BWC Board of Directors

Investment Committee

Thursday, May 26, 2011

Level 2, Room 3 (Mezzanine)
30 West Spring St.
Columbus, OH 43215

Members Present:	Robert Smith, Chair Mark Palmer, Vice Chair David Caldwell Kenneth Haffey Larry Price Nicholas Zuk, *ex officio*
Members Absent:	None
Other Directors Present:	James Hummel, Stephen Lehecka, Jim Matesich, Thomas Pitts, Dewey Stokes
Counsel Present:	None
Consultants Present:	Guy Cooper, RVK Senior Consultant, BWC Lead Consultant (via teleconference) Robert Palmeri, RVK Senior Consultant, BWC Co-Lead Consultant Dan Krivinskas, RVK Consultant
Staff Present:	Stephen Buehrer, Administrator Donald Berno, Liaison to Board of Directors Bruce Dunn, Chief Investment Officer Lee Damsel, Director of Investments
Scribe:	Michael J. Sourek, Staff Counsel

CALL TO ORDER

Mr. Smith called the meeting to order at 10:04 AM, and the roll call was taken. All members were present.

MINUTES OF APRIL 28, 2011 MEETING

Mr. Smith asked for any changes to the minutes of April 28, 2011 meeting. With no changes, Mr. Smith moved to have the minutes of April 28, 2011 be approved through a voice vote. The motion passed by unanimous voice vote.

REVIEW AND APPROVAL OF AGENDA

Mr. Smith asked for any changes to the agenda. With no changes, Mr. Smith moved to have agenda be approved through a voice vote. The motion passed by unanimous voice vote.

NEW BUSINESS DISCUSSION/ACTION ITEMS

1. **CIO Recommended Asset Class Revisions**

Mr. Palmeri and Mr. Dunn presented the CIO Recommended Asset Class Revisions. A memorandum on this topic is incorporated by reference into the minutes and was provided to the Investment Committee prior to the meeting.

In considering an asset class addition to a portfolio, Mr. Palmeri said the total portfolio is examined to determine if the additional asset will increase overall return while decreasing overall risk. Whether the single asset adds value requires analysis of the expected returns and risks of including the asset, as well as correlation analysis between the asset classes in the portfolio. The analysis incorporates market expectations and portfolio optimization techniques.

Mr. Palmeri reported, in consideration of allocating 6% of the State Insurance Fund ("SIF") portfolio to private real estate, with 4.5% in core real estate and 1.5% in value-added/non-core real estate, the expected return of SIF will increase by 20 basis points ("bp") from 6.00% to 6.20%. The expected risk will also decrease, measured by standard deviation, from 8.50% to 8.45%. Allocating a portion of SIF assets to real estate is further supported by correlation analysis. Core and non-core real estate have very low correlation of returns to other SIF assets, providing a diversification benefit by eliminating peaks and valleys in returns. He was very comfortable recommending a 6% allocation of SIF assets to real estate.

Mr. Smith concurred, based on his experiences, with Mr. Palmeri's statements of how the analysis is performed. The Bureau is receiving strong evidence to consider real estate as an asset class. Mr. Caldwell inquired how much of the expected lowered risk and expected increased return, is timing related. The study was based on a 10 year horizon. Timing was not taken into account, but the horizon involved timing. Mr. Palmeri said completion of implementation takes about 5 years and his firm would assist the BWC investment staff in implementation. If the request was to increase SIF's portfolio by 5% in common stock, for example, the request could be implemented quickly. Given real estate's lower liquidity, implementation is much longer.

Mr. Zuk asked for clarification on correlation. Mr. Palmeri replied statistical correlation is a measure of how two asset classes move in market value change in relation to one another. Correlation ranges from -1 to +1. A correlation of +1 between Asset A and Asset B means if Asset A increases by 10%, Asset B also increases by 10%. A correlation of -1 between Asset A and Asset B means if Asset A increases by 10%, Asset B decreases by 10%. There are no perfect correlations of +1 or -1 in practice, and correlations between asset classes are generally positive and less than 1. Negative correlations can be acceptable to increase diversification. As an example, he noted core and non-core real estate had low correlations of 0.30 and 0.27, respectively, when compared to large/mid cap US equities. Mr. Zuk inquired if core and non-core real estate is recommended to diversify the SIF portfolio because the assets act differently than equities. Mr. Palmeri responded in the affirmative. Mr. Smith added volatility becomes an extremely important consideration when dealing with $21 billion in assets. Mr. Dunn noted his recommendation to allocate 6% of SIF assets to real estate, is also with the recommendation to reduce fixed income assets in the SIF portfolio, not equity. The correlation between Long Government Fixed Income and core real estate was modestly negative, and the correlation between core real estate and TIPS was 0.18. There is less correlation between real estate and bonds than there is between real estate and equities. Mr. Dunn stated if the Bureau allocated SIF assets to real estate by decreasing allocations to equities, the expected increase in portfolio return would be less and the decrease in risk would be less. Mr. Palmeri agreed with Mr. Dunn. Mr. Smith added another important point is the Bureau is not acting in isolation, when considering a new asset class but uses the CIO's input, as well as investment experts and consultants, in portfolio management.

Mr. Palmeri noted the return to risk ratio, under the recommended 6% allocation of SIF assets to real estate, would increase from 0.71 to 0.73. While this figure is not notably changed, the compounding that would occur due to the portfolio's size is significant. Mr. Lehecka inquired what the optimal allocation would be for adding real estate as an asset class to the SIF portfolio. Mr. Palmeri replied the portfolio allocation targets as presented were optimal. Mr. Lehecka inquired if the parameters used in the optimization study were independently developed. Mr. Palmeri replied in the affirmative, that RV Kuhns develops all the parameters when working with clients. The 20 bp increase in expected return and 5 bp decrease in expected risk were developed by looking back at risk/return patterns, taking into account current market and economic conditions, and scenario analysis. RV Kuhns also has teams looking for idiosyncratic issues with asset classes. Mr. Stokes asked if real estate was a long term, and not short term, investment; he had heard the real estate market was expected to be in decline for the next 12 to 18 months. Mr. Palmeri confirmed the asset was long term, and his firm examined the entire market; the 12-18 month time frame would be in the implementation period, which was considered. Mr. Smith added Mr. Cooper in previous meetings had indicated that investors underestimate the risk of what they already own. Mr. Dunn's comments regarding the fixed income portfolio being re-allocated to a real estate allocation is significant. With inflation fears, the worst investment is a bond; while a bond holder receives interest payments on a regular basis and the principal when due, these payments do not increase with inflation.

Administrator Buehrer said he wanted Mr. Dunn and RV Kuhns to bring recommendations to the Investment Committee concerning real estate as a possible asset class for the SIF. Both did a good job of bringing forward these recommendations. The Investment Committee's job is to look at the broader context, and he has been consulting with stakeholders on the issue. Good data has been presented, and the Investment Committee is correct to ask additional questions. As to Mr. Caldwell's comments, the investment in real estate was not market timing, but a broader, long term initiative. There is no rush to enter into the real estate market today; rather, the education presented is to make sure the Board of Directors are comfortable that real estate would provide a good return, lower risk, and ultimately, a stable portfolio. Mr. Smith added an important question for the Board of Directors was before voting on this issue, whether the Board of Directors was ready to vote.

2. R.V. Kuhns Presentation on Real Estate as an Asset Class, 2nd Discussion

Mr. Krivinskas presented the second discussion by RV Kuhns on Real Estate as an Asset Class. The presentation focused on value-added real estate compared to core real estate. A PowerPoint presentation is incorporated by reference into the minutes and was provided to the Investment Committee prior to the meeting. Mr. Krivinskas reviewed RV Kuhns background. Real estate consulting was a significant strength to RV Kuhns which provided general consulting services to many pension funds and other institutional government organizations. The firm developed key metrics regarding risk in real estate, which was a cornerstone of their strategy. The firm focuses on the unique needs of their clients, particularly who the client is and whether it is appropriate to invest in real estate. Significant research updates are given to clients, and RV Kuhns is willing to continue education about real estate as an asset class as it pertains to the Bureau's portfolio. Another unique benefit to RV Kuhns was the focus upon downside scenarios. Mr. Krivinskas' job was to focus on investments and make decisions if the client should invest in light of potential downside risk. Should the Bureau require any service, such as guidance on investment policy statements, Request for Proposals ("RFPs"), and firm searches, those services are included in the general consulting fee charged by RV Kuhns. RV Kuhns tracks thousands of real estate investment opportunities and tries to program the investment opportunities to the unique needs of their clients. Part of RV Kuhns' investment philosophy focuses on real estate being a less liquid asset class, not a short-term trading vehicle; additionally, bottom-up fundamental analysis is a key to long term success.

Mr. Krivinskas then discussed real estate as an asset class. Traditional commercial real estate sectors included: office, such as the William Green Building; retail, such as Easton in Columbus; apartments/residential; and industrial, such as a building owned by Johnson and Johnson to store medical and office supplies. Large assets with relatively consistent income that is inflation protected are preferred. These assets have income staying power; a building cost less to build years ago, but it costs much more to build in the present. The overall demand for commercial real estate is variable over time; in 2007 anyone was willing to purchase anything in real estate, but in 2008, nobody would touch the asset. Commercial real estate is coming back as an investment vehicle; long term the asset class adds value to portfolios by increasing return and decreasing risk. Commercial real estate produces income in two ways: income and appreciation. As a generalization, 75% of its total return over time is derived from income. RV Kuhns has a very low approval rate for real estate investments that are presented to them. RV Kuhns focuses on track records of managers because a consistent return in real estate is very important. Reasons to invest in real estate include low correlation to other assets and inflation hedging. Going forward, real estate investments are expected to increase in value and provide more stability than fixed income investments. Commercial real estate is segmented into three investment classes based on relative risk: core, value-added, and opportunistic.

Mr. Krivinskas then discussed value-added real estate. Value-added real estate has income and appreciation components. At one time, a value-added real estate investment most likely was once considered core real estate. Examples of what would make a property value-added are: overleveraging the asset; higher than core level of vacancy (re-leasing); or a dated building needing improvements. Value-added managers buy these properties with the intention of making them core real estate. As an example, overleveraging was examined. A prior owner decides to take an 80% debt to property value position in a building to increase capital, and thus impairs the property when its value falls significantly. Mr. Smith inquired if leveraging a core real estate asset is used to make investment in another property, and Mr. Krivinskas replied in the affirmative. Mr. Smith asked how RV Kuhns would protect the Bureau from an overzealous manager who did over-leverage properties. Mr. Palmeri replied RV Kuhns would perform due diligence on the investment manager like any other investment. Mr. Zuk inquired what value-added managers do to make a property core real estate. Mr. Krivinskas replied, the manager would provide capital to reduce the property debt position to 30-40% of property value, and make needed repairs to attract new tenants. Mr. Zuk and Mr. Price asked if the value-added concept is to locate stressed properties at a low price, convert the properties to core real estate, and then sell the properties at a profit. Mr. Krivinskas replied in the affirmative. Mr. Smith commented an 80% indebted property had no financial flexibility, rents decrease, the property's income decreases, and there is no capital to fix problems. Mr. Zuk inquired, if the Bureau invested in value-added real estate, he presumed a manager had an exit strategy; for example, the loan would be reworked, and the property repaired and sold within 5 years. If 5 years out, the market is not conducive to selling for a profit, he asked what the manager does. Mr. Krivinskas replied the manager would not sell. The property was still generating income; when the time was right to sell, the property would be sold. The investment strategy is to take advantage of a real estate market whereby prime location properties can be purchased at inexpensive prices. In many examples, the goal is to attract tenants, and then a buyer. Mr. Smith noted value-added investing only works if there is cash available. The first investment may not be the best opportunity, and that is why education is so important. The Board of Directors and the Bureau need to become more knowledgeable and comfortable with value-added real estate investing before a vote is taken.

Mr. Krivinskas mentioned examples of value-added real estate. Office buildings were usually located in prime coastal markets. A Trader Joe's franchise was used as a re-leasing example. The shopping center location was in a prime location, but the building was dated from the 1960s-1970s. No high quality tenants would occupy the space, and a higher than core real estate level of vacancy existed. Mr. Zuk inquired if releasing usually applied to large retail shopping centers or strip malls. Mr. Krivinskas replied usually the situation involves a shopping center or grocery anchored center where a Giant Eagle or Kroger is a tenant. The shopping centers are in better locations with better demographics, and typically the investment is very profitable. Mr. Zuk inquired if the shopping center was vacant because a Wal-Mart or Big Box opened nearby. Mr. Krivinskas replied in the negative; that real estate location would be an opportunistic investment because the shopping center had no identifiable staying power. Typically value-added real estate will be in an urban/suburban area with good demographics. Mr. Palmer asked if the profits and risks for clients are pooled. Mr. Krivinskas replied in the affirmative; all investment recommendations are pooled investment vehicles. A value-added investment requires $200 million to $1 billion in pooled assets from a multitude of investors. The Bureau would be pooled with, for example, large endowments or pension plans capable of sharing the risk. The Bureau would never directly own any property and its investment interest would be diversified among many portfolio properties. The proposed investment policy statement ("IPS") permits, whether core or value-added real estate, only investments in commingled funds. Mr. Smith noted insurance pools need sources of income. Mr. Krivinskas said insurance companies are one of the largest investors in value-added assets and are moving to the commingled model to reduce risk.

Mr. Zuk asked how the investment works. Mr. Krivinskas replied real estate capital is given to managers who did well managing commingled funds. Mr. Zuk inquired if there was more property involved than in core real estate; if the fund is raising $500 million, there had to be a property portfolio. Mr. Krivinskas said the first phase, usually 6-12 months, is to raise capital by soliciting institutional investors for an investment, such as retail properties in coastal markets, that is defined in a limited partnership agreement. Investors become partners and agree to commit capital over a 2-3 year period. The manager investigates the real estate market; if there is no opportunity, the best choice for the manager is not to invest. The manager's track record is not only what the manager had done, but also what the manager did not do in periods of exuberance. If the manager reports to clients there were no suitable investments, the clients should be thankful. All that was required was a commitment of capital; since the timing was not right, the commitment expires. For example, if the Bureau committed $25 million, and only $5 million in properties could be located during a defined capital drawdown period, the $20 million commitment expires unless extended by the Bureau. The capital committed would still earn interest in the fixed income assets retained by the Bureau unless called by the value-added fund manager to fund a property purchase. The RV Kuhns estimated long-term expected annual returns for core and value-added real estate are 7% and 10%, respectively. Part of this outperformance is because of the experience and judgment of managers and execution of business plans. Mr. Smith inquired about the deployment of capital in core real estate versus value-added real estate. Mr. Krivinskas replied core real estate is deployed relatively quickly, usually 6-12 months. Core real estate is held in open ended funds, and private pools can accept subscriptions of capital quarterly. Value-added funds require a 2-3 year commitment period because the manager is looking for the best opportunities. Mr. Smith asked what real estate investment sustained the most damage in the recent crash. Mr. Krivinskas replied the crash was a global financial crisis, and the damage was correlated to leverage, with heavily leveraged properties the most severely hit. Core real estate dropped one-third from market peak to market trough. If the core asset was not heavily indebted, the loss was more likely 25%; if the property was greater than 50% leveraged, the loss was much more than one-third. Leverage is a principle that works well on the upside but not on the downside of the market. RV Kuhns prefers to work with less leverage. Mr. Smith believed that the income portion representing 75-80% of the total return derived from the combination of core and value-added real estate being recommended was significant. He inquired to the present view of real estate investment. Mr. Krivinskas replied, of core, value-added, and opportunistic, value-added is currently the most attractive in terms of relative value. Core real estate hit bottom in the 1st quarter of 2010, but there have been indiscriminate upticks in valuations. Value-added is more interesting because of certain strategic advantages that core real estate does not have. Mr. Caldwell was satisfied with adding real estate as an asset class, so long as the Bureau was joining a peer group of investors and holding a diversified portfolio of real estate.

Mr. Dunn remarked almost every value-added fund is closed-ended with finite terms of existence and a detailed partnership agreement. The strategy for investors is to hold the managers to the agreement's terms. Since the Bureau is considering investment for value-added real estate for the first time, the fact that the Bureau will be investing with similarly situated peers with real estate experience is important. If value-added fund managers don't perform, the investor group can replace the manager. Generally, value-added funds are for 10 year terms, with a 3-5 year funding period. The time value of money is important in value-added investing when compared to core real estate. The Bureau would not invest capital committed in a value-added fund any sooner than required by the fund manager to purchase and fund a targeted property. Mr. Smith noted Mr. Dunn had previous real estate investing experience. Mr. Dunn said he worked in the insurance industry where 30-40% of investments were either mortgage loans or direct ownership of commercial real estate. Real estate had better returns than bonds. Regulators will recognize real estate as an asset class, but restrict property indebtedness to 75-80% of appraised value. Mr. Smith added the risk/return on the portfolio has impacts on premium rates; given the Bureau's role, the investment considerations must consider lower premiums. Mr. Lehecka noted property and casualty insurers did not invest much in real estate, but life insurers did. Mr. Dunn replied the insurer's liabilities dictate the investment choices; e.g., mortgage investing is common in life insurers because of the support of the investment towards paying liabilities.

3. CIO Recommendation on Real Estate Asset Class Strategy, SIF

Mr. Dunn presented the CIO Recommendation on Real Estate Asset Class Strategy, SIF. A memorandum dated May 17, 2011 from Mr. Dunn to the Board of Directors on this topic, and a memorandum dated May 26, 2011 from RV Kuhns to the Board of Directors, "Less Liquid Asset Class Rebalancing Policy Recommendation," are incorporated by reference into the minutes and were presented to the Investment Committee prior to the meeting.

Mr. Dunn's first point was every partnership, whether core or value-added real estate, requires an investment policy. The Investment Committee and the Board of Directors will approve every single investment commitment made towards private real estate funds, and they will be the key decision makers before any commitment is made. There will be an RFP search process to identify and recommend core private real estate funds to the Board. Mr. Dunn anticipates 20 core funds may respond to this RFP. The Bureau is capable of deploying funds towards core real estate funds relatively soon after any specific core fund is approved by the Board. He has a fundamental concern with the SIF portfolio's large exposure to long duration US Treasury bonds and TIPS. These fixed income securities are generating very meager current yields and are experiencing high volatility. The economy is presently at a low point in interest rates, and there was the need for diversification. Within 12 months, the Bureau could reduce exposure to these assets in the face of rising yields. Real estate will be a long term commitment and built into the SIF using a phased in approach. For the recommended 1.5% investment in value-added real estate, the investment would take 4-5 years to fund and would occur over various stages of the market cycle.

Mr. Smith noted for value-added real estate, the Bureau can examine and postpone commitments if needed. Mr. Dunn replied the Bureau's relationship with RV Kuhns, and being able to pool with the firm's other clients, will create favorable terms in the partnership agreements for value-added real estate. The Bureau would only see the top 5% of value-added real estate funds as investment options offered by RV Kuhns. Mr. Smith appreciated the fact Mr. Dunn and RV Kuhns is providing the most appropriate recommendations. Mr. Stokes inquired if RV Kuhns was going with a particular real estate investment manager, or would the manager be screened by RV Kuhns and clients. Mr. Dunn indicated the Bureau would be putting faith in Investment Division management and RV Kuhns to select the managers. Ms. Damsel noted she personally had great comfort in RV Kuhns' due diligence. RV Kuhns has a corporate governance rating system, which is very unique. The Bureau would not see proposals that did not pass that system. She also noted Mr. Krivinskas was a licensed attorney servicing real estate earlier in his career. She admitted RV Kuhns would be the "eyes and ears" of the Bureau in terms of sourcing value-added real estate. The Bureau would only expect to review the best 2-3 opportunities in a year. The Bureau staff would review these opportunities and, in addition, be aware of other institutional investors involved in the same investments. Mr. Smith noted RV Kuhns' May 26, 2011 memorandum, and their opinion, for best practices, is to be patient and very selective for appropriate opportunities to be presented.

Mr. Dunn thanked Mr. Cooper for his involvement in the proposed revision to the IPS involving the rebalancing of less liquid asset classes such as real estate. There was a slight modification concerning the actual Bureau holdings of real estate investment trusts ("REITs") in Mr. Dunn's real estate recommendation report. The Bureau had exposure to REITs by benchmarking the SIF with the Russell 3000. The exposure was 2.6-2.7% of the SIF US equity portfolio, with interest in approximately 100 REITs and market value of $120 million. Some investment firms do consider REITs as part of the real estate investment strategy; however, given the Bureau's exposure, Mr. Dunn rejected further consideration of REITs for real estate investment.

DISCUSSION ITEMS

1. **Portfolio Performance**

Mr. Dunn presented the quarterly performance summary. A copy of the report, titled "Investment Performance – Summary First Quarter 2011", is incorporated by reference into the minutes and was presented to the Investment Committee prior to the meeting. Mr. Dunn said it was unusual he presented this report prepared by Mercer Consulting; however, his presentation was necessitated by the change in investment consultants from Mercer Consulting to RV Kuhns.

In looking at the overall economy, Mr. Dunn noted there was slow but positive Gross Domestic Product growth over the past year. Some would consider the results disappointing, with a slowing from growth rates in the 3rd and 4th quarters of 2010 to 1.8% annual growth in the Ist quarter of 2011. Interest rates had modest increases over the yield curve, with 24 bp increase for 2 years, and 18 bp in 30 year bellwethers. There has not been much change in the shape of the U.S. Treasury bond yield curve over a prolonged period. The Consumer Confidence Index vs. YOY% Change in Retail Sales (Smoothed) demonstrated how tremendous the full retreat in retail sales was late last year and how strong consumer confidence returned. The 10 Year Inflation Expectations chart showed the spread between nominal US Treasuries and nominal TIPS yield remained near 2.5%, which was in the range of 2.25%-2.50%. This range has remained steady the last 1.5-2 years, even with TIPS performing well in the last year.

Mr. Dunn then reported on domestic equities index returns. Growth equities have outperformed value equities in both the 1 and 3 year periods. Since 2001, small cap equities have outperformed large cap equities, which was why the Bureau moved away from using the S & P 500 as a benchmark index in favor of the Russell 3000. The chart titled Russell 1000 Index Minus Russell 2000 Index for Rolling Three Year Periods further supported this position. The S & P 500 has been a laggard index over the past year at 15.7% return when compared to the Russell 2000 or Russell 2000 Growth at 25.8% and 31.0%, respectively.

With respect to market returns, Mr. Dunn focused on the 3 year returns ending March 31, 2011 on the chart on page 11. He reported the SIF portfolio returned an annualized 6.3% over that period, and none of the comparable broad benchmark indices – such as the S &

P 500, Russell 3000, or Barclays Capital Aggregate – returned close to 6.3%. This outperformance of the Bureau portfolio compared to its benchmark indexes was attributable to timing of the moves to certain asset classes, such as the shift from long government bonds to long credit bonds. The SIF portfolio had lagged pension funds in performance over the one-year period ended March 31, 2011 due to its lower comparative exposure to equities, but the SIF portfolio was now in the top 10% of public fund performance for 3, 4, and 5 year periods. Mr. Dunn also mentioned the NCREIF Property Index, which is an index of properties owned by core and value real estate funds. The 3 year return was -4.2%, but there has been a significant bounce in the past year, with a return of 13.1%. The 10 year return of the NCREIF Property Index of 7.4% annualized was also in line with RV Kuhns' estimated long-term annual return of 7% for core real estate.

Mr. Dunn reported all of the Bureau investment managers tracked their benchmarks closely, or within 10 basis points of their respective benchmarks over the first quarter of 2011. Over one year, only two managers did not track their respective benchmarks reasonably well: State Street regarding the Long Duration Credit Index and State Street regarding the TIPS Index. The benchmark was underperformed by 0.2% in the former, and outperformed by 0.2% in the latter. While the Bureau has been satisfied with State Street's performance in managing passively the Long Duration Credit portfolio, which is a difficult task, that portfolio still trailed the benchmark index by a significant amount.

Mr. Dunn reported the Bureau's portfolio as of March 31, 2011 is almost 92% SIF assets and 6.5% Disabled Workers' Relief Fund assets. State Street Global Advisors (42.8%) and BlackRock (34.8%) are the two firms with the highest percentage of assets under management ("AUM"), all of which are passively managed. Over a year ago, State Street had over 70% of the Bureau's AUM. A concerted effort was made by the BWC investment staff to diversify the Bureau's fixed income assets in 2010 which led to BlackRock's increased AUM at the expense of State Street. The Bureau's portfolio returned 10.4% over the past twelve months ended March 31, 2011, which is a good result. However, the SIF's US Long Credit return was in the bottom 10% of performance of the Mercer manager universe at 9.1% when compared with Mercer's median manager universe 10.2% return. Mr. Dunn indicated in part due to this underperformance of the passive managed Long Credit portfolio of SIF, an RFP has been posted for Long Duration Active Credit Managers on the Bureau's website effective today (May 26, 2011). Responses to the RFP are not due until July 14, 2011 as firms must answer 83 questions presented in the RFP.

2. Monthly and Fiscal Year-to-Date Portfolio Value Comparisons

Mr. Dunn presented the monthly and fiscal year-to-date portfolio value comparisons. A document summarizing this information is incorporated by reference into the minutes and was provided to the Investment Committee prior to the meeting.

For April 2011, Mr. Dunn reported the portfolio returned 2.6%, or $537 million. Both stocks and bonds performed well, with returns of 3.6% and 2.2%, respectively. Long credit outperformed all other fixed income assets at 2.6%. The laggard of the portfolio was US Aggregate at 1.3% return. Non-US equities outperformed US equities, 4.9% to 3.0%. The non-US equity returns documented how important local currencies, in relationship to the US Dollar (USD), impact total return. Greater than two-thirds of the non-US equities return was the result of a weak USD, which in turn impacted the overall portfolio's return by a positive 3.5% with the remaining 1.4% of performance represented by the local foreign markets in their respective currencies.

Fiscal year-to-date, Mr. Dunn reported the portfolio has returned 12.9%. Bonds had returns of 4.3%, which represents mainly interest payments and little or no appreciation. The clear driver of total performance has been the equity markets with a total portfolio return of 36.5%, with non-US equities and US equities returning 36% and 37%, respectively. For fiscal year-to-date, 15-16% of the total 36% non-US equity return is attributable to the weakness of the US dollar versus the composite of foreign currencies in the portfolio. While non-US equities have clearly lagged in their own currency, there has been comparable performance to US equities due to the USD weakness. Emerging markets were considered frothy 12 months ago, but taking into account the Bureau's strategy to allocate a portion of the portfolio to these stocks was clearly worthwhile.

3. Month-End Portfolio Asset Allocation Values

Ms. Damsel provided the month-end portfolio asset allocation values. A document summarizing this information is incorporated by reference into the minutes and provided to the Investment Committee prior to the meeting. April 2011 had an increase in the equities allocation for the SIF while the bond allocation remained flat. The increase in equities allocation was due to the strong relative performance of the Russell 3000, pushing equities to the upper end of target ranges. Asset allocations for all funds were in the mandated ranges.

Mr. Dunn then presented his portfolio update report. A copy of the report, and a document titled "BWC Invested Assets Estimated and Unaudited as of May 25, 2011," are incorporated by reference and were provided to the Investment Committee prior to the meeting. Mr. Dunn reported that the month of May will likely be a loss for the funds. The BWC portfolio was down 0.7% for the month through yesterday, with a 1.0% increase in bonds offset by the equity market correction. Non-US equities and US equities in SIF were down 6% and 3%, respectively, month-to-date. Of the 6.2% loss in non-US equities, changes in foreign currency valuations were responsible for 2.8% of the loss. The Euro's value deteriorated due to European economic concerns, and the US Dollar is the currency of choice in times of economic instability.

4. CIO Report – April 2011

Mr. Dunn noted the RFP for the Bureau's MWBE Manager of Managers is ongoing. The RFP Evaluation Committee has identified firms for further consideration, and on-site full day interviews are being scheduled. The goal is to present the first of two finalists at the July, 2011 meeting. The RFP Evaluation Committee is leaning towards selecting more than one firm for consideration by the Board.

5. Committee Calendar

Mr. Smith noted next month there would be a third review of Real Estate as an asset class.

ADJOURNMENT

Mr. Haffey moved to adjourn the meeting at 12:00 PM, seconded by Mr. Palmer. The motion passed by unanimous voice vote.