureau may pay more trading costs per share in transitions to buy quickly so that large purchases can be made before word gets out to the brokerage community that the purchases are being made. This frequently results in a lower strike price for stocks purchased before the stock can be driven higher. The fixed income brokerage fees were discussed. Ms. Damsel noted that $5.0 billion in bonds were traded last year while that amount increased to $34.0 billion this year. Ms. Falls pointed to the size of the transition, the substantial changes in asset allocation and the significant $34.0 billion amount in market value traded and commended Mr. Dunn and Ms. Damsel for facilitating these significant changes with the help and guidance of Mercer Consulting. Ms. Damsel added that all of this was done without tracking error. Mr. Smith commended the report. Mr. Haffey also complimented the report.

MERCER PRESENTATION ON LONG CREDIT ACTIVE VS. PASSIVE MANAGEMENT

Mr. Smith commented that Mr. Dunn had previously emphasized how important it was to find an active manager who would sell credits that were eroding in value and minimize losses in the current economy. Mr. Smith added that the Bureau is the only investment portfolio that he is involved in where all of the bonds are passively invested. He added that he is uncomfortable with that approach, especially in the current economy. Mr. Dunn added that a good, astute manager who is acting based on solid credit research can look at the relative value of the bonds and adjust the portfolio accordingly. He pointed out that a long credit index manager must buy new issues of slightly more than ten years final maturity and is forced within a couple of months to sell these new issues in order to comply with the benchmark. These transactions result in additional fees and expenses. Mr. Smith added that those same managers are evaluated based on tracking error. Mr. Dunn indicated that Mercer's research had shown that active management of long duration credit bonds had outperformed passive management long term. Mr. Smith noted that Mercer would be presenting a second report on active management of long duration credit bonds at the December 2010 Investment Committee meeting.

Ms. Jordan Nault, Principal of Mercer Consulting referred to the Active vs. Passive Management Long Credit presentation, created by Mercer and dated November

18, 2010. The presentation is incorporated in the minutes by reference and was provided to the Investment Committee in advance of the meeting. Ms. Nault indicated that long duration credit fixed income accounts for 28% or approximately $5.5 billion of the SIF portfolio. The key evaluation metrics in looking at active versus passive management were discussed, as well as the long duration credit basics. Mercer's Fee study shows that the average fee for an actively managed long duration portfolio of $250 million is 22 basis points (bps). The study included the average fees for both long credit and long government active management, but Ms. Nault emphasized that the fee for active management of long credit alone was similar. The pros and cons of active management were reviewed. Mr. Pitts asked about the liquidity of bonds when actively managed. Ms. Nault responded that the manager is not required to replicate a benchmark with active management, so bonds can be liquidated more easily.

The most highly rated active managers use security selection and sector selection to add the most value to long duration credit management. The other sources for adding value include credit/quality weightings, yield curve positioning and duration management. Mr. Smith asked if the Mercer presentation used actual managers from the Mercer database. Ms. Nault answered in the affirmative. Mr. Lhota indicated that by using security selection, the most highly rated managers are picking the bond credits that they have the most faith in. Mr. Dunn added that, traditionally, changing duration does not materially affect performance for long duration bond portfolios. Duration is not a value added alpha generator for long duration bond portfolios. Active managers generally seek to avoid downgrades on portfolio holdings and dispose of declining credit securities. Ms. Falls pointed out that the Barclays Capital Long Credit Index has 1209 issues in the index. She added that a passive manager would purchase approximately 800 issues to replicate the index. An active manager would purchase only approximately 100-200 issues. An active manager can find hidden value in smaller credits that might not exist in larger credits. Additionally, the smaller debt issuers are followed less often by Wall Street and may present opportunities to exploit market inefficiencies. Active managers can add alpha by overweighting or underweighting sectors. It was pointed out that in a sample portfolio; none of the managers were making large duration bets. Mr. Smith added that looking at credit quality is very important. Ms. Falls indicated that Manager C is using the barbell strategy and offsetting with a credit quality of A-. She added that the active managers shown are implementing different strategies such as using the barbell strategy or consistently overweighting BBB rated bonds. Mr. Smith indicated that some limitations can be placed on the managers by placing restrictions in the guidelines. Mr. Cooper noted that some strategies might not be advisable, as the bottom of the BBB rated bonds are almost high yield credits. Ms. Falls noted that the credit rating agencies are usually a lagging indicator of credit. Mr. Smith point out that history has shown that investors cannot always rely upon credit rating agencies.

Reward to risk, standard deviation, tracking error and information ratio were defined. Mr. Smith noted that a low tracking error is expected with passive investing, but a larger tracking error with active management is not necessarily indicative of poor investment management decisions. Ms. Nault indicated that for active management of long duration credit, the average gross excess return is 1.08%. This exceeds the median fee of 0.22%. Mr. Smith pointed out that the information shown covers only a 2 ½ year period, beginning November 2007, when the market disruption began. He indicated that it is difficult to determine if the chart accurately represents the normal average excess return due to market conditions during that time period. Ms. Falls agreed, adding that this was a short time period for review. (Mr. Price left the meeting at approximately 10:35 a.m.) The number of long credit managers exhibiting a higher return and higher reward to risk ratio than the benchmark for the recent one year, three year and five year periods were discussed. Ms. Falls pointed out that by the end of the recent five year period, the information ratio for median managers is 0.2% before fees. Mr. Cooper pointed out that fees are 22 bps. He added that the average excess return beats the fees by more than 80 bps. Ms. Nault indicated that of the 22 strategies in Mercer's long credit universe, five are rated B+ or better. She added that Mercer is confident in managers A, B, C and D's ability to outperform the market. She added that all of the managers in the chart had outperformed the index. Mr. Cooper clarified that this was before fees. Three of the five managers outperformed the index after fees.

Ms. Falls pointed out that when focusing on information ratio and performance, several managers did not have good results. She added that ultimately only 2 of 5 managers had good results in performance and information ratio. Mr. Cooper explained that information ratio is intended to anticipate how a manager will perform, but a manager will not necessarily perform as anticipated. Mr. Obed added that with long duration credit, the objective is the focus. Mr. Cooper indicated that the information ratio will be positive if the manager outperforms the index, but the goal is also to minimize risk. Over time, Ms. Nault indicated that manager A outperformed the benchmark 50% of the time. Ms. Falls added that manager A also underperformed the benchmark 50% of the time. Mr. Cooper responded that even a good manager will be below the benchmark one-half of the time. Mr. Smith added that with active management, there must be an increased tolerance for underperformance on a short term basis. Mr. Pitts pointed out that manager E beat the benchmark 65% of the time and asked why Mercer did not have faith in the future performance of manager E. The Mercer representatives explained that there could have been a change in the management team or the other 35% of underperformance might represent significant underperformance or the amount of risk taken might have been unacceptable. Mr. Cooper added that beating the index is not difficult if a manager understands how to beat the index. He added that past performance does not indicate future performance and the amount of risk tolerance must be determined. Mr. Smith indicated that the goal was to avoid big problems.

Mr. Dunn mentioned that the next step needed to be determined at the December meeting. Mr. Cooper indicated that the Mercer representatives could contact the managers directly to find out the strength of their team and to learn the reasons behind their success. Mr. Smith asked if Mercer could find out specifically what size portfolio was being managed and if the managers could support a mandate of the Bureau's size. Mr. Dunn indicated that this active management issue on long duration credit bonds was too premature for a vote next month. He added that more education was needed and an IPS revision to support active management was required. Mr. Dunn noted that the fees were shown for a $250 million mandate, but that the fees would likely be lower in terms of basis points per market value. Ms. Falls added that before a RFP was issued for the index managers, the tracking error and the benchmark results would need to be discussed. She indicated that the objective for active management and the path for getting to the objective would need to be decided. Mr. Smith responded that the objective might not include a benchmark. Ms. Falls indicated that the volatility would also need to be reviewed. Mr. Smith added that how volatility fit into the portfolio would need to be decided. Mr. Cooper stated that Mercer would draft a straw objective for the December 2010 meeting. Ms. Falls pointed out that it is difficult to get a full picture on active management of long duration credit by reviewing the history of five managers from the Mercer database over a five year period. Mr. Smith replied that the mandate is new. Ms. Falls pointed out that the credit research team at State Street has had a significant amount of portfolio turnover. She added that the current team there is completely different from the team that she followed when she worked with them.

COMMITTEE CALENDAR

Mr. Dunn referred to the 12-month Investment Committee Calendar, dated November 10, 2010 and the attached revised Recommended Phase I & II Strategies-Investment Committee Estimated Timetable: State Insurance Fund chart dated November 18, 2010. The calendar and the timetable are incorporated into the minutes by reference. The calendar was provided to the Committee in advance of the meeting. The revised timetable was provided to the Committee just prior to the November 18, 2010 meeting in order to reflect the most recent revisions. Mr. Dunn noted that the date of RFP issuance approval refers to the date of the RFP approval by the Board. The RFP for certain proposed strategies will be issued one month after Board approval. The timetable shows that two educational sessions in consecutive months will occur for each investment strategy. Two months after the second educational session, the IPS will be revised for that strategy. For real estate, the percentage of investment for the SIF portfolio will need to be determined and the source of the funds will need to be chosen. Mr. Dunn added that although the RFPs will be issued every three months, the entire strategy timetable will take more than two years before completion. He indicated that the strategy could not be completed with the current staff. Additionally, the proper restrictions and controls would need to be in place before implementation. The risk and diversification restrictions would need to be decided upon and added to the IPS. Mr. Smith commented that the chart contained the important elements of the strategies. Mr. Dunn indicated that the Investment Division would be working with Mercer Consulting to review sample RFPs for MWBE (Minority and/or Women Owned Business Enterprises). Additionally, Mr. Dunn and Ms. Damsel were working with Allison Yager, the Global Business and Investment Leader of Mercer's Real Estate Boutique, for real estate investment information. Mr. Dunn indicated that the Investment Division was also reviewing cash overlay.

Ms. Falls pointed out the deliberate pace in the chart and reminded the Committee that a transition of management consultants was imminent. She added that the prior consultant, Wilshire, and the current consultant, Mercer, had different recommendations for moving forward. She added that the information will need to be brought together in a way that makes sense based on the upcoming transition in consultants and a potential process change. Mr. Smith added that Mercer and Wilshire came to different conclusions because they had different personnel. He added that his biggest concern was who would remain on the Bureau's Investment Committee and the Board of Directors. Mr. Matesich added that a new advisor might have a different point of view and he wondered if there would be enough time to consider the ideas of the new group of advisors. Mr. Dunn responded that the new asset/liability study would not take place until 2012. He added that the focus would be on the asset classes which would likely remain the same. He added that Mercer had already provided good education on investing in real estate. He emphasized that the interviews with the prospective new investment consultant would have some focus on the firm's real estate capabilities. He noted that ultimately, the asset proposals from Wilshire and Mercer were very similar. Mr. Matesich pointed out that the second educational presentation on real estate was scheduled after the IPS revision on that asset class. Mr. Dunn replied that he felt that the Committee would have enough education on real estate by March 2011 to revise the IPS accordingly. Additionally, he noted that it would be difficult for a new manager to present an educational session on real estate right after beginning in March 2011. Lastly, he stated that he felt the IPS change on real estate was unlikely to be controversial. Referring to the Investment Committee calendar, Mr. Smith noted that the economist's presentation would occur at the February 2011 Board meeting since the Investment Committee's agenda was full for that date. At the December 2010 Investment Committee meeting, Mr. Dunn indicated that he would present a summary of the IPS changes from the prior eighteen months.

ADJOURN

A motion to adjourn the meeting at 11:13 a.m. was made by Mr. Haffey and seconded by Mr. Caldwell. Roll call was taken and the motion passed 5-0.